

# **Policy & Resources Committee**

<u>Date:</u> 1 July 2021

Time: **4.00pm** 

Venue Hove Town Hall - Council Chamber

Members: Councillors: Mac Cafferty (Chair), Druitt (Joint Deputy Chair),

Gibson (Joint Deputy Chair), Allcock (Opposition Spokesperson), Bell (Group Spokesperson), Appich, Clare, Evans, Miller and

Yates

Invitee: Dr Anusree Biswas Sasidharan

Contact: Mark Wall

Head of Democratic Services

01273 291006

mark.wall@brighton-hove.gov.uk

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PART ONE Page

#### PROCEDURAL MATTERS

#### 1 PROCEDURAL BUSINESS

(a) Declaration of Substitutes: Where Councillors are unable to attend a meeting, a substitute Member from the same Political Group may attend, speak and vote in their place for that meeting.

#### (b) Declarations of Interest:

- (a) Disclosable pecuniary interests;
- (b) Any other interests required to be registered under the local code;
- (c) Any other general interest as a result of which a decision on the matter might reasonably be regarded as affecting you or a partner more than a majority of other people or businesses in the ward/s affected by the decision.

In each case, you need to declare

- (i) the item on the agenda the interest relates to;
- (ii) the nature of the interest; and
- (iii) whether it is a disclosable pecuniary interest or some other interest.

If unsure, Members should seek advice from the committee lawyer or administrator preferably before the meeting.

(c) Exclusion of Press and Public: To consider whether, in view of the nature of the business to be transacted, or the nature of the proceedings, the press and public should be excluded from the meeting when any of the following items are under consideration.

**NOTE:** Any item appearing in Part Two of the Agenda states in its heading the category under which the information disclosed in the report is exempt from disclosure and therefore not available to the public.

A list and description of the exempt categories is available for public inspection at Brighton and Hove Town Halls.

2 MINUTES 9 - 16

To consider the minutes of the meeting held on the 13 May 2021.

Contact Officer: Mark Wall Tel: 01273 291006

Ward Affected: All Wards

#### 3 CHAIR'S COMMUNICATIONS

#### 4 CALL OVER

- (a) Items (7 19 and 21 22) will be read out at the meeting and Members invited to reserve the items for consideration.
- (b) Those items not reserved will be taken as having been received and the reports' recommendations agreed.

#### **GENERAL MATTERS**

#### 5 PUBLIC INVOLVEMENT

To consider the following matters raised by members of the public:

- (a) Petitions: to receive any petitions presented by members of the public to the full Council or as notified for presentation at the meeting by the due date of 17 June 2021 (10 working days);
- (b) **Written Questions:** to receive any questions submitted by the due date of 12 noon on the 25 June 2021;
- (c) **Deputations:** to receive any deputations submitted by the due date of 12 noon on the 25 June 2021.

#### **6 MEMBER INVOLVEMENT**

17 - 18

To consider the following matters raised by councillors:

(a) Written Questions: to consider any written questions;.

#### A CITY WORKING FOR ALL

# 7 TARGETED BUDGET MANAGEMENT (TBM) PROVISIONAL OUTTURN 2020/21

19 - 114

Report of the Acting Chief Finance Officer.

Contact Officer: Nigel Manyell Tel: 01273 293104

Ward Affected: All Wards

# 8 TARGETED BUDGET MANAGEMENT (TBM) 2021/22: MONTH 2 (MAY)

115 - 170

Report of the Acting Chief Finance Officer.

Contact Officer: Nigel Manvell Tel: 01273 293104

Ward Affected: All Wards

# 9 TREASURY MANAGEMENT STRATEGY STATEMENT 2020-21 - END 171 - 188 OF YEAR REVIEW

Report of the Acting Chief Finance Officer.

Contact Officer: James Hengeveld Tel: 01273 291242

Ward Affected: All Wards

#### 10 BUDGET PLANNING AND RESOURCE UPDATE 2022/23

Report of the Acting Chief Finance Officer.

Contact Officer: James Hengeveld Tel: 01273 291242

Ward Affected: All Wards

#### 11 I360 LOAN AGREEMENT

219 - 224

189 - 218

Report of the Executive Director for Economy, Environment & Culture.

Contact Officer: Max Woodford Tel:012773 291666

Ward Affected: All Wards

#### 12 CORPORATE CLEANING CONTRACT - JULY 2021

225 - 234

Report of the Executive Director for Economy, Environment & Culture.

Contact Officer: David Bond Tel: 01273 291470

Ward Affected: All Wards

#### A STRONGER CITY

#### 13 FAIR & INCLUSIVE UPDATE INCLUDING ETHNICITY PAY GAP

235 - 284

Report of the Executive Director for Finance & Resources.

Contact Officer: Deborah Totney

Ward Affected: All Wards

#### 14 REPORT ON MEMBERS ALLOWANCES - JULY 2021

Report of the Executive Lead Office for Strategy, Governance & Law.

Contact Officer: Elizabeth Culbert Tel: 01273 291515

Ward Affected: All Wards

#### A CITY TO CALL HOME

# 15 OLD STEINE AND PALACE PLACE APPROPRIATION FROM GENERAL FUND TO HOUSING REVENUE ACCOUNT

285 - 298

Extract from the proceedings of the Housing Committee meeting held on the 23 June 2021 (to follow), together with a report of the Executive Director for Housing, Neighbourhoods & Communities.

Contact Officer: Glyn Huelin Tel: 01273 293306

Ward Affected: All Wards

#### A HEALTHY AND CARING CITY

# 16 SUPPORTED HOUSING FOR PEOPLE WITH PHYSICAL DISABILITIES ON KNOLL HOUSE SITE

299 - 340

Report of the Executive Director for Health & Adult Social Care.

Contact Officer: Anne Richardson-Locke Tel: 01273 290379

Ward Affected: Wish

#### A SUSTAINABLE CITY

#### 17 COVID 19 BUS NETWORK RECOVERY PLAN

341 - 348

Report of the Executive Director for Economy, Environment & Culture.

Contact Officer: Owen McElroy Tel: 01273 290368

Ward Affected: All Wards

#### **PROCEDURAL MATTERS**

#### 18 APPOINTMENT TO THE AQUIFER PARTNERSHIP

To approve the appointment of Councillor Osborne to the partnership following a request to have a city council representative:

The Aquifer Partnership (TAP) is collaboration between Brighton & Hove City Council, The Environment Agency, South Downs National Park Authority and Southern Water.

#### 19 DECISIONS TAKEN UNDER DELEGATED POWERS

349 - 352

Report of the Executive Lead Officer for Strategy, Governance & Law.

Contact Officer: Mark Wall Tel: 01273 291006

Ward Affected: All Wards

#### 20 ITEMS REFERRED FOR COUNCIL

To consider items to be submitted to the 15 July 2021 Council meeting for information.

In accordance with Procedure Rule 24.3a, the Committee may determine that any item is to be included in its report to Council. In addition, each Group may specify one further item to be included by notifying the Chief Executive no later than 10.00am on [Insert Date] 2013 (the eighth working day before the Council meeting to which the report is to be made), or if the Committee meeting takes place after this deadline, immediately at the conclusion of the Committee meeting.

PART TWO Page

#### A HEALTHY AND CARING CITY

# 21 SUPPORTED HOUSING FOR PEOPLE WITH PHYSICAL DISABILITIES ON KNOLL HOUSE SITE - EXEMPT CATEGORY 3

353 - 542

Report of the Executive Director for Health & Adult Social Care (circulated to Members only).

Contact Officer: Anne Richardson-Locke Tel: 01273 290379

Ward Affected: Wish

#### A SUSTAINABLE CITY

# 22 COVID 19 BUS NETWORK RECOVERY PLAN - EXEMPT CATEGORY 543 - 546 3

Report of the Executive Director for Economy, Environment & Culture (circulated to Members only).

Contact Officer: Owen McElroy, Colin Harwood Tel: 01273 290368

, Tel: 01273

293856

Ward Affected: All Wards

# **PROCEDURAL MATTERS**

#### 23 PART TWO PROCEEDINGS

To consider whether the items listed in Part Two of the agenda and decisions thereon should remain exempt from disclosure to the press and public.

Date of Publication - Wednesday, 23 June 2021

The City Council actively welcomes members of the public and the press to attend its meetings and holds as many of its meetings as possible in public. Provision is also made on the agendas for public questions to committees and details of how questions can be raised can be found on the website and/or on agendas for the meetings.

The closing date for receipt of public questions and deputations for the next meeting is 12 noon on the fourth working day before the meeting.

Meeting papers can be provided, on request, in large print, in Braille, on audio tape or on disc, or translated into any other language as requested.

Infra-red hearing aids are available for use during the meeting. If you require any further information or assistance, please contact the receptionist on arrival.

#### **FURTHER INFORMATION**

For further details and general enquiries about this meeting contact Mark Wall, (01273 291006, email mark.wall@brighton-hove.gov.uk) or email democratic.services@brighton-hove.gov.uk

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Therefore, by entering the meeting room and using the seats in the chamber you are deemed to be consenting to being filmed and to the possible use of those images and sound recordings for the purpose of web casting and/or Member training. If members of the public do not wish to have their image captured, they should sit in the public gallery area.

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Please inform staff on Reception of this affects you so that you can be directed to the Council Chamber where you can watch the meeting or if you need to take part in the proceedings e.g. because you have submitted a public question.

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- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building, but move some distance away and await further instructions; and
- Do not re-enter the building until told that it is safe to do so.

#### **BRIGHTON & HOVE CITY COUNCIL**

#### **POLICY & RESOURCES COMMITTEE**

#### 4.00pm 13 MAY 2021

#### **HOVE TOWN HALL - COUNCIL CHAMBER**

#### **MINUTES**

Present: Councillor Mac Cafferty (Chair) Appich and Bell (Group Spokesperson).

**Also present**: Standing Invitee Dr Anusree Biswas Sasidharan

#### **PART ONE**

#### 179 PROCEDURAL BUSINESS

- (a) Declarations of Substitutes
- 179.1 Councillor Appich declared that she was present as a substitute for Councillor Platts.
- (b) Declarations of Interest
- 179.2 There were no declarations of interests in matters listed on the agenda.
  - (c) Exclusion of Press and Public
- 179.3 The Committee considered whether the press and public should be excluded from the meeting during the consideration of any of the items listed on the agenda.
- 179.4 **RESOLVED:** That the press and public be excluded from the meeting during consideration of the items contained in part two of the agenda.
- 180 MINUTES
- 180.1 **RESOLVED:** That the minutes of the last meeting held on the 18 March 2021 be approved as a correct record of the proceedings.
- 181 CHAIR'S COMMUNICATIONS
- 181.1 The Chair gave the following communications:

I'd also like to ask that you bear with us as we all work to the new arrangements today. I do want to acknowledge that we are meeting in person not because this was our choice but because the government failed to legislate for the continuation of virtual meetings and remote decision making, despite the ongoing pandemic, and despite the obvious

advantages that online meetings could afford us in terms of access to local decision making.

I've said before that while I'm of course glad to see many colleagues in person I consider this a retrograde and unfortunate step, and am here in protest; given that we remain convinced of the need to minimise Covid risk. Just weeks ago this meeting could have been held virtually, the only difference being that the government failed to extend the legislation to allow this to continue. So in a matter of weeks, the capacity for all councillors to make decisions in a virtual meeting has gone from lawful to unlawful.

Of course this means that for a limited time period we have had to adapt our meeting format in order to allow both in person decision making but also to minimise covid risk and adhere to the highest public health standards in order to protect both councillors, staff and members of the press and public from risk. This new arrangement means of course that many of our colleagues cannot be here today in person. We are now in the perverse situation where government legislation means that this committee is less democratic than it was during lockdown. It is our wish that looking ahead, we will be able to once again have full attendance when it is safe and in line with public health guidance.

We take public health and the health and safety of all working for the council extremely seriously and so can I state that I am also extremely grateful to colleagues and council staff for all they have done to make today as safe as possible and for everyone's continued efforts to drive down Covid-19 infections and minimise risk

This need is front and centre in my mind as public health teams and I continue to watch news about the variant common in India spreading in the UK. While we await the outcome of studies on what this variant means I am keen that we are prepared locally for any turn of events that may result. And while a variant of concern means increased testing is available to local areas to contain spread in tandem with contact tracing, this is another reminder that the pandemic is sadly far from over. Vaccination remains our strongest defence against the pandemic and this is why our work continues with the NHS locally to roll out community vaccinations in neighbourhoods across the city. This is to ensure as many residents as possible get vaccinated as quickly as possible in the areas where there has been least take up. Our focus continues on the issues affecting the city including Covid-19 and the continued opening up of the city so we can put our best foot forward.

Last week we teamed up with the Business Innovation District to 'brighten up' empty shops with art installations. This Sunday, Surfers Against Sewage are tidying our beaches with their Million Miles Beach Clean and I'd encourage you to get involved if you can. It starts at 10am at the Peace Statue.

Campaigns to support the local community in Moulsecoomb are still ongoing. On Saturday, there will also be a march taking place from Moulsecoomb Primary at 10am. It is highlighting the forced academisation process taking place. We will continue to fight against academisation in our city and stand side by side with parents, children, staff

and community campaigners against the takeover by Pioneer Academy. I'd encourage you to join us and help add your voice.

I'd also like to take this opportunity to make people aware of events taking place this week for International Day against Homophobia, Biphobia and Transphobia. From noon on Monday 17 May - the council's LGBTQ Workers Forum is holding a LOUD and PROUD LGBTQ+ health walk from the Palace Pier to The Level, to be visibly LGBTQ+, to share safe, welcoming, empowering LGBTQ+ peer space.

There will be flags and fun music for the gentle walk along fully accessible, flat, level pedestrian paths through Valley Gardens, which is in full bloom with a superb show of spring flowers. There is also advice about how to participate in a Covid-19 safe way. Everyone LGBTQ+ and allies are welcome to join.

As a closing remark of course this week has seen elections across the country; and in by-elections in Brighton & Hove; and I look forward now to a new civic year with some new colleagues, especially our newest Green colleague councillor Zoe John. I'd like to thank everyone who participated in the elections despite the challenges of this year. Finally I'd like to wish our Muslim community in the city a happy Eid – I'm very aware that Covid-19 restrictions mean that sadly this will be a different Eid to most years but hope that everyone celebrating can still have a meaningful and enjoyable day, as we look forward to a future where it's easier to meet again in person.

#### 182 CALL OVER

- 182.1 The Head of Democratic Services confirmed that the following items had been reserved for discussion:
  - Item 186 Review of the Council's Constitution
  - Item 187 Council and Committee Meetings Post 6<sup>th</sup> May 2021
- 182.2 The Head of Democratic Services confirmed that Item 189, Part Two Minutes having not been called had therefore been approved.

#### 183 PUBLIC INVOLVEMENT

- 183.1 The Chair noted that one public question had been submitted and that there were no other public items and therefore invited Mr Kapp to join the meeting and put his question.
- Mr Kapp thanked the Chair and asked if the council would devolve the ownership of the i360 to its democratically elected ground landlord, the Brighton West Pier Trust (BWPT) with a new franchise brief to proudly own and manage it as a viable public asset of the city, rescheduled to start repaying its £40m loan to the Council 4 years later, from June 2022 to 2044, by appointing a competent manager (like Luke Johnson) to market it as the biggest sundial in in the world, with an exhibition of the history of the measurement of time, as described on www.i360sundial.org.uk?

183.3 The Chair thanked Mr Kapp for his question and stated that The city council does not own the i360 and so cannot pass ownership on to anyone. The city council did loan money to the i360 and under the terms of that loan does have step in rights. However, as a number of previous reports to this committee have set out, the council is working with the existing management of the i360 to agree the principles of a loan restructure, as that is considered the most effective way to protect the council's investment. No element of the loan has been written off, it has only been deferred.

If it were considered that stepping in was the best way to protect the council's investment, then we would do that. However, in that event the future management of the attraction would need to be the thought about in detail and reported back to this committee. It could not just be devolved to any organisation or individual without due process.

- 183.4 Mr Kapp thanked the Chair and asked if the Council would be willing to take the model he had for display at the museum or at the site of the i360.
- 183.5 The Chair stated that the Council could not accept ownership of the model although he thanked Mr Kapp for the offer and stated that he could not confirm whether or not the owners of i360 would accept it and suggested that Mr Kapp contact them directly.

#### 184 ITEMS REFERRED FROM COUNCIL

- 184.1 The Chair noted that one Notice of Motion concerning the Green Pride event had been referred from the last full Council meeting held on the 25 March 2021 for consideration.
- 184.2 The Chair noted that the motion requested that a report be brought to a future meeting of the committee and proposed that this should be actioned.
- 184.3 **RESOLVED:** That officers be requested to bring a report on the management of the Green Pride event to a future meeting of the committee.

#### 185 MEMBER INVOLVEMENT

185.1 The Chair noted that there were no items from Members for consideration at the meeting.

#### 186 REVIEW OF THE COUNCIL'S CONSTITUTION

- 186.1 The Executive Lead Officer for Strategy, Governance & Law introduced the report which detailed proposed changes to the Council's Constitution to be approved by the committee and full Council. He noted that the proposals had been considered by the cross-party Constitution Working Group and were being brought forward as part of the regular review of the constitution.
- 186.2 Members of the committee welcomed the report and thanked the officers for the work that had been undertaken and noted the proposed changes would improve the workings of the council. The committee also welcomed the intention to produce job descriptions for co-optees and to have a co-optee on the Environment, Transport & Sustainability Committee.

186.3 The Chair noted the comments and put the recommendations to the vote which were carried.

#### 186.4 **RESOLVED**:

- (1) That the full Council be recommended to approve the proposal to make changes to the Council's Procedure Rules in Part 3.2 of the Council's Constitution indicated in paragraphs 4.1 4.7 inclusive and Appendix 1;
- (2) That the proposals to make changes to the Council's Member Working Groups and Advisory Bodies in Part 4 of the Council's Constitution as set out in paragraphs 4.8 to 4.11 inclusive and Appendices 2 & 3 be approved;
- (3) That full Council be recommended to approve the appointment of a co-optee to represent the perspective of disabled people to Environment, Transport & Sustainability Committee and a representative from Parent Carers' Council (PaCC) to be co-opted onto the Children, Young People & Skills Committee, as outlined in paragraph 4.12 of the report;
- (4) That a report be brought to the next Committee meeting, addressing proposals for the payment of an allowance to those co-optees and standing invitees described in paragraph 4.13 of the report;
- (5) That the proposal to make changes to the Scheme of Delegations to Officers in Part 6 of the Council's Constitution as set out in paragraphs 4.14 to 4.15 inclusive and Appendix 4 of the report be approved;
- (6) That the full Council be recommended to approve the proposal to make changes to the rules on Petitions in Part 8.10 of the Council's Constitution as set out in paragraphs 4.16 to 4.18 inclusive and Appendix 5 of the report;
- (7) That full Council approves the proposed changes referred to in paras 2.1, 2.3 and 2.6 above and as set out in Appendices 1 and 5 to the report;
- (8) That the Chief Executive and Monitoring Officer be authorised to take all steps necessary or incidental to the implementation of the changes agreed by the Policy & Resources Committee and by Full Council, and that the Monitoring Officer be authorised to amend all parts of the Council's constitutional documents necessary to incorporate the changes, and to republish the Constitution; and
- (9) That the proposed changes come into force immediately following their approval by Policy & Resources Committee or adoption by Full Council, as appropriate.

# 187 COUNCIL AND COMMITTEE MEETINGS POST 6TH MAY 2021

187.1 The Executive Lead Officer for Strategy, Governance & Law introduced the report which sought agreement to the proposed working arrangements for meetings of the Council, committees and other bodies after the 6<sup>th</sup> May following the conclusion of the legislation enabling the arrangements for virtual meetings. He stated that the proposals would take

the Council through to the end of July and a further review would then be undertaken to account for the Covid-19 roadmap set out by the government and arrangements in place at that time. He also noted that the actual legislation governing the holding of meetings may also be reviewed to enable virtual meetings to be held and this would then need to be considered for future meetings.

- 187.2 Members of the Committee welcomed the report and noted that the proposals to limit the attendance of councillors for Council and committee meetings was in line with health and safety recommendations and would be reviewed at the end of July. Members also thanked officers for enabling the virtual meetings to take place during the pandemic and noted that public engagement had been maintained and suggested that it had benefitted from the ability to join meetings virtually. It was hoped that the positive aspects of virtual meetings could be retained in the future.
- 187.3 Councillor Appich noted that the P&R Recovery Sub-Committee was listed as having all 5 Members in attendance for its meetings whilst the majority of committees would have 3 and queried whether this should be amended to maintain continuity.
- 187.4 The Executive Lead Officer stated that as it was only a five Member committee it had been felt that all the councillors could be accommodated. However, it the committee felt that it should only have 3 Members in attendance then that could be agreed.
- 187.5 Councillor Appich moved an amendment to reflect the need for the P&R Recovery Sub-Committee to only have 3 Members in attendance during the next committee cycle, which was formally seconded by the Chair and Councillor Bell.
- 187.6 The Chair put the amendment to the vote which was carried and then put the recommendations as amended to the vote which were carried.

#### 187.7 **RESOLVED**:

- (1) That it be noted that the regulations under which the council currently holds virtual meetings came to an end on 7<sup>th</sup> May 2021 and therefore there was a need to make different arrangements to comply with legal requirements;
- (2) That the public health considerations and the measures proposed to minimise risk to health be noted;
- (3) That the proposals set out in the protocol in Appendix 1 together with the supporting documents in Appendices 2 to 6 of the report as amended, be approved as a working arrangement to manage Council and Committee meetings during the time between 13 May and the end of July 2021;
- (4) That the enhanced delegations to Officers as set out in Appendix 1 and the flowchart in Appendix 2 to the report be agreed;
- (5) That Members authorise the Chief Executive and the Executive Officer for Strategy, Governance & Law to take such steps as are necessary to ensure that the arrangements for meetings are safe.

#### 188 ITEMS REFERRED FOR COUNCIL

188.1 The Chair noted that no items had been referred to the full Council meeting for information on the 15<sup>th</sup> July 2021.

### **PART TWO SUMMARY**

- 189 PART TWO MINUTES EXEMPT CATEGORY 4
- 189.1 **RESOLVED:** That the part two minutes of the meeting held on the 12<sup>th</sup> March 2021 be approved as a correct record.

#### 190 PART TWO PROCEEDINGS

190.1 **RESOLVED:** That the item contained in part 2 of the agenda remain exempt from disclosure to the press and public.

The meeting concluded at 5.02p	m	
Signed	Chair	
Dated this	day of	

# POLICY & RESOURCES COMMITTEE

# Agenda Item 6(a)

Brighton & Hove City Council

#### WRITTEN QUESTIONS

A period of not more than fifteen minutes shall be allowed at each ordinary meeting for questions submitted by Members.

The question will be answered without discussion. The person who asked the question may ask one relevant supplementary question, which shall be put and answered without discussion. The person to whom a question, or supplementary question, has been put may decline to answer it.

The following written question has been received from a Member:

## (1) Councillor Fishleigh

What is the council's plan for the land it owns to the north and south of the Gasworks site?

# (2) Councillor Fishleigh

When will the council be putting the land that it owns in Roedean known as The Paddock up for sale and will you be securing planning permission before the sale?

# POLICY & RESOURCES COMMITTEE

# Agenda Item 7

**Brighton & Hove City Council** 

Subject: Targeted Budget Management (TBM) Provisional

Outturn 2020/21

Date of Meeting: 1 July 2021

Report of: Acting Chief Finance Officer

Contact Officer: Name: Jeff Coates Tel: 29-2364

Email: jeff.coates@brighton-hove.gov.uk

Ward(s) affected: All

#### FOR GENERAL RELEASE

#### 1 PURPOSE OF REPORT 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 provisional outturn position (i.e. Month 12 year-end) on the council's revenue and capital budgets for the financial year 2020/21.
- 1.2 The final outturn position is subject to the annual external audit review of the council's accounts. The final position will be shown in the council's financial statements which must be signed by the Chief Finance Officer (CFO) on or before 1 August 2021 and the audited set approved by the Audit & Standards Committee by 30 September 2021.
- 1.3 As set out in the General Fund Revenue Budget 2020/21 report to Budget Council, £7.825m was provided for in the budget for reinvestment in identified cost and demand pressures across social care and £7.220m for reinvestment in other priority service areas. These sums were expected to meet identified demand-led, cost and income pressures in 2020/21. The council also set aside a risk provision of £0.750m to mitigate potential demand risks and/or any difficulties in delivering savings targets. However, since setting the budget the Coronavirus outbreak has had a severe financial impact on the city and the council for which significant financial support from government has been required. The financial position has been reported through regular financial update reports to Policy & Resources Committee throughout the year leading up to the setting of the 2021/22 budget at February Budget Council. This report provides the provisional outturn position and includes memorandum information to indicate the element of the forecast attributable to the pandemic.
- 1.4 The provisional outturn is a £9.733m underspend on the General Fund revenue budget. This includes an underspend of £0.989m on the council's share of the NHS managed Section 75 services. This is a further substantial improvement of £4.921m from Month 9 reflecting underlying improvements in income and expenditure as shown in paragraph 4.4 below.
- 1.5 As noted above, the council set aside a £0.750m risk provision to mitigate risks identified at the time of setting the budget. However, £0.575m of this was applied to meet the additional costs of the pay award, confirmed at 2.75%, and the remaining £0.175m has previously been released to support the forecast outturn position. The report also indicates that £2.909m (28%) of the substantial savings

package in 2020/21 of £10.291m was unachieved. Most of this (£2.303m) was due to pressures arising from COVID-19 for which grant support has been provided.

#### 2 RECOMMENDATIONS:

- 2.1 That the Committee note that the provisional General Fund outturn position is an underspend of £9.733m and that this represents an improvement of £4.921m compared to the projected and planned resource position at Month 9 taken into account when setting the 2021/22 budget.
- 2.2 That the Committee note the provisional outturn includes an underspend of £0.989m on the council's share of the NHS managed Section 75 services.
- 2.3 That the Committee approve General Fund carry forward requests totalling £5.321m as detailed in Appendix 5 and included in the provisional outturn.
- 2.4 That the Committee approve the proposed allocation of additional available outturn resources of £4.921m as set out in the table at paragraph 10.4.
- 2.5 That the Committee note the provisional outturn for the separate Housing Revenue Account (HRA), which is an underspend of £0.436m.
- 2.6 That the Committee note the provisional outturn position for the ring-fenced Dedicated Schools Grant, which is an underspend of £0.746m.
- 2.7 That the Committee note the provisional outturn position on the capital programme which is an underspend variance of £7.132m.
- 2.8 That the Committee approve the capital budget variations and re-profiling requested in Appendix 7.
- 2.9 That the Committee approve the creation of the Overdown rise Footpath Maintenance Reserve as set out in paragraph 9.10.
- 2.10 That the Committee delegate the allocation of the Corporate Plan Delivery Risk provision to the Chief Finance Officer following consultation with the Member Budget Review Group as set out in paragraph 10.3iv).

#### 3 CONTEXT / BACKGROUND INFORMATION:

#### 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 through effective financial recovery planning together with more regular monitoring of high risk demand-led areas as detailed below.
- 3.2 The TBM report is normally split into the following sections:
  - 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 Chief Finance Officer (statutory S151 officer)

# 4 General Fund Revenue Budget Performance (Appendix 4)

- 4.1 The General Fund includes general council services, corporately-held budgets and central support services. Corporate Budgets include centrally held provisions and budgets (e.g. insurance). Note that General Fund services are accounted for separately to the Housing Revenue Account (Council Housing). Note also that 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).
- 4.2 The table below shows the provisional outturn for council-controlled revenue budgets within the General Fund for 2020/21. These are budgets under the direct control and management of the Executive Leadership Team. More detailed explanation of the variances can be found in Appendix 4. Please note that the 'COVID Variance' column is a memorandum-only column identifying the extent of the 'Forecast Variance' attributable to the pandemic.

Forecast Variance Month 9 £'000		2020/21 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	COVID Variance Month 12 £'000	Provisional Variance Month 12 %
765	Families, Children & Learning	90,371	90,449	78	1,655	0.1%
6,115	Health & Adult Social Care	62,949	66,781	3,832	7,302	6.1%
7,830	Economy, Environment & Culture	35,310	41,246	5,936	7,631	16.8%
1,541	Housing, Neighbourhoods & Communities	13,603	15,672	2,069	2,138	15.2%
1,052	Finance & Resources	21,452	22,174	722	255	3.4%
149	Strategy, Governance & Law	6,124	5,666	(458)	296	-7.5%
17,452	Sub Total	229,809	241,988	12,179	19,277	5.3%
(1,220)	Corporately-held Budgets	(46,092)	(46,607)	(515)	373	-1.1%
2,200	Corporate PPE Costs	0	1,847	1,847	1,847	0.0%
(23,244)	COVID-19 Grant	0	(23,244)	(23,244)	(23,244)	0.0%
(4,812)	Total General Fund	183,717	173,984	(9,733)	(1,747)	-5.3%
4,062	Collection Fund Deficit			5,404		
(750)	Total Forecast			(4,329)		

- \* The Collection Fund deficit (variance) is shown net of government grant support of 75%.
  - 4.3 The position above shows an overall improvement compared with TBM Month 9 of £4.921m. The TBM improvement arises from a mixture of improved expenditure forecasts and an improvement in the overall income forecasts offset by a reduction in Sales, Fees & Charges compensation grant.
  - 4.4 The Budget Update report to the July 2020 committee meeting took the TBM Month 2 forecast and looked at possible scenarios for the remainder of the

financial year. Officers' best estimate of the position was set out in the 'Moderate View' scenario which started with the TBM Month 2 forecast as the base position. The table below compares the 'Moderate View' scenario reported to committee in July with an updated position as at the end of the year (i.e. month 12).

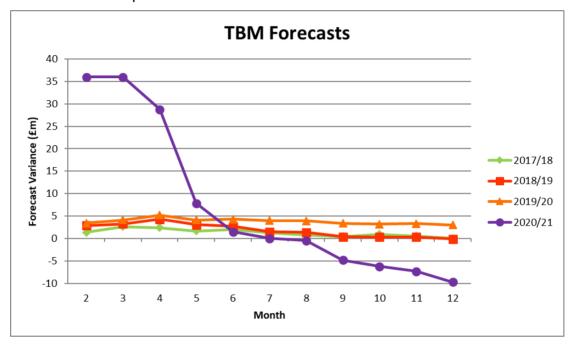
Updated Scenario (Moderate View)	Moderate View Forecast (July P&R) (£m)	TBM Month 9 Forecast (£m)	TBM Month 12 Forecast (£m)	Movem'nt from July Forecast Better (-) Worse (+) (£m)	Movem'nt from Month 9 Forecast Better (-) Worse (+) (£m)
Base position: TBM Forecast Month 2 (May)	36.003	36.003	36.003	0.000	0.000
Improvement due to speed of recovery (Income)	-5.000	-9.479	-12.198	-7.198	-2.719
Further Mitigations (i.e. cost improvements)	-3.000	-8.678	-11.638	-8.638	-2.960
Capital Programme pauses	-0.500	-0.492	-0.492	0.008	0.000
Further government COVID-19 funding	-10.000	-22.166	-21.408	-11.408	0.758
Revised Outturn Forecast 2020/21	17.503	-4.812	-9.733	-27.236	-4.921
Forecast Collection Fund Deficit 2020/21 *	10.000	4.062	5.404	-4.596	1.342
Total Projected (Surplus)/Deficit 2020/21	27.503	-0.750	-4.329	-31.832	-3.579

<sup>\*</sup> The Collection Fund deficit is shown net of government grant support of 75%.

This table is provided to aid understanding of movements since July 2020 when the council undertook detailed analysis of the potential financial impact scenarios arising from the pandemic. The second-to-last column shows that there have been improvements in income, costs and grant forecasts resulting primarily from the following:

- Improved income performance due to the busier than expected summer together with the Sales, Fees & Charges compensation grant of almost £15m. Later lockdowns have also not had the same depth of impact on economic activity;
- Significant additional NHS income of over £8m for discharge-to-assess care placements which is reflected in the Health & Adult Social Care forecast:
- Improved costs through effective financial management across the board including, significantly, a reduced forecast of PPE costs of £0.763m, and a reduced capital financing forecast of £0.466m due to reported delays and pauses to capital schemes which therefore reduces the Minimum Revenue Provision requirement;

- Substantial additional funding support from government for Emergency Response costs (i.e. excluding income losses) and outbreak containment which was £12.166m higher than estimated in July;
- An improved Collection Fund forecast due to a stabilisation of Council Tax Reduction claimants and a lower than expected impact on in-year collection performance together with application of the 75% government grant support for Collection Fund deficits.
- 4.5 The chart below shows the monthly forecast variances for 2020/21 and the previous three years for comparative purposes, however, the impact of the pandemic clearly makes comparisons difficult as this financial year has a very unusual forecast profile.



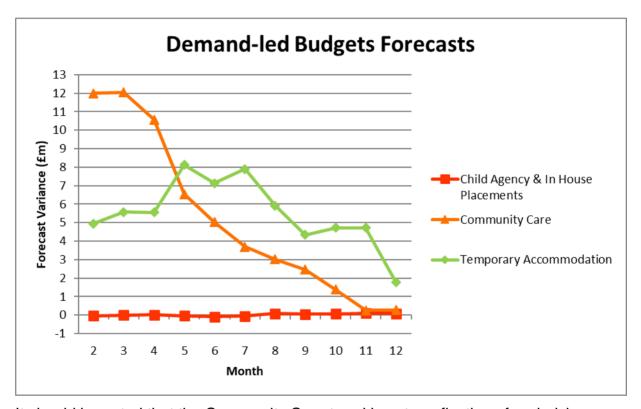
### **Demand-led Budgets**

4.6 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 budgets of corporate significance 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 can include income related budgets. These therefore undergo more frequent and detailed analysis.

<b>Forecast</b>		2020/21	<b>Provisional</b>	<b>Provisional</b>	COVID	<b>Provisional</b>
Variance		Budget	Outturn	Variance	Variance	Variance
Month 9		Month 12	Month 12	Month 12	Month 12	Month 12
£'000	Demand-led	£'000	£'000	£'000	£'000	%
	Budget					

46	Child Agency & In House Placements	21,997	22,074	77	466	0.4%
2,467	Community Care	70,527	70,802	275	576	0.4%
4,333	Temporary Accommodation	3,352	5,131	1,779	1,703	53.1%
6,846	Total Demand- led Budget	95,876	98,007	2,131	2,745	2.2%

The chart below shows the monthly forecast variances on the demand-led budgets for 2020/21.



It should be noted that the Community Care trend is not a reflection of underlying trends in activity which have remained significantly higher than budgeted. The line has fallen primarily due to substantial NHS income being received during the year in respect of hospital Discharge-to-Assess placements of which over £8m was received in total. Similarly, homelessness (Temporary Accommodation) was supported by successful MHCLG funding bids.

### **TBM Focus Areas**

The main pressures identified at outturn are across parts of Families, Children & Learning, Health & Adult Social Care, Homelessness, Transport, and Culture, Tourism & Sport. Information about these pressures and measures to mitigate them are summarised below:

4.7 **Children's Services:** The outturn position showed significant cost pressures: £1.538m on Services for Children with Disabilities and £0.896m on Home to School Transport. However, this was offset by underspends on Children in Care placements of (£1.165m) together with other underspends of (£1.191m); this resulted in a final outturn of £0.078m at the year end. £1.419m of the overspend related to Covid-19 – this was a combination of loss of income, impact on savings

targets and additional expenditure given the need to mitigate health risks posed by Covid-19.

The position for the Dedicated Schools Grant is an underspend of £0.746m. There are some significant overspends in the high needs block, most significantly mainstream school's top-up funding of £0.212m and education agency placements of £0.373m. These pressures are offset by one-off changes to the apportionment of costs between education and children's social care budgets, and a significant underspend in the early years block mainly due to lower spring term free entitlement levels. It is important to note this underspend will need to be carried forward to fund the retrospective clawback of early years funding that will be applied by DfE in 2021/22.

- 4.8 **Adults Services:** The service has faced significant challenges in 2020/21 in mitigating the risks arising from increasing demands from client needs, supporting more people to be discharged from hospital when they are ready and maintaining a resilient local provider market. This is alongside supporting vulnerable clients during the coronavirus pandemic, delivering a significant financial recovery plan and developing integration plans through the Better Care Fund.
  - Service pressure funding of £3.900m, including Better Care and Winter Pressure funding, was applied in 2020/21 and used to fund budget pressures resulting from the increased demands and complexity in the city. However, £1.550m was needed to backfill recent reductions in CCG funding contributions. Over the last two years there has been an overall £3.750m reduction in CCG funding due to pressures on local NHS budgets, however, this has all been borne by the HASC budget although CCG funding also relates to services in other directorates.
  - At the end of the financial year, £2.962m of the total financial recovery plan of £4.387m was unachievable. This is predominantly due to COVID-19 impacts.
  - Overall, HASC has overspent by £3.832m in 2020/21 which clearly indicates
    the scale of the current challenges. Actions are focused on attempting to
    manage demands on and costs of community care placements across
    Assessment Services and making the most efficient use of available funds.
    The majority of the overspend is a result of:
    - COVID-19 related spend £7.301m (excluding substantial PPE costs held corporately);
    - Unfunded element of cumulative CCG funding reductions of £0.400m;
    - £0.300m due to System control issues following the implementation of new software in April 2018, which have since been identified and are being addressed.
  - The HASC directorate has a Modernisation Programme which aims to implement a consistent strengths-based approach across key work streams, ensuring robust pathways are in place, developing a community reablement offer and re-designing the front door service. Currently the Health & Social Care system is under considerable pressure and this is generating additional costs for the council due to:
    - Pressures on NHS budgets resulting in reduced funding contributions from the CCG;

- Significant pressures on the acute hospital resulting in increased costs to support timely discharge into residential and nursing home care;
- Ongoing transformation of GP practices and enhancement of their clinical screening and general medical services which contribute to preventative support;
- Pressures on NHS outreach and other preventative services including community nursing (known as Integrated Primary Care Teams); and
- There is also focus nationally on improving rates of hospital discharge in order to accommodate winter pressures.

The funding of all care packages is scrutinised for Value for Money, ensuring that eligible needs are met in the most cost-effective manner which will not always meet people's aspirations. Established safeguards are in place to provide assurance within this process.

- 4.9 Housing Services and Temporary Accommodation: The 2020/21 outturn position for Temporary Accommodation (TA) including the accommodation for rough sleepers and those at risk of rough sleeping in hotels as part of the 'everyone in' initiative is an overspend of £4.903m. However, use of one-off funding from the Flexible Homelessness Support Grant of £2.463m and further Housing Benefit income of £0.661m for those in hotel accommodation means that the net position is an overspend of £1.779m. Since the forecast at month 9, there have been further costs relating to those in hotels including more food costs and higher than expected costs of repairs works on TA properties. The total overspend of £4.903m relates to the following:
  - Overspend of £1.139m for the continued higher volumes of temporary accommodation being required for 'business as usual' (estimated 105 households). The budget was originally set at an average of 36 units of spot purchase accommodation throughout the year, but it proved very difficult to prevent homelessness and move people on during the pandemic, hence the overspend. This is in part due to the competing pressure for available accommodation to 'move on' people accommodated due to the pandemic and is also due to the continuing local pressures. The teams have been overwhelmed by the numbers of people needing accommodation during the pandemic, all of whom require move on plans to be developed and this has resulted in longer stays in temporary accommodation as those assessments are worked through. The service has seen continued levels of overspending as in 2019/20 on other areas of TA such as income collection and repairs costs which means that £0.350m of savings have not been met.
  - A further net overspend of £1.870m in relation to housing those assessed as at risk of rough sleeping as part of the response to the 'everyone in' initiative from the Government, during the pandemic. As at the end of January 2021, an additional 145 clients were housed over and above the 105 units in spot purchase at the start of the year (so 250 units of spot purchase on 31st January 2021). However, by the end of March 2021 the 250 had reduced to 198 (but still an increase on business as usual clients of an additional 93 units).
  - A further cost £2.194m net of grant for the cost of hotel and university accommodation and move on costs for housing rough sleepers and those assessed as at risk of rough sleeping to 31 March 2021 as part of the 'everyone in' initiative by the Government. The underlying gross costs of £4.523m are higher than the forecast at month 9 (£4.290m) mainly due to

- more hotel rooms than forecast being required in the last few months of the financial year.
- An underspend of £0.300m relating to the new investment funding for an enhanced level of service for emergency short term accommodation. This procurement of this contract has been delayed due to the pandemic.

The service is planning to move all those housed under the 'everyone in' initiative (COVID 1 and COVID 2 cohorts) into more sustainable accommodation by 30th September 2021 and details are contained in the Next Steps and Rough Sleeping Accommodation report to P&R Committee 18 March 2021. Further funding was agreed as part of the Allocation of Contain Outbreak Management Fund (COMF) report to P&R (Recovery) Sub-committee 28 April 2021.

Housing is undertaking an overarching Temporary Accommodation 'end to end' Improvement Programme with support resource from Performance and Improvement team. This work includes considering how to reduce the use and length of stay in Temporary Accommodation and be linked to improving homeless prevention and enabling move on to more sustainable accommodation. The review also includes an assessment of void turnaround processes, income collection and repairs.

4.10 **Environment, Economy & Culture:** The Directorate has substantial income budgets for parking, planning and venues and for the council's commercial property portfolio, all of which are dependent on visitor numbers and commercial activity. There has also been a challenging additional income target for Parking Services of £3.800m for 2020/21. These activities and services have been heavily impacted by the COVID-19 lockdown and the outturn reflects significant income shortfalls compared to budget for 2020/21 in all these areas.

The final outturn position has improved from that for Month 9 due to higher Parking PCN income, reduced costs in Parking Services, improvements to commercial waste income, lower costs for suppliers relief and improvements to Seafront Property Income in Sport & Leisure. These improvements are partially reduced by greater arrears for commercial rents resulting in greater contribution to bad debt provision.

#### **Carry Forward Requests (Appendix 5)**

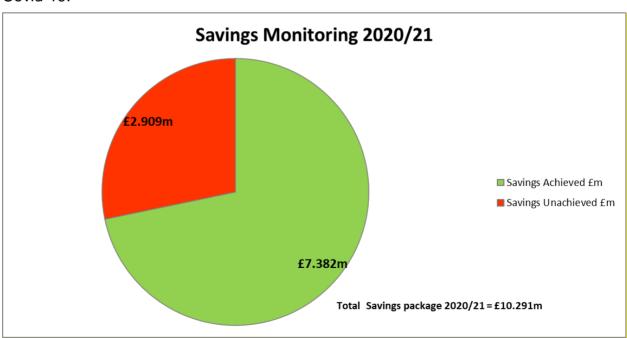
- 4.11 Under the council's Financial Regulations, the S151 Chief Finance Officer¹ may agree the carry forward of budget of up to £0.050m per member of the Corporate Management Team (up to a maximum of £1m in total) if it is considered that this incentivises good financial management. However, due to the challenging financial situation, all requests are being presented to this committee for consideration. Similarly, carry forwards have only been proposed where there is clear evidence of a fully-funded, prior commitment that was not able to be completed or undertaken by the end of the financial year. This will normally be supported by a contractual or purchase order commitment.
- 4.12 Carry forward requests include grant funded and non-grant funded carry forwards totalling £5.321m and have been assumed in the outturn figures above. The principles outlined in paragraph 4.11 above also apply. An analysis of these is provided in Appendix 5 split into two categories as follows:

<sup>&</sup>lt;sup>1</sup> The term 'Director of Finance' is used in Financial Regulations and has the same meaning as the council's appointed S151 Chief Financial Officer.

- i) The <u>non-grant funded</u> element of carry forwards totals £2.023m. These items have been proposed where funding is in place for contractual commitments, existing projects or partnership working that cross over financial years and it is therefore a timing issue that this money has not been spent in full before the year-end.
- ii) The grant funded element of carry forwards totals £3.298m. Under current financial reporting standards, grants received by the council that are unringfenced or do not have any conditions attached are now recognised as income in the financial year in which they are received rather than in the year in which they are used to support services. Carry forward is therefore required to ensure the grants are available to fund the commitments against them next year. The total also includes a sum of £0.746m relating to the Dedicated Schools Grant. Under the Schools Finance Regulations, the unspent part of the DSG must be carried forward to support the schools budget in future years.

# **Monitoring Savings**

- 4.13 The savings package approved by full Council to support the revenue budget position in 2020/21 was £10.291m following directly on from a £12.236m savings package in 2019/20. This was very significant and followed 9 years of substantial packages totalling over £165m that have been necessary to enable cost and demand increases to be funded alongside managing reductions in central government grant funding.
- 4.14 Appendix 4 provides a summary of savings in each directorate and indicates in total what was achieved or unachieved. Appendix 5 summarises the position across all directorates and presents the entire savings programme. The graph below provides a summary of the latest position and indicates that £2.909m (28%) was not achievable. All of this was in respect of pressures relating to Covid-19.



### 5 Housing Revenue Account Performance (Appendix 4)

- 5.1 The Housing Revenue Account is a separate ring-fenced account within the General Fund that covers income and expenditure related to the management and operation of the council's housing stock. Expenditure is generally funded by Council Tenants' rents, Housing Benefits and Universal Credit. The provisional outturn is an underspend of £0.436m and includes the setting up of a provision of £0.450m to be used for backdated harmonisation costs for transferred Repairs & Maintenance staff. More details are provided in Appendix 4.
- 5.2 The underspend on Repairs & Maintenance works has increased by £0.376m since Month 7 and therefore this sum will be set aside for repairs and maintenance catch up works in 2021/22 in accordance with the recommendations in the TBM Month 7 report, which was on the December Policy & Resources Committee agenda. The transfer of this reserve is detailed in the TBM Month 2 report also on this committee agenda.

### 6 Dedicated Schools Grant Performance (Appendix 4)

6.1 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 provisional outturn is an underspend of £0.746m and more details are provided in Appendix 4. Under the Schools Finance Regulations any underspend must be carried forward to support the schools budget in future years.

### 7 NHS Managed S75 Partnership Performance (Appendix 4)

- 7.1 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 include health and social care services for Adult Mental Health and Memory and Cognitive Support Services.
- 7.2 This partnership is 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 result in financial implications for the council where a partnership is underspent or overspent at year-end and hence the performance of the partnership is included within the provisional outturn for the Health & Adult Social Care directorate. The provisional outturn is an underspend of £0.989m and more details are provided in Appendix 4.

#### 8 Capital Programme Performance and Changes

- 8.1 The Capital programme spans more than one financial year and therefore monitoring is different to that of the revenue budget. Performance needs to be looked at from 5 different viewpoints at the end of the year as follows:
  - i) <u>Variance</u>: The 'variance' for a scheme or project indicates whether it has broken-even, underspent or overspent. Information on how forecast overspends will be mitigated is given in Appendix 7. If the project is completed, any underspend or overspend will be an outturn variance. Generally, only explanations of significant forecast variances of £0.100m or greater are given.

- ii) <u>Budget Variations</u>: These are changes to the project budget within year, requiring members' approval, and do not change future year projections. The main reason for budget variations is where capital grant or external income changes in year.
- Slippage: This indicates whether or not a scheme or project is on schedule. Slippage of expenditure from one year into another will generally indicate overall delays to a project although some projects can 'catch up' at a later date. Some slippage is normal due to a wide variety of factors affecting capital projects, however substantial amounts of slippage across a number of projects could result in the council losing capital resources (e.g. capital grants) or being unable to manage the cashflow or timing impact of later payments or related borrowing. Wherever possible, the council aims to keep slippage below 5% of the total capital programme.
- iv) Reprofiling: Reprofiling of budget from one year into another is requested by project managers when they become aware of changes or delays to implementation timetables due to unforeseeable reasons outside the council's direct control. Reprofiling requests are checked in advance by Finance to ensure there is no impact on the council's capital resources before they are recommended to Policy & Resources Committee.
- v) <u>IFRS changes:</u> These accounting adjustments are only applied at year-end and are necessary for the council to comply with International Financial Reporting Standards (IFRS) for the Statement of Accounts. This concerns the determination of items of expenditure as either capital or revenue expenditure. Only items meeting the IFRS definition of capital expenditure can be capitalised; expenditure not meeting this definition must be charged to the revenue account.

For many capital schemes there may be instances where some of the costs are of a day-to-day servicing nature and are not true capital expenditure. It would be impractical for an authority to assess every item of expenditure when it is incurred as to whether or not it has enhanced an asset. A practical solution is therefore applied instead and as part of the closure of accounts process an assessment is made by capital programme managers and Finance to determine the correct classification of capital or revenue. Where an element of the scheme is deemed to be revenue, the capital budgets are reduced by the same amount as the items that are subsequently charged to the revenue account to ensure no overall budgetary impact. These changes are designated as 'IFRS Adjustments' in Appendix 7.

8.2 The table below provides a summary of capital programme performance by Directorate and shows that there is an overall underspend of £7.132m which is detailed in Appendix 7.

Forecast Variance Month 9 £'000	Directorate	Reported Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12
0	Families, Children & Learning	11,739	11,694	(45)	-0.4%
0	Health & Adult Social Care	738	223	(515)	-69.8%

10	Economy, Environment & Culture	35,877	34,453	(1,424)	-4.0%
0	Housing, Neighbourhoods & Communities	2,164	2,013	(151)	-7.0%
(5,128)	Housing Revenue Account	42,944	38,169	(4,775)	-11.1%
(222)	Finance & Resources	3,096	2,874	(222)	-7.2%
0	Strategy, Governance & Law	747	747	0	0.0%
(5,340)	Total Capital	97,305	90,173	(7,132)	-7.3%

(Note: Summary may include minor rounding differences to Appendix 7)

8.3 Appendix 7 shows the changes to the 2020/21 capital budget. 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 9 report.

Summary of Capital Budget Movement	Reported
	Budget Month 12
	£'000
Budget approved as at Month 9	141,007
IFRS changes	(1,268)
New schemes to be approved in this report	0
Variations to budget (to be approved)	1,829
Reprofiling of budget (to be approved)	(40,487)
Slippage (to be approved)	(3,776)
Total Capital	97,305

8.4 Appendix 7 also details any slippage into next year. In total, project managers have forecast that £3.776m of the capital budget may slip into the next financial year and this equates to approximately 0.91% of the capital budget. The Committee will note the unusually high reprofiling requirement which is a direct consequence of the pandemic that has caused a wide range of delays due to working restrictions, supply chain issues, impacts on consultation processes and many other impacts.

#### 9 Implications for the Medium Term Financial Strategy (MTFS)

9.1 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.

### Capital Receipts Performance

9.2 Capital receipts are used to support the capital investment programme. For 2020/21 a total of £7.700m capital receipts (excluding 'right to buy' sales) have

been received. Disposals during the year include the sale of Oxford Street car park and Greenways Corner cottage; overage from Shoreham Airport; the transfer of dwellings to the HRA for new homes from Gladstone Court and Graham Avenue; plus the transfer of sites at Belgrave Centre and Coldean Lane land toward the housing joint venture.

9.3 The Government receives a proportion of the proceeds from 'right to buy' sales with a proportion required by the council to repay debt; the remainder is retained by the council and used to fund the capital investment programme. The total net usable receipts for 'right to buy' sales in 2020/21 is £2.316m including £1.652m available for replacement homes.

#### **Collection Fund Performance**

- 9.4 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 & Crime Commissioner 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.
- 9.5 The council tax collection fund ended the year with a deficit of £6.645m, an increase of £0.743m, and the council's share of the overall deficit is £5.637m. The main contributors to the deficit are set out in the table below:

Council Tax Element	Gain/(Loss) compared to Taxbase Estimate	BHCC Share
English the theory is a flee for collecting to be find at	£m	£m
Expected losses in collection relating to both the current year and the collection of arrears	(2.633)	(2.234)
Cost of increased Council Tax Reduction (CTR) awards	(1.813)	(1.538)
Ongoing increase in Severely Mentally III (SMI)	(0.405)	(0.244)
exemptions (including backdated elements)	(0.405)	(0.344)
Shortfalls in liability in part due to less properties being added to the valuation list	(0.785)	(0.665)
Higher net awards of other discounts (includes Single		
Person Discounts and disregards for students and	(0.495)	(0.420)
SMI claimants),		
Reduction in student exemptions	0.355	0.301
Other net exemptions and disregards	(0.339)	(0.288)
Brought Forward 2019/20 Deficit	(0.530)	(0.449)
Council Tax Loss compared to Taxbase Estimate	(6.645)	(5.637)

9.6 The business rates collection fund ended the year with a net deficit of £5.364m after allowing for S31 compensation grant funding. The main reasons are the impacts from Covid-19 on reduced collection of business rates income of £3.580m and increased empty relief £1.057m. There was also a net increase to the appeals provision of £0.253m. The council's 49% share of the net deficit is £2.628m.

9.7 The combined collection fund deficit of £8.265m will be spread over three years and partially offset partly by government funding (at 75%) which provides for identified Covid-19 impacts on the tax base but does not cover any impacts on collection performance as the government does not want to disincentivise recovery of debt. This leaves a net Collection Fund deficit of £5.404m to be managed over the 3 years.

# **Reserves, Budget Transfers and Commitments**

- 9.8 The creation or redesignation of reserves, the approval of budget transfers (virements) of over £0.250m, and agreement to new financial commitments of corporate financial significance that are not provided for in the approved budget and policy framework require Policy & Resources Committee approval in accordance with the council's Financial Regulations and Standard Financial Procedures.
- 9.9 As normal, the council's reserves and provisions have been fully reviewed as part of the annual closure of accounts process and a schedule of the reserves is shown at Appendix 8. Current reserves and balances are considered to be appropriate to meet normal risks, commitments and liabilities, although one new reserve is proposed see paragraph 9.10 below. Similarly, provisions identified during the closedown process are considered appropriate and reasonable and will be subject to review by the external auditor to ensure they adequately reflect identified liabilities and obligations.
- 9.10 It is proposed to establish an Overdown Rise Footpath Maintenance Reserve of £0.020m. This is required because it has been agreed with the owner of the land that the footpath will become a designated right of way and maintenance responsibility will transfer to the council. The owner has paid a sum of £0.020m for future years' maintenance and it is proposed that this be held in a reserve and drawn down as required. Committee approval for creation of the reserve is sought.

#### 10 PROPOSED ALLOCATION OF ADDITIONAL RESOURCES

- 10.1 The provisional outturn position for 2020/21 indicates that additional resources of £4.921m are available to support the council's financial position.
- 10.2 Before considering allocation of these resources, the committee is advised that the following items are currently placing pressure on the council's financial resilience and level of available reserves:
  - i) Financial Smoothing: In setting the budget for 2021/22, Budget Council agreed to the use of Financial Smoothing (i.e. internal borrowing from reserves) in the sum of £3.971m to balance the 2021/22 budget, to be repaid over 10 years starting in 2022/23. While the final use of Financial Smoothing is significantly below earlier projections made prior to government Covid funding announcements, the use of any reserves to balance the annual budget is not a financially healthy position for any authority. Ideally, reserves should therefore be replenished at the first opportunity in order to provide mitigation against any future financial risks or shocks.
  - ii) Collection Fund deficits spread over 3 years: The council's Business Rate and Council Tax collection was significantly impacted by the pandemic resulting in large Collection Fund deficits. These require further one-off resources of £1.238m to be identified in both 2022/23 and 2023/24 to meet the balance of the 2020/21 Collection Fund deficit remaining after government Covid funding and following the government's announcement

- that local authorities would be allowed to spread the deficit over 3 years. These sums will need to be identified from available one-off resources in 2022/23 and 2023/24 otherwise further financial smoothing (borrowing from reserves) may be required.
- iii) Summary of all reserve calls: Together with the Financial Smoothing above, the council has approved the use of reserves to support other initiatives on a temporary basis pending repayment. While these reserves will therefore be returned, it does mean that the level of cash-backed reserves available is suppressed until these are fully repaid. The reserves currently 'loaned' and the relevant payback periods are as follows:

Item/Reserve	Amount £m	Repayment Period	Repayments Start
Financial Smoothing of the	3.971	10 years	2022/23
2021/22 General Fund Budget			
Term Time Only (TTO) back	3.300	10 years	2021/22
pay settlement for schools			
Surface Water Action	0.385	10 years	2020/21
Management Plan			
Waste PFI	0.170	4 years	2021/22
Royal Pavilion & Museums	4.000	Up to 10	2021/22
Trust Cash Facility		years	
Brighton Youth Centre	0.325	6 years	Est 2022/23
Total Borrowed	12.151		

- iv) The National Joint Council (NJC) pay offer: The employers' side of the NJC has made a pay award offer of 1.5% under the national pay bargaining mechanism. Brighton & Hove City Council, as in previous years, followed the government's Spending Review assumptions for pay which was for a pay freeze, accept for those earning £24,000 or less for which provision was made in the council's budget. A 1.5% pay award (the minimum now likely) will cost £1.680m more than the current provision and will need to be addressed on a one-off basis in 2021/22 and permanently from 2022/23.
- 10.3 There are a small number of priority one-off costs that the committee are recommended to consider for allocation as follows:
  - i) Moulescoomb Primary School £0.317m: The school is currently designated for transfer to Academy status in 2021/22 under a statutory order. However, the school is currently in deficit and this is continuing to grow during 2021/22. At the point of transfer the deficit is estimated to be approximately £0.301m. In addition, there are legal and pension actuary costs relating to the TUPE transfer of staff estimated at £0.016m. The committee is therefore recommended to set aside £0.317m from the General Fund underspend for the potential transfer of the school to Academy status, which would otherwise need to be funded from the Dedicated Schools Grant following consultation and agreement with the Schools Forum.
  - ii) The World Reimagined £0.160m: The council has the opportunity to become one of 10 cities participating in this mass participation project which explores the impact of the Transatlantic Slave Trade over hundreds of years through to modern day barriers and looking into the future. This council has made a public pledge to work towards being actively anti-racist and this initiative could make a significant positive contribution to this commitment.

The project will see trails of large globe sculptures in cities across the UK in the summer of 2022, created by artists to bring to life the impact of the Transatlantic Slave Trade. The trails will be the centre of a broader education and engagement programme, with schools, community groups, sports and cultural institutions across the country. At the end of the project, The World Reimagined will auction a large number of the sculptures to raise money for people and organisations doing important work for racial justice.

It costs £0.085m to participate in The World Reimagined but, as a London-led scheme, there would need to be linked projects provided locally, estimated to cost £0.075m. Full engagement over the project content with relevant local groups will be programmed over the summer with the details of the project being relayed to and agreed at the September Tourism, Equalities, Communities & Culture (TECC) committee. The projects would take place over 2021/22 and 2022/23 and therefore the request at this stage is to ring-fence £0.160m from the available outturn resources to secure the council's commitment to this initiative.

- iii) Services for Young People with Special Educational Needs & Disability (SEND) £0.025m: A key third sector provider in the city has suffered a large, unexpected loss of Big Lottery Funding which will put in jeopardy a number of important services for vulnerable young people with SEND. In the interim, the provider is furloughing some staff to reduce costs while it explores other fund raising opportunities but has requested additional temporary funding support from both the City Council and East Sussex County Council to ensure continuity of services. These services contribute to many of the outcomes identified in the City Council's SEND strategy 2021 to 2026 and provide important peer support and careers advice for young people with SEND. A contribution of £0.025m is recommended.
- iv) Corporate Plan Delivery Risk Provision £0.239m: The council's Corporate Plan was supported by investment in priority areas in the 2021/22 revenue and capital budget. This included significant investments for carbon reduction and sustainability, including the Warmer Homes initiative, as well as a wide range of support for other priorities including housing, homelessness, tackling inequality, environmental and biodiversity improvements, seafront infrastructure, and sustainable transport initiatives.

The budget identified some additional resources to support delivery of these priorities but the ongoing impact of the pandemic through to at least July, has caused further delays to existing and planned programmes of work, including capital investment schemes, and has continued to divert staffing resources to the management of the pandemic. It is proposed that this sum be set aside to help to manage delivery risks and provide necessary short term resources to ensure advancement of projects and programmes including those relating to work already underway to address disadvantage, narrowing the attainment gap and providing safe routes and active travel to schools.

The requirement for resources is likely to fluctuate across programmes depending on current capacity and the impact of the pandemic on services, which does not fall evenly. To determine the use of this resource, it is therefore proposed to delegate allocation to the Chief Finance Officer following consultation with the Member Budget Review Group (BRG) attended by the Finance Leads of the three main groups.

10.4 Based on the information above and pursuing the recommended action of repaying Financial Smoothing from any outturn underspend, as set out in paragraph 5.26 of the General Fund budget report in February 2021, the following allocation of available outturn resources is proposed:

Proposed Allocations	Amount (£m)
One-off provision for the 2021/22 Pay Award	1.680
Moulsecoomb Academy Transfer Costs	0.317
The World Reimagined	0.160
Services for Young People with SEND	0.025
Corporate Plan Delivery Risk Provision	0.239
Repayment of 2021/22 Financial Smoothing	2.500
Total Proposed Allocation	4.921

Note that repaying £2.500m financial smoothing will reduce the level of recurrent financial commitments in 2022/23 by £0.250m and is therefore preferred over holding funds for years 2 and 3 of the Collection Fund deficit.

10.5 In the event that the pay award is agreed at a higher level than the current (rejected) offer, the pay award provision will be increased and the amount set aside to repay Financial Smoothing will be correspondingly reduced.

### 11 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

11.1 The provisional outturn position on council controlled budgets is an underspend of £9.733m including the council's risk-share of the provisional underspend on NHS managed Section 75 services of £0.989m. This is an improvement of £4.921m compared with the projected position at month 9 providing additional resources for either repayment of reserves, or allocation to other priorities or reserves.

#### 12 COMMUNITY ENGAGEMENT & CONSULTATION

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

# 13 CONCLUSION AND COMMENTS OF THE CHIEF FINANCE OFFICER (S151 OFFICER)

13.1 The overall resource position has improved by £4.921m compared with the position at Month 9 and assumed in the 2021/22 Revenue Budget report to Policy & Resources Committee and Budget Council in February 2021. This represents a good outcome for 2020/21 compared to early forecasts in the financial year before government Covid-19 funding support became clear. There remain underlying pressures across income generating areas and, in particular, homelessness and rough sleeping, which will need a smooth and orderly exit from the pandemic in order to avoid similar costs building up again in 2021/22.

#### 14 FINANCIAL AND OTHER IMPLICATIONS

**Financial Implications:** 

14.1 The financial implications are covered in the main body of the report. Financial performance is kept under review on a monthly basis by the Executive Leadership Team and cross-party Budget Working Group and the management and treatment of strategic financial risks is considered by the Audit & Standards Committee.

Finance Officer Consulted: Jeff Coates Date: 07/06/2021

#### Legal Implications:

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: 21/06/21

#### **Equalities Implications:**

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

#### Sustainability Implications:

14.3 Although there are no direct sustainability implications arising from this report, the council's financial position is an important aspect of its ability to meet Corporate Plan and Medium Term Financial Strategy priorities. The achievement of a breakeven position or better is therefore important in the context of ensuring that there are no adverse impacts on future financial years from performance in 2020/21.

#### Risk and Opportunity Management Implications:

14.4 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 and which also help to manage unexpected financial shocks.

#### SUPPORTING DOCUMENTATION

#### **Appendices:**

- 1. Financial Dashboard Summary
- 2. Revenue Budget Performance RAG Rating
- 3. Revenue Budget Movements since Month 9
- 4. Revenue Budget Performance
- 5. Year-end Carry Forward Requests
- 6. 2020/21 Savings Progress
- 7. Capital Programme Performance
- 8. Schedule of Reserves

#### **Documents in Members' Rooms:**

None.

#### **Background Documents**

None.

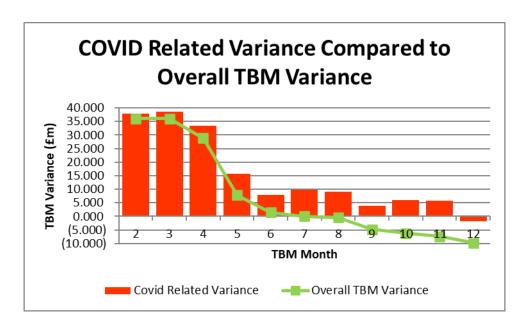
#### **Appendix 1 - Financial Dashboard Summary**

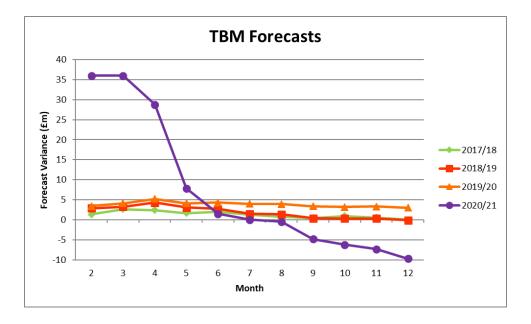


Red = overspent. Green = Underspent. Size of bubble indicates scale of under or overspend. If a directorate is not shown then a break even position is forecast.

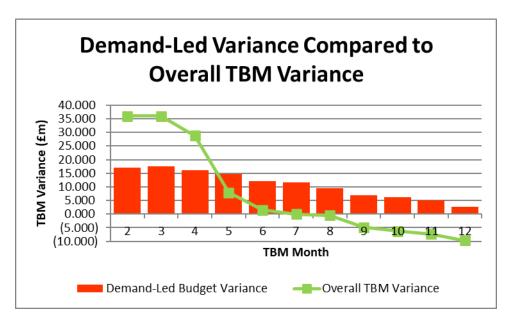
Direction of Travel								
Directorate/Fund	Provision al Variance	Provisional Variance Month 12	Change From Month 9	RAG Rating Month 12				
	£'000	%						
General Fund Services:								
Families, Children & Learning	78	0.1%	$\uparrow$	Amber				
Health & Adult Social Care	3,832	6.1%	$\uparrow$	Red				
Economy, Environment & Culture	5,936	16.8%	$\uparrow$	Red				
Housing, Neighbourhoods & Communities	2,069	15.2%	$\downarrow$	Green				
Finance & Resources	722	3.4%	<b>↑</b>	Red				
Strategy, Governance & Law	(458)	-7.5%	<b>↑</b>	Green				
Corporately-held Budgets	(21,912)	-47.5%	$\downarrow$	Green				
Total General Fund	(9,733)	-5.3%	<b>↑</b>	Green				
				ĺ				
Dedicated Schools Grant (DSG)	(746)	-106.1%	<b>^</b>	Green				
Housing Revenue Account	(436)	0.0%	$\downarrow$	Green				

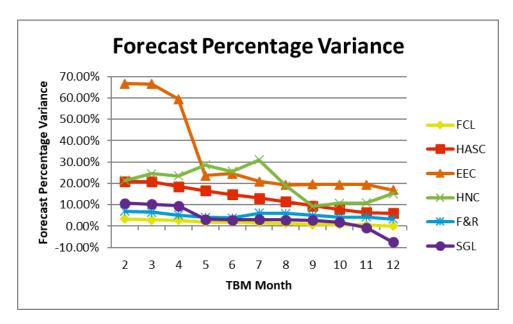
个 =	: Improving positi	ion, ↓ = ˈ	Worsening	position
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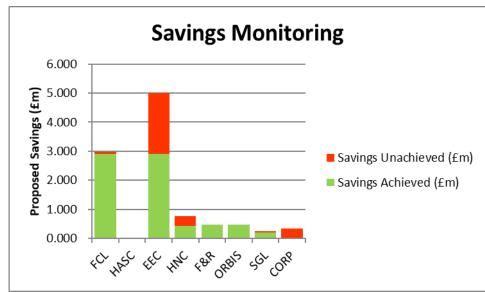


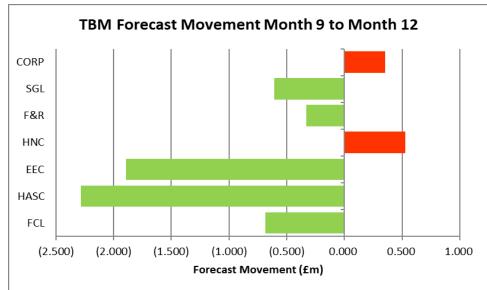


#### **Appendix 1 - Financial Dashboard Summary**









	Foreset	Dravisianal			
	Forecast	Provisional		COVID	
	Variance	Variance	Mayamant	COVID	
Service	Month 9 £'000	Month 12 £'000	Movement £'000	Movement £'000	Explanation of Main Movements
Director of Families, Children & Learning	(11)	(12)	(1)	0	Explanation of Main Movements
Health, SEN & Disability Services	1,987	1,544	(443)	(1,067)	Improvement in Adult LD community care
riealth, SEN & Disability Services	1,307	1,544	(443)	(1,007)	budget due to increased backdated
					funding from CCG, reclaim of direct
					payment surpluses and impact of court
					judgement regarding no backdated
					liability for sleep-in allowances. COVID-
					19 movement due to removal of impact
E Lordino O Olillo	0.07	705	(400)	0.4	on planned savings.
Education & Skills	867	735	(132)	24	O contract of the last track in
Children's Safeguarding & Care	(2,049)	(2,130)	(81)	(23)	Ongoing vacancies and reduced activity
Quality Assurance & Parformance	(20)	(FO)	(20)	1	in the adolescent and contact services.
Quality Assurance & Performance	(29)	(59)	(30)	0	Various small changes
Further Financial Recovery Measures	765	78	_		
Total Families, Children & Learning			(687)	(1,065)	I link an attaition nation there are a develop
Adult Social Care	2,681	1,725	(956)	(477)	Higher attrition rates than previously
					forecast. Adjustment to NHS England funding forecast for Quarter 4.
S75 Sussex Partnership Foundation	(35)	(989)	(954)	(230)	Higher attrition rates than previously
Trust (SPFT)	(33)	(303)	(334)	(230)	forecast. Adjustment to NHS England
11461 (6.1.1)					funding forecast for Quarter 4.
Integrated Commissioning	3,469	3,096	(373)	480	COVID-19 costs increased in Quarter 4
		,	,		against previous forecast.
Public Health	0	0	0	3	
Further Financial Recovery Measures	0		0	0	
Total Health & Adult Social Care	6,115	3,832	(2,283)	(224)	
Transport	5,199	3,548	(1,651)	(1,435)	Parking Services as a whole generated
					(£1.251m) net movement due to contract
					and running cost reductions,
					improvements in Penalty Charge Notices
					in final quarter and reduction in
					contributions to bad debt provision as

		Provisional			
	Variance	Variance		COVID	
	Month 9	Month 12	Movement	Movement	
Service	£'000	£'000	£'000	£'000	Explanation of Main Movements
					well as lower than forecast parking,
					permit & suspensions income due to the
					impact of the 3rd lockdown. Other
					movements include (£0.238m)
					improvement in Traffic Management due
					to increases in final quarter for Traffic
					Regulation Orders, Road Works permits
					and other income. £0.150m worsening in
					Transport Policy & Strategy due to
					agency spend covering long term
					sickness and pending restructure to ensure adequate permanent resource as
					well as shortfalls in income. There was a
					£0.188m improvement in Transport
					Projects & Engineering as well as other
					smaller improvements. Concessionary
					Bus Fares improved by £0.091m due to
					an adjustment in February for under
					achievements in 2019/20 as part of the
					fixed deal.
City Environmental Management	800	555	(245)	102	Improvements to Commercial waste
			, ,		income and enforcement income in the
					final quarter.
City Development & Regeneration	(50)	(190)	(140)	(189)	Improvements to Development Planning
					income in the final quarter and
					favourable movements on staffing and
					other supplies & services budgets.
Culture, Tourism & Sport	761	363	(398)	(398)	The movement was mainly within Sport
					& Leisure (£0.508m) resulting from an
					increase in the income invoiced for
					Seafront Properties. This was due to
					greater certainty in the trading conditions

	_				
	Forecast Variance	Provisional Variance		COVID	
	Month 9	Month 12	Movement	Movement	
Service	£'000	£'000	£'000	£'000	Explanation of Main Movements
0011100	2 000	2 000	2 000	2 000	following the anticipated end of
					lockdown, as well as a forecast cost
					assumed for suppliers relief that was not
					required following negotiations. Other
					movements include additional payments
					agreed with the Royal Pavilion Museum
					Trust including Term Maintenance
					charge of £0.029m and the additional
					pay award in year of £0.035m. A net worsening of £0.094m in Venues due to
					a mixture of small improvements and
					additional premises costs.
Property	1,120	1,660	540	540	
1, 1, 3,	, -	,			than forecast contribution to bad debt
					provision due to increases in commercial
					rent arrears during the year as a result of
					the various lockdowns closing these
					businesses to the public. Agreed rent
					reductions also affected in-year income. Some planned maintenance projects
					were delayed due to COVID-19
					restrictions resulting in carry forwards for
					projects that were started, paused and
					restarted thus affecting the completion of
					the overall annual programme.
Further Financial Recovery Measures	0	_	0	0	
Total Economy, Environment & Culture	7,830	5,936	(1,894)	(1,380)	Here (Ele The Here I
Housing General Fund	4,479	1,999	(2,480)	(1,777)	Use of Flexible Homelessness Support
					Grant of £2.463m and Housing Benefit from rough sleepers of £0.660m is now
					included in outturn. More expenditure on
					repairs of £0.099m, rough sleepers costs

	Forecast Variance	Provisional Variance		COVID	
	Month 9	Month 12	Movement		
Service	£'000	£'000	£'000	£'000	Explanation of Main Movements
0011100	2 000	2 000	2 000	2 000	£0.233m, travellers costs £0.041m,
					Seaside Homes £0.056m, Homemove £0.074m, Private sector housing 0.050m.
Libraries	143	(39)	(182)	(24)	Impact of third lockdown, particluarly the lack of need to cover staff absences during a lockdown.
Communities, Equalities & Third Sector	169	193	24	0	Minor variances.
Safer Communities	0	(84)	(84)	(8)	Staff vacancies.
Further Financial Recovery Measures	(3,250)	0	3,250	0	Incorporated in service outturns above.
Total Housing, Neighbourhoods &	1,541	2,069	528	(1,809)	
Communities					
Finance (Mobo)	(70)	(83)	(13)	0	Slightly lower audit and contractual costs than expected.
HR & Organisational Development (Mobo)	97	117	20	0	Further income pressures.
IT&D (Mobo)	0	0	0	0	
Procurement (Mobo	0	36	36	0	Small general budget pressure.
Business Operations (Mobo)	164	155	(9)	0	
Revenues & Benefits (Mobo)	254	280	26	19	
Housing Benefit Subsidy	557	259	(298)	0	Improvement in the net position on the collection of overpayments of £0.295m.
Contribution to Orbis	50	(42)	(92)	0	Reduced overspend of Orbis Partnership.
Further Financial Recovery Measures	0	0	0	0	
Total Finance & Resources	1,052	722	(330)	19	
Corporate Policy	0	1	1	0	
Legal Services	(115)	(167)	(52)	0	Further vacancy management and income overachievement.
Democratic & Civic Office Services	(9)	(156)	(147)	0	Underspends due to reduced committee meetings.

	Forecast Variance	Provisional Variance		COVID	
	Month 9	Month 12	Movement	Movement	
Service	£'000	£'000	£'000		Explanation of Main Mayamanta
				£'000	Explanation of Main Movements
Life Events	183	(163)	(346)	0	Increased funeral income towards year
					end and reduced costs of electoral
					service such as no canvassing.
Performance, Improvement &	(6)	(6)	0	0	
Programmes					
Communications	96	33	(63)	0	Higher recharging of costs than
			, ,		expected.
Further Financial Recovery Measures	0	0	0	0	
Total Strategy, Governance & Law	149	(458)	(607)	0	
Bulk Insurance Premia	0	0	0	0	
Capital Financing Costs	(1,219)	(1,272)	(53)	0	Interest Receivable improvements.
Levies & Precepts	0	0	0	0	
Unallocated Contingency & Risk	(217)	(262)	(45)	0	Term Time back-pay funding for General
Provisions					Fund staffing.
Unringfenced Grants	(23,283)	(23,297)	(14)	0	Transparency Code New Burdens Grant.
Other Corporate Items	2,455	2,919	464	(376)	Increased Bad Debt Provision £0.712m,
					Reduced PPE costs (£0.353m), COVID-
					19 Business Grants (£0.115m).
Further Financial Recovery Measures	0	0	0	0	
Total Corporately-held Budgets	(22,264)	(21,912)	352	(376)	
General Fund Total	(4,812)	(9,733)	(4,921)	(4,835)	

# Appendix 3 – Revenue Budget RAG Ratings

RAG Rating Key:	RAG for Service Areas	RAG for Directorates <sup>(1)</sup>	RAG for General Fund
Red	Forecast overspend of 5% or more or £0.100m whichever is lower	Forecast overspend of 5% or more or £0.250m whichever is lower	Forecast overspend of 0.5% or more or £1.000m whichever is lower
Amber	Forecast overspend of less than 5% of budget or £0.100m, whichever is lower.	Forecast overspend of less than 5% of budget or £0.250m, whichever is lower.	Forecast overspend of less than 0.5% of budget or £1.000m, whichever is lower.
Green	Breakeven or forecast underspend	Breakeven or forecast underspend	Breakeven or forecast underspend

		Provisional		
	Budget	Variance	Variance	
	Month 12	Month 12	Month 12	Rating
Service	£'000	£'000		Month 12
Director of Families, Children & Learning	104	(12)	-11.5%	Green
Health, SEN & Disability Services	42,519	1,544	3.6%	Red
Education & Skills	5,520	735	13.3%	Red
Children's Safeguarding & Care	40,828	(2,130)	-5.2%	Green
Quality Assurance & Performance	1,400	(59)	-4.2%	Green
Total Families, Children & Learning	90,371	78	0.1%	Amber
Adult Social Care	37,383	1,725	4.6%	Red
S75 Sussex Partnership Foundation Trust (SPFT)	18,370	(989)	-5.4%	Green
Integrated Commissioning	8,139	3,096	38.0%	Red
Public Health	(943)	0	0.0%	Green
Total Health & Adult Social Care	62,949	3,832	6.1%	Red
Transport	(3,001)	3,548	118.2%	Red
City Environmental Management	29,976	555	1.9%	Red
City Development & Regeneration	3,201	(190)	-5.9%	Green
Culture, Tourism & Sport	4,317	363	8.4%	Red
Property	817	1,660	203.2%	Red
Total Economy, Environment & Culture	35,310	5,936	16.8%	Red
Housing General Fund	4,531	1,999	44.1%	Red
Libraries	3,304	(39)	-1.2%	Green
Communities, Equalities & Third Sector	2,780	193	6.9%	Red
Safer Communities	2,988	(84)	-2.8%	Green
Total Housing, Neighbourhoods & Communities	13,603	2,069	15.2%	Red
Finance (Mobo)	348	(83)	-23.9%	Green
HR & Organisational Development (Mobo)	858	117	13.6%	Red
IT&D (Mobo)	5,079	0	0.0%	Green
Procurement (Mobo)	(84)	36	42.9%	Red
Business Operations (Mobo)	(184)	155	84.2%	Red
Revenues & Benefits (Mobo)	5,219	280	5.4%	Red
Housing Benefit Subsidy	(751)	259	34.5%	Red
Contribution to Orbis	10,967	(42)	-0.4%	Green
Total Finance & Resources	21,452	722	3.4%	Red
Corporate Policy	775	1	0.1%	Amber
Legal Services	1,555	(167)	-10.7%	Green
Democratic & Civic Office Services	1,768	(156)	-8.8%	Green
Life Events	114	(163)	-143.0%	
Performance, Improvement & Programmes	1,019	,	-0.6%	

## Appendix 3 – Revenue Budget RAG Ratings

	2020/21	Provisional	Provisional	
	Budget	Variance		
	Month 12	Month 12		
Service	£'000	£'000		Month 12
Communications	893	33	3.7%	Amber
Total Strategy, Governance & Law	6,124	(458)	-7.5%	Green
Sub Total	229,809	12,179	5.3%	
Bulk Insurance Premia	3,259	0	0.0%	Green
Capital Financing Costs	4,722	(1,272)	-26.9%	Green
Levies & Precepts	213	0	0.0%	Green
Unallocated Contingency & Risk Provisions	262	(262)	-100.0%	Green
Unringfenced Grants	(67,019)	(23,297)	-34.8%	Green
Other Corporate Items	12,471	2,919	23.4%	Red
Total Corporate Budgets	(46,092)	(21,912)	-47.5%	Green
Total General Fund	183,717	(9,733)	-5.3%	Green
				_
Capital Financing	29,513	(469)	-1.6%	Green
Housing Management & Support	4,155	155	3.7%	Red
Head of City Development & Regeneration	590	(132)	-22.4%	Green
Income Involvement Improvement	(46,905)	(369)	-0.8%	Green
Repairs & Maintenance	10,140	(226)	-2.2%	Green
Property & Investment	(173)	2	1.2%	Amber
Tenancy Services	2,680	603	22.5%	Red
Total Housing Revenue Account	0	(436)	0.0%	Green
Individual Schools Budget (ISB)	131,774	0	0.0%	Green
Early Years Block (inc delegated to Schools)	13,810	(619)	-4.5%	Green
High Needs Block (exc delegated to Schools)	22,018	(138)	-0.6%	Green
Exceptions and Growth Fund	3,414	11	0.3%	Amber
Grant Income	(170,313)	0	0.0%	Green
Total Dedicated Schools Grant (DSG)	703	(746)	-106.1%	Green

<sup>(</sup>¹) In the above tables the Dedicated Schools Grant and Housing Revenue Account are treated as Directorates for the purposes of RAG rating.

## Families, Children & Learning

## **Revenue Budget Summary**

Forecast Variance Month 9 £'000		2020/21 Budget Month 12 £'000	Outturn Month 12	Month 12	Variance Month 12		Savings Proposed	Achieved	2020/21 Savings Unachieved £'000
` ,	Director of Families, Children & Learning	104	92	(12)	4	-11.5%	0	0	0
1,987	Health, SEN & Disability Services	42,519	44,063	1,544	674	3.6%	1,376	1,376	0
867	Education & Skills	5,520	6,255	735	574	13.3%	206	201	5
(2,049)	Children's Safeguarding & Care	40,828	38,698	(2,130)	402	-5.2%	1,362	1,287	75
` '	Quality Assurance & Performance	1,400	1,341	(59)	1	-4.2%	38	38	0
765	Total Families, Children & Learning	90,371	90,449	78	1,655	0.1%	2,982	2,902	80

The Covid variances shown in the tables above and below are included within the "Forecast Variance" and "Key Variances" columns.

## Explanation of Key Variances (Note: FTE/WTE = Full/Whole Time Equivalent)

Key	Covid							
Variances	Variances Variances							
£'000	£'000	Service Area	Variance or Financial Recovery Measure Description					
Director of I	Families, C	hildren & Learning						
(12)	4	Other	Minor variances.					
Health, SEN	√ & Disabili	ty Services						
1,242	239	Demand led - Children's Disability Placements	The number of placements and unit costs is significantly in excess of budget with particular pressure on external residential provision. There were six new high cost residential placements in the financial year, partly linked to COVID-19 and the additional pressure this has placed on families. There was also a one-off change to the apportionment of recharges between education and social care provision to reflect increased social care needs.					
179	158	In-house disability services	There is an underlying budget pressure in in-house respite provision and additional staffing requirements due to COVID-19.					

1.6	•		Appendix 4 – Revenue Budget Performance
Key	Covid		
	Variances		V
£'000		Service Area	Variance or Financial Recovery Measure Description
(126)		Adults LD - community care	The community care budget for Adults with Learning Disabilities is in excess of £30m and the year-end position is very close to breakeven. Despite planned savings not being directly achieved due to the impact of COVID-19 there have been reductions in spend in areas such as day services where provision has not been delivered. There have also been some improvements due to reclaim of direct payment surpluses and backdated funding from the CCG. Furthermore, client numbers have reduced in comparison to budget and this has mitigated the unachievable planned savings.
127	31	Children's Disability Direct Payments	One-off Increase in apportionment of social care element of direct payments. Some additional direct payments to support families linked to COVID-19.
157	0	Section 17 Preventive Payments	High cost emergency support arrangements with costs split between local authority and the CCG.
(35)	16	Other	Minor variances.
Education 8	& Skills		
896	368	Home to School Transport	For 2020/21 the overspend was £0.896m, of which £0.368m related to additional costs as a result of COVID-19. Excluding COVID-19 related costs, the forecast overspend for 2020/21 has reduced from the initial estimate of £1.200m to £0.528m. The outturn improved significantly following the route planning work undertaken by the Home To School Transport Team for the new academic year. The figures include the impact of supplier relief payments and the additional costs from social distancing measures from September. The outturn includes government grants for home to school and college transport.
(30)	172	Council Nurseries and Children's Centres	There has been a significant loss of fee income against budget due to lower numbers of children strongly linked to the pandemic. However, the service has used the Coronavirus Job Retention Scheme (CJRS) which has meant reimbursement for staff costs as a result of furloughing equating to £0.135m. In addition, the government is providing a scheme to support local authorities with the impact of lost income due to COVID-19 and £0.349m will be recovered through this mechanism. For spring term 2021 the decision to restrict opening of council nurseries to vulnerable and key worker children had a detrimental impact on the levels of free entitlement income. This is estimated at £0.055m. However, the reduction in children means expenditure on staffing, particularly sessional and agency staff across most council nurseries has reduced. Overall, a net underspend of £0.013m was returned against council nurseries.

			Appendix + Nevenue Budget i enormanoe
Key			
Variances			
£'000	£'000	Service Area	Variance or Financial Recovery Measure Description
			There was also a net underspend of £0.017m relating to the council's childrens
			centres and central early years budgets.
(131)	34	Other	Variances on other budgets but mainly relates to delays in Able & Willing
			Placements and Supported employment.
Children's S	Safeguardin	ig & Care	
(1,165)	228	Demand-Led - Children's	The underspend relates to a number of different factors. There has been an
		placements	increase in the level of grant available for care leavers and Unaccompanied Asylum
		•	Seeking Children. Despite overall numbers of children being placed in high cost
			placements increasing in recent months it is still within the budgeted level. The
			average unit costs for placements is increasing and is marginally higher than
			budgeted but overall the combination of these factors results in the underspend of
			£1.165m.
(215)	10	Preventive/S17	There is a significant underspend across the Preventive budgets. The continued
, ,			scrutiny and controls on spending have resulted in a year end underspend despite
			the additional costs relating to COVID-19.
143	0	Legal Fees	There has been a significant increase in demand for child protection legal work in
			the last quarter of the year. Cases are taking longer for a number of reasons and
			new cases need to be allocated. This has, therefore resulted in additional costs
			being incurred by the in-house legal team resulting in the overspend.
(246)	17	Social Work Teams	The underspend is primarily due to the difficulty in recruiting psychologists in the
` ′			Partners in Change hub and the recharge of costs from SPFT. In addition there
			have been a number of vacant posts across the service.
(113)	73	Contact Service	Activity levels are down from previous years and this has resulted in the
` ′			underspend.
(226)	2	Adolescent service	The underspend in the adolescent service reflects the difficulty in recruiting to
			various vacant posts across the service.
(167)	0	Partners in Change Contracts	Contracts with SPFT and other partners have been re-negotiated reducing the cost
			to the Council.
(141)	72	Other	Minor variances.
Quality Ass		erformance	
(59)	1	Other	

## **Health & Adult Social Care (HASC)**

## **Revenue Budget Summary**

Forecast Variance Month 9		2020/21 Budget Month 12	Provisional Outturn Month 12	Provisional Variance Month 12	Variance	Provisional Variance Month 12	Savings	2020/21 Savings Achieved	2020/21 Savings Unachieved
£'000	Service	£'000	£'000	£'000	£'000	%	£'000	£'000	£'000
2,681	Adult Social Care	37,383	39,108	1,725	844	4.6%	0	0	0
	S75 Sussex Partnership Foundation Trust (SPFT)	18,370	17,381	(989)	181	-5.4%	0	0	0
3,469	Integrated Commissioning	8,139	11,235	3,096	3,222	38.0%	0	0	0
0	Public Health	(943)	(943)	0	93	0.0%	0	0	0
*	Total Health & Adult Social Care	62,949	66,781	3,832	4,340	6.1%	0	0	0
	Further Financial Recovery Measures (see below)	-	0	0	2,962	-	-	-	-
	Residual Risk After Financial Recovery Measures	62,949	66,781	3,832	7,302	6.1%	0	0	0

The Covid variances shown in the tables above and below are included within the "Forecast Variance" and "Key Variances" columns.

Key	Covid	
<b>Variances</b>	Variances	
£'000	£'000 Service Area	Variance or Financial Recovery Measure Description
Further Dire	ectorate Financial Recovery Measures	
0	2,962 Further Financial Recovery Measures projection	The initial recovery measures have now been incorporated into the forecast above. The Directorate is working on additional measures and confirming plans to further mitigate the current forecast.
<b>Adult Social</b>	Care	
1,405	216 Demand-Led Community Care - Physical & Sensory Support	The forecast number of placements/packages is 2,039 WTE, which is below the budgeted level of 2,321 WTE placements. The average unit cost of a placements/package is higher than the budgeted level at £214 per week (£38 per week above budget per client). The combination of the number of adults placed being 282 WTE below the budgeted level and the increased unit costs result in the overspend of £1.405m. Therefore, the overall activity is below the budgeted level

			Appendix 4 – Revenue Budget Performance
Key	Covid		
<b>Variances</b>	Variances		
£'000	£'000	Service Area	Variance or Financial Recovery Measure Description
			however the unit costs are 22% above budget and causing a significant pressure. This is due to increasing numbers of placements (many of which are hospital discharges) being made at high unit costs as a result of COVID-19.  A significant portion of the overspend is attributable to COVID-19 - £0.216m for the costs of increased demand for care packages and care home placements, and additional payments to providers in support of COVID-19, net of NHS England funding.
(32)	0	Demand-Led Community Care - Substance Misuse	There are relatively small numbers of clients within this service and the activity is below the budgeted demand resulting in the underspend of £0.032m.
(495)	69	Assessment teams	This is due to a number of temporary vacancies across the Assessment teams.
854	439	In house services	There is an underlying budget pressure in in-house provision. There are also additional staffing requirements and income pressures due to COVID-19.
(7)	0	Other	Minor variances.
S75 Sussex	Partnersh	ip Foundation Trust (SPFT)	
(654)	20	Demand-Led - Memory Cognition Support	The number of forecast placements are lower than budgeted resulting in the underspend projection of £0.654m.  The forecast number of placements/packages is 365 WTE which is below the budgeted level of 397 WTE placements. The average unit cost is below the budgeted level at £337 per week (£4 per week below budget). Therefore, the overall activity is 32 WTE below budget and the unit costs are 1% below budget.
(282)	110	Demand-Led - Mental Health Support	The average unit cost is less than anticipated and this results in the underspend projection of £0.282m.  There is an increasing need and complexity within this client group and the forecast number of placements/packages is 445 WTE, which is above the budgeted level of 418 WTE placements. The average unit cost of a placement/package is lower than the budgeted level at £331 per week (£34 per week less than the budget per client).  A significant portion of spend is attributable to COVID-19 - £0.110m for the ongoing costs for increased demand for care packages and care home placements, and additional payments to providers in support of COVID-19
(53)	0	Staffing Teams	This is due to a number of temporary vacancies across the Assessment teams.
Integrated C	Commission	ning	

Key	Covid		
Variances	<b>Variances</b>		
£'000	£'000	Service Area	Variance or Financial Recovery Measure Description
460	0	External Funding	£0.460m is the net pressure to the Council following recurrent reductions in funding from Brighton & Hove CCG. The Council has allocated reinvestment funding to mitigate this however the pressure of £0.460m remains.
2,571	3,163	Contracts	The overspend is attributable to COVID-19 and reflects the forecast statutory costs to support verified rough sleepers.  The additional costs are partially offset by the MHCLG emergency accommodation grant and Next Steps Accommodation Programme grant
65	59	Commissioning teams	The overspend relates to additional staffing costs within the commissioning, performance and management teams
Public Heal	lth		
0	93	Other	Minor variances.

## **Economy, Environment & Culture**

## **Revenue Budget Summary**

Forecast		2020/21	Provisional	<b>Provisional</b>	Covid	Provisional	2020/21	2020/21	2020/21
Variance		Budget	Outturn	Variance	Variance				Savings
Month 9		Month 12	Month 12	Month 12	Month 12	Month 12	Proposed	<b>Achieved</b>	Unachieved
£'000	Service	£'000	£'000	£'000	£'000	%	£'000	£'000	£'000
5,199	Transport	(3,001)	547	3,548	4,111	118.2%	3,877	2,109	1,768
	City Environmental Management	29,976	30,531	555	1,302	1.9%	265	265	0
	City Development & Regeneration	3,201	3,011	(190)	235	-5.9%	155	126	29
761	Culture, Tourism & Sport	4,317	4,680	363	323	8.4%	260	233	27
1,120	Property	817	2,477	1,660	1,660	203.2%	447	176	271
	Total Economy, Environment & Culture	35,310	41,246	5,936	7,631	16.8%	5,004	2,909	2,095

The Covid variances shown in the tables above and below are included within the "Forecast Variance" and "Key Variances" columns.

Key	Covid		
Variances	<b>Variances</b>		
£'000	£'000	Service Area	Variance or Financial Recovery Measure Description
Transport			
11,724	11,724	Parking Services	Parking Services experienced a net underachievement of £11.724m as a result of the various lockdowns throughout the year before allocation of the Sales, Fees & Charges compensation grant (£8.403m). Of this net underachievement £14.119m is the in year loss of income against budget for parking and penalty charge notice income. Parking income is a demand led activity which can be difficult to predict and was also negatively impacted by the COVID-19 infection control measures. Other significant variances include overachievements in Parking Suspension income (£0.379m) mostly from improvements in the final quarter and lower than budgeted PCN bad debt provision (£0.383m). There were also significant underspends across Contracts, Debt Collection and Transactional costs (£1.450m) as a result of lower activity from the pandemic and the effect of the recent restructure which has allowed officers to continue to reduce some of the historic

Key	Covid		
Variances 1	Variances		
£'000	£'000	Service Area	Variance or Financial Recovery Measure Description
			PCN backlog and also deal with debt more effectively at the front end as well as focusing on contract work across the teams. Financing costs also underspent in year, reducing the net overspend of Parking Services by (£0.224m). A range of other less significant variances make up the balance of (£0.041m).
14	134	Transport Projects and Engineering	Payments to Bus Operators exceeded budget by approximately £0.150m. The unanticipated third COVID-19 lockdown increased costs and reduced revenue guarantee bus contract income. The Department of Education School Travel Grant did not cover the costs of increased school buses. Road Safety Education overspent by £0.069m due to staff costs associated with training delivery. Bus Shelter Advertising Income was underbudget by £0.130m as a result of rent relief agreed with Clear Channel UK due to COVID-19). Bus Shelter spending in Valley Gardens of £0.109m was not budgeted. These overspends were offset by the underspend of £0.148m on Flood Risk Management and Highway maintenance costs of £0.138m. Lighting and Structural Maintenance costs underspent by £0.146m where COVID-19 impacted maintenance contractors particularly in the early stages of the lockdown.
(142)	272	Traffic Management	Hoarding Licence income (£0.225m), Scaffold Licence income (£0.152m), Traffic Regulation Orders income (£0.111m) and Streetworks fees £0.094m) have all exceeded budget.  These have been partially offset by Highways Licensing income underachieving due to waived Tables and Chairs licence fees £0.072m (COVID-19) and Skip income £0.079m underachieving. Costs in implementing Street Manager software exceeded budget by £0.049m and other COVID-19 related highway regulation costs of £0.086m were identified. Ultimately Road Work Permit Fees and Fines Income were only £0.035m less than budgeted (COVID-19).
150	0	Transport Policy and Strategy	Highways Development Control and Transport Assessment overspent by £0.158m. Agency staff have been employed during the year to deal with an increasing workload pending a team restructure to provide adequate permanent officer resource. This has not been completed as anticipated, further exacerbated by the long-term sickness absence of the Team Manager. Levels of anticipated income have also not materialised.
(85)	0	Concessionary Bus Fares	Additional income of £0.130m was received in February for B&H buses for underachievement in 2019/20 as part of the fixed deal. There are also other smaller variances for all of the bus companies.
(34)	60	Head of City Transport	Minor variances.

as service improvement plans, rationalisation of bin/box deliveries and a mobile collection team to more efficiently support rounds. However there are cost pressures which cannot be mitigated such as beach clean ups.  The £0.417m impact of COVID-19 on the waste disposal contract has been managed through the Waste PFI Reserve.  An in-year spending pressure mainly for emergency tree maintenance (Dutch Elm disease related) is being contained within existing Parks Services budgets. This is the cost of essential public health and safety works to remove dead trees. Park Services' budgets were actively managed to bring the service in on budget.  Fleet & Maintenance  Fleet & Maintenance underspent by £0.408m (with additional COVID-19 related costs contained within existing budgets). Progress has been made in Fleet and Maintenance to control and reduce costs which has now delivered results. For example, vehicle hire costs are lower than at the same point last year.  There is a £0.100m management/service improvement team pressure which was funded from the Modernisation Fund in 2019/20. This team and also part of Strategy & Projects are working to deliver the service improvements and operational reviews to deliver cost reductions going forward. This also includes £0.100m of the additional waste disposal COVID-19 related costs such as stewarding at the household waste disposal sites.  There is a £0.200m management/service improvement team pressure which was the additional waste disposal covided costs such as stewarding at the household waste disposal sites.				Appendix 4 – Revenue Budget Performance
E'000   E'000   Service Area   Variance or Financial Recovery Measure Description				
(8,079)   (8,079)   Sales, Fees and Charges Grant   This is the estimated value of the grant due to be claimed based on the outturn position of losses of income driven by the COVID-19 outbreak.				
Sity Environmental Management   St. 285m of the net overspend is waste collection and street cleansing (operational agency costs substantially driven by COVID-19 staffing related shortfalls. This is offset by staffing underspends of (£0.219m). Commercial income has returned to budgeted levels due to easing of lockdown for trade waste and increase renewals of Garden Waste Collection towards the end of the financial year. Other Service delivery is under review and measures are being put in place to reduce costs such as service improvement plans, rationalisation of bin/box deliveries and a mobile collection team to more efficiently support rounds. However there are cost pressures which cannot be mitigated such as beach clean ups.    10		£'000	Service Area	
Style=New contents   Style=N	(8,079)	(8,079)	_	
Services	City Enviro	nmental Ma		position of recess of inferring affect by the CCVID To Catalogue
agency costs substantially driven by COVID-19 staffing related shortfalls. This is offset by staffing underspends of (£0.219m). Commercial income has returned to budgeted levels due to easing of lockdown for trade waste and increase renewals of Garden Waste Collection towards the end of the financial year. Other Service delivery is under review and measures are being put in place to reduce costs such as service improvement plans, rationalisation of bin/box deliveries and a mobile collection team to more efficiently support rounds. However there are cost pressures which cannot be mitigated such as beach clean ups.  The £0.417m impact of COVID-19 on the waste disposal contract has been managed through the Waste PFI Reserve.  An in-year spending pressure mainly for emergency tree maintenance (Dutch Elm disease related) is being contained within existing Parks Services budgets. This is the cost of essential public health and safety works to remove dead trees. Park Services' budgets were actively managed to bring the service in on budget.  Fleet & Maintenance  Fleet & Maintenance underspent by £0.408m (with additional COVID-19 related costs contained within existing budgets). Progress has been made in Fleet and Maintenance to control and reduce costs which has now delivered results. For example, vehicle hire costs are lower than at the same point last year.  There is a £0.100m management/service improvement team pressure which was funded from the Modernisation Fund in 2019/20. This team and also part of Strategy & Projects are working to deliver the service improvements and operational reviews to deliver cost reductions going forward. This also includes £0.100m of the additional waste disposal Sites.  There is a £0.200m management/service improvement team pressure which was funded from the Modernisation Fund in 2019/20. This also includes a forecast loss of income due to COVID-19 such as not charging for public toilets.  There is a £0.200m management/service improvement team pressure which was funded from the Modern				f1 285m of the net overspend is waste collection and street cleansing (operational)
managed through the Waste PFI Reserve.  (2) 100 City Parks An in-year spending pressure mainly for emergency tree maintenance (Dutch Elm disease related) is being contained within existing Parks Services budgets. This is the cost of essential public health and safety works to remove dead trees. Park Services' budgets were actively managed to bring the service in on budget.  (408) 34 Fleet & Maintenance Fleet & Maintenance underspent by £0.408m (with additional COVID-19 related costs contained within existing budgets). Progress has been made in Fleet and Maintenance to control and reduce costs which has now delivered results. For example, vehicle hire costs are lower than at the same point last year.  There is a £0.100m management/service improvement team pressure which was funded from the Modernisation Fund in 2019/20. This team and also part of Strategy & Projects are working to deliver the service improvements and operational reviews to deliver cost reductions going forward. This also includes £0.100m of the additional waste disposal COVID-19 related costs such as stewarding at the household waste disposal Sites.  245 90 Strategy & Projects  There is a £0.200m management/service improvement team pressure which was funded from the Modernisation Fund in 2019/20. This also includes a forecast loss of income due to COVID-19 such as not charging for public toilets.  (239) (239) Sales, Fees and Charges Grant  This is the estimated value of the grant due to be claimed based on the outturn position of losses of income driven by the COVID-19 outbreak.	720	000	Only Cicum	agency costs substantially driven by COVID-19 staffing related shortfalls. This is offset by staffing underspends of (£0.219m). Commercial income has returned to budgeted levels due to easing of lockdown for trade waste and increase renewals of Garden Waste Collection towards the end of the financial year. Other Service delivery is under review and measures are being put in place to reduce costs such as service improvement plans, rationalisation of bin/box deliveries and a mobile collection team to more efficiently support rounds. However there are cost
disease related) is being contained within existing Parks Services budgets. This is the cost of essential public health and safety works to remove dead trees. Park Services' budgets were actively managed to bring the service in on budget.  Fleet & Maintenance	0	417	Waste Disposal	•
costs contained within existing budgets). Progress has been made in Fleet and Maintenance to control and reduce costs which has now delivered results. For example, vehicle hire costs are lower than at the same point last year.  There is a £0.100m management/service improvement team pressure which was funded from the Modernisation Fund in 2019/20. This team and also part of Strategy & Projects are working to deliver the service improvements and operational reviews to deliver cost reductions going forward. This also includes £0.100m of the additional waste disposal COVID-19 related costs such as stewarding at the household waste disposal sites.  There is a £0.200m management/service improvement team pressure which was funded from the Modernisation Fund in 2019/20. This also includes a forecast loss of income due to COVID-19 such as not charging for public toilets.  This is the estimated value of the grant due to be claimed based on the outturn position of losses of income driven by the COVID-19 outbreak.	(2)	100	City Parks	
Management  funded from the Modernisation Fund in 2019/20. This team and also part of Strategy & Projects are working to deliver the service improvements and operational reviews to deliver cost reductions going forward. This also includes £0.100m of the additional waste disposal COVID-19 related costs such as stewarding at the household waste disposal sites.  There is a £0.200m management/service improvement team pressure which was funded from the Modernisation Fund in 2019/20. This also includes a forecast loss of income due to COVID-19 such as not charging for public toilets.  (239)  (239) Sales, Fees and Charges Grant  This is the estimated value of the grant due to be claimed based on the outturn position of losses of income driven by the COVID-19 outbreak.	(408)	34	Fleet & Maintenance	costs contained within existing budgets). Progress has been made in Fleet and Maintenance to control and reduce costs which has now delivered results. For
funded from the Modernisation Fund in 2019/20. This also includes a forecast loss of income due to COVID-19 such as not charging for public toilets.  (239) Sales, Fees and Charges Grant  funded from the Modernisation Fund in 2019/20. This also includes a forecast loss of income due to COVID-19 such as not charging for public toilets.  This is the estimated value of the grant due to be claimed based on the outturn position of losses of income driven by the COVID-19 outbreak.	234	100		There is a £0.100m management/service improvement team pressure which was funded from the Modernisation Fund in 2019/20. This team and also part of Strategy & Projects are working to deliver the service improvements and operational reviews to deliver cost reductions going forward. This also includes £0.100m of the additional waste disposal COVID-19 related costs such as
Grant position of losses of income driven by the COVID-19 outbreak.	245	90	Strategy & Projects	funded from the Modernisation Fund in 2019/20. This also includes a forecast loss of income due to COVID-19 such as not charging for public toilets.
City Development & Regeneration	(239)	(239)	_	
	City Develo	pment & Re	egeneration	

			Appendix 4 – Revenue Budget Performance
Key	Covid		
Variances \			
£'000		Service Area	Variance or Financial Recovery Measure Description
678		Development Planning	Loss of Planning and Building Control income due to COVID-19. The net overspend reduced since Month 9 due to improvements in Planning income in the final quarter.
(127)		Planning Policy and Major Projects	Principal Planning Officer post vacant for eight months and part time Waste Planning post vacant.
(284)	0	Sustainability & International	Delay in recruiting for Bio Diversity Officer and a post within City Wide Food projects.
47	0	Assistant Director - EEC	Overspend on Firstcare Attendance Management fees not budgeted for.
(1)	60	Various	Minor variances.
(503)	(503)	Sales, Fees and Charges Grant	This is the estimated value of the grant due to be claimed based on the outturn position of losses of income driven by the COVID-19 outbreak.
Culture, Tou	ırism & Spo	ort	
1,972	1,972	Royal Pavilion and Museums	Loss of income due to closure of all buildings from COVID-19. Some overspend offset by reduced expenditure on some costs such as building maintenance and staff costs.
40	0	Arts	Additional staffing costs and Legal fees to be paid related to the Royal Pavilion and Museums Trust.
599	599	Sports and Leisure	Loss of income due to COVID-19, including rent reductions on seafront properties and assumed closure of Volks Railway for the whole year.
1,221	1,221	Venues	Loss of income from closed venues and cancelled events due to COVID-19. Partially offset by reduced staff and building costs.
184	184	Tourism and Marketing	Loss of income due to reduced visitor/tourist numbers and cancellation of conferences due to COVID-19. Also includes £0.100m overspend for waiving of partnership fees as agreed at Policy &Resources sub-committee on 29th May 2020.
(3,653)	(3,653)	Sales, Fees and Charges Grant	This is the estimated value of the grant due to be claimed based on the outturn position of losses of income driven by the COVID-19 outbreak.
Property			
1,660	1,660	Property	The fast changing impact of COVID-19 continued to put increasing pressures on many Property budgets. Increased cleaning specifications, deep cleans and specific cleaning materials in increased volumes have led to pressures within the Building Cleaning Service. Increased need for security for many areas, the need to secure sites where work was paused due to COVID-19 and cover for staff in isolation resulted in a large pressure within the Premises/Concierge Service. This

Key	Covid	
Variances \	Variances	
£'000	£'000 Service Area	Variance or Financial Recovery Measure Description
		was partially offset by some reductions in provision in some areas. Many building projects were put on hold resulting in reduced fee income to the Technical Services Team. The Energy Team identified some savings resulting from closures due to COVID-19 and also reviewed electricity and gas prices which reduced the full year costs accordingly. COVID-19 has put pressure on some council commercial tenants particularly those dependent on the travel industry and Estates have been liaising with tenants who are struggling with their rental payments to negotiate and conclude alternative payment arrangements, deferral or reduction on a case by case basis. A process for considering these cases was implemented and the second trance of rent reductions lead to further income loss.

## **Housing, Neighbourhoods & Communities**

## **Revenue Budget Summary**

Forecast Variance Month 9		2020/21 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Variance	Provisional Variance Month 12 %	Savings Proposed		2020/21 Savings Unachieved £'000
	Housing General Fund	4,531	6,530			44.1%			
	Libraries	3,304	· · · · · ·	(39)	119	-1.2%		89	0
169	Communities, Equalities & Third Sector	2,780	-	193	185	6.9%	11	11	0
0	Safer Communities	2,988	2,904	(84)	46	-2.8%	170	170	0
4,791	Housing, Neighbourhoods & Communities	13,603	15,672	2,069	2,138	47.1%	770	420	350
(3,250)	Further Financial Recovery Measures (see below)	-	0	0		-	-	-	-
	Residual Risk After Financial Recovery Measures	13,603	15,672	2,069	2,138	15.2%	770	420	350

The Covid variances shown in the tables above and below are included within the "Forecast Variance" and "Key Variances" columns.

Key	Covid									
Variances \	Variances Variances									
£'000	£'000	Service Area	Variance or Financial Recovery Measure Description							
Housing Ge	neral Fund									
246	170	Temporary Accommodation	The net overspend of £0.246m consists of:							
		(TA)	<ul> <li>£0.950m overspend due to higher than budgeted levels of households using spot purchase accommodation. The budget assumes an average of 36 units of spot purchase accommodation through the year and at the end of March there were 105 units for statutory homeless accommodation in use. This includes a £0.100m overspend due to an increase to rents for some emergency TA units. Continued similar levels of overspending as in 2019/20 on other areas of TA such as income collection and void loss mean that £0.350m of savings were not met. The outturn includes the use of £0.098m</li> </ul>							

			Appendix 4 – Revenue Budget Performance
Key	Covid		
Variances			
£'000	£'000	Service Area	Variance or Financial Recovery Measure Description
			<ul> <li>reserves following review of the Damage Deposit Guarantee Scheme Reserve.</li> <li>Overspend of £0.261m relating to spend on repairs and void works. The volume of repairs and void works to leased accommodation has reduced compared to the prior year, due to the restrictions as a result of COVID-19 but this budget is still overspending and has been adjusted as part of the budget setting process for 2021/22.</li> </ul>
			<ul> <li>An underspend on the contribution to the bad debt provision of £0.072m.</li> </ul>
			<ul> <li>Net underspend of £0.300m relating to the new investment funding for an enhanced level of service for emergency short term accommodation. Rnewal of these contracts has been delayed due to the pandemic.</li> </ul>
			• Net £1.870m overspend from higher levels of households using emergency spot purchase accommodation as a result of COVID-19 for those housed as part of the 'everyone in' initiative up to March 2021. This is net of the extra Housing Benefit income of £0.485m due to be collected as a result of this increase. As at the end of January an additional 145 clients were housed over and above the 105 units in spot purchase at the start of the year. However, by the end of March 2021 the 145 had reduced to 93 and so there were 198 units of spot purchase accommodation in use. This also includes food costs, where applicable.
			• The use of one off Flexible Homelessness Support grant funding of £2.463m.
1,533		Rough Sleeper Accommodation	This relates to the cost of hotel and university accommodation and move on costs for housing rough sleepers to 31 March 2021 as part of the 'everyone in' initiative by the Government. The total cost for the year is £4.523m. However, this has been offset by a share of the Next Steps Accommodation Programme (NSAP) grant (allocated between the HASC and HNC directorates) of £2.329m, and also by housing benefit income of £0.661m reducing the net overspend to £1.533m. The costs of support, security costs etc. are shown in figures for HASC and food costs are shown within the costs of Temporary Accommodation.
(40)	(100)	Private Sector Housing	Underspend of £0.150m relating to the new investment funding for the further enforcement work with private sector landlords. There was no spend during 2020/21 due to the impact of the pandemic. This is offset by an overspend of £0.030m due to the reduction in work carried out for the additional licensing scheme, £0.020m for the stock condition survey and an overspend of £0.060m

17 -	0-11		Appendix 4 Nevenue Budget i enformance
Key	Covid		
Variances			V
£'000	£.000	Service Area	Variance or Financial Recovery Measure Description
			relating to Minimum Energy Efficiency Standard fine income which is not
			achievable.
136	0	Seaside	Overspend of £0.191m mainly due to shortfalls in income collection due in part to
		Homes	the impact of Universal Credit which is partially offset by the release of the
			Seaside Homes revenue reserve of £0.055m.
72	177	Housing Options	Additional staffing costs to undertake assessments of rough sleepers and other
			newly accommodated households under COVID-19 provision. This has been
			offset by other vacancies within the service.
(58)	0	Travellers	Underspend due to staff vacancies, and reduced rubbish clearance and legal
			costs.
74	0	Homemove	Overspend on extra staffing and IT costs due to the need for parallel running of
			old and new choice based lettings IT systems and unexpected issues with
			implementation.
36	8	Various	Other minor variances across the service including an overspend on the strategic
			director costs partly due to interim arrangements.
Libraries			
119	119	Libraries Income	There was a loss of income due to COVID-19 from shop sales, meeting space
			bookings, fines and charges of £0.405m. This has been partially mitigated by the
			Sales Fees and Charges Grant of £0.286m.
(138)		Employee costs	There was a net underspend against staffing, primarily due to lockdowns and not
			having to cover staff absences.
(20)		General	Minor variances.
Communitie	es, Equalitie	es & Third Sector	
185	185	Vulnerable People cell	Extra Food Partnership costs as a result of COVID-19.
8	0	General	Minor variances.
Safer Comr	nunities		
46	46	Loss of licensing income	The impact of COVID-19 on Environmental Health and Licensing income was
			£0.094m. This was offset by the Sales, Fees and Charges grant of £0.048m.
(122)	0	Employee costs	Net underspend against staffing as a result of vacancies across the service.
(8)	0	General	Minor variances.

Finance & Resources

## **Revenue Budget Summary**

Forecast 2020/21 Provisional Provisional Covid Provisional 2020/21 2020/21 20	020/21
-------------------------------------------------------------------------------	--------

Appendix 4 - Revenue Budget Performance Variance Savings Savings **Budget** Outturn Variance Variance Variance Savings Month 12 Month 12 Month 12 Proposed Achieved Unachieved Month 9 Month 12 Month 12 £'000 Service £'000 £'000 £'000 £'000 £'000 £'000 £'000 % (70) Finance (Mobo) 348 265 (83) -23.9% 0 0 0 97 HR & Organisational 858 975 117 13.6% 0 0 26 Development (Mobo) 0 IT&D (Mobo) 5,079 25 0.0% 5,079 225 225 0 0 0 Procurement (Mobo) (84)(48)36 42.9% 0 164 Business Operations (Mobo) 0 (184)(29)155 13 84.2% 0 0 254 Revenues & Benefits (Mobo) 5.4% 0 5,219 280 190 250 250 5,499 557 Housing Benefit Subsidy (751)(492)259 34.5% 0 0 0

**Mobo** = Specific budget items held by Orbis but **M**anaged **o**n **b**ehalf **o**f the relevant partner i.e. they are sovereign, non-partnership budgets. Under or overspends on Mobo budgets fall directly to the relevant partner whereas Orbis Operational budget variances are shared in accordance with the Inter-Authority Agreement (IAA).

(42)

722

255

-0.4%

3.4%

477

952

477

952

0

0

The Covid variances shown in the tables above and below are included within the "Forecast Variance" and "Key Variances" columns.

10,925

22,174

10,967

21,452

#### **Explanation of Key Variances**

50 Contribution to Orbis

1,052 Total Finance & Resources

Key	Covid		
Variances	<b>Variances</b>		
£'000	£'000	Service Area	Variance or Financial Recovery Measure Description
Finance (Mobo)			
(83)	0	Finance (Mobo)	The vacant post of the Executive Director has saved £0.137m in the year, net of acting up costs. This was partially offset by higher external audit costs of £0.037m and other net additional contractual costs of £0.017m including FirstCare.
HR & Organisational Deve	lopment (M	lobo)	
117	26	Human Resources	The service was overspent by £0.117m at year end, an increase of £0.020m from Month 9. This figure allowed for £0.144m Learning & Development Social Work grant funding to be carried forward into 2021/22. There was a pressure against the funding of union time of £0.048m which will increase slightly in the new financial year when the Branch Secretary post is filled. There were income pressures within the

			Appendix 4 – Revenue Budget Performance
Key	Covid		
	<b>Variances</b>		
£'000	£'000	Service Area	Variance or Financial Recovery Measure Description
			service of £0.107m which were partly offset by net underspends of £0.038m.
Procurement (Mobo)			
36	1	Procurement	There was a small budget pressure for the service of £0.036m in 2020/21.
<b>Business Operations (Mob</b>	00)		
155	13	Business Operations	The pressure of £0.155m was mostly due to additional system costs including significant ICON hosted implementation costs of £0.079m and a shortfall in staff advertising income of £0.047m. There were also COVID-19 costs of £0.013m, mostly for payment of overtime.
Revenues & Benefits (Mol	00)		
280	190	Revenues & Benefits	The main element of the overspend is a shortfall in court costs income of £0.366m for which £0.190m relates to the impact of COVID-19. Staffing costs are being offset on a one-off basis by a combination of New Burdens and grant funding resulting in net saving of £0.089m.
Housing Benefits Subsidy		,	
287		Housing Benefit Subsidy	The final outturn is a pressure of £0.259m which is an improvement of £0.298m compared to Month 9. Within this there is a surplus of £0.047 relating to the collection of overpayments of former Council Tax Benefit and this is £0.013m worse than Month 9. There is an overspend of £0.306m on the main subsidy budgets which is an improvement of £0.311m from Month 9. Within this there is a pressure of £0.541m relating to a particular benefit type for vulnerable tenants which is not fully subsidised. The net position on the collection of overpayments is £0.225m better than budget and there are other minor favourable variances of £0.010m.
F&R Contribution to ORBI			
(42)	0	Contribution to Orbis	This underspent in the end by £0.042m, affected by some late credits of £0.028m. £0.014m related to BHCC's share of the Orbis overspend of £0.075m, mostly due to a pressure within Business Operations of £0.482m due to unmet savings targets,mostly offset by significant underspends in IT&D (£0.190m), Finance and Centres of Expertise (£0.135m) and Management (£0.138m)

## Strategy, Governance & Law

## **Revenue Budget Summary**

Forecast Variance		Budget		Variance	Variance		Savings		
Month 9 £'000	Service	Month 12 £'000	Month 12 £'000		Month 12 £'000	Wonth 12	•		Unachieved £'000
	Corporate Policy	775			2000	0.1%	27	27	0
(115)	Legal Services	1,555	1,388	(167)		-10.7%	103	103	0
` ,	Democratic & Civic Office Services	1,768	1,612	(156)		-8.8%	12	12	0
183	Life Events	114	(49)	(163)	188	-143.0%	8	8	0
` '	Performance, Improvement & Programmes	1,019	1,013	(6)		-0.6%	49	49	0
96	Communications	893	926	33	108	3.7%	44	0	44
	Total Strategy, Governance & Law	6,124	5,666	(458)	296	-7.5%	243	199	44

The Covid variances shown in the tables above and below are included within the "Forecast Variance" and "Key Variances" columns.

Key Variances £'000	Variances	Service Area	Variance or Financial Recovery Measure Description
Corporate Policy			
1	0		Minor variances
Legal Services			
(167)	0	Legal Services	An increased underspend of £0.167m, due to vacancy management including some voluntary reduction in hours. There was also some overachievement of income in relation to environment related work.
Democratic & Office Services			
(156)	0		An underspend of £0.156m resulting from a combination of the impact of the pandemic with a move to virtual meetings and the reduction in printing costs of agendas with more councillors moving to electronic papers. In addition, there was a saving on the overall Members allowances and training budgets, and with very few physical civic

			Appendix 4 – Nevende Budget i enormance
Key	Covid		
Variances	<b>Variances</b>		
£'000		Service Area	Variance or Financial Recovery Measure Description
			engagements there was less demand on staffing and hospitality and
			costs in the Civic Office. The Ward Budgets were underspent by year
			end and this has been requested for carry forward into 2021/22 with
			the majority of the funding now allocated. Although it is a significant
			underspend for the service, taking into account the savings for
			2021/22 and the return to physical meetings and civic engagements it
			is not anticipated that this position would be repeated.
Life Events			is not anticipated that this position would be repeated.
Life Events	400	Life Events	There were an everell underground of CO 4COm parent Life French
(163)	188	Life Events	There was an overall underspend of £0.163m across Life Events
			services at year end due to significant impacts of COVID-19. This
			underspend is helped by government funding for income loss of
			£0.157m for the year.
			Most of the issue was in Registrars with a net pressure of £0.271m as
			a result of the lockdowns including a period of service suspension.
			Bereavement Services however, experienced a high demand for
			funeral services during the last quarter, peaking in February 2021,
			resulting in a recovery for the service. Levels of business remained
			fairly consistent with previous non-COVID-19 rates, prior to January.
			Additional business came to Woodvale after other areas of Sussex
			experienced high demand, and this to led bereaved families and
			Funeral Directors using cremation slots that remained available in
			Brighton & Hove during February. There was also an increase in local
			funerals at this time. The outcome was an additional £0.162m that
			had not been forecast. This increase in income enabled a partial
			·
			offsetting against the Registration Service pressures.
			Elsewhere in Bereavement Services, there were expected pressures
			in the Public Health Funerals service of £0.029m, and other
			overspends generally of £0.018m. This includes costs for the
			installation of, and ongoing provision of service enhancements that
			were necessary due to limits in mourners being stipulated by the
			government. This includes webcasting of funeral services.
			There were anticipated vacancy savings of £0.239m, mostly from the
			Elections Team (£0.101m), but also in Bereavement (£0.064m) and
			Registrars (£0.063m), whilst services plan to redesign.
			There were underspends in the Elections and Electoral Registration of
			The state of the s

Key Variances £'000		Service Area	Variance or Financial Recovery Measure Description
			£0.108m, following reductions in canvassing processes as dictated by pandemic circumstances during the annual electoral canvass, This included reductions in printing costs.
Performance, Improvement & Programmes			
(6)	0	Performance Team	Minor variances.
Communications			
33	108	Communications	There was a pressure of £0.033m for the year, despite COVID-19 pressures of £0.108m, being unachievable restructuring savings (£0.044m) and extra advertising and distribution costs (£0.064m). Staffing costs otherwise underspent by £0.025m due to vacancy management, and supplies and services costs were managed by maximising recharges to other services and there was also a small underspend in the Graphic Design Team.

## **Corporately-held Budgets**

## **Revenue Budget Summary**

Forecast		2020/21	<b>Provisional</b>	<b>Provisional</b>	Covid	Provisional	2020/21	2020/21	2020/21
Variance		Budget	Outturn	Variance	Variance	Variance	Savings	Savings	Savings
Month 9		Month 12	Month 12	Month 12	Month 12	Month 12	Proposed	<b>Achieved</b>	Unachieved
£'000	Service	£'000	£'000	£'000	£'000	%	£'000	£'000	£'000
0	Bulk Insurance Premia	3,259	3,259	0	0	0.0%	0	0	0
(1,219)	Capital Financing Costs	4,722	3,450	(1,272)	0	-26.9%	0	0	0
0	Levies & Precepts	213	213	0	0	0.0%	0	0	0
	Unallocated Contingency & Risk Provisions	262	0	(262)	0	-100.0%	0	0	0
(23,283)	Unringfenced Grants	(67,019)	(90,316)	(23,297)	(23,244)	-34.8%	0	0	0
2,455	Other Corporate Items	12,471	15,390	2,919	2,220	23.4%	340	0	340
	Total Corporately-held Budgets	(46,092)	(68,004)	(21,912)	(21,024)	-47.5%	340	0	340

The Covid variances shown in the tables above and below are included within the "Forecast Variance" and "Key Variances" columns.

Key	Covid			
Variances Variances				
£'000	£'000 Service Area	Variance or Financial Recovery Measure Description		
Capital Financing Costs				
(1,140)	<ul><li>Interest Payable and Minimum Revenue Provision (MRP)</li></ul>	Reduction in cost of financing debt and MRP due to pause and delays in delivery of the Capital Programme.		
(122)	0 Interest receiveable	Increased balances compared to expectation, so a number of longer term deals undertaken to improve yield.		
(10)	Debt Management     Expenses	Removal of brokerage costs as a result of no longer requiring new debt in 2020/21.		
<b>Unallocated Contingency</b>	/ & Risk Provisions			
(175)	0 Release of risk provision	The general risk provision of £0.750m had £0.575m earmarked against pay award and the remaining £0.175m was released.		

			Appendix 4 Nevenue Budget i enemiano
Key			
	Variances		
£'000		Service Area	Variance or Financial Recovery Measure Description
(42)	0	Release of residual	Pausing of the capital programme has meant financing costs included
		carbon neutral allocation	within the £0.200m allocated for Carbon Neutral schemes were not
			required in 2020/21.
(45)	0	Term Time GF funding	Contingency set aside for the impact of changes to term time hours for
		_	non schools staff was not allocated to services and therefore released.
Unringfenced Grants			
(23,244)	(23,244)	Covid 19 Grant	This is the amount of COVID-19 grant allocated to the council in four
· · · ·			tranches. £7.857m relates to the remaining allocation carried forward from
			2019/20 in respect of the first tranche of £8.157m and there is £8.048m,
			£2.557m and £4.782m in respect of the second to fourth tranches.
(39)	0	Extended Rights to Free	Higher than forecast grant allocation for 2020/21 for Local Reform and
, ,		Transport	Community Voice grant and Extended Rights to Free Transport.
(13)	0	Transparency Code New	New Grant paid in March 2021.
, ,		Burdens Grant	
(1)	0	Other	
Other Corporate Items			
1,847	1,847	PPE	Gross costs of PPE are £2.037m and this has been net off by £0.190m of
			COVID-19 Infection Control grant.
168	168	Covid 19 Death	Council's share, as part of the Sussex Resilience Forum, of Death
		Management	Management costs across Sussex.
(51)	0	Pensions	Of this, an underspend of £0.103m relates to the Unfunded Pension
, ,			Costs budget consisting of an overpayment from 2019/20 of £0.068m and
			an in year variance of £0.035m. This is partially offset by other corporate
			pension related liabilities of £0.052m.
90	90	Purchase of Laptops	Cost of purchasing laptops for homeworking during the pandemic.
39		Repayment of Reserves	Repayment of SWAMP reserve (over 10 years).
712		Bad Debt Provision	Net increase to the corporate bad debt provision due to an increase in
			harder to collect (i.e. ageing) debt, in significant part due to Covid-19.
115	115	Covid Business Grants	Value of COVID-19 Summer Lockdown business grant late payments not
			funded directly by Government.
(1)	0	Other	Minor variances.

## **Housing Revenue Account (HRA)**

## **Revenue Budget Summary**

Forecast Variance		2020/21 Budget	Provisional Outturn	Provisional Variance	Covid Variance	Provisional Variance
Month 9		Month 12	Month 12	Month 12	Month 12	Month 12
£'000	Service	£'000	£'000	£'000	£'000	%
(110)	Capital Financing	29,513	29,044	(469)	0	-1.6%
(74)	Housing Management & Support	4,155	4,310	155	149	3.7%
(135)	Head of City Development & Regeneration	590	458	(132)	(60)	-22.4%
(246)	Income, Involvement & Improvement	(46,905)	(47,274)	(369)	224	-0.8%
(670)	Repairs & Maintenance	10,140	9,914	(226)	(650)	-2.2%
161	Property & Investment	(173)	(171)	2	(150)	1.2%
492	Tenancy Services	2,680	3,283	603	505	22.5%
(583)	Total Housing Revenue Account	0	(436)	(436)	18	0.0%

The Covid variances shown in the tables above and below are included within the "Forecast Variance" and "Key Variances" columns.

Key Variances	Covid Variances				
£'000	£'000	Service Area	Variance Description		
Capital Financing					
(131)	0	Financing costs	Significant reprofiling of HRA capital expenditure from 2019/20 into 2020/21 impacts on the timing of when borrowing is required to be undertaken to fund the expenditure. This has resulted in lower interest charges being incurred during 2020/21, compared to the original budget forecast.		
(338)	0	Direct revenue funding (DRF)	A reduced capital programme, largely as a result of COVID-19 restrictions has resulted in less DRF being required.		
Housing Management & Support					
(130)	0	Transfer Incentive Scheme	This service assists tenants to down-size or to move into more suitable or accessible accommodation. Each case takes time to complete and the budget underspent by £0.130m.		
149	149	Temporary Accommodation - Rents	Less rental income for Temporary Accommodation units in the HRA than expected due to delays to the completion of		

		Appendix 4 – Revenue Budget Performance
Variances		
£'000	Service Area	Variance Description
		schemes to provide council owned TA and fewer home
		purchase properties being used for TA than budgeted.
		Underspend against staff training and agency staff budget.
0	Support service costs	Mainly due to an increased contribution to Legal Services of
		£0.060m and a one-off budget adjustment of £0.058m relating
		to 2019/20 which will be reversed in 2021/22.
0	Other	Minor variances.
eneration		
(60)	Staffing	Staffing underspends as COVID-19 meant delayed
` '	_	recruitment.
ent		
0	Employee costs	Underspend on employee costs of £0.253m across
	-	Performance & Improvement, Income Management, Rent
		Accounting and Customer Service teams.
0	Provision for Bad Debts	Underspend on the contribution to bad debt provision. The
		budget for this contribution was increased as part of the
		budget setting process for 2020/21 in anticipation of the
		continuation of the trend seen in 2019/20 of increasing
		arrears. However, the arrears levels in the HRA have not
		increased as anticipated in 2020/21, even with the pandemic.
180	General Needs - Rents	Overspend mainly due to the increase in rent loss from
		properties being empty. This is due to the delays caused by
		the pandemic where lettings were put on hold and also
		challenges of re-starting the service after the initial lockdown.
44	Laundries costs	Non collection of laundry charges as a result of infection
		control issues caused by the pandemic.
		An underspend on printing costs.
0	Other	Minor variances.
(650)	Repairs & Maintenance	There was a significant underspend of £1.526m across the
		service, mainly due to the impact of reduced activity due to
		COVID-19. Spend against sub-contractors and materials was
		approximately £0.700m less than budgeted, owing to the first
		five months of operation being impacted by the COVID-19
		restrictions in place and the service attending to emergency
	60) ent 0 180 44 0 0	Variances £'000 Service Area  0 Employee costs 0 Support service costs  0 Other eneration (60) Staffing

			Appendix 4 - Nevenue Budget Ferformance
Key	Covid		
	Variances		
£'000	£'000	Service Area	Variance Description
			repairs only. Vacancies were also held, pending the full service resuming which accounts for a further £0.826m underspend.  This has been offset by an earmarked reserve of £0.440m created in recognition that works will over-run into 2021/22. Also a provision for £0.450m has been set up to pay backdated harmonisation costs for the repairs staff that transferred to the council on 1st April 2020.
410		Programme team	It was originally planned that the costs for the programme team would be met by the earmarked reserve for 'set-up and mobilisation' relating to the in-sourcing of the Repairs & Maintenance service. However given the favourable TBM position across the HRA this has not been necessary and the reserve will be carried forward to 2021/22 to help fund the project costs for the replacement of the repairs works management system (WMS).
Property & Investment			
859	0	Leaseholder - Service Charges Major Works	There was a lower than expected level of leasehold service charget for major works in 2020/21. Provision in the HRA budget allowed for billing of £3.6m, based on likely completion times for a large number of projects. Due to the COVID-19 restrictions in place it took longer to complete or reach final account on one large major project and a couple of smaller projects, resulting in a lower level of £2.8m actually billed in 2020/21 with the remainder forecast for billing in 2021/22.
(295)	0	Leaseholder - Service Charges	Income for annual service charges was slightly more than budget assumptions.
(323)	0	Repairs & Improvement	There was an underspend due to changes in the timescales for recruiting additional staff to support the new arrangements for planned and major works. This was a result of changes to programme start dates whilst procurement work was paused through the COVID-19 pandemic.

Appendix 4 – Revenue Budget Performance

V	0		Appendix 4 – Nevende Budget i enformance
Key	Covid		
Variances			
£'000		Service Area	Variance Description
(170)	(150)	Mechanical & Electrical (M&E) - Service contracts	An underspend against the servicing and maintenance contracts across M&E, as a result of the COVID-19 restrictions.
(122)	0	Leasehold Professional Fees	There was a significant increase in legal fee income from lease extensions and collective enfranchisement. This is largely due to the age profile of leases.
53	0	Other	Minor variances.
Tenancy Services			
223	223	Estates Cleaning	There was additional spend against agency staff in the estates services team due to the increased cleaning requirements as a result of COVID-19.
76	70	Other Employee costs	Extra staff costs in tenancy management and re-housing teams in part due to COVID-19 and also staff turnover was lower than expected at budget setting time leading to an overspend on these budgets.
113	0	Security costs	Overspend largely relates to the use of security guards at two central blocks of flats to ensure the safety of residents at risk.
66	0	Temporary Accommodation	An overspend on the use of temporary accommodation for council housing tenants.
35	35	Rents & Service Charges	Income from rents and service charges for Seniors Housing was slightly lower than budget assumptions due to increases in void losses.
177	177	Council Tax	Increase in council tax costs in respect of the higher number of empty council dwellings awaiting repairs.
(87)	0	Other	Other net underspends across this service including £0.105m on utilities costs for dwellings common ways.

#### **Dedicated Schools Grant (DSG)**

#### **Revenue Budget Summary**

Forecast Variance		2020/21 Budget	Provisional Outturn	Provisional Variance	Covid Variance	Provisional Variance
Month 9		Month 12	Month 12	Month 12	Month 12	Month 12
£'000	Service	£'000	£'000	£'000	£'000	%
0	Individual Schools Budget (ISB)	131,774	131,774	0	0	0.0%
, ,	Early Years Block (excluding delegated to Schools) (This includes Private Voluntary & Independent (PVI) Early Years 3 & 4 year old funding for the 15 hours free entitlement to early years education)	13,810	13,191	(619)	15	-4.5%
	High Needs Block (excluding delegated to Special Schools)	22,018	21,880	(138)	147	-0.6%
87	Exceptions and Growth Fund	3,414	3,425	11	34	0.3%
0	Grant Income	(170,313)	(170,313)	0	0	0.0%
(267)	Total Dedicated Schools Grant (DSG)	703	(43)	(746)	196	-106.1%

The Covid variances shown in the tables above and below are included within the "Forecast Variance" and "Key Variances" columns.

#### **Explanation of Key Variances**

Key	Covid		
Variances	<b>Variances</b>		
£'000	£'000	Service Area	Variance Description
Early Years	s Block (inc	luding delegated to Schools)	
(385)	0	Early Years Free Entitlement	Lower free entitlement payments to private, voluntary and independent sector providers and council nurseries in spring term linked to lower attendance due to COVID-19.
(240)	0	Early Years Unallocated	Balance of DSG underspend from 2019/20 to be carried forward and used to offset anticipated early years pressures in 2021/22.
6	13	Other	Minor variances.
High Needs	s Block (exc	cluding delegated to Schools)	
373	74	Educational Agency Placements	There has been an increase in the cost of some bespoke tuition packages, some of which relates to COVID-19. The agency budget has also been impacted due to

#### Appendix 4 – Revenue Budget Performance

			Appendix 4 – Nevende Budget i enormance
Key	Covid		
Variances			
£'000	£'000	Service Area	Variance Description
			a lack of local provision for cognitively able children with Autism and
			Anxiety/Social Emotional Mental Health (SEMH) needs who have not been able to
			manage in local mainstream schools despite intervention from external agencies.
			Furthermore, there has been an increasing cost of the education packages linked
			to external residential disability placements.
212	0	Mainstream top-up	There has been overall significant growth both in terms of Education & Healthcare
			Plan (EHCP) numbers and the unit rate of top-up funding assigned. There has
			been a particular increase in demand through higher numbers of EHC needs
			assessments for early years children with complex needs from nursery into
			primary mainstream reception classes in September 2020 requiring high levels of
			support.
(99)	0	Specialist Provision -	Increased provision for the new Cullum Centre - not yet at full capacity from
		Resource Bases	September 2020.
(84)	0	Special school top-up and	Surplus of additional service pressure funding over new placements during the
		support	financial year.
(500)	0	High needs recharges	A one-off reduction in the level of high needs recharges between education and
			social care budget areas.
(40)		Other	Other variances.
Exceptions	and Growth	h Fund	
(64)	0	Schools	Under allocation of schools contingency budget for 2020/21.
		contingency	
52	57	Ethnic Minority Achievement	Loss of income in the EMAS service due to COVID-19.
		Service (EMAS)	
18	44	Access to Education	This is as a result of the estimated loss of fines income due to COVID-19.
5	0	Other	Minor variances.

Directorate Non Grant Funded	Unit	Details	Proposed Carry Forward Amount £'000
FCL	Health SEN & Disability	The directorate has set aside funding to provide social work capacity to undertake essential quality assurance reviews of 130 service users placed outside of the City. This relates to recent quality and safety issues identified in out of city placements, and the need to ensure that all other placements are effectively monitored as a matter of priority. Completion of the reviews has been delayed due primarily to the pandemic and will need to continue into 2021/22.	50
FCL	Quality Assurance & performance	BHCC host the Brighton & Hove Safeguarding Children Partnership (BHSCP) budget. The local authority, CCG and Sussex Police provide the majority of the budget funding. The budget pays for the business support team functions, training, independent scrutiny costs and independent practice review work. The Lead partners agreed a supplemental MOU (in addition to the BHSCP's published arrangements) which enable a budget carry forward per annum. Any decisions regarding the BHSCP budget must be signed off by the three lead partners (BHCC, CCG and Sussex Police).	55
FCL	Quality Assurance & performance	Appointment of the Information Asset Administrator (IAA) post was delayed by 3 months and this carry forward will enable the required extension of the IAA post until the Business Partner model for Corporate Information Governance is put in place.	11
HASC	Integrated commissioning	The Safeguarding Adults Board (SAB) budget has continued to be funded via multi agency contributions from BHCC, Sussex Police & Brighton & Hove CCG. All three agencies contributions increased from the beginning of 2020/21 in order to fund a full-time Business Manager for the BHSAB. There is also a part-time Quality Assurance Officer, working two days a week for BHCC, with additional contributions received by SCFT and ESFRS to fund this post. The SAB also has a part-time Administrator. The SAB was also planning to hold a virtual annual Safeguarding conference during the course of 2020/21 but due to the continuing impact of the pandemic this has been moved to 2021/22 with costs that will include keynote speakers. Carry forward is required in accordance with the agreement with partners and to meet ongoing commitments.	79
HASC	Integrated commissioning	Housing first funding of £0.138m was awarded for 2020/21 but due to Covid a new contract could only started in Jan 2021 totalling £11,500 per month for 3 months = £34,500 spent. The remaining £103,500 is required to be carried forward to meet the remaining contract commitment.	104

Directorate	Unit	Details	Proposed Carry Forward Amount £'000
EEC	Culture, Tourism & Sport	There is a commitment to fund the Cultural Framework's cross-sector working groups that are delivering the Council's Cultural priorities. The public consultation process had to be delayed extensively and shifted to a series of films, so this has taken six months longer to complete. However, the consultant is under contract and therefore carry forward is required to fund this work.	10
EEC	Property & Design	Planned Maintenance Budget 2020/21 Carry Forward Requests:  PMB works were severely impacted by the pandemic and therefore significant re-profiling (carry forward) is required to ensure these essential works are completed. The total carry forward includes the following works:  • Works to William IV Gate £0.077m;  • Hove Museum ex decs £0.035m;  • Booth Museum works £0.009m;  • Late procurement of seafront railings and shelters works now due Spring 21 £0.150m;  • Woodvale Lodge Rebuilding of Gable on pitched rood plus external timber £0.059m;  • Kipling Gardens, flint wall repairs £0.025m;  • Preston Manor works £0.041m;  • Repainting tennis court surfaces at Dyke Road tennis courts £0.010m;  • Old Courhouse survey delayed to summer 21 £0.003m;  • Tarner Tower – Flint Repairs (originally due to be complete March 21) £0.010m.	419
EEC	City Development & Regeneration	Budget was transferred from the International & Sustainability Team to the Planning Policy, Projects & Heritage Team to support the preparation of a Nature Conservation Supplementary Planning Document. Due to Covid-19 and the consequent impacts on staff capacity and ability to progress other key project work such as City Plan Part Two, work on the Supplementary Planning Document has had to be deferred to 2021/22. This is necessary work and part of the Corporate Plan to address the biodiversity emergency and improve biodiversity throughout the statutory Planning system.	20
EEC	City Development & Regeneration	Meanwhile Use/Pop Up shops - Following a successful pilot, further work to develop and deliver empty shop use in Brighton City Centre. There is a contractual commitment to a final payment of £0.004m on completion of at least 12 pop up shops for the project as part of initiative due to effects of Covid.	4

Directorate	Unit	Details	Proposed Carry Forward Amount £'000
EEC	City Development & Regeneration	Greater Brighton Economic Board (GBEB) funds are made up of funding contributions from the constituent Board members, i.e. the seven Local Authorities, the education providers, business partners and the South Downs National Park. The pooled contributions, (which are held on behalf of GBEB by BHCC) represents funds that support the GBEB five-year plan approved by Committee on the 26th March 2019. This carry forward request is to ensure that this pooled funding is safeguarded as it will be used to deliver a number of identified work streams and the GBEB five-year strategy action plan.	79
EEC	City Environmental Management	City Parks Trees – The existing budget within City Parks set out a programme of work of planting new trees and the removal of diseased trees. Additional procurement issues caused delays in getting this programme of work up and running as well as problems caused by the pandemic. The service will need to catch up with its works programme of tree planting and removal of diseased trees as well as its work plans for 2021/22 during financial year 2021/22	140
EEC	City Environmental Management	Parks Projects – The pandemic caused procurement delays in securing playground works. This is effectively a re-profiling request and the service will need to catch up with its works programme supporting City Parks as well as its work plans for 2021/22 during financial year 2021/22	90
EEC	Transport	Parking Infrastructure – The budget within parking includes planned works for implementing new parking zones. Due to the pandemic these planned infrastructure works were delayed. This re-profile (carry forward) will ensure the service can catch up with the planned programme of works for maintaining its parking infrastructure which supports parking incomes.	281
EEC	Transport	Parking Control Centre – Similarly, the budget within parking includes programmed maintenance of infrastructure maintained by the Parking Control Centre. Due to the pandemic these maintenance works have been delayed and will need to be undertaken in 2021/22.	80
EEC	City Development & Regeneration	The consultant team led by Tibbalds Planning & Urban Design was appointed and commenced work on a masterplan in January 2020. Delays in the completing work to timetable resulted from the ongoing Covid-19 situation. The first draft of the document was completed in the autumn of 2020 and public consultation was undertaken between Dec 2020 – Feb 2021 and there is a contractual commitment to complete the work which requires carry forward.	13

Directorate	Unit	Details	Proposed Carry Forward Amount £'000
EEC	City Development & Regeneration	Feasibility work for a Brighton & Hove carbon offsetting scheme in 2020/21 was not progressed. The design and delivery of the city Climate Assembly and the development of the Carbon Neutral Programme were initially prioritised but research has now started. This will not be completed until 2021/22 and carry forward is requested to fund completion of this work.	50
EEC	City Development & Regeneration	In 2020/21 the cross-council team working on the 2030 Carbon Neutral Programme has focussed on developing the Programme, so there have been minimal costs. As we move into delivery stage and out of Covid restrictions there will be a significant increase in programme and project activity including communications and engagement work. Whilst there is significant capital funding available via the SCRIF and the Climate Assembly Action Capital Investment Fund, there is a need for the revenue funding to be carried forward to support the delayed projects and staffing.	153
EEC	City Development & Regeneration	Funds are required to be carried forward in line with the current project timetable. These funds are from a Budget Amendment (no. 3) where £0.100m of total resources were made available to fund the development of a masterplan and enabling works for the Madeira Terrace, Black Rock and Gasworks sites, to ensure synergy between these developments. Carry forward is requested to enable completion.	93
EEC	City Development & Regeneration	Funds are required to be carried forward in line with the current project timetable. These funds are from the All-party Budget Amendment proposed by the Group Leaders where £0.100m was made available to fund design, feasibility and business case studies for potential commercial uses of the Madeira Terraces, including estimating the likely income streams that could support further borrowing. Carry forward is requested to enable completion.	37
HNC	Libraries	Funding commitment to support the ongoing Covid related digital inclusion work done by Digital Brighton & Hove over the last year. Carry forward is required to meet this commitment.	74
HNC	Safer Communities	Restricted funding from strategic partners for Violence against Women and Young Girls commissioning budget. Projects are to be completed in 2021/22.	58
HNC	CETS	Like all events, the Multi Cultural Festival (MCFest) has been postponed due to COVID-19. Carry forward is requested to support the event in 2021/22.	7
F&R	HROD	Underspend due to COVID related delays in delivery of accredited social work CPD modules, BIA refresher training and AMHP refresher training required under the Mental Health Act. This £0.014m is committed against delivery of the above in 2021/22.	14

Directorate	Unit	Details	Proposed Carry Forward Amount £'000
F&R	IT&D	Last year IT&D intended to undertake document destruction in preparation for a new	42
		document management contract. Neither of these happened as the pandemic meant that visits to the storage facility were not possible. The contract renewal is being finalised and it is intended to move to a new Supplier in 2021/22. The budget to undertake the preparation work has been charged to other Directorates by agreement and therefore carry forward is requested to fulfil this work on their behalf.	
SGL	Democratic & Civic Office Services	The Ward budget scheme for 2020/21 could not be fully spent by the end of the financial year by many Ward Members due to the pandemic causing delays to local projects and environmental improvements and facilities that members wished to support. These have now started to come through in 2021/22 and carry forward is therefore requested to accommodate the delayed spend.	42
SGL	Policy Partnerships & Scrutiny	The underspend needs to be carried forward to accommodate cyclical projects such as 2030 Vision, City Tracker, support for theme groups, live music venues programme, creation of policy framework for city and support for the policy network. Many of these programmes involve city wide partners, most of whom contribute to this pot of money.	18
Total Non Grant Funded	Areas		2,023
<b>Grant Funded Areas</b>			
FCL	Dedicated Schools Grant	Under the Schools Finance Regulations, the unspent part of the DSG must be carried forward to support the Schools Budget in future years.	746
FCL	Education & Skills	The Government has announced that the Troubled Families Programme will continue for 2021/22. There are high pressures in the Intensive Team for Families with a waiting list for support.	93
HASC	Public Health	Due to the additional pressures facing Public Health during 2020/21 from COVID19, there has been considerable delayed or suspended programme spend. The money being carried forward will be used to contribute towards programmes in 2021/22 where needed to improve services, such as smoking cessation, metal health services and substance misuse.	1,464
HASC	Integrated commissioning	This carry forward relates to funding from the MHCLG received in 2020/21 for the Supported Housing Placement Officer post. Due to Covid there was a delay in recruitment to this post.	30
EEC	City Development & Regeneration	The MHCLG Grant carried forward from last year was not spent this year because the Neighbourhood Forum did not submit their Neighbourhood Plan for examination. They are now in the process of submitted their Plan and BHCC will need to appoint an Examination Inspector in the next financial year 2021/2022 to run the examination and Local Referendum processes.	30

Directorate	Unit	Details	Proposed Carry Forward Amount £'000
EEC	Transport	Specific Bikeability Cycle Training which, due to the current COVID restrictions and schools' reluctance to have instructors in, has not taken place in 2020/21. The Sussex Safer Schools Partnership have approved the carry forward in writing to 2021/22 as long as the funds are spent for their intended purpose (i.e Bikeability staffing). Spend will need to be outlined in summative evaluations with the Programme Board.	10
HNC	Libraries	An external grant of £10,000 was received from The Reading Agency to help BAME communities to engage with reading. Due to Covid restrictions, it has only been possible to spend £5,149 of this before the end of March. Carry forward of £4,851 is required to complete the project at the start of the next financial year and to deliver on our commitments to the external funder.	5
HNC	Safer Communities	There was an additional £10,000 grant received from the Department for Education for the project 'Out Of School Settings' but due to the continued closures of OOSS settings this needs to be carried forward. The DfE have confirmed agreement to this.	10
HNC	CETS	This is a year-on-year request. Funding is received from the Home Office to support the Syrian Refugee Programme and costs will continue to be incurred in 2021/22, which will be set against the grant.	166
F&R	HROD	DfE Teaching Partnership funding - funding received ESCC as a result of a successful bid to DfE for Teaching Partnership funding for social work education; partnership includes ESCC (lead partner), BHCC, University of Sussex and University of Brighton.	5
F&R	HROD	DfE Step Up funding - funding received DfE as a result of successful bid to DfE for Step Up cohort 6 (commenced January 2020) and cohort 7 (selection for programme commencing July 2021) funding for Step Up PGDip qualifying programme; partnership includes BHCC (lead partner), ESCC and University of Sussex. Carry forward is required in accordance with the DfE grant agreement to fund completion of the programme for trainees selected for cohort 6 and 7.	88
F&R	HROD	This is a year-on-year request. Student Social Work Placement programme. Of the £0.065m grant income from DHSC Daily Placement Fee funding (claimed on our behalf by Universities of Brighton and Sussex) there is an ongoing commitment to mainstream the existing Professional Education Consultant roles (x4) during 2021/22.	20
F&R	HROD	ASYE programme HASC - funding is received from Skills for Care to support Assessed & Supported Year in Employment for newly qualified social workers in adults' services; ASYE runs September to August.	5

#### 8

Directorate	Unit	Details	Proposed Carry Forward Amount £'000
F&R	HROD	ASYE programme FCL - funding received from DfE to support Assessed & Supported Year in Employment for newly qualified social workers in children's services; ASYE runs September to August.	12
Corporate	Corporate Services	The DWP paid a grant in the last two weeks of March 2021 to meet ongoing administrative burdens in respect of COVID business and other support grant distribution. This will be carried forward to support continued work through to at least June 2021.	122
Corporate	Corporate Services	The government's COVID Hardship Fund of £2,329,833 was received in 2020/21 to reduce Council Tax liability by £150 for all CTR claimants and provide for other discretionary welfare support. There remains £186,062 at year-end that will be carried forward to provide discretionary hardship support in 2021/22.	186
Corporate	Corporate Services	This is the £76,500 New Burdens funding for the council undertaking work on the Additional Restrictions Grant which will be used for continuing work on the ARG in 2021/22 up to at least June 2021.	76
Corporate	Corporate Services	The Self Isolation Payments discretionary funding up to end of February (£158k) for spend up to March (£47k) hasn't been fully spent in 2020/21 and therefore the unspent March /April allocation will be carried forward on the balance sheet to fund additional discretionary awards in 2021/22.	111
Corporate	Corporate Services	The Self Isolation admin grant payment will be carried forward to meet the ongoing cost of responding to COVID until at least June 2021.	119
Total Grant Funded			3,298
<b>Total Carry Forwar</b>	d Requests		5,321

#### 9

#### **Savings Monitoring 2020/21**

#### **General Fund**

	2020/21	2020/21	2020/21	COVID
	Savings	Savings	Savings	Element of
	Proposed	Achieved	Unachieved	Unachieved
Directorate	£'000	£'000	£'000	£'000
Families, Children & Learning	2,982	2,902	80	0
Health & Adult Social Care	0	0	0	0
Economy, Environment & Culture	5,004	2,909	2,095	2,009
Housing, Neighbourhoods & Communities	770	420	350	0
Finance & Resources	475	475	0	0
ORBIS	477	477	0	0
Strategy, Governance & Law	243	199	44	44
Corporate Budgets	340	0	340	250
Total Directorate Savings	10,291	7,382	2,909	2,303

	2020/21	2020/21	2020/21	COVID
	Savings	Savings	Savings	Element of
	Proposed	Achieved	Unachieved	Unachieved
Directorate	£'000	£'000	£'000	£'000
Housing Revenue Account	0	0	0	0
Total HRA Savings	0	0	0	0

					Variations,				
Forecast		Reported			Slippages	Reported	Provisional	Provisional I	Provisional
<b>Variance</b>		Budget	New	IFRS	&	Budget	Outturn	Variance	Variance
Month 9		Month 9	<b>Schemes</b>	Changes	Reprofiles	Month 12	Month 12	Month 12	Month 12
£'000	Unit	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
0	Director of Families, Children & Learning	0	0	0	0	0	0	0	0.0%
0	Health, SEN & Disability Services	86	0	0	0	86	43	(43)	-50.0%
0	Education & Skills	11,220	0	(393)	747	11,574	11,573	(1)	0.0%
0	Schools	75	0	0	(33)	42	42	0	0.0%
0	Children's Safeguarding & Care	72	0	0	(35)	37	36	(1)	-2.7%
0	Quality Assurance & Performance	0	0	0	0	0	0	0	0.0%
0	Total Families, Children & Learning	11,453	0	(393)	679	11,739	11,694	(45)	-0.4%

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

	Amount		
Detail Type	£'000	Project	Description
Health, SEN 8	k Disability	Services	
Variance	(43)	Beach House	Less than £0.100m
Education & S	skills		
IFRS change	223	Devolved Capital	See paragraph 8.1 (v) of the main report for a general explanation of IFRS changes.
		Adjustments	
IFRS change	(132)	Capital Maintenance	See paragraph 8.1 (v) of the main report for a general explanation of IFRS changes.
		2019/20	
IFRS change	(396)	Capital Maintenance	See paragraph 8.1 (v) of the main report for a general explanation of IFRS changes.
		2020/2021	
IFRS change	(28)	Capital Maintenance	Less than £0.100m
		2018/19	
IFRS change	(59)	New Pupil Places	Less than £0.100m
Variation	68	Capital Maintenance	Less than £0.100m
		2019/20	
Variation	50	Improvements to Early	Less than £0.100m
		Years Settings	

φ.

	Amount		
Detail Type		Project	Description
Variation		Improvements to Early Years Settings	Less than £0.100m
Reprofile	796	New Pupil Places	A reprofile of the New Pupils Budget was reported at Month 9 into 2021/22 resulting from schools reducing access for works during the pandemic. However, a number of projects supported by the secondary capital element of basic need started towards the end of the financial year and progressed well with a number of valuations paid which weren't anticipated at Month 9. A reprofile is required to meet the cost of works that recommenced in 2020/21.
Reprofile		Capital Maintenance 2020/2021	A reprofile of the New Pupils Budget was reported at Month 9 into 2021/22 resulting from schools reducing access for works during the pandemic. Some projects caught up following Month 9 which meant additional payments went through and more fees were paid to the surveying team from the closure of schools during the pandemic. A reprofile is required to meet the cost of works that recommenced in 2020/21.
Reprofile		Devolved Formula Capital 2020/2021	The capital works funded from the Devolved Capital Maintenance budget that were reported to this committee in March 2020 have been delayed due to the closure of schools resulting from the Covid-19 pandemic. A reprofile of these schemes is required into 2021/22. Devolved Formula Capital is a financial resource that is devolved to schools by the LA. Schools have the option to accrue the money for a maximum of 3 years and are able to request their allocation at any time. Any remaining budget will be rolled forward to 2021/22 in the usual way.
Reprofile	\ /	Additional Devolved Formula Capital 2018-19	Less than £0.100m
Reprofile	(16)	Capital Maintenance 2018/19	Less than £0.100m
Reprofile	(18)	Devolved Formula Capital 2018/19	Less than £0.100m
Reprofile	(35)	Improvements to Early Years Settings	Less than £0.100m
Reprofile	` ,	Healthy Pupils/Surrenden Pool	Less than £0.100m
Reprofile	` ,	Devolved Formula Capital 2019/20	Less than £0.100m

	Amount		
<b>Detail Type</b>	£'000	Project	Description
Variance	` ,	Capital Maintenance 2017/18	Less than £0.100m
Schools			
Reprofile	(33)	Longhill School - 100	Less than £0.100m
		New Computers	
Children's Saf	eguarding	& Care	
Reprofile	(35)	Contact Supervision	Less than £0.100m
		Centres	
Variance	(1)	Children's Social Work	Less than £0.100m
		Teams Pool car	
		replacement	

#### Health & Adult Social Care - Capital Budget Summary

					Variations,				
Forecast		Reported			Slippages	•			Provisional
Variance		Budget		IFRS	&	3		Variance	Variance
Month 9		Month 9	Schemes	Changes	Reprofiles	Month 12	Month 12	Month 12	Month 12
£'000	Unit	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
0	Adult Social Care	178	0	0	45	223	223	0	0.0%
0	Integrated Commissioning	515	0	0	0	515	0	(515)	-100.0%
	S75 Sussex Partnership Foundation	0	0	0	0	0	0	0	0.0%
0	Trust (SPFT)								
0	Public Health	0	0	0	0	0	0	0	0.0%
0	Total Health & Adult Social Care	693	0	0	45	738	223	(515)	-69.8%

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

	Amount		
Detail Type	£'000	Project	Description
Adult Social Ca	are		
Variation	54	BCF - Telecare	Less than £0.100m
Variation	28	Knoll House Building	Less than £0.100m
		Works	
Slippage	(37)	BCF - Adaptations for	Less than £0.100m
		the Disabled	
<b>Integrated Con</b>	nmissioning		
Variance	(515)	Improvements	Initial building work revealed significant problems with the building that had not been identified in the original surveys which caused delays. Since then, Covid-19 has meant the project is no longer viable as the planned service relied on shared sleep space to be financially viable and Covid-19 has rendered all projects with shared sleep space as unsafe.

#### Economy, Environment & Culture (excluding Housing Revenue Account) – Capital Budget Summary

				Variations,				
Forecast	Reported			Slippages	Reported	Provisional	Provisional	Provisional
Variance	Budget		IFRS	&			Variance	Variance
Month 9	Month 9	<b>Schemes</b>	Changes	Reprofiles	Month 12	Month 12	Month 12	Month 12
£'000 Unit	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
0 Transport	21,043	0	0	(6,954)	14,089	14,086	(3)	0.0%
0 City Environmental Management	9,441	0	0	(2,699)	6,742	5,836	(906)	-13.4%
0 City Development & Regeneration	15,452	0	(275)	(8,980)	6,197	5,843	(354)	-5.7%
0 Culture, Tourism & Sport	12,742	0	0	(6,073)	6,669	6,668	(1)	0.0%
10 Property	11,622	0	0	(9,442)	2,180	2,020	(160)	-7.3%
10 Total Economy, Environment & Culture	70,300	0	(275)	(34,148)	35,877	34,453	(1,424)	-4.0%

#### Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

	Amount		
<b>Detail Type</b>	£'000	Project	Description
Transport			
Variation	245		Additional costs associated with the materials and supplier delivery have resulted in a budget variation to complete the project. The additional cost (borrowing) can be funded by revenue surpluses generated by the off-street car parks.
Variation	234	Covid-19 Madeira Drive	Members agreed at ETS Committee to expand the brief of this project and implement larger scale schemes on Madeira Drive. Variations from the in-year Local Transport Plan budgets have supported this additional investment.
Variation	132		Additional costs associated with the costs of equipment and supplier delivery have resulted in a budget variation to complete the project. Additional borrowing can be funded by the Parking Surplus for the relevant schemes.
Variation	115	Valley Gardens - Phases 1 & 2	Section 106 funds to support the delivery of the project have been incorporated into the project resourcing.
Variation	89	Central Hove and Portslade PLP	Less than £0.100m
Variation	73	Safer Routes to Schools	Less than £0.100m
Variation	34	Bike Share\Hire Scheme (LTP)	Less than £0.100m

	Amount		
<b>Detail Type</b>		Project	Description
Variation	20	A259\West Street Shelter Hall - BS5618	Less than £0.100m
Variation	7	Purchase of Vans - Maintenance Team	Less than £0.100m
Variation	7	Intelligent Transport Systems 2 (LTP)	Less than £0.100m
Variation	7	COVID Transport Measures	Less than £0.100m
Slippage	(727)	SCAPE Carden AV & Norton Rd	Delays to the project commencing have been experienced due to design delays, ground conditions and delays resulting from the pandemic. The programme delay is expected to be recovered during 2021/22.
Slippage	(23)	Bus Shelters (non-advertising sites)	Less than £0.100m
Reprofile	(104)	Major Projects (LTP)	Supplier and contractor delays as a result of the pandemic have prevented some of the individual schemes within this programme from either commencing or completing. The schemes have recommenced and are due to complete in 2021/22.
Reprofile	(162)	Public Conveniences at Shelter Hall	Additional funding was approved in October 2020 to support improved toilet facilities at Shelter Hall. The final balance of investment is to be completed in early 2021/22.
Reprofile	(186)	Brighton Marina to River Adur Works	Environment Agency grant of £2.0m was approved in March 2021 to support the programme of works including shingle movement. Whilst some work did commence in 2020/21 the majority of this spend is programmed for 2021/22. An estimated budget was included for 2020/21 but was not fully used hence a reprofile into the following year is requested.
Reprofile	(189)	Ultra Low Emissions Taxi Infrastructure Scheme	The project has progressed well but supplier delays to the delivery of the project has resulted in a reprofile of the balance of funding into 2021/22.
Reprofile	(237)	Integrated Transport Schemes (LTP)	Supplier and contractor delays as a result of the pandemic have prevented some of the individual schemes within this programme from either commencing or completing. The schemes have recommenced and are due to complete in 2021/22.
Reprofile	(253)	Active Emergency Travel Fund - Tranche 2	Members agreed at ETS Committee to expand the brief of this project and implement larger scale schemes on Madeira Drive. Variations from the in-year Local Transport Plan budgets have supported this additional investment.

	Amount		
Detail Type		Project	Description
Reprofile	, ,	Bridge Strengthening and Assessment	individual schemes within this programme from either commencing or completing. The schemes have recommenced and are due to complete in 2021/22.
Reprofile	(704)	Street Lighting Maintenance (LTP)	Supplier delays due to the pandemic have resulted in the street lighting project not proceeding as expected during the year. A budget reprofile is requested to 2021/22 which is the final year of the planned programme.
Reprofile	(1,131)	Valley Gardens Phase 3 (LTP)	Phase 3 of the project was to commence in 2020/21 but the pandemic has caused delays to a number of transport projects which has had an effect on the commencement of this project. Some costs have been incurred for design and consultancy work, the project is funded from Coast to Capital Local Growth funds and match funding through the Local Transport Plan.
Reprofile	(1,482)	DfT Challenge Fund - Western Road Renewal	£1.5m of new funding from the DfT was approved in October 2020. The scheme has been delayed in order that it could be incorporated into a wider improvement project for Western Road. This will be reprofiled into 2021/22 where the majority of the work will be undertaken.
Reprofile	(1,552)	Valley Gardens - Phases 1 & 2	The Valley Gardens project is due to complete in early 2021/22. the final balance of the payment to the contractor is due to be made at that point. Like most transport projects the pandemic has caused in-year delays which have resulted in a reprofile request for the balance of the budget.
Reprofile	(4)	A270 Wild Park Rainscape	Less than £0.100m
Reprofile	(6)	DfT eCargo Bike Grant Fund	Less than £0.100m
Reprofile	(14)	North Street Environmental Improvement	Less than £0.100m
Reprofile	(21)	School Streets	Less than £0.100m
Reprofile	. ,	Vans for Parking Infrastructure Team	Less than £0.100m
Reprofile	(40)	On Street Residential Chargepoint Scheme	Less than £0.100m
Reprofile	(50)	Eldred Avenue Sustainable Drainage System (SuDS)	Less than £0.100m

	Amount		
Detail Type	£'000	Project	Description
Reprofile	(50)	Electric Vehicle Fast	Less than £0.100m
		Chargers	
Reprofile	(50)	Local Safety Schemes	Less than £0.100m
		(LTP)	
Reprofile	(80)	Preston Park Sustainable	Less than £0.100m
		drainage System (SuDS)	
Reprofile	(88)	Maintenance of Principal	Less than £0.100m
		Roads	
Reprofile	(96)	Innovate UK Double	Less than £0.100m
		Socket Chargers	
Reprofile	(100)	Exhaust Converters on	Supplier delays due to the pandemic have resulted in the project not proceeding as
		Older Buses	expected during the year. A budget reprofile is requested to 2021/22 which is the final year
			of the planned programme.
Variance	(1)	Street Enhancement	Less than £0.100m
	(2)	George Street, Hove	
Variance	(2)	Additional Bus Lane	Less than £0.100m
0 = .		Cameras	
City Environm			
Variation		Dyke Road - S106	Less than £0.100m
Variation		Purchase of Fuel Tanks	Less than £0.100m
Variation	9	Saunders Park	Less than £0.100m
		Playground	
Variation		Hove Park 3G Pitch	Less than £0.100m
Variation		Stanmer Play Area	Less than £0.100m
Variation		Parks Investment Fund	Less than £0.100m
Variation	1	Fly Tipping/Littering	Less than £0.100m
	(-)	Prevention Equipment	
Variation	\ /	Investment in City Parks	Less than £0.100m
Slippage	(127)	Citywide Street	The remainder of the funding is intended to be used towards replacing on-street communal
		Investment	bins as part of the new bin system that is intended to improve the look of the city and
			increase recycling and the efficiency of the service

	Amount							
Detail Type		Project	Description					
Slippage		Investment in City Parks	Resourcing issues initially prevented the planned investment from progressing. Capital works did commence during 2020/21 for parks and tree/pruning works investment and these will now need to continue into 2021/22.					
Slippage	(449)		The investment into CEM IT systems was approved in October 2020 but was not able to proceed as quickly as hoped due to the pressures of the pandemic across staff resources and is now profiled to continue into 2021/22.					
Slippage	(12)	Whitehawk Sports Pitches	Less than £0.100m					
Slippage	(14)	Hove Lagoon Play Area S1	Less than £0.100m					
Slippage	(23)	Preston Park Cycle Track	Less than £0.100m					
Slippage	(27)	Community Composting	Less than £0.100m					
Slippage	(40)	City Clean Modernisation Scheme	Less than £0.100m					
Slippage	(50)	East Brighton Park Impro	Less than £0.100m					
Reprofile	(59)	Downland Initiative Project	Less than £0.100m					
Reprofile	(470)	Stanmer Depot Relocation	The project has been delayed pending a review of the depot and service.					
Reprofile	(550)	Public Conveniences	Plans are still being developed for the proposed investment into public conveniences and these will be presented during 2021/22.					
Reprofile	(671)	Stanmer Park Restoration HLF	The Stanmer Park Restoration project was delayed during the pandemic period with contractors unable to continue in some areas of the park and delays to materials. The project is due to complete and open in spring 2021.					
Reprofile	(50)	Seafront Lockup Health and Safety Works	Less than £0.100m					
Reprofile	(75)	Sheepcote Valley Household Waste	Less than £0.100m					
Reprofile	(76)	Stanmer Pond Restoration and Access Improvement	Less than £0.100m					

	Amount		
Detail Type	£'000	Project	Description
Variance	(878)	Procurement of Vehicles	The Fleet Management Service section has an annual budget of £2.5m to support investment in the council's vehicle fleet. The budget is met through borrowing and any annual underspends through lower levels of investment are not required.
Variance		Woodingdean Allotments	Less than £0.100m
City Developn			
IFRS changes	(275)	Contribution to Housing JV	See paragraph 8.1 (v) of the main report for a general explanation of IFRS changes.
Variation	332	Improvements to New England House	Work has commenced on the New England House Redevelopment including design and cost consultancy works. Some improvement and health and safety costs have been incurred such as drainage works have commenced that will need to be completed as a matter of urgency. The funding is met from the New England House reserve.
Variation	20	Seafront Investment - Landscaping	Less than £0.100m
Variation	14	King Alfred Swimming Pool Redevelopment	Less than £0.100m
Variation	11	Waterfront Redevelopment	Less than £0.100m
Variation	11	Black Rock Enabling Works	Less than £0.100m
Variation	10	Madeira Terraces Regeneration	Less than £0.100m
Slippage	(372)	Circus Street Development	The final payment to South East Dance will be completed during the early part of 2021/22 when the project will be finalised.
Reprofile	(401)	Madeira Terraces Regeneration	A budget was profiled into 2020/21 from the corporate funds identified in the budget strategy to support the design and development costs. This work will continue into 2021/22 and the remaining budget reprofiled into that year.
Reprofile	(545)	Waterfront Redevelopment	A reserve is set aside to meet the ongoing costs associated with delivering the Brighton Waterfront Redevelopment. Work is ongoing through continued negotiations with stakeholders but lower than profiled project management and consultant costs were incurred in 2020/21 requiring the budget to be reprofiled to 2021/22

Detail Type	Amount £'000	Project	Description
Reprofile		Contribution to Housing Joint Venture	Both sites are progressing and have started on site however there was a change to the cash-flow following a review of the proposed timeline from the contractors and some slippage due to delays as a result of Covid-19 restrictions.
Reprofile	(1,291)	Brighton Research & Innovation Fibre Ring	Consultation is continuing and a fully worked up Business Case is still required. The project is to be met from Local Growth Funding and match funding. The full cost of the project is required to be reprofiled into 2021/22.
Reprofile	(5,928)	Black Rock Enabling Works	The Black Rock Enabling project of £12m which is financed through the Coast to Capital's Local Growth Fund was expected to commence in-year but delays to the design and procurement have resulted in the majority of the works being reprofiled into 2021/22.
Reprofile	(10)	Dukes Mound Arches	Less than £0.100m
Reprofile	(11)	Regeneration Project Support (Regen)	Less than £0.100m
Reprofile	(18)	Eastern Seafront Masterplan	Less than £0.100m
Reprofile	(24)	Falmer Released Land	Less than £0.100m
Reprofile	(33)	Full Fibre Network	Less than £0.100m
Variance	(137)	Preston Barracks Central Research Lab	The project has completed. Contingency balances held will not be required to be drawn down.
Variance	(217)	Seafront Investment - Landscaping	Landscaping works at the i360 site have completed and contingencies from borrowing will not be drawn down.
Culture, Touris	sm & Sport		
Variation	42	Saltdean Lido Restoration	Less than £0.100m
Slippage	(40)	West Hove Seafront	Less than £0.100m
Reprofile	(188)	Stanley Deason 3G Pitch Replacement	The 3G pitch replacement was approved at February 2021 committee and a delays to the estate of the project have required a reprofile of this budget into 2021/22.
Reprofile	` ,	Prince Regent - Replace Mechanical Equip	Closure of the Prince Regent centre during the year as a result of the pandemic has meant a revised timetable for the works and a reprofile of the full budget into 2021/22 is required.
Reprofile	(1,260)	Brighton Museum & Art Gallery Roof Works	Approval for the investment of £1.260m to carry out works to the roof of the Brighton Museum and Art Gallery work as part of the transfer to Trust has not progressed during the year following delays to the main contractors project and is expected to commence during 2021/22.

	A		
Datail Tres	Amount	Desciont	
Detail Type		Project	Description
Reprofile	(3,699)	Royal Pavilion Estate	Continuing impact on project progress from Main Contractor going into administration with
		(Phase 1)	additional delays due to Covid-19 with furloughing of subcontractors, and interruptions to
	(4.5)		supply of materials and deliveries. The project is due to complete by the end of 2021.
Reprofile		Saltdean Lido Restoration	
Reprofile	(20)	Saltdean Lido	Less than £0.100m
		replacement library	
Reprofile	(30)	Hove Lagoon Skatepark	Less than £0.100m
		Improvement Project	
Reprofile	(30)	Withdean Sports Soft	Less than £0.100m
		Play Development	
Reprofile	(34)	Portslade 3G Pitch	Less than £0.100m
Reprofile	(46)	Brighton Centre Boiler	Less than £0.100m
	, ,	Replacement	
Reprofile	(52)	Prince Regent - Glazing	Less than £0.100m
	,	Works	
Variance	(1)	Mikvah to Studio	Less than £0.100m
	,	Conversion P.R.	
		Swimming Complex	
Property		<u> </u>	
Variation	102	Workstyles 4	Costs have been incurred during 2020/21 to support the design works, cost consultancy
		Moulsecoomb Hub &	and project resourcing of the scheme. A variation from the Workstyles Phase 4 budget met
		Housing	through the Asset Management Fund annual contribution is required to meet these costs.
Variation	81	<u> </u>	Less than £0.100m
		Repairs	
Variation	41	New England House	Less than £0.100m
		Development Landlord	
		Works	
Variation	36	Passenger Lift H&S	Less than £0.100m
		Works	
Variation	28	Pavilion Building	Less than £0.100m
, anadon		Structural Repairs	2000 (1.0.1. 201.100111
Variation	25	Hollingdean Depot	Less than £0.100m
variation		i iomingacan Depot	LEGGO GIGHT ACTIONITY

	Amount		
Detail Type		Project	Description
Variation	24	Misc Internal Refurbishments	Less than £0.100m
Variation		Brighton Centre Roofing Works	Less than £0.100m
Variation	16	Fire Safety Improvements	Less than £0.100m
Variation		Commercial Property Portfolio Repairs	Less than £0.100m
Variation	6	Corporate Fire Risk Assessments	Less than £0.100m
Variation	6	Sewerage pipes land at Waterhall	Less than £0.100m
Variation	5	Hove Library Phase 1 Roof & Ext Redecoration	Less than £0.100m
Variation	4	Brighton Town Hall Flat Roof	Less than £0.100m
Variation	4	Workstyles 4 Desk Upgrade & Windows 10	Less than £0.100m
Variation		Royal Pav Porte Corchaire Repair	Less than £0.100m
Variation	3	Various leisure building works	Less than £0.100m
Variation		Standean Livestock Building	Less than £0.100m
Variation		Legionella Works	Less than £0.100m
Variation		Workstyles 4 Wellington House	Less than £0.100m
Variation	2	Hove Town Hall - South End Office Refurb	Less than £0.100m
Variation	2	King Alfred Cathodic Protection System	Less than £0.100m
Variation	1	HTH - Adaptations to Ventilation	Less than £0.100m

	Amount						
Detail Type		Project	Description				
Variation		Purchase of Lyndean House	Less than £0.100m				
Variation	(1)	Corp. Elec. meeting room booking SW	Less than £0.100m				
Variation	(2)	Nevill Pavilion Maintenance Works	Less than £0.100m				
Variation	(3)	Mechanical Boiler Replacements	Less than £0.100m				
Variation	(8)	BTH - PMB Contribution to Refurbishment	Less than £0.100m				
Variation	(9)	Barts House Mechanical Ventilation - AMF	Less than £0.100m				
Variation	(23)	Statutory DDA Access Works Fund	Less than £0.100m				
Variation	(23)	Brighton Centre Lift Refurbishment	Less than £0.100m				
Variation	(31)	Madeira Terrace Structural Repair & Resurface	Less than £0.100m				
Variation	(40)	External Improvement Works	Less than £0.100m				
Variation	(48)	Barts Cladding & Window Replace Phase 1	Less than £0.100m				
Variation	(81)	Workstyles Phase 4	Less than £0.100m				
Slippage	(103)	Stanmer Park Agricultural Buildings	The Stanmer Park Agricultural Buildings programme is paused pending a review of the disposals strategy that supports the project resourcing.				
Slippage	, ,		The budget supports a review of security measures at corporate buildings. This has been delayed following the access capacity to corporate buildings during the pandemic period. A budget reprofile is required into 2021/22 to enable completion of this project				
Slippage	(332)	Purchase of Phoenix House	The funds are works to rectify 'Regent Street Disease' met through a deduction made on the sale price for the remedial works required. The works will be carried out as part of a wider project to the building. However, some works to the rear elevation and some render				

Detail Type	Amount £'000	Project	Description
	2000		work will be undertaken in 2021/22. The remaining works will be completed at a later stage when the assessment is completed.
Slippage	(4)	Barts House Mechanical Ventilation - AMF	Less than £0.100m
Slippage	(20)	Provision of Drinking Water Fountains	Less than £0.100m
Slippage	(20)	Brighton Centre Lift Refurbishment	Less than £0.100m
Slippage	(27)	Hollingdean Depot Workstyles 4	Less than £0.100m
Reprofile	(122)	Royal Pavilion External Redecoration	Priority work continued at the Pavilion during the year which resulted in delays to the external redecorations. This will continue in early 2021/22.
Reprofile	(253)	Portslade Sixth Form Conversion	A budget for the commencement of the design and costings of the Portslade Sixth Form associated with the Moulsecoomb Housing and Hub scheme was approved in February 2021. The remainder of this budget will be reprofiled to 2021/22 to allow completion of this exercise.
Reprofile	, ,	Solar Panels Corporate Buildings	The pandemic has resulted in delays to the programme mainly around having access to corporate buildings.
Reprofile	(8,082)	Moulescoomb Way/Eastergate Road Purchase	The acquisition has been delayed pending confirmation from the current owners/future tenant on the refurbishment of the building which is now resolved and the acquisition will proceed during 2021/22
Reprofile	(2)	Workstyles Phase 4	Less than £0.100m
Reprofile	` ,	Commercial Property Portfolio Repairs	Less than £0.100m
Variance	(160)	B&H Estates Conservation Trust Loan	A loan was requested by the Trust in response to the council's request for them to surrender part of their demise to enable houses to be built. Their lease only had a matter of years remaining and the impact of the pandemic means that the lease will have expired before works could commence. The surrender of the lease is therefore neither viable for the council and neither does it provide a sufficient term for the Trust to repay the loan

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#### Housing, Neighbourhoods & Communities (excluding Housing Revenue Account) – Capital Budget Summary

Forecast	Reported			Variations,	Reported	<b>Provisional</b>	Provisional	Provisional
Variance	Budget	New	IFRS	Slippages &	Budget	Outturn	Variance	Variance
Month 9	Month 9	<b>Schemes</b>	Changes	Reprofiles	Month 12	Month 12	Month 12	Month 12
£'000 Unit	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
0 Housing General Fund	2,310	0	0	(183)	2,127	2,013	(114)	-5.4%
0 Libraries	287	0	0	(250)	37	0	(37)	-100.0%
0 Communities, Equalities & Third	0	0	0	0	0	0	0	0.0%
Sector								
0 Safer Communities	0	0	0	0	0	0	0	0.0%
0 Total Housing, Neighbourhoods &	2,597	0	0	(433)	2,164	2,013	(151)	-7.0%
Communities								

#### Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

	Amount		
Detail Type	£'000	Project	Description
Housing Gene	eral Fund		
Reprofile	(183)	BCF - Disabled Facilities Grants	A number of cases have been delayed due to Covid-19, either client shielding/self-isolating and deferring works/completion; this is in addition to some OT & OTA assessment visits and initial technical surveys being delayed due to restrictions on visiting clients clinically vulnerable or extremely clinically vulnerable at home.
Variance	(114)	LDV - On-Going Costs	This capital scheme relates to capital works on Brighton & Hove Community Seaside Homes' properties, subsequent to development works and under the management of Temporary Accommodation. This scheme is funded by a management fee paid to the council from Seaside Homes and managed within the funding limits. As reported against HRA capital, planned programmes for this year have been significantly impacted by Covid-19. In addition, programmes were forecast to begin later in the year as a result of significant procurement activity on both planned works contract and major works contracts. Procurement processes for planned term contracts were paused in March 2020 as a result of the pandemic and restarted in June 2020. The procurement progressed well since restarting and completed in November 2020.

	Amount		
Detail Type	£'000	Project	Description
Libraries			
Reprofile	(250)	Libraries Self-Service	The self-service kiosk project has been delayed by Covid-19 as libraries have been severely
		Renewal	impacted by government restrictions. Therefore, the procurement is now not expected to
			take place until late 2021. The budget will be reprofiled into 2021/22.
Variance	(37)	Hove Library	Less than £0.100m
	,	Redevelopment	

#### Housing Revenue Account (HRA) – Capital Budget Summary

Forecast		Reported			Variations,	Reported	Provisional	Provisional	Provisional
Variance		Budget	New	IFRS	Slippages &	Budget	Outturn	Variance	Variance
Month 9		Month 9	<b>Schemes</b>	Changes	Reprofiles	Month 12	Month 12	Month 12	Month 12
£'000	Unit	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
775	City Development & Regeneration	7,698	0	0	(1,993)	5,705	6,481	776	13.6%
(5,903)	Housing Revenue Account	43,524	0	(600)	(5,685)	37,239	31,688	(5,551)	-14.9%
(5,128)	Total Housing Revenue Account	51,222	0	(600)	(7,678)	42,944	38,169	(4,775)	-11.1%

#### Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

Detail Type	Amount £'000	Project	Description
City Developme	ent & Reger	neration	
Reprofile	381	Victoria Road	A revised cashflow for the delivery of the sports pavilion and housing has been received, which shows an increase in expenditure for 2020/21, relating to the Housing element of the project. The new housing development will start on site in 2021/22.
Reprofile	(2,374)	Moulsecoomb Hub - Housing	The appropriation under phase 1 of the project from the General Fund to the HRA is now due to take place during 2021/22. The remaining costs committed for the housing scheme will be incurred during 2021/22.
Variance	339	Buckley Close	Construction of these homes completed in May 2020; the final accounts were settled during 2020/21 following the end of the defects period. These costs were expected and form part of the overall scheme costs reported to date. The variance relates to a number of unforeseen issues identified as the project progressed such as significant works to the retaining structure behind the new homes as reported to Housing Supply Member Board.
Variance	292	Selsfield Drive	The variance relates to an increase in the Agreed Maximum Price for the scheme as reported to Housing Supply Member Board.
Variance	101	Redevelopment of HRA Vacant Garage Sites	The final accounts for the construction of 12 homes at Kensington Street during 2020/21. This was delayed due to Covid-19 related issues. These costs were expected and form part of the overall scheme costs reported to date. This was a complex project with a lot of issues that caused an increase in scheme costs due to the constrained nature of the sites.
Variance	68	Feasibility and Design - Housing Invest	Less than £0.100m

	Amount		
Detail Type	£'000	Project	Description
Variance	1	Wellsbourne	Less than £0.100m
		Development	
Variance	(26)	Whitehawk (Findon	Less than £0.100m
		Road) Development	
Housing Rever	nue Account		
IFRS change	(275)	Gladstone Court	See paragraph 8.1 (v) of the main report for a general explanation of IFRS changes. In this case the adjustment is in relation to the appropriation of land at Gladstone Court, Hartington Road from the General Fund to the HRA as approved at the 23rd January 2020 Policy & Resources Committee.
IFRS change	(325)	Home Purchase Scheme	See paragraph 8.1 (v) of the main report for a general explanation of IFRS changes. In this case the adjustment is in relation to the appropriation of land at 122 Graham Avenue, Mile Oak from the General Fund to the HRA as approved at the 9th July 2020 Policy & Resources Committee.
Variation	442	Oxford Street	Delays due to multiple factors linked to the Pandemic, have led to an extended delivery programme. There have also been delays due to the sequence of works and the need to further coordinate specialist work in connection to an increased scope relating to fire safety and compliance.
Variation	(442)	Converting Spaces in Existing Buildings	Construction projects have suffered delays due to multiple factors linked to the Pandemic, particularly impacting supply chains, utilities connections resulting in an underspend across the programme.
Slippage	(195)	Aerial Systems Upgrade	Revised timeline due to in-year budget approval being required means the programme will now be delivered by June 2021.
Reprofile	,	Heating Water Tanks & Boiler Systems	The specification for the replacement of this system is being reviewed due to an increase in the cost for these works. Housing Officers are working with Property & Design and have appointed consultants to provide further advice on appropriate methods of ventilation and heating. This project is now at the advice stage and further financial projections will be reported through monthly finance monitoring processes.
Reprofile	(105)	Home Energy Efficiency & Renewables	Revised timelines in progressing the solar PV install at the Housing Centre due to a rescheduling of the programme of installs and delays in obtaining landlord permissions.
Reprofile	(106)	New Housing Management ICT system	The system implementation has been delayed due to Covid-19. The new system is expected to go live in the first quarter of 2021/22 with on-going work expected in the year

	Amount		
Detail Type	£'000	Project	Description
Reprofile	,	Environmental Improvements	The Covid-19 pandemic and associated lockdowns reduced the volume of jobs that could be safely completed and impacted procurement of new contractors which reduced the volume of jobs that could be safely delivered this year.
Reprofile	(170)	R&M Fleet Replacement	The reprofile is due to the fleet procurement process not being able to be completed in the timescales predicted.
Reprofile	(220)	Gladstone Court	The majority of refurbishment works were completed during 2020/21 with the properties now being let. The second phase of works required are due to be completed during 2021/22.
Reprofile	(266)	Oxford Street	Delays due to multiple factors linked to the Pandemic, have led to an extended delivery programme. There have also been delays due to the sequence of works and the need to further coordinate specialist work in connection to an increased scope relating to fire safety and compliance.
Reprofile	(1,655)	Next Steps Accommodation Program	The remaining six properties are due to be purchased during the first quarter of 2021/22 as well as the associated refurbishment works for all properties purchased under this programme.
Reprofile	(2,646)	Home Purchase Scheme	This reprofile is required as the number of properties purchased under the Home Purchase Policy in 2020/21 was lower than anticipated. This was in part due to the impact of Covid-19 and also due to the focus from autumn 2020 on securing new homes for the Next Steps Accommodation Programme housing former rough sleepers. This reprofile will be used to purchase additional properties in 2021/22.
Reprofile	(34)	ICT Fund	Less than £0.100m
Reprofile	(37)	Car Parks & Garages	Less than £0.100m
Variance		Minor Capital Works	The overspend is attributed to the urgent works that were required to be carried out before the planned works were mobilised and can be mitigated by underspends elsewhere.
Variance	102	Environmental Improvements	The Covid-19 pandemic and associated lockdowns reduced the volume of jobs that could be safely completed and impacted procurement of new contractors which reduced the volume of jobs that could be safely delivered this year.
Variance	(100)	Doors	As reported throughout the year, the planned programmes for this year have been significantly impacted by Covid-19, in addition programmes were forecast to begin later in the year as a result of significant procurement activity on both planned works contract and major works contracts. Procurement processes for planned term contracts were paused in March 2020 as a result of the pandemic and restarted in June 2020. The procurement progressed well since restarting and completed in November 2020. Progress has been

	Amount		
Detail Type	£'000	Project	Description
			closely monitored and the council has reviewed budget allocations for 2021/22 as a result
			of the delays to the programme.
Variance	(111)	Converting Spaces in	Construction projects have suffered delays due to multiple factors linked to the pandemic,
		Existing Buildings	particularly impacting supply chains, utilities connections resulting in an underspend across
			the programme.
Variance	(130)	Main Entrance Doors	Programme spend is less than budgeted due to the Covid-19 restrictions that have been in
			place. This has meant that planned work has not been undertaken over the majority of the
			financial year.
Variance	(131)	Home Energy Efficiency	Revised timelines in progressing the solar PV installation at the Housing Centre due to a
		& Renewables	re-scheduling of the programme of installs and delays in obtaining landlord permissions.
Variance		Water Tanks	As Main Entrance Doors above
Variance		Structural Repairs	As Main Entrance Doors above
Variance	/	Ventilation	As Main Entrance Doors above
Variance	(175)	Door Entry Systems &	Programme spend is less than budgeted, due to the Covid-19 restrictions that have been
		CCTV	in place. This has meant that planned work has not been undertaken over the majority of
			the financial year.
Variance		Communal Fire Alarms	As Main Entrance Doors above
Variance	(218)	Condensation & Damp	As Main Entrance Doors above
		Works	
Variance		Domestic Rewire	As Main Entrance Doors above
Variance	(262)	Communal Boilers	A planned communal boiler upgrade project is being reviewed to assess the options for
			delivery of this project following feedback from stakeholders.
Variance	(309)		As Main Entrance Doors above
Variance		Kitchens	As Main Entrance Doors above
Variance		Windows	As Main Entrance Doors above
Variance	(396)	Roofing	As reported throughout the year, the planned programmes for this year have been
			significantly impacted by Covid-19, in addition programmes were forecast to begin later in
			the year as a result of significant procurement activity on both planned works contract and
			major works contracts. Procurement processes for planned term contracts were paused in
			March 2020 as a result of the pandemic and restarted in June 2020. The procurement
			progressed well since restarting and completed in November 2020. Progress has been
			closely monitored and the council has reviewed budget allocations for 2021/22 as a result
			of the delays to the programme.

Amount		
	Project	Description
		As Main Entrance Doors above
,	Repairs	
(515)	Fire Safety	As Main Entrance Doors above
(1,195)	Next Steps	Grant funding was provided to support the purchase of 30 x 1 bedroom properties; 24
	Accommodation	properties were purchased before 31st March 2021. The cost of these purchases was
	Program	lower than previously estimated due to a lower purchase prices and relief provided on the
		payment of Stamp Duty Land Tax.
		Less than £0.100m
		Less than £0.100m
		Less than £0.100m
11		Less than £0.100m
		Less than £0.100m
9		Less than £0.100m
		Less than £0.100m
(1)		Less than £0.100m
(2)	1 7	Loca than CO 400m
(2)		Less than £0.100m
<b>(5)</b>		Less than £0.100m
(5)		Less than £0.100m
(23)	1 7	Less than £0.100m
	•	Less than £0.100m
	<u> </u>	Less than £0.100m
		203 than 20.100m
		Less than £0.100m
. ,		Less than £0.100m
		Less than £0.100m
( - /		Less than £0.100m
	(476) (515) (1,195)  50 39 21 11 9 9 (1) (2) (5) (23) (29) (34) (52) (57) (67)	£'000 Project  (476) External Decorations & Repairs  (515) Fire Safety  (1,195) Next Steps Accommodation

# Finance & Resources - Capital Budget Summary

					Variations,				
Forecast		Reported			Slippages	-			Provisional
Variance		Budget	New	IFRS	&	Budget		Variance	Variance
Month 9		Month 9	Schemes	Changes	Reprofiles	Month 12	Month 12	Month 12	Month 12
£'000	Unit	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
0	Finance	0	0	0	0	0	0	0	0.0%
0	HR & Organisational Development	0	0	0	0	0	0	0	0.0%
(222)	IT & D	3,395	0	0	(299)	3,096	2,874	(222)	-7.2%
0	Procurement	0	0	0	0	0	0	0	0.0%
0	Business Operations	0	0	0	0	0	0	0	0.0%
0	Revenues & Benefits	0	0	0	0	0	0	0	0.0%
(222)	Total Finance & Resources	3,395	0	0	(299)	3,096	2,874	(222)	-7.2%

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

	Amount		
Detail Type	£'000	Project	Description
IT&D			
Variation	176	Windows 10 &	Variation of £0.176m from the Digital Organisation Programme 2020/21 is required to
		Desktop\Laptop	support the spend within IT&D capital investment strategy.
		Renewals	
Variation	(176)	Digital Organisation	A variation of £0.176m to support the spend on laptop and equipment and Windows 10
		Programme 2020/21	rollout as part of the IT&D modernisation is required. The rollout of the programme has
		_	enabled homeworking to the workforce. This can be mitigated within the overall programme.
Slippage	(116)	Digital Organisation	The remaining costs committed to the programme will be reprofiled into 2021/22.
		Programme 2020/21	
Slippage	(127)	Carefirst replacement	The Carefirst Replacement programme forms part of the modernisation programme and will
	, ,	mobile devices	be delivered over a number of years. The budget is required to be reprofiled into 2021/22 to
			continue the delivery of this programme.
Slippage	(10)	Wi-Fi Implementation	Less than £0.100m
Slippage	(46)	Desktop & Laptop	Less than £0.100m
		Replacement Programme	

# Appendix 7 – Capital Programme Performance

	Amount		
Detail Type	£'000	Project	Description
Variance	(222)	General Data Protection	The work association with the switch to comply with the revised General Data Protection
		Regulation	Regulation has been completed.

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## **Strategy Governance & Law - Capital Budget Summary**

Forecast		Reported						Provisional	
Variance		Budget			Slippages &				Variance
Month 9		Month 9	Schemes	Changes	Reprofiles	Month 12	Month 12	Month 12	Month 12
£'000	Unit	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
0	Corporate Policy	0	0	0	0	0	0	0	0.0%
0	Legal Services	0	0	0	0	0	0	0	0.0%
0	Democratic & Civic Office Services	0	0	0	0	0	0	0	0.0%
0	Life Events	38	0	0	(38)	0	0	0	0.0%
0	Performance, Improvement &	1,309	0	0	(562)	747	747	0	0.0%
	Programmes								
0	Communications	0	0	0	0	0	0	0	0.0%
0	Total Strategy, Governance & Law	1,347	0	0	(600)	747	747	0	0.0%

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

	Amount		
Detail Type	£'000	Project	Description
Life Events			
Slippage	` ,	Replacement CTS	Less than £0.100m
		Ambulance	
Performance,	Improveme	ent & Programmes	
Slippage	(562)	Carefirst Replacement	The Carefirst Replacement programme sits with the Performance, Improvement &
		Project	Programmes team as a corporate project and forms part of the council's Modernisation
			Programme to be delivered over a number of years. A significant part of the budget is
			required to be reprofiled into 2021/22 to continue the delivery of this programme.

Note: There are currently no capital budgets to report on for Corporate Budgets.

# Appendix 8 – Schedule of Reserves

	Opening Balance at 1st April 2020 £'000	Movement in Year £'000	Closing Balance as at 31st March 2021 £'000
General Fund Reserves	1		
General Fund Working Balance	9,000	0	9,000
General Fund Balances (year-end balances pending allocation)	-10	10,098	10,088
Capital Reserves (GF)	435	82	517
Library PFI Reserve	884	5	889
Schools PFI Project Reserve	1,036	0	1,036
Waste PFI Project Reserve	2,925	525	3,450
Finance Costs Reserve	290	-290	0
Section 106 Receipts (Revenue)	633	-32	601
Section 106 Interest	566	-33	533
Brighton Centre Redevelopment Reserve	2,872	-50	2,822
Customer Access & Accommodation Strategies & The Link Network Upgrade Reserve	129	-45	84
Museum Objects Acquisitions Reserve	65	-65	0
Royal Pavilion Fund	112	-112	0
Jack Thompson - Hove Museum	186	-186	0
Concessionary Bus Passes	74	0	74
One Planet Living Implementation	14	0	14
ICT Investment Reserve	199	0	199
Environmental Enforcement Reserve	70	-10	60
Winter Maintenance	651	-228	423
Outdoor Events	76	45	121
Dome Planned Maintenance	206	-38	168
Hove Park 3G Pitch Renewal	15	0	15
James Green Foundation	199	-199	0
Surface Water Management Reserve	548	-155	393
BikeShare Scheme Reinvestment Reserve	135	0	135
Community Equipment Reserve	33	0	33
City Regeneration Fund (Renamed)	31	0	31
Welfare and Local Government Funding Reform Reserve	29	0	29
Sports Facilities Reserve	338	32	370
Licensing - other reserve	44	0	44
Taxi Licensing	85	23	108
East Brighton Parking Surplus	10	4	14
Preston Park Parking Surplus	213	54	267
NEH Refurbishment Reserve	150	-150	0
Road Works Permit Scheme	33	0	33
Overdown Rise Footpath Maintenance	0	20	20
i360 Reserve	6,414	1,393	7,807
Departmental Carry Forward	1,283	830	2,113
HMO Licensing Fees Reserve	450	-66	384
HMO Additional Licensing Fees	383	-111	272
Phoenix House Sinking Fund	60	0	60

# Appendix 8 – Schedule of Reserves

	Opening Balance at 1st April 2020 £'000	Movement in Year £'000	Closing Balance as at 31st March 2021 £'000
Damage Deposit Guarantee Scheme	298	-98	200
Cemeteries Maintenance Reserve	54	1	55
Private Rented Sector Rent Deposit Scheme	41	0	41
Travellers Site Capital Reserve	79	0	79
Revenue Grants Reserve	8,805	-6,273	2,532
Revenue Grants Reserve - DSG	703	43	746
Seaside Homes Reserve	55	-55	0
City Deal New England House Dev Reserve	4,900	-332	4,568
Schools LMS Balances	4,347	2,564	6,911
Portslade Adult Learning	20	0	20
Investment Properties (Dilapidations)	239	0	239
Restructure Redundancy Reserve	0	85	85
Insurance Reserve General	5,372	-119	5,253
Total General Fund Reserves	55,779	7,157	62,936
Collection Fund S31 adjustment reserve	311	37,367	37,678
Total General Fund Reserves incl. Collection Fund S31 Adj.	56,090	44,524	100,614
Capital Receipts & Unapplied Contributions			
Capital Receipts Reserve	32,149	-3,263	28,886
Community Infrastructure Levy (CIL) - Neighbourhood Reserve	0	13	13
CIL - Strategic Reserve	0	70	70
Government Grants Unapplied	4,475	-2,052	2,423
Other External Contributions Unapplied	1,914	-85	1,829
Developer Contributions Unapplied (S106 Capital)	719	-297	422
Total Capital Receipts & Unapplied Contributions	39,257	-5,614	33,643
Total General Fund incl. Capital Receipts & Contributions	95,347	38,910	134,257
HRA Reserves			
HRA Working Balance	7,657	410	8,067
Capital Reserves (HRA)	0	2,900	2,900
Estates Development Budget Reserves	240	0	240
Renewable Energy Reserve	175	-24	151
Setup Mobilisation Housing Repairs Cont. Reserve	416	0	416
Rent Support Reserve	801	26	827
Responsive Repairs Catch Up Works	0	440	440
Restructure Redundancy Reserve	388	-388	0
Toral HRA Reserves	9,677	3,364	13,041
Total Reserves	105,024	42,274	147,298

# POLICY & RESOURCES COMMITTEE

Agenda Item 8

Brighton & Hove City Council

Subject: Targeted Budget Management (TBM) 2021/22:

Month 2 (May)

Date of Meeting: 1 July 2021

Report of: Acting Chief Finance Officer

Contact Officer: Name: Jeff Coates Tel: 29-2364

Email: Jeff.Coates@brighton-hove.gov.uk

Ward(s) affected: All

#### FOR GENERAL RELEASE

#### 1 PURPOSE OF REPORT 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 an early indication of forecast risks as at Month 2 on the council's revenue and capital budgets for the financial year 2021/22. As last year, the report includes memorandum information to indicate the element of the forecast attributable to the ongoing pandemic.
- 1.2 The forecast risk for 2021/22 at this early stage is a £6.205m overspend on the General Fund revenue budget. This includes a forecast underspend of £0.308m on the council's share of the NHS managed Section 75 services. Forecasts should be viewed with some caution at this time as it is difficult to assess the potential ongoing impact of the pandemic on the local economy, visitor activity and the associated demands this can place on services. Cessation or changes in eviction legislation, furlough, Universal Credit top-up's and other support later in the year could also have significant financial implications in terms of demands on services such as Homelessness or through increased Council Tax Reduction support.
- 1.3 The report indicates that £3.253m (30%) of the substantial savings package in 2021/22 of £10.687m is at risk. Of this, £0.890m is due to pressures arising from Covid-19.

#### 2 RECOMMENDATIONS:

- 2.1 That the Committee note the forecast risk position for the General Fund, which indicates a potential forecast overspend risk of £6.205m. This is net of an underspend of £0.308m on the council's share of the NHS managed Section 75 services.
- 2.2 That the Committee note the forecast for the Housing Revenue Account (HRA), which is currently an overspend of £0.034m.
- 2.3 That the Committee note the forecast risk position for the Dedicated Schools Grant which is an overspend of £0.138m.
- 2.4 That the Committee note the forecast outturn position on the capital programme which is a forecast underspend of £2.342m and approve the variations and slippage in Appendix 5 and new schemes as set out in Appendix 6.

#### 3 CONTEXT/ BACKGROUND INFORMATION

#### **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 through effective financial recovery planning together with more regular monitoring of high risk demand-led areas as detailed below.
- 3.2 The TBM report is normally split into the following sections:
  - 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 Chief Finance Officer (statutory S151 officer)

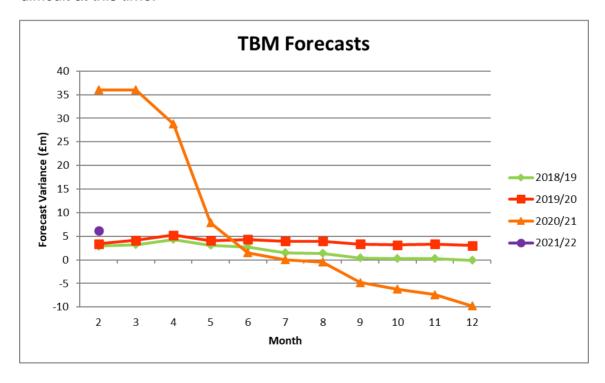
#### 4 General Fund Revenue Budget Performance (Appendix 3)

4.1 The table below shows the provisional outturn for Council controlled revenue budgets within the General Fund. These are budgets under the direct control and management of the Executive Leadership Team. More detailed explanation of the variances can be found in Appendix 3. Please note that the 'COVID Variance Month 2' column is a memorandum-only column identifying the extent of the 'Forecast Variance Month 2' attributable to the pandemic.

Provisional Variance		2021/22 Budget		Forecast Variance	COVID	Forecast Variance
2020/21		Month 2	Month 2	Month 2	Month 2	Month 2
£'000	Directorate	£'000	£'000	£'000	£'000	%
78	Families, Children & Learning	97,424	97,981	557	468	0.6%

3,832	Health & Adult Social Care	70,504	70,716	212	13	0.3%
5,936	Economy, Environment & Culture	41,923	46,150	4,227	4,168	10.1%
2,069	Housing, Neighbourhoods & Communities	24,986	25,877	891	945	3.6%
722	Finance & Resources	20,541	21,006	465	1	2.3%
(458)	Strategy, Governance & Law	6,184	6,184	0	9	0.0%
12,179	Sub Total	261,562	267,914	6,352	5,604	2.4%
(515)	Corporately-held Budgets	(67,760)	(67,907)	(147)	0	-0.2%
1,847	Corporate PPE Costs	0	0	0	0	0.0%
(23,244)	COVID-19 Grant *	0	0	0	0	0.0%
(9,733)	Total General Fund	193,802	200,007	6,205	5,604	3.2%

- \* The Covid-19 Grant for 2021/22 is £8.023m but has been treated as recurrent funding to balance the 2021/22 budget and does not therefore show as a one-off grant above.
  - 4.2 The General Fund includes general council services, corporate budgets and central support services. Corporate Budgets include centrally held provisions and budgets (e.g. insurance) as well as some cross-cutting value for money savings targets. Note that General Fund services are accounted for separately to the Housing Revenue Account (Council Housing). Note also that 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). The chart below shows the monthly forecast variances for 2021/22 and the previous three years for comparative purposes. The impact of the pandemic clearly makes comparisons difficult at this time.

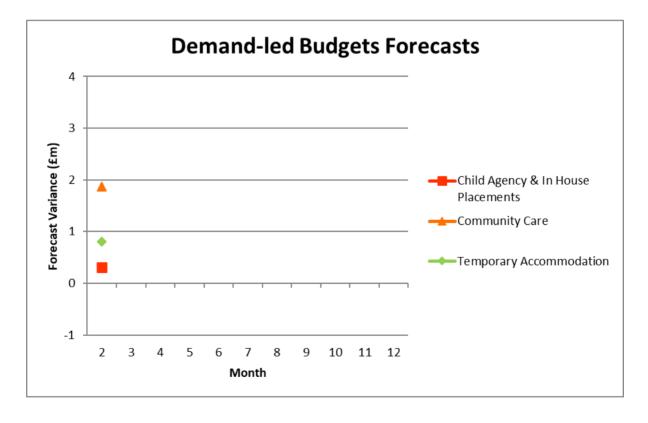


#### **Demand-led Budgets**

4.3 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 budgets of corporate significance 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 can include income related budgets. These therefore undergo more frequent and detailed analysis.

Provisional Variance 2020/21 £'000	Demand-led Budget	2021/22 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	COVID Variance Month 2 £'000	Forecast Variance Month 2
63	Child Agency & In House Placements	23,052	23,363	311	461	1.3%
1,383	Community Care	82,898	84,776	1,878	0	2.3%
4,720	Temporary Accommodation	8,219	9,026	807	5,391	9.8%
6,166	Total Demand-led Budget	114,169	117,165	2,996	5,852	2.6%

The chart below shows the monthly forecast variances on the demand-led budgets for 2021/22.



#### **TBM Focus Areas**

The main pressures identified at Month 2 are across parts of Families, Children & Learning, Health & Adult Social Care, Homelessness, Transport, City Environmental Management and Culture, Tourism & Sport. Information about these pressures and measures to mitigate them are summarised below:

4.4 **Families, Children & Learning:** The current projected position identifies a number of cost pressures as follows: £0.350m on Services for Children with Disabilities; £0.267m on Services for Adults with Learning Disabilities, £0.130m on Home to School Transport, and Council Nurseries £0.150m. However, there is a forecast underspend on Children's Social Care Services of (£0.227m) and a Recovery Plan for Home to School transport of (£0.130m) together with other variances of £0.017m, this results in a forecast of £0.557m overspend as at Month 2. Of this, £0.468m relates to COVID-19 – this is a combination of loss of income, impact on savings targets and additional expenditure given the need to mitigate health risks posed by COVID-19.

Work will continue in implementing financial recovery plans but there is concern in the profession that demand for statutory social care services could increase as families exit lockdown.

The projected position for the Dedicated Schools Grant is an overspend of £0.138m. This is largely due to some significant overspends in the High Needs Block, most notably education agency placements £0.326m. These pressures are offset by the remaining balance of the central DSG carried forward from 2020/21.

- 4.5 **Adults Services:** The service is managing significant challenges in 2021/22 in mitigating the risks arising from increasing demands from client needs, supporting more people to be discharged from hospital when they are ready and maintaining a resilient local provider market. This is alongside supporting vulnerable clients during the pandemic, delivering a significant financial recovery plan and developing integration plans through the Better Care Fund.
  - Service pressure funding of £12.700m has been applied in 2021/22 and used to fund budget pressures resulting from the increased demands and complexity in the city. However, £0.361m was needed to backfill the reduction in CCG funding contributions. Over the last three years there has been an overall £3.750m reduction in CCG funding due to pressures on local NHS budgets.
  - At this stage, £1.494m of the £4.515m cost management plan are being forecast as unachievable in this financial year.
  - Overall HASC is forecasting to overspend by £0.212m in 2021/22. Actions are focused on attempting to manage demands on and costs of community care placements across Assessment Services and making the most efficient use of available funds.
  - The HASC directorate has a Modernisation Programme which aims to implement a consistent strengths-based approach across key work streams, ensuring robust pathways are in place, developing a community reablement offer and re-designing the front door service. Currently the Health & Social Care system is under considerable pressure and this is generating additional costs for the council due to:
    - Pressures on NHS budgets resulting in reduced funding contributions from the CCG;
    - Significant pressures on the acute hospital resulting in increased costs to support timely discharge into residential and nursing home care;
    - Ongoing transformation of GP practices and enhancement of their clinical screening and general medical services which contribute to preventative support;

- Pressures on NHS outreach and other preventative services including community nursing (known as Integrated Primary Care Teams);
- There is also focus nationally on improving rates of hospital discharge in order to accommodate winter pressures.
- 4.6 **Housing Services and Temporary Accommodation:** The budget for Temporary Accommodation is currently forecast to break even. This assumes use of all of the 2021/22 Homelessness Prevention Grant of £6.240m in year and takes account of the £2.382m of service pressure funding (net of savings) that was added to this budget for 2021/22, in recognition of the large increase in households using Temporary Accommodation during the pandemic. This forecast assumes that for 2021/22 the numbers in Emergency Accommodation (EA) increase slightly and then remain largely static (an average of 619 units of EA). Move-ons from EA will be challenging while the service prioritises moving on those housed in hotels under the 'Everyone In' initiative. There is a risk that if those moved on from hotels are moved into EA, this will result in overspends on TA budgets. There is also a risk that costs of TA will increase further if households become homeless as a result of the ending of the restrictions on private landlord evictions. The effects of this have yet to be factored into this forecast due to the high levels of uncertainty.

There is a forecast overspend of £0.807m for the cost of 'Everyone In' hotels. The forecast assumes that some hotels will be needed beyond 30th September as the number of move-ons required in the next three months will be very challenging to achieve. The overspend is also caused by lower than expected HB collection rates and higher damages/repairs costs and security costs than originally forecast. Some of this overspend is because Housing Benefit income is included in the forecast for TA above and cannot be easily disaggregated. This is because hotels are also being utilised for single emergency accommodation clients as well as those housed under 'Everyone In' to ensure efficient use of vacancies. This forecast assumes the use of £2.043m Containment Outbreak Management Fund (COMF) Grant as agreed at P&R (Recovery) Sub-Committee on 28 April 2021 and also the use of £0.500m grant from MHCLG for continued housing of rough sleepers in 2021/22 as included in the original budget assumptions.

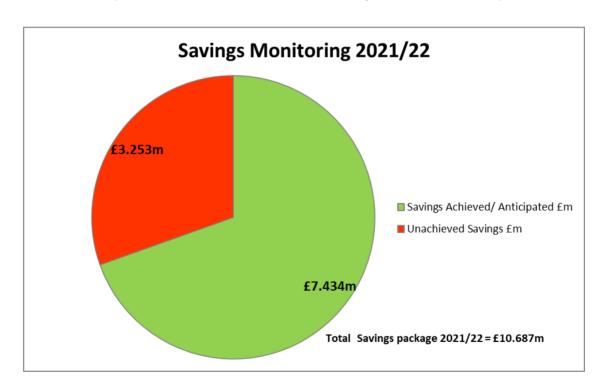
The service will be working to improve this overspend position as the year progresses. It has recently employed the services of a Housing Transformation Manager to head up an 'end-to-end' improvement programme to help the service improve its processes in order to reduce the use and length of stay in Temporary Accommodation by improving homeless prevention and enabling move on to more sustainable accommodation. This in turn should also lead to cost reductions by improving move on processes, void turnaround times in emergency accommodation and improving income collection for example. There are however staffing challenges including significant vacancies and recruitment challenges in this area.

4.7 **Environment, Economy & Culture:** The Directorate has substantial income budgets for parking, planning and venues and for the council's commercial property portfolio, all of which are dependent on visitor numbers and commercial activity. There is also a challenging additional income target for Parking Services of £1.750m for 2021/22. These activities and services have been heavily impacted by the COVID-19 restrictions and the forecast is for significant income shortfalls compared to budget for 2021/22 in most of these areas. The Sales, Fees & Charges Compensation Grant has reduced the impact of some of these lost incomes. The hope will be for significant recovery as restrictions continue to be lifted and local tourism improves which could improve later forecasts. However,

there are also unavoidable cost pressures (mainly agency staffing) related to maintaining core services, such as refuse collection & recycling and street cleansing. The overall effect of these factors is an early forecast risk of £4.340m for Month 2.

#### **Monitoring Savings**

- 4.8 The savings package approved by full Council to support the revenue budget position in 2021/22 was £10.687m following directly on from a £10.291m savings package in 2020/21. This is very significant and follows 10 years of substantial packages totalling over £175m that have been necessary to enable cost and demand increases to be funded alongside managing reductions in central government grant funding.
- 4.9 Appendix 3 provides a summary of savings in each directorate and indicates in total what is anticipated/achieved or is at risk. Appendix 4 summarises the position across all directorates and presents the entire savings programme. The graph below provides a summary of the position as at Month 2 which is an early indication. This shows that £3.253m (30%) is currently at risk. Of this £0.890m is in respect of pressures relating to COVID-19. Mitigation of these risks will be included in the development of services' financial recovery actions as far as possible.



## 5 Housing Revenue Account Performance (Appendix 3)

- 5.1 The Housing Revenue Account is a separate ring-fenced account within the General Fund that covers income and expenditure related to the management and operation of the council's housing stock. Expenditure is generally funded by Council Tenants' rents and housing benefits. The forecast outturn is currently an underspend of £0.034m and more details are provided in Appendix 3.
- 5.2 This year is more challenging for the HRA and the relatively small overspend is mainly the result of the catching up on the backlog of repairs from 2020/21 together with a reduction in rent income caused by empty properties awaiting works. These costs are largely offset by other underspends across the service resulting in a

relatively small forecast overspend of £0.034m. However, if the HRA cannot manage this overspend through the year, this can be met from HRA reserves.

#### 6 Dedicated Schools Grant Performance (Appendix 3)

6.1 The Dedicated Schools Grant (DSG) is a ring-fenced grant within the General Fund 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 forecast outturn is an overspend of £0.138m and more details are provided in Appendix 3. Under the Schools Finance Regulations any underspend or overspend must be carried forward to support the schools budget in future years.

## 7 NHS Managed S75 Partnership Performance (Appendix 3)

- 7.1 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 include health and social care services for Adult Mental Health and Memory and Cognitive Support Services.
- 7.2 This partnership is 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 result in financial implications for the council where a partnership is underspent or overspent at year-end and hence the performance of the partnership is included within the forecast outturn for the Health & Adult Social Care directorate. An underspend of £0.308m is currently forecast and more details are provided in Appendix 3.

#### 8 Capital Programme Performance and Changes

8.1 The table below provides a summary of capital programme performance by Directorate and shows that there is a forecast underspend of £2.342m at this early stage. More details are provided in Appendix 5.

	Reported Budget Month 2	Forecast Outturn Month 2	Forecast Variance Month 2	Forecast Variance Month 2
Directorate	£'000	£'000	£'000	%
Families, Children & Learning	25,025	25,025	0	0.0%
Health & Adult Social Care	715	715	0	0.0%
Economy, Environment & Culture	82,661	82,661	0	0.0%
Housing, Neighbourhoods & Communities	2,990	2,990	0	0.0%
Housing Revenue Account	90,464	88,122	(2,342)	-2.6%
Finance & Resources	2,799	2,799	0	0.0%
Strategy, Governance & Law	600	600	0	0.0%
Total Capital	205,252	202,910	(2,342)	-1.1%

(Note: Summary may include minor rounding differences to Appendix 5)

8.2 Appendix 5 shows the changes to the capital budget and Appendix 6 provides details of new schemes for 2020/21 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 at Budget Council.

	Reported Budget Month 2
Summary of Capital Budget Movement	£'000
Budget approved as at Budget Council	206,658
Changes reported at other committees and already approved	10,639
New schemes to be approved in this report (see Appendix 6)	511
Variations to budget (to be approved)	2,671
Reprofiling of budget (to be approved)	(15,227)
Slippage (to be approved)	0
Total Capital	205,252

- 8.3 Appendix 5 also details any slippage into next year. However, as normal, project managers have forecast that none of the capital budget will slip into the next financial year at this early stage.
- 9 Implications for the Medium Term Financial Strategy (MTFS)
- 9.1 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.

#### **Capital Receipts Performance**

- 9.2 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, Modernisation Fund, Asset Management Fund and the Information, Technology and Digital Investment Fund. The planned profile of capital receipts for 2021/22, as at Month 02, is £11.4m which includes receipts expected from the land transferring to the HRA for the Moulsecoomb housing redevelopment, land disposals at the Cliff and Braypool Lane, disposal of properties at the Old Steine and a number of lease extensions. To date there have been receipts of £1.473m in relation to the lease re-gear for commercial premises in Western Road, Brighton and some minor loan repayments. The capital receipts performance will be monitored over the coming months against capital commitments
- 9.3 The forecast for the 'right to buy sales' in 2021/22 (after allowable costs, repayment of housing debt and forecast receipt to central government) is that an estimated 30 homes will be sold and net retained receipt of up to £2.000m available to re-invest in replacement homes. In addition to this net retained receipt the HRA will also retain circa £0.520m to fund investment in the HRA capital programme. To date 3 homes have been sold in 2021/22.

#### **Collection Fund Performance**

- 9.4 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 Crime Commissioner 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.
- 9.5 At this stage of the financial year the council is forecasting that the collection funds will be in deficit for council tax by £0.743m and business rates by £0.335m. This relates solely to the brought forward deficit relating to changes between January 2021 and March 2021 as it is currently forecast that the in-year position will achieve break-even. The council's share of these combined deficits is £0.791m and may be subject to spreading over future financial years.

#### **Reserves, Budget Transfers and Commitments**

9.6 The creation of reserves, the approval of budget transfers (virements) of over £0.250m, and agreement to new financial commitments of corporate financial significance that are not provided for in the approved budget and policy framework require Policy & Resources Committee approval in accordance with the council's Financial Regulations and Standard Financial Procedures. There are no new reserves or budget transfers requiring approval at this stage.

#### 10 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 10.1 The provisional outturn position on the General Fund is an overspend of £6.205m. This includes a forecast underspend of £0.308m on the council's share of the NHS managed Section 75 services. The accuracy of forecasts at this stage is not likely to be within high confidence limits, particularly given the very wide range of variables and factors driven by the ongoing pandemic. The recovery of Parking Incomes will clearly be an area to monitor closely alongside ongoing pressures on Homelessness services.
- 10.2 The committee are advised that there are no set aside financial risk provisions available to mitigate the position, however, the council does have 2021/22 Contain Outbreak Management Funding of £2.070m, part of which may be available to mitigate some costs, for example, Homelessness costs.

#### 11 COMMUNITY ENGAGEMENT & CONSULTATION

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

# 12 CONCLUSION AND COMMENTS OF THE CHIEF FINANCE OFFICER (S151 OFFICER)

12.1 The forecast risk at Month 2 represents 3.2% of the net General Fund. This early forecast indicates a number of demand and cost pressures alongside income pressures, the majority of which are driven by the ongoing pandemic. All directorates and services will continue to do everything possible to mitigate the position as far as they are able through the development of financial recovery plans and actions.

#### 13 FINANCIAL AND OTHER IMPLICATIONS

#### Financial Implications:

13.1 The financial implications are covered in the main body of the report. Financial performance is kept under review on a monthly basis by the Executive Leadership

Team and the management and treatment of forecast risks is considered by the Audit & Standards Committee as part of its review of strategic risks.

Finance Officer Consulted: Jeff Coates Date: 22nd June 2021

Legal Implications:

13.2 Decisions taken in relation to the capital and revenue 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: 21st June 2021

**Equalities Implications:** 

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

Sustainability Implications:

13.4 Although there are no direct sustainability implications arising from this report, the council's financial position is an important aspect of its ability to meet council priorities. In addition, the council's response to managing the impact of the pandemic, in lieu of further government funding announcements, will be important to demonstrate that in a worst case scenario, it has plans to manage the financial impact and avoid financial collapse.

Risk and Opportunity Management Implications:

13.5 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. However, current reserves and balances were not set at a level to manage financial shocks of the scale of the pandemic and any depletion of reserves and balances to manage this position will normally require a plan for replenishment in future years.

#### SUPPORTING DOCUMENTATION

#### **Appendices:**

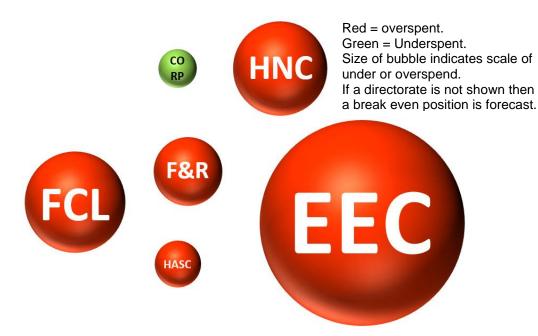
- 1. Financial Dashboard Summary
- 2. Revenue Budget RAG Rating
- 3. Revenue Budget Performance
- 4. Summary of 2021/22 Savings Progress
- 5. Capital Programme Performance
- 6. New Capital Schemes

#### **Documents in Members' Rooms:**

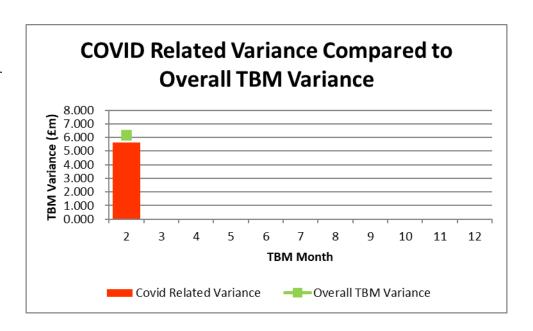
None.

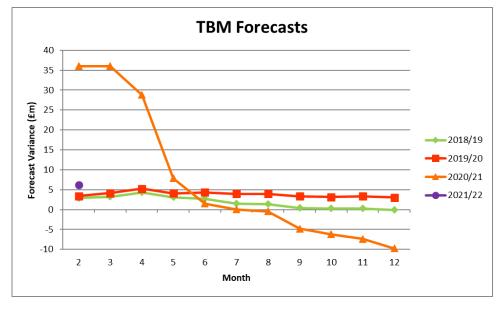
#### **Background Documents**

None.

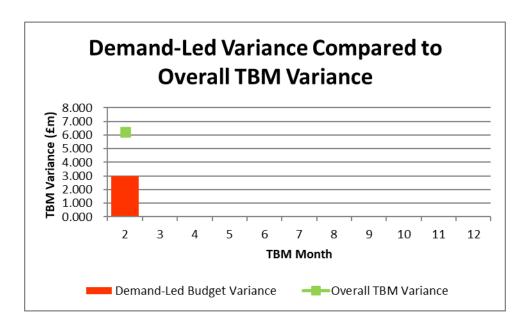


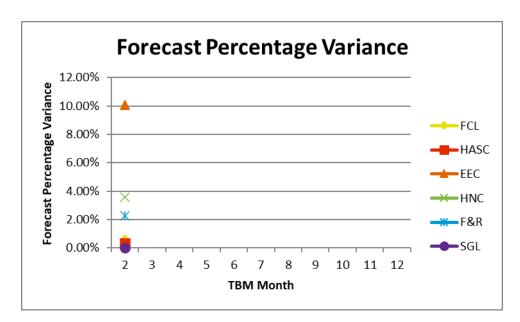
Direction of Travel					
Directorate/Fund	Forecast Variance Month 2	Forecast Variance Month 2	RAG Rating Month 2		
	£'000	%			
General Fund Services:					
Families, Children & Learning	557	0.6%	Red		
Health & Adult Social Care	212	0.3%	Amber		
Economy, Environment & Culture	4,227	10.1%	Red		
Housing, Neighbourhoods & Communities	891	3.6%	Red		
Finance & Resources	465	2.3%	Red		
Strategy, Governance & Law	0	0.0%	Green		
Corporately-held Budgets	(147)	-0.2%	Green		
Total General Fund	6,205	3.2%	Red		
Dedicated Schools Grant (DSG)	138	18.5%	Red		
Housing Revenue Account	34	0.0%	Amber		

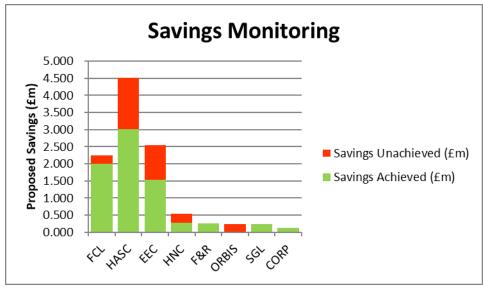




## **Appendix 1 - Financial Dashboard Summary**







# Appendix 2 – Revenue Budget RAG Ratings

RAG Rating Key:	RAG for Service Areas	RAG for Directorates <sup>(1)</sup>	RAG for General Fund
Red	Forecast overspend of 5% or more or £0.100m whichever is lower	Forecast overspend of 5% or more or £0.250m whichever is lower	Forecast overspend of 0.5% or more or £1.000m whichever is lower
Amber	Forecast overspend of less than 5% of budget or £0.100m, whichever is lower.	Forecast overspend of less than 5% of budget or £0.250m, whichever is lower.	Forecast overspend of less than 0.5% of budget or £1.000m, whichever is lower.
Green	Breakeven or forecast underspend	Breakeven or forecast underspend	Breakeven or forecast underspend

	2021/22 Budget	Forecast Variance	Forecast Variance	RAG
	Month 2	Month 2	Month 2	Rating
Service	£'000	£'000	%	Month 2
Director of Families, Children & Learning	133	0	0.0%	Green
Health, SEN & Disability Services	46,196	617	1.3%	Red
Education & Skills	9,177	129	1.4%	Red
Children's Safeguarding & Care	40,410	(227)	-0.6%	Green
Quality Assurance & Performance	1,508	38	2.5%	Amber
Total Families, Children & Learning	97,424	557	0.6%	Red
Adult Social Care	40,242	522	1.3%	Red
S75 Sussex Partnership Foundation Trust (SPFT)	22,546	(308)	-1.4%	Green
Integrated Commissioning	6,252	(2)	0.0%	Green
Public Health	1,464	Ó	0.0%	Green
Total Health & Adult Social Care	70,504	212	0.3%	Amber
Transport	(3,870)	2,997	77.4%	Red
City Environmental Management	34,672	628	1.8%	Red
City Development & Regeneration	3,889	8	0.2%	Amber
Culture, Tourism & Sport	4,210	594	14.1%	Red
Property	3,022	0	0.0%	Green
Total Economy, Environment & Culture	41,923	4,227	10.1%	Red
Housing General Fund	14,281	746	5.2%	Red
Libraries	4,807	145	3.0%	Red
Communities, Equalities & Third Sector	3,208	0	0.0%	Green
Safer Communities	2,690	0	0.0%	Green
Total Housing, Neighbourhoods & Communities	24,986	891	3.6%	Red
Finance (Mobo)	322	(35)	-10.9%	Green
HR & Organisational Development (Mobo)	1,039	0	0.0%	Green
IT&D (Mobo)	3,521	0	0.0%	Green
Procurement (Mobo)	(165)	0	0.0%	Green
Business Operations (Mobo)	(85)	0	0.0%	Green
Revenues & Benefits (Mobo)	5,715	0	0.0%	Green
Housing Benefit Subsidy	(751)	0	0.0%	Green
Contribution to Orbis	10,945	500	4.6%	Red
Total Finance & Resources	20,541	465	2.3%	Red
Corporate Policy	679	0	0.0%	Green
Legal Services	1,666	0	0.0%	Green
Democratic & Civic Office Services	1,814	0	0.0%	Green
Life Events	261	0	0.0%	Green
Performance, Improvement & Programmes	1,089	0	0.0%	Green

# Appendix 2 – Revenue Budget RAG Ratings

	2021/22	Forecast	Forecast	
	Budget	Variance	Variance	RAG
	Month 2	Month 2	Month 2	Rating
Service	£'000	£'000	%	Month 2
Communications	675	0	0.0%	Green
Total Strategy, Governance & Law	6,184	0	0.0%	Green
Sub Total	261,562	6,352	2.4%	
Bulk Insurance Premia	3,127	0	0.0%	Green
Capital Financing Costs	9,536	0	0.0%	Green
Levies & Precepts	215	0	0.0%	Green
Unallocated Contingency & Risk Provisions	865	0	0.0%	Green
Unringfenced Grants	(41,579)	0	0.0%	Green
Other Corporate Items	(39,924)	(147)	-0.4%	Green
Total Corporate Budgets	(67,760)	(147)	-0.2%	Green
Total General Fund	193,802	6,205	3.2%	Red
				_
Capital Financing	27,547	(170)	-0.6%	Green
Housing Management & Support	4,078	50	1.2%	Amber
New Housing Supply	638	0	0.0%	Green
Income Involvement Improvement	(48,082)	150	0.3%	Red
Repairs & Maintenance	10,778	224	2.1%	Red
Property & Investment	2,488	(150)	-6.0%	Green
Tenancy Services	2,554	(70)	-2.7%	Green
Total Housing Revenue Account	0	34	0.0%	Amber
				_
Individual Schools Budget (ISB)	132,459	0	0.0%	Green
Early Years Block (incl delegated to Schools)	15,632	(282)	-1.8%	Green
High Needs Block (excl delegated to Schools)	30,764	362	1.2%	Red
Exceptions and Growth Fund	3,089	58	1.9%	Amber
Grant Income	(181,198)	0	0.0%	Green
Total Dedicated Schools Grant (DSG)	746	138	18.5%	Red

<sup>(</sup>¹) In the above tables the Dedicated Schools Grant and Housing Revenue Account are treated as Directorates for the purposes of RAG rating.

## Families, Children & Learning

## **Revenue Budget Summary**

Provisional Variance 2020/21			Forecast Outturn Month 2 £'000	Variance	Variance Month 2		Savings Proposed	Savings Achieved/ Anticipated £'000	Risk
	Director of Families, Children & Learning	133		0	0	0.0%		0	0
1,544	Health, SEN & Disability Services	46,196	46,813	617	281	1.3%	1,110	947	163
735	Education & Skills	9,177	9,436	259	187	2.8%	162	162	0
(2,130)	Children's Safeguarding & Care	40,410	40,183	(227)	0	-0.6%	975	894	81
(59)	Quality Assurance & Performance	1,508	1,546	38	0	2.5%	0	0	0
78	Total Families, Children & Learning	97,424	98,111	687	468	0.7%	2,247	2,003	244
0	Further Financial Recovery Measures (see below)	-	(130)	(130)	0	-	-	-	-
	Residual Risk After Financial Recovery Measures	97,424	97,981	557	468	0.6%	2,247	2,003	244

The Covid variances shown in the tables above and below are included within the "Forecast Variance" and "Key Variances" columns.

## **Explanation of Key Variances** (Note: FTE/WTE = Full/Whole Time Equivalent)

Key	Covid	
Variances	Variances	
£'000	£'000 Service Area	Variance or Financial Recovery Measure Description
Further Dire	ectorate Financial Recovery Measure	3
(130)	0 Home to School Transpo	Review of single passenger journeys, multi occupancy routes and post 19 students to SEN.
Health, SEI	N & Disability Services	
260	201 Children's Disability Placements	The children's disability placement budget has been rebased in 2021/22, but there continues to be a pressure with some existing placements breaking down.

Kov	Covid		Appendix 3 – Revenue Budget Performance
Key			
Variances £'000		Service Area	Variance or Financial Recovery Measure Description
101	0	Adults with Learning Disabilities - Community Care	Due to social work staff vacancies and the ongoing impact of Covid-19 it is anticipated that the 2021/22 savings target will not be fully achieved. At this stage, £0.450m of the £0.950m savings target is identified as being at risk.
166	80	Adults with Learning Disabilities - in-house provider services	The forecast overspend mainly relates to pressure in the residential respite budget due to high levels of staff absence (partly linked to Covid-19) and the cost of emergency placements.
63	0	Children's Disabilities - in- house provision	There is a pressure for respite provision for children with disabilities and a high use of agency / sessional staff.
27	0	Other	Minor variances.
Education 8	& Skills		
130	112	Home to School Transport	For 2021/22 the forecast overspend is £0.130m based on the current information from the data held on the transport system. However, a number of recovery plan items will be actioned to bring the budget in on-line. Of the overspend, £0.112m relates to additional costs resulting from Covid-19 until July 2021 and has been partially funded by the ongoing transport grant, assumed at £0.090m for this term. It must be stressed that due to forecasting in the Covid-19 context this is still subject to changes and there will be a review of single passenger and multi occupancy routes. Latest numbers from June are 374 for Hired Transport and 82 for Post 16.
150		Council Nurseries and Children's Centres	There is a reduction in children attending council nurseries due to Covid-19. This is both for fee paying and DSG early years funded children and is a continuation of the trend seen in spring term when council nurseries were only open for disadvantaged children. At the same time there has been an increase in the number of SEND children and there are also higher levels of staff sickness and maternity leave that need to be covered to maintain legal ratios.
(21)	0	Other	Minor variances.
Children's	Safeguardir	ng & Care	
51	0	Demand-Led - Children's placements	The small overspend is the result of a combination of a number of different factors. There are significant overspends in Residential Home and External Fostering placements due to increasing numbers but this has been off-set by increasing grant funding and underspends in Secure and Semi-independence placements.

			Appendix o Revenue Badget i entermance
Key	Covid		
<b>Variances</b>	<b>Variances</b>		
£'000	£'000	Service Area	Variance or Financial Recovery Measure Description
(81)	0	Preventive/S17	There is a significant underspend projected across the Preventive budgets. It is anticipated that, with continued scrutiny and current controls on spending, a year end underspend will be realised in 2021/22, despite the continuing increasing costs of families with No Recourse to Public Funds (NRPF).
90	0	Legal Fees	There has been a significant increase in demand for child protection legal work in recent months. Cases are taking longer for a number of reasons and new cases need to be allocated. It is, therefore anticipated that there will be additional costs incurred by the in-house legal team resulting in the overspend of £0.090m
(125)	0	Partners in Change Contracts	Contracts with SPFT and other partners have been re-negotiated reducing the cost to the Council.
(162)	0	Other	Minor variances.
Quality Ass	urance & P	erformance	
38		Other	Minor variances.

# Health & Adult Social Care (HASC)

## **Revenue Budget Summary**

Provisional Variance			Outturn	Forecast Variance	Variance		Savings	Achieved/	
2020/21		Month 2						<b>Anticipated</b>	Risk
£'000	Service	£'000	£'000	£'000	£'000	<u>%</u>	£'000	£'000	£'000
1,725	Adult Social Care	40,242	43,371	3,129	13	7.8%	3,345	1,851	1,494
(989)	S75 Sussex Partnership Foundation Trust (SPFT)	22,546	22,238	(308)	0	-1.4%	860	860	0
3,096	Integrated Commissioning	6,252	6,250	(2)	0	0.0%	310	310	0
0	Public Health	1,464	1,464	0	0	0.0%	0	0	0
3,832	Total Health & Adult Social Care	70,504	73,323	2,819	13	4.0%	4,515	3,021	1,494
0	Further Financial Recovery Measures (see below)	-	(2,607)	(2,607)	0	-	-	-	-
•	Residual Risk After Financial Recovery Measures	70,504	70,716	212	13	0.3%	4,515	3,021	1,494

The Covid variances shown in the tables above and below are included within the "Forecast Variance" and "Key Variances" columns.

## **Explanation of Key Variances**

Key	Covid	
<b>Variances</b>	Variances	
£'000	£'000 Service Area	Variance or Financial Recovery Measure Description
Further Dire	ectorate Financial Recovery Measures	
(2,607)	Further Financial Recovery     Measures projection	The directorate has developed an over-arching Financial Recovery Plan to address the above pressures. The Recovery plan includes the following measures:
		<ul> <li>increasing the discharge to assess options, reducing long term placements, therefore enabling more people to return home with increased independence.</li> </ul>
		- enhanced levels of scrutiny for authorising support plans, to ensure consistency and value for money commensurate with outcomes.

			Appendix 3 – Revenue Budget Performance
Key	Covid		
Variances 1			
£'000		Service Area	Variance or Financial Recovery Measure Description
<b>Adult Social</b>	l Care		
2,105		Demand-Led Community Care - Physical & Sensory Support	The forecast number of placements/packages is 2,242 WTE, which is below the budgeted level of 2,321 WTE placements. The average unit cost of a placements/package is higher than the budgeted level at £238 per week (£18 per week above budget per client). The combination of the number of adults placed being 79 WTE below the budgeted level and the increased unit costs result in the overspend of £2.105m. Therefore, the overall activity is in-line with the budget however the unit costs are 8% above budget and causing a significant pressure. This is due to increasing numbers of placements (many of which are hospital discharge related) being made at high unit costs.
(44)	0	Demand-Led Community Care - Substance Misuse	There are relatively small numbers of clients within this service and this is below the budgeted demand which is resulting in the projected underspend of £0.044m.
(126)	7	Assessment teams	This is due to a number of temporary vacancies across the Assessment teams.
1,170	6	In house services	There is an underlying budget pressure in in-house provision due to unachieved 2020/21 financial recovery plan targets and staffing costs above budget.
24	0	Other	Minor variances.
S75 Sussex	Partnersh	ip Foundation Trust (SPFT)	
(294)	0	Demand-Led - Memory Cognition Support	The number of forecast placements is lower than budgeted resulting in the underspend projection of £0.294m.  The forecast number of placements/packages is 388 WTE which is above the budgeted level of 425 WTE placements. The average unit cost is below the budgeted level at £423 per week (£4 per week below budget). Therefore, the overall activity is 37 WTE above budget and the unit costs are 1% below budget.
(79)	0	Demand-Led - Mental Health Support	The average unit cost and forecast placements is less than anticipated which results in the underspend projection of £0.079m.  There is an increasing need and complexity within this client group and the forecast number of placements/packages is 481 WTE, which is below the budgeted level of 499 WTE placements. The average unit cost of a placements/package is lower than the budgeted level at £361 per week (£14 per week less than the budget per client).
65	0	Staffing Teams	This is due to temporary agency staffing.
Integrated C			
(44)	0	Contracts	Underspends against budget for ASC block contracts

Key Variances	Covid Variances	
£'000	£'000 Service Area	Variance or Financial Recovery Measure Description
42	0 Commissioning teams	The overspend relates to additional staffing costs within the commissioning, performance and management teams.

## **Economy, Environment & Culture**

## **Revenue Budget Summary**

Provisional Variance			Forecast Outturn				2021/22 Savings		Savings At
2020/21								Anticipated	Risk
£'000	Service	£'000	£'000	£'000	£'000	%	£'000	£'000	£'000
3,548	Transport	(3,870)	(873)	2,997	3,022	77.4%	1,782	1,127	655
555	City Environmental Management	34,672	35,300	628	474	1.8%	155	155	0
(190)	City Development & Regeneration	3,889	3,897	8	0	0.2%	168	133	35
363	Culture, Tourism & Sport	4,210	4,804	594	672	14.1%	92	15	77
1,660	Property	3,022	3,022	0	0	0.0%	346	106	240
5,936	Total Economy, Environment & Culture	41,923	46,150	4,227	4,168	10.1%	2,543	1,536	1,007

The Covid variances shown in the tables above and below are included within the "Forecast Variance" and "Key Variances" columns.

## **Explanation of Key Variances**

Key	Covid		
<b>Variances</b>	<b>Variances</b>		
£'000	£'000	Service Area	Variance or Financial Recovery Measure Description
Transport			
3,613	3,457	Parking Services	Parking Services is forecasting a substantial additional loss of income against budget (£3.457m) as a result of the national restrictions and loss of parking spaces. With uncertainty around local attractions reopening during the year and ongoing home working for many offices in the city, the forecast assumption is that parking income will continue at current levels with increases later in the year. The position may improve more quickly as activity in June has increased following the partial reduction in lockdown measures and the good weather. However, the loss of parking due to active transport measures (e.g Madeira Drive, Old Town, A259) does mean a loss of an estimated £0.900m which is contributing to the overall pressure. The overall parking income position is being kept under constant review and may potentially change depending on local and national circumstances. There are also forecast overspends of £0.151m for repairs & maintenance of off street car parks due to essential work to safeguard income.

			Appendix 3 – Revenue Budget Performance
Key			
Variances	Variances		
£'000		Service Area	Variance or Financial Recovery Measure Description
(78)		Traffic Management	Hoarding, Scaffold and Skip licence fees are forecast to exceed budget by £0.221m, principally reflecting a number of significant development sites for hoardings. This is partially offset by waived Tables and Chairs licence fees of £0.103m and increased signage costs of £0.040m.
(538)	(538)	Sales, Fees and Charges Grant	This is the estimated value of the grant due to be claimed based on the latest eligible forecast losses of income driven by the Covid-19 outbreak. The grant is only for losses in the first quarter and further work will be completed to ensure all eligible losses relating to the first quarter of the year are captured.
City Enviro	nmental Ma	inagement	
466	208	City Clean	The forecast overspend is waste collection and street cleansing (operational) agency costs anticipated partly due to Covid-19 staffing related shortfalls. Recruitment into vacant posts and managing of attendance should start to see these high agency costs reduce during the year. Commercial income is anticipated to be on budget for 2021/22
0	221	Waste Disposal	The forecast impact of Covid-19 on the waste disposal contract will need to be managed through the Waste PFI Reserve.
21	0	City Parks	Anticipated additional costs for decorating and repairs to The Level Café.
0	0	Fleet & Maintenance	Fleet & Maintenance are forecast to spend on budget for 2021/22.
50	50	Head of City Environmental Management	Additional Covid-19 waste disposal related costs of stewarding at the household waste disposal sites.
111	15	Strategy & Projects	£0.050m overspend related to forecast repairs and maintenance of public conveniences. Other overspends include additional forecast spend for supplies & services and lost shortfall on income.
(20)	(20)	Sales, Fees and Charges Grant	This is the estimated value of the grant due to be claimed based on the latest eligible forecast losses of income driven by the Covid-19 outbreak. The grant is only for losses in the first quarter and further work will be completed to ensure all eligible losses relating to the first quarter of the year are captured.
City Develo	pment & Re	egeneration	
8			Slight pressure due to Coast to Capital payment.
Culture, To	urism & Spo	ort	
159	225	Sport and Leisure	Loss of income due to Covid-19, including rent reductions on seafront properties and closure of Volks Railway during the start of the year.
291	291	Venues	This underachievement is wholly as a result of Covid-19 which means that the Venue cannot open until 1st September 2021 resulting in lost income of over

Key			
Variances	<b>Variances</b>		
£'000	£'000	Service Area	Variance or Financial Recovery Measure Description
			£1.000m. However its use as a Vaccination Centre and savings from vacancies and other budgets has helped to reduce this figure to £0.291m.
238	250	Tourism and Marketing	The deficit is due to a projected under achievement on income, predominantly from a total collapse of conference and hotel commissions due to all events from March – August being cancelled. Every effort will be made to mitigate the loss of income through careful control of non-fixed expenditure.
(94)	(94)	Sales, Fees and Charges Grant	This is the estimated value of the grant due to be claimed based on the latest eligible forecast losses of income driven by the Covid-19 outbreak. The grant is only for losses in the first quarter and further work will be completed to ensure all eligible losses relating to the first quarter of the year are captured.

## **Housing, Neighbourhoods & Communities**

## **Revenue Budget Summary**

Provisional		2021/22	Forecast	Forecast	Covid	Forecast	2021/22	Savings	Savings
Variance		Budget	Outturn	Variance	Variance	<b>Variance</b>	Savings	Achieved/	At
2020/21		Month 2	Month 2	Month 2	Month 2	Month 2	Proposed	<b>Anticipated</b>	Risk
£'000	Service	£'000	£'000	£'000	£'000	%	£'000	£'000	£'000
1,999	Housing General Fund	14,281	15,027	746	807	5.2%	318	50	268
(39)	Libraries	4,807	4,952	145	138	3.0%	98	98	0
193	Communities, Equalities & Third Sector	3,208	3,208	0	0	0.0%	72	72	0
(84)	Safer Communities	2,690	2,690	0	0	0.0%	47	47	0
2,069	Housing, Neighbourhoods &	24,986	25,877	891	945	8.2%	535	267	268
	Communities								

The Covid variances shown in the tables above and below are included within the "Forecast Variance" and "Key Variances" columns.

## **Explanation of Key Variances**

Key	Covid						
Variances							
£'000	£'000	Service Area	Variance or Financial Recovery Measure Description				
Housing Ge	Housing General Fund						
0	0	Temporary Accommodation	The budget for Temporary Accommodation is currently forecast to break even. This assumes use of all of the 2021/22 Homelessness Prevention Grant of £6.200m in year. This forecast assumes that for 2021/22 the numbers in Emergency Accommodation (EA) increase slightly and then remain largely static (an average of 619 units of EA). Move-ons from EA will be challenging while the service prioritises moving on those housed in hotels under the 'Everyone In' initiative. There is a risk that if those moved on from hotels are moved into EA, this will result in further overspends on TA budgets. There is also a risk that costs of TA will increase further if households become homeless as a result of the ending of the moratorium on private landlord evictions. The effects of this have yet to be factored into this forecast due to the high levels of uncertainty.				
746	807	Temporary accommodation - 'Everybody in' hotels	There is a forecast overspend on the cost of 'Everyone In' hotels. The forecast assumes that some hotels will be needed beyond 30th September as the number of move-ons required in the next three months will be very challenging to achieve.				

			i ipponium o interentie a unger i manere
Key	Covid		
Variances	<b>Variances</b>		
£'000	£'000	Service Area	Variance or Financial Recovery Measure Description
			The forecast also includes lower than expected Housing Benefit (HB) collection rates and higher damages/repairs costs and security costs than originally forecast. Some HB income is included in the forecast for TA above as the hotels are also being utilised for single emergency accommodation clients as well as those housed under 'Everyone In'. This forecast assumes the use of £2.043m Containment Outbreak Management Fund (COMF) Grant as agreed at P&R (Recovery) Sub-Committee 28 April 2021 and the use of £0.500m grant from MHCLG for continued housing of rough sleepers as included in the original budget assumptions.
Libraries		<u>'</u>	
120	120	Loss of library income	There is an estimated loss of income due to Covid-19 from shop sales, meeting space bookings, fines and charges of £0.120m, after assumed Sales, Fees and Charges Grant in respect of Quarter 1 losses.
18	18	Premises	Covid-19 related changes to air conditioning units.
7		Other	Minor variances.

#### Finance & Resources

### **Revenue Budget Summary**

Provisional						Forecast			Savings
Variance						Variance			
2020/21							•	Anticipated	
£'000	Service	£'000	£'000	£'000	£'000	%	£'000	£'000	£'000
(83)	Finance (Mobo)	322	287	(35)	0	-10.9%	0	0	0
	HR & Organisational Development (Mobo)	1,039	1,039	0	0	0.0%	0	0	0
0	IT&D (Mobo)	3,521	3,521	0	1	0.0%	0	0	0
36	Procurement (Mobo)	(165)	(165)	0	0	0.0%	0	0	0
155	Business Operations (Mobo)	(85)	(85)	0	0	0.0%	0	0	0
280	Revenues & Benefits (Mobo)	5,715	5,715	0	0	0.0%	250	250	0
259	Housing Benefit Subsidy	(751)	(751)	0	0	0.0%	0	0	0
(42)	Contribution to Orbis	10,945	11,445	500	0	4.6%	240	0	240
722	Total Finance & Resources	20,541	21,006	465	1	2.3%	490	250	240

**Mobo** = Specific budget items held by Orbis but **M**anaged **o**n **b**ehalf **o**f the relevant partner i.e. they are sovereign, non-partnership budgets. Under or overspends on Mobo budgets fall directly to the relevant partner whereas Orbis Operational budget variances are shared in accordance with the Inter-Authority Agreement (IAA).

The Covid variances shown in the tables above and below are included within the "Forecast Variance" and "Key Variances" columns.

# **Explanation of Key Variances**

Key			
	Variances		v ·
£'000	£.000	Service Area	Variance or Financial Recovery Measure Description
Finance (Mobo)			
(35)	0	Finance	There is an underspend of £0.156m due to the vacant Executive Director post (net of acting up costs), but this is partly offset by other costs including a contribution towards the senior management restructure saving.
HR & Organisati	ional Develo	pment (Mobo)	
0	0	HR&OD	The service is reporting an on-target position for its sovereign budgets. HR&OD will be part of disaggregation from Orbis in this financial year, which may affect the forecast when final allocated budgets are known. Going forward the service will be tracking the longer term impact on income from Covid-19 and may need to submit a further pressure request to cover this as well as the £0.120m pay team funding.
IT&D (Mobo)			
Revenues & Bei		IT&D	At Month 2 IT&D is expecting be on target however, to achieve this, it expects to draw down the remaining £0.300m of modernisation funding. There are ongoing budget pressures in IT&D maintenance contracts which have been partially mitigated by increased funding. The service is working to reduce contract spend but is expecting other new pressures this year; standby and overtime costs previously funded by Orbis are now to be funded from the Sovereign budget (estimated at approx. £0.100m) and the service is also contributing funding of £0.011m to a new Orbis Accessibility post. There is also the possibility of increased telephony costs due to the ending of the Virgin Media Centrex contract but IT&D is working on alternative solutions to mitigate the increased costs and should have a better indication at Month 3.
_		,	The engine impacts of Covid 40 continue to be managed within the continue
0	O	Revenues & Benefits	The ongoing impacts of Covid-19 continue to be managed within the service and it is currently forecasting a break even position. Within this position there is an ongoing pressure on court costs income that is anticipated will be offset on a one-off basis through a combination of government Sales, Fees & Charges compensation grant for April to June and a higher level of Council Tax Administration grant that included a backdated award.

Key	Covid		
Variances	<b>Variances</b>		
£'000	£'000	Service Area	Variance or Financial Recovery Measure Description
F&R Contribution	n to ORBIS		
500	0	Contribution to Orbis	The recent changes to the partnership following notice given by ESCC regarding withdrawal of their HROD service and further changes following a review of the Orbis Business Plan will lead to disaggregation of the HROD and Business Operations service. This will not only mean non-achievement of BHCC's share of planned Business Plan savings but will also lead to some reversal of savings, particularly in HROD, as the economies of integrated services will be lost in re-creating sovereign teams. There are some potential offsetting savings as it is also intended to reduce Orbis overheads, particularly regarding the Partnership Change Management team (Project and Programme staffing) and other central partnership costs. A provision of £0.500m has been included but detailed financial impacts will only become clear as services are disaggregated.

## Strategy, Governance & Law

# **Revenue Budget Summary**

Provisional		2021/22	Forecast	Forecast	Covid	Forecast	2021/22	Savings	Savings
Variance		Budget	Outturn	Variance	<b>Variance</b>	<b>Variance</b>	Savings	Achieved/	At
2020/21		Month 2	Month 2	Month 2	Month 2	Month 2	Proposed	<b>Anticipated</b>	Risk
£'000	Service	£'000	£'000	£'000	£'000	%	£'000	£'000	£'000
1	Corporate Policy	679	679	0	0	0.0%	27	27	0
(167)	Legal Services	1,666	1,666	0	0	0.0%	65	65	0
(156)	Democratic & Civic Office Services	1,814	1,814	0	0	0.0%	33	33	0
(163)	Life Events	261	261	0	9	0.0%	40	40	0
` ,	Performance, Improvement & Programmes	1,089	1,089	0	0	0.0%	37	37	0
	Communications	675	675	0	0	0.0%	35	35	0
(458)	Total Strategy, Governance & Law	6,184	6,184	0	9	0.0%	237	237	0

The Covid variances shown in the tables above and below are included within the "Forecast Variance" and "Key Variances" columns.

Key	Covid	
Variances V	/ariances	
£'000	£'000 Service Area	Variance or Financial Recovery Measure Description
Life Events		
0	9 Bereavement Services	A small pressure is expected in relation to accrued holiday backpay (£0.004m) and some ad-hoc Covid-19 costs (£0.009m), which are expected to be managed within the Life Events budget. Other pressures previously flagged relating to Covid-19 impacts on income and the PCC election were covered by funding during the budget setting process and therefore not reported here.

## **Corporately-held Budgets**

# **Revenue Budget Summary**

Provisional		2021/22	Forecast	Forecast	Covid	Forecast	2021/22	Savings	Savings
Variance							Savings		At
2020/21		Month 2	Month 2	Month 2	Month 2	Month 2	Proposed	<b>Anticipated</b>	Risk
£'000	Service	£'000	£'000	£'000	£'000	%	£'000	£'000	£'000
0	Bulk Insurance Premia	3,127	3,127	0	0	0.0%	0	0	0
(1,272)	Capital Financing Costs	9,536	9,536	0	0	0.0%	0	0	0
0	Levies & Precepts	215	215	0	0	0.0%	0	0	0
` ,	Unallocated Contingency & Risk	865	865	0	0	0.0%	0	0	0
	Provisions								
(23,297)	Unringfenced Grants	(41,579)	(41,579)	0	0	0.0%	0	0	0
2,919	Other Corporate Items	(39,924)	(40,071)	(147)	0	-0.4%	120	120	0
(21,912)	Total Corporately-held Budgets	(67,760)	(67,907)	(147)	0	-0.2%	120	120	0

The Covid variances shown in the tables above and below are included within the "Forecast Variance" and "Key Variances" columns.

Key	Covid							
Variances Va	riances							
£'000	£'000 Service Area	Variance or Financial Recovery Measure Description						
Other Corpora	Other Corporate Items							
(147)	0 Pensions	Overpayment from 2019/20 of £0.050m and an in year variance of £0.097m.						

## **Housing Revenue Account (HRA)**

# **Revenue Budget Summary**

Provisional		2021/22	Forecast	Forecast	Covid	Forecast	2021/22	Savings	Savings
Variance		Budget	Outturn	Variance	Variance	Variance	Savings	Achieved/	At
2020/21		Month 2	Proposed	<b>Anticipated</b>	Risk				
£'000	Service	£'000	£'000	£'000	£'000	%	£'000	£'000	£'000
(469)	Capital Financing	27,547	27,377	(170)	0	-0.6%	0	0	0
155	Housing Management & Support	4,078	4,128	50	0	1.2%	0	0	0
	New Housing Supply	638	638	0	0	0.0%	0	0	0
(369)	Income, Involvement & Improvement	(48,082)	(47,932)	150	300	0.3%	0	0	0
(226)	Repairs & Maintenance	10,778	11,002	224	0	2.1%	0	0	0
2	Property & Investment	2,488	2,337	(150)	0	-6.0%	0	0	0
603	Tenancy Services	2,554	2,485	(70)	0	-2.7%	0	0	0
(436)	Total Housing Revenue Account	0	34	34	300	0.0%	0	0	0

The Covid variances shown in the tables above and below are included within the "Forecast Variance" and "Key Variances" columns.

Key	Covid	
Variances	Variances	
£'000	£'000 Service Area	Variance Description
Capital Financing		
(170)	0 Financing costs	Significant reprofiling of HRA capital expenditure from 2020/21 into 2021/22 impacts on the timing of when borrowing is required to be undertaken to fund the expenditure. This has resulted in lower interest charges being incurred during 2021/22, compared to the original budget forecast.
Housing Management & Support		
(50)	0 Transfer Incentive Scheme	Projected underspend against this budget.
100	0 Temporary Accommodation (TA)	Less rental income of an estimated £0.070m due to later completion of HRA schemes to provide council owned TA than expected at budget setting time. Also forecast overspends on council tax and repairs costs £0.030m

**Appendix 3 – Revenue Budget Performance** 

		Appendix 3 – Nevende Budget Performance
Key	Covid	
Variances		
£'000	£'000 Service Area	Variance Description
Income, Involvement & Improvem	ent	
300	Rents and service charges	Forecast overspend relating to rent loss due to a backlog of empty properties caused by the pandemic when lettings were put on hold and also challenges of a shortage of contractors available to undertake the backlog of works. The service is working to increase both the contractor and direct labour capacity.
(150)	0 Contribution to Bad Debt Provision	Forecast underspend based on debt outstanding to date. This budget was increased for 2020-21 on the basis that debts would increase in light of welfare reforms. However, although arrears have increased they have not reached the levels expected at that time and therefore this budget will be reviewed as part of the budget setting process for 2022/23.
Repairs & Maintenance (R&M)		
224	0 Empty Properties and Responsive Repairs	There was an underspend of approximately £1.500m across the R&M service in 20/21, largely due to reduced activity as a result of Covid restrictions. For 2021/22, there is a projected overspend of £1.040m against subcontractor costs forecast at Month 2, largely due to catch-up works from last financial year, of which £0.816m is forecast to be funded from reserves set aside for this purpose. This will continue to be closely monitored during the year.
0	0 Employees	There is a forecast overspend of £0.500m as a result of harmonisation costs for current staff in post. This will be funded from HRA reserves, as set out in the HRA Budget 2021/22 report to Budget Council in February 2021 and therefore overall shows a break-even position compared to budget.  The full impact of harmonisation on the total Employees budget will be reflected in budget setting for 2022/23.
Property & Investment		
(320)	0 Employees	An underspend is forecast due to changes in the timescales for recruiting additional staff to support the new arrangements for planned and major works.
170	0 Disrepair Claims	There is a forecast overspend against the £0.100m compensation budget provision, based on current spend to date projected forward. Disrepair claims by their nature are not possible to

Appendix 3 – Revenue Budget Performance

Key	Covid Variances		
£'000	£'000	Service Area	Variance Description
			forecast easily. Instances and costs associated with each instance will be recorded separately within the HRA and the variance against budget will be regularly reviewed during the year.
Tenancy Services			
(25)	0	Employees	Forecast underspend due to less use of agency employees and vacancies to date.
(32)	0	Security costs	Projected underspend against Sheltered Housing security costs budget.
(13)	0	Other	Other minor underspends across the service.

## **Dedicated Schools Grant (DSG)**

## **Revenue Budget Summary**

Provisional Variance 2020/21		2021/22 Budget Month 2	Forecast Outturn Month 2	Forecast Variance Month 2	Covid Variance Month 2	Forecast Variance Month 2
£'000	Service	£'000	£'000	£'000	£'000	%
0	Individual Schools Budget (ISB)	132,459	132,459	0	0	0.0%
(619)	Early Years Block (excluding delegated to Schools) (This includes Private Voluntary & Independent (PVI) Early Years 3 & 4 year old funding for the 15 hours free entitlement to early years education)	15,632	15,350	(282)	0	-1.8%
(138)	High Needs Block (excluding delegated to Special Schools)	30,764	31,126	362	127	1.2%
11	Exceptions and Growth Fund	3,089	3,147	58	50	1.9%
0	Grant Income	(181,198)	(181,198)	0	0	0.0%
(746)	Total Dedicated Schools Grant (DSG)	746	884	138	177	18.5%

The Covid variances shown in the tables above and below are included within the "Forecast Variance" and "Key Variances" columns.

Key	Covid		
<b>Variances</b>	<b>Variances</b>		
£'000	£'000	Service Area	Variance Description
Early Years	s Block (incl	luding delegated to Schools)	
70	0	Early Years Free Entitlement for 2, 3 and 4-year olds	DSG early years grant funding allocated based on census points early in summer and autumn terms but payments to providers increase throughout terms as provision levels increase.
30	0	Early Years Additional Support Funding for 2, 3 and 4-year olds	Increase in the number of early years children being assessed for additional support funding.
(382)	0	Unallocated DSG	Unallocated DSG to offset 2021/22 overspends.

# Appendix 3 – Revenue Budget Performance

			Appendix 5 – Revenue Budget Performance
Key	Covid		
Variances	<b>Variances</b>		
£'000	£'000	Service Area	Variance Description
High Needs	s Block (exc	cluding delegated to Schools)	
326	127	Education agency placements	There has been an increase in the cost of some bespoke tuition packages, some of which relates to Covid-19. The agency budget has also been impacted due to a lack of local provision for cognitively able children with Autism and Anxiety/Social Emotional Mental Health (SEMH) needs who have not been able to manage in local mainstream schools despite intervention from external agencies. Furthermore, there is an increasing cost of the education packages linked to external residential disability placements.
72	0	Special school provision	Due to an upward pressure from mainstream, special schools within the city are anticipated to be over commissioned in terms of pupil numbers for the whole of 2021/22.
50	0	Brighton and Hove Inclusion Support Service (BHISS)	Staff absences in key areas that require agency cover to ensure statutory duties are met and buyback commitments to schools are delivered.
(107)	0	Mainstream Specialist Provision	Delay in establishing in-house specialist provision for primary and secondary autism and social emotional mental health needs.
21	50	Other	Minor variances.
<b>Exceptions</b>	and Growth	n Fund	
38	0	School Premature Retirement Costs	Ongoing pressure linked to historic commitments.
20	0	Other	Minor variances.

# **Savings Monitoring 2021/22**

## **General Fund**

	2021/22	Savings	Savings	COVID
	Savings	Achieved/	At	Element of
	Proposed	Anticipated	Risk	At Risk
Directorate	£'000	£'000	£'000	£'000
Families, Children & Learning	2,247	2,003	244	0
Health & Adult Social Care	4,515	3,021	1,494	0
Economy, Environment & Culture	2,543	1,536	1,007	692
Housing, Neighbourhoods & Communities	535	267	268	198
Finance & Resources	250	250	0	0
ORBIS	240	0	240	0
Strategy, Governance & Law	237	237	0	0
Corporate Budgets	120	120	0	0
Total Directorate Savings	10,687	7,434	3,253	890

# **Housing Revenue Account**

	2021/22	Savings	Savings	COVID
	Savings	Achieved/	At	Element of
	Proposed	Anticipated	Risk	At Risk
Directorate	£'000	£'000	£'000	£'000
Housing Revenue Account	0	0	0	0
Total HRA Savings	0	0	0	0

# Families, Children & Learning – Capital Budget Summary

	Budget	Reported at Other Committees	New Schemes	Variations, Slippages & Reprofiles	Reported Budget Month 2	Forecast Outturn Month 2	Forecast Variance Month 2	Forecast Variance Month 2
Unit	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
Director of Families, Children & Learning	0	0	0	0	0	0	0	0.0%
Health, SEN & Disability Services	0	0	0	0	0	0	0	0.0%
Education & Skills	19,877	5,000	0	0	24,877	24,877	0	0.0%
Schools	33	0	80	0	113	113	0	0.0%
Children's Safeguarding & Care	35	0	0	0	35	35	0	0.0%
Quality Assurance & Performance	0	0	0	0	0	0	0	0.0%
Total Families, Children & Learning	19,945	5,000	80	0	25,025	25,025	0	0.0%

	Amount		
Detail Type	£'000	Project	Description
Education & S	kills		
Reported at	4,500	Education Capital	Reported as part of the Education Capital Investment Programme in March 2021.
other		Maintenance 2021-22	
Committees			
Reported at	500	Devolved Formula Capital	Reported as part of the Education Capital Investment Programme in March 2021.
other		2021/22	
Committees			

# Health & Adult Social Care - Capital Budget Summary

	Variations,								
	Reported	Reported at		Slippages	-		Forecast		
	Budget		New				Variance		
	Month 0	Committees	Schemes	Reprofiles	Month 2	Month 2	Month 2	Month 2	
Unit	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%	
Adult Social Care	37	0	0	163	200	200	0	0.0%	
Integrated Commissioning	515	0	0	0	515	515	0	0.0%	
S75 Sussex Partnership Foundation Trust (SPFT)	0	0	0	0	0	0	0	0.0%	
Public Health	0	0	0	0	0	0	0	0.0%	
Total Health & Adult Social Care	552	0	0	163	715	715	0	0.0%	

	Amount		
Detail Type	£'000	Project	Description
Adult Social C	Care		
Variation	170	BCF - Telecare	The Disabled Facilities programme helps disabled people to live as comfortably and independently as possible in their own homes through the provision of adaptations. Disabled Facilities Grant funding of £2.313 million has been allocated to the council by the Ministry of Housing, Communities & Local Government for 2021/22, in addition to the carry-forward of grant funding from 2020/21 of £0.483m. This funding is part of the Better Care Fund and is provisionally split between Housing (£2.240m) and Adult Social Care (£0.200m). A variation is requested to reflect the level of available funding and further discussion will be needed on allocation of the residual funding, the outcome of which will be reflected in future TBM updates.
Variation	(7)	BCF - Adaptations for the Disabled	As above.

# 15

# Economy, Environment & Culture (excluding Housing Revenue Account) – Capital Budget Summary

	Variations,							
	Reported	Reported at		Slippages	Reported	Forecast	Forecast	Forecast
	Budget	Other	New	&	Budget	Outturn	Variance	Variance
	Month 0	Committees	Schemes	Reprofiles	Month 2	Month 2	Month 2	Month 2
Unit	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
Transport	22,729	110	0	150	22,989	22,989	0	0.0%
City Environmental Management	7,208	0	200	0	7,408	7,408	0	0.0%
City Development & Regeneration	45,185	0	0	(25,860)	19,325	19,325	0	0.0%
Culture, Tourism & Sport	13,414	0	51	0	13,465	13,465	0	0.0%
Property	17,794	1,500	180	0	19,474	19,474	0	0.0%
Total Economy, Environment & Culture	106,330	1,610	431	(25,710)	82,661	82,661	0	0.0%

	Amount		
Detail Type	£'000	Project	Description
Transport			
Reported at	110	A270 Wild Park Rainscape	Reported as part of this committee within the Sustainable Urban Drainage report.
other			
Committees			
Variation		Exhaust Converters on Older Buses	Additional funding of £0.150m has been for Air Quality transport investment has been awarded by Defra. This will be used to support the investment in the retrofit of 17 double decker buses working in conjunction with partner local authorities in Sussex.
City Developm	ent & Rege	neration	
Reprofile	(25,860)	Contribution to Housing Joint Venture	A review of the delivery of the first two sites at Portslade and Coldean resulted in Policy & Resources approving in October 2020 for the HRA to purchase 176 homes from the LLP. Therefore, the budget approved for providing the equity loans to the LLP is not required for 2021/22 and needs to be reprofiled and earmarked for future sites to be delivered through the LLP.

Detail Type	Amount £'000	Project	Description
Property	<u> </u>		<u> </u>
Reported at other committees	700	Workstyles Phase 4	Reported as part of the 'Asset Management Fund Allocations 2021/22' report to March P&R Committee.
Reported at other committees	211	Misc Internal Refurbishments	Reported as part of the 'Planned Maintenance Budget Allocations 2021/22' report to March P&R Committee.
Reported at other committees	151	External Improvement Works	Reported as part of the 'Planned Maintenance Budget Allocations 2021/22' report to March P&R Committee.
Reported at other committees	132	Corporate Fire Risk Assessments	Reported as part of the 'Asset Management Fund Allocations 2021/22' report to March P&R Committee.
Reported at other committees	306	Various schemes	Amounts of less than £0.100m reported at other committees across the following schemes:  £0.085m - Statutory DDA Access Works Fund £0.070m - Fire Safety Improvements £0.040m - Passenger Lift H&S Works - Electrical £0.028m - Mechanical Boiler Replacement - Mechanical £0.025m - Energy Performance Certificates £0.020m - Asbestos Surveys £0.020m - Legionella Works £0.010m - Hove Town Hall BMS (Building Management System) £0.008m - Floral Clock Protection

# Housing, Neighbourhoods & Communities (excluding Housing Revenue Account) – Capital Budget Summary

				Variations,				
	Reported	Reported at		Slippages	Reported	Forecast	Forecast	Forecast
	Budget	Other	New	&	Budget		Variance	Variance
	Month 0	Committees	Schemes	Reprofiles	Month 2	Month 2	Month 2	Month 2
Unit	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
Housing General Fund	683	0	0	2,057	2,740	2,740	0	0.0%
Libraries	287	0	0	(37)	250	250	0	0.0%
Communities, Equalities & Third Sector	0	0	0	0	0	0	0	0.0%
Safer Communities	0	0	0	0	0	0	0	0.0%
Total Housing, Neighbourhoods & Communities	970	0	0	2,020	2,990	2,990	0	0.0%

	Amount						
Detail Type	£'000	Project	Description				
Housing Gene	eral Fund						
Variation	2,057	BCF - Disabled Facilities Grants	The Disabled Facilities programme helps disabled people to live as comfortably and independently as possible in their own homes through the provision of adaptations. Disabled Facilities Grant funding of £2.313m has been allocated to the council by the Ministry of Housing, Communities & Local Government for 2021/22, in addition to the carry-forward of grant funding from 2020/21 of £0.483m. This funding is part of the Better Care Fund and is provisionally split between Housing (£2.240m) and Adult Social Care (£0.200m). A variation is requested to reflect the level of available funding and further discussion will be needed on allocation of the residual funding, the outcome of which will be reflected in future TBM updates.				
Libraries	Libraries						
Variation	(37)	Hove Library Redevelopment	Variation of less than £0.100m.				

# Housing Revenue Account (HRA) – Capital Budget Summary

				Variations,				
	•	Reported Reported at		Slippages		Forecast	Forecast	Forecast
	Budget Month 0	Other Committees	New Schemes	& Reprofiles	Budget Month 2	Outturn Month 2	Variance Month 2	Variance Month 2
Unit	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
City Development & Regeneration	19,893	2,374	0	(1,535)	20,732	20,855	123	0.6%
Housing Revenue Account	55,571	1,655	0	12,506	69,732	67,267	(2,465)	-3.5%
Total Housing Revenue Account	75,464	4,029	0	10,971	90,464	88,122	(2,342)	-2.6%

Amount							
£'000	Project	Description					
City Development & Regeneration							
(820)	Estate Regeneration New	Variations made in line with the approval given for Moulsecoomb Hub at Policy &					
	Build	Resources Committee in April 2021.					
3,194	Moulsecoomb Hub -	Reprofile of £2.374m reported as part of the 2020/21 Outturn report presented to Policy &					
	Housing	Resources Committee on 2nd July 2021. The variations made are in line with the					
		approval given for Moulsecoomb Hub at Policy & Resources Committee in April 2021.					
(4,320)	Estate Regeneration New	Variations made in line with the approval given for Moulsecoomb Hub at Policy &					
	Build	Resources Committee in April 2021.					
4,320	Moulsecoomb Hub -	Reprofile of £2.374m reported as part of the 2020/21 Outturn report presented to Policy &					
	Housing	Resources Committee on 2nd July 2021. The variations made are in line with the					
		approval given for Moulsecoomb Hub at Policy & Resources Committee in April 2021.					
(510)	Design Competition	Costs at Frederick Street have increased since approval was given for the site to					
		progress. In the main part due to the impact of Covid-19, Brexit and increasing provisions					
		on the site for sustainable measures. The increase remains within the budget cap					
		approved for the Design competition and will be funded by borrowing supported by the					
		new rental income, RTB receipts and grant funding. The £0.510m reprofile will be					
		earmarked for the remaining Design Competition site at Rotherfield Crescent.					
	\$'000 nent & Rege (820) 3,194 (4,320) 4,320	Project  nent & Regeneration  (820) Estate Regeneration New Build  3,194 Moulsecoomb Hub - Housing  (4,320) Estate Regeneration New Build  4,320 Moulsecoomb Hub -					

	Amount					
Detail Type		Project	Description			
Reprofile		Victoria Road	Construction has started on site at Victoria Road the reprofile reflects the latest cashflow analysis received from the Council's Quantity Surveyor. The budget is still required, with completion of the homes expected to be in the Autumn of 2022.			
Variance	123	Various schemes	Variances of less than £0.100m across the following schemes: £0.069m - Selsfield Drive £0.050m - Feasibility and Design - Housing Invest £0.004m - Buckley Close			
Housing Reve	nue Accour	nt	•			
Reported at other committee	1,655	Next Steps Accommodation Program	Reprofile of £1.655m reported as part of the 2020/21 Outturn report presented to Policy & Resources Committee on 1st July 2021.			
Variation	(102)	Heating Water Tanks & Boiler Systems	Budget to be vired to Housing Centre - Heating & Ventilation System.			
Variation	100	Environmental Improvements	The Covid-19 pandemic and associated lockdowns reduced the volume of jobs that could be safely completed last year.			
Variation	(600)	Home Energy Efficiency & Renewables	£0.600m budget to be vired to new cost centre re Elwyn Jones Court Heating Project.			
Variation		New Housing Works Management System	The original budget of £0.075m agreed for 2021/22 was to cover the housing project team resource only, in advance of the final business case and procurement route for this project being agreed. The revised budget requested here reflects the housing programme team and IT&D staffing resources needed to support the implementation of the new system (£0.330m) and IT&D implementation and set-up costs (£0.270m) in respect of the procurement route now agreed and has been profiled over 2021/22 and 2022/23.			
Variation	(261)	Housing Centre - Heating & Ventilation System	Following a tender process higher than anticipated costs were identified. As a result, alternative specifications for ventilation and heating have been developed. A revised scheme has been agreed to address the current issues with the system through working with Property & Design and our in house electrical service.			
Variation		Elwyn Jones Court - Heating Project	This project had not been able to proceed in its current form due to higher costs than originally approved. This reflects that ground source heat pump installation is not yet a mature market and this will require reassessment of options and opportunities, possible committee approval and procurement activity.			
Variation	Ü	Various schemes	Variations of less than £0.100m across the following schemes:			

	Amount		
Detail Type		Project	Description
		-	£0.034m - New Housing Asset Management System
			£(0.034)m - ICT Fund
Reprofile	(600)	Structural Repairs	A change in the planned start date for a major project whilst procurement, resident
			engagement and leaseholder consultation is undertaken means that some of this budget needs to be reprofiled to 2022/23 to reflect the revised spend profile.
Reprofile	13,860	Housing Joint Venture	In October 2020 Policy & resources Committee approved that the HRA purchase 176
		purchases	homes from the LLP to be let at social rents. A budget line of £41.220m was included
			with an indicative expenditure profile for year 2 of the HRA capital programme that was
			approved at Budget Council in February 2021, at this point the profile of expenditure was
			unknown. Construction has now started on site at Portslade and Coldean and so
			payments under the agreed Development Agreement are required during
			2021/22. Payments will be made in line with the agreed stage payments, the first stage
			being the 10% deposit, this is due once the land agreements have been signed. The
			second tranche of stage payments are due at the point where the developments have reached the point at which construction of the dwelling reaches above foundation level
			also referred to as the Golden Brick stage of construction. This second payment is 25%
			of the agreed purchase value of the homes.
Reprofile	(600)	Solar PV City-Wide	A change in the planned start date for this project whilst resourcing is secured and
	,		subsequently procurement is undertaken means that some of this budget needs to be
			reprofiled to 2022/23 to reflect the revised spend profile. We will continue to monitor and
			update this throughout the financial year. Some spend is currently forecast through other
			routes.
Reprofile	(492)	New Housing Works	Budget approval for this project was previously agreed as part of the P&R Committee
		Management System	decision to bring the Repairs & Maintenance service in-house from 1st April 2020 and
			funding will be met from the current balance of £0.416m against the 'set-up and
			mobilisation' earmarked reserve with the balance coming from existing HRA resources.
			It is anticipated that there will be on-going revenue savings of approximately £0.045m per annum as a result of reduced support and maintenance costs of the new system.
Variance	180	Minor Capital Works	Increased works due to delay in starting Planned Works.
Variance		Domestic Rewire	Access issues due to delay in starting Flatined Works.  Access issues due to tenants reluctance to allow works to be carried out.
Variance		Communal Fire Alarms	The new contract for Fire Alarms has had some issues in mobilising to full delivery. This
Variation	(100)		and Covid restrictions have delayed programming system upgrades.

Detail Type	Amount £'000	Project	Description
Variance	150	Lifts	Carry over of planned works identified for 2020/21, in addition to works planned for 2021/22 in the long term plan.
Variance	(1,200)	Fire Safety	The response from resident consultation and the likely impact of the draft Building Safety Bill requires the council to review how to best proceed with the proposed sprinkler installation at 2 properties. The works undertaken on this project so far have identified some of the resident, leasehold and technical challenges with the proposed project. This will be reported through to a future Housing Committee alongside the implementation of the draft Building Safety Bill.
Variance	(1,100)	Elwyn Jones Court - Heating Project	This project had not been able to proceed in its current form due to higher costs than originally approved. This reflects that ground source heat pump installation is not yet a mature market and this will require reassessment of options and opportunities, possible committee approval and procurement activity.
Variance	5	Various schemes	Variances of less than £0.100m across the following schemes: £0.055m - Aerial Systems Upgrade £(0.050)m - Condensation & Damp Works

Finance & Resources - Capital Budget Summary

	Budget	Reported at Other Committees	New Schemes	Variations, Slippages & Reprofiles	Reported Budget Month 2	Forecast Outturn Month 2	Forecast Variance Month 2	Forecast Variance Month 2
Unit	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
Finance	0	0	0	0	0	0	0	0.0%
HR & Organisational Development	0	0	0	0	0	0	0	0.0%
IT & D	2,799	0	0	0	2,799	2,799	0	0.0%
Procurement	0	0	0	0	0	0	0	0.0%
Business Operations	0	0	0	0	0	0	0	0.0%
Revenues & Benefits	0	0	0	0	0	0	0	0.0%
Total Finance & Resources	2,799	0	0	0	2,799	2,799	0	0.0%

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

There are no variation requests or forecast variances, slippage and reprofiles to report for this directorate.

## **Strategy Governance & Law - Capital Budget Summary**

				Variations,				
	Reported	Reported at		Slippages	Reported	Forecast	Forecast	Forecast
	Budget	Other	New	&	Budget	Outturn	Variance	Variance
	Month 0	Committees	Schemes	Reprofiles	Month 2	Month 2	Month 2	Month 2
Unit	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
Corporate Policy	0	0	0	0	0	0	0	0.0%
Legal Services	0	0	0	0	0	0	0	0.0%
Democratic & Civic Office Services	0	0	0	0	0	0	0	0.0%
Life Events	38	0	0	0	38	38	0	0.0%
Performance, Improvement & Programmes	562	0	0	0	562	562	0	0.0%
Communications	0	0	0	0	0	0	0	0.0%
Total Strategy, Governance & Law	600	0	0	0	600	600	0	0.0%

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

There are no variation requests or forecast variances, slippage and reprofiles to report for this directorate.

Note: There are currently no capital budgets to report on for Corporate Budgets.

#### New schemes and Future Years Variations to be added to the Capital Programme for 2021/22 to be approved

New Capital Project Approval Request				
Directorate: Economy, Environment & Culture				
Unit:	Property Services			
Project Title:	Replacement Lift at New England House			
Total Project Cost (All Years) £:	£180,000			

#### Purpose, Benefits & Risks:

Replacement lift at New England House. The contract for the lift replacement and refurbishment was initially for 4 years but was extended to 6 because of unforeseen delays. Lift no.4 is the last lift to be replaced/refurbed as part of the contract. This is the largest lift and the costs are £180,000. The lift is required as part of the requirements for tenants and to ensure the continued success of supporting business within the city.

Capital Expenditure Profile (£'000):						
Funding Source (see guidance	2021/22	2022/23	2023/24	2024/25	2025/26	Total All
below)						Years
Direct Revenue Funding	90	0	0	0	0	90
Capital Reserves	90	0	0	0	0	90
Total Estimated Costs & Fees	180	0	0	0	0	180

#### **Financial Implications:**

A contribution will be made through Property Services revenue budget which will be charged to tenants through the Service Charge. The high cost of this investment requires match funding from Capital Reserves which will be reimbursed by future year's Service Charges to tenants.

New Capital Project Approval Request				
Directorate:	Environment			
Unit:	Cityparks			
Project Title:	Street Tree Planting (part of Pocket Parks)			
Total Project Cost (All Years) £:	£200,000			

#### Purpose, Benefits & Risks:

Plant Street Trees across the city with an emphasis on the removal of stumps and replacement with trees. The money will be used to try and attract further external funding for street tree planting. Street trees provide environmental improvements including trapping pollution, helping with carbon capture and providing a habitat for wildlife. The pocket park funding is a member led initiative agreed by full council. It is anticipated that with the high numbers of stumps around the city sites can be found for these trees that are not controversial.

Capital Expenditure Profile (£'000):						
Funding Source (see guidance	2021/22	2022/23	2023/24	2024/25	2025/26	Total All
below)						Years
Capital Borrowing	200	0	0	0	0	200
Total Estimated Costs & Fees	200	0	0	0	0	200

#### **Financial Implications:**

The funding is part of the Pocket Parks and Street Trees £0.350m investment approved at February Budget Council as part of the Council's Capital Investment Programme. The remainder of the funding will form part of the Local Transport Plan and reported at a later date. The funding is met through borrowing with the financing costs incorporated into the council's corporate budget strategy.

New Capital Project Approval Request				
Directorate:	Economy, Environment & Culture			
Unit:	Tourism & Venues			
Project Title:	Brighton Centre Digital Signage			
Total Project Cost (All Years) £:	£51,316			

#### Purpose, Benefits & Risks:

The Brighton Centre applied for and was awarded a Culture Recovery Fund Grant to assist with the reopening of the Venue post COVID. The Venue realised that adapting to constantly changing measures and mitigation meant that printed signage for public health or direction messaging was wasteful and non-sustainable both environmentally and financially. Using the grant to purchase digital signage allows it to adapt its customer messaging in an ever-changing environment and ensure the venue remains COVID-19 safe when it reopens.

Capital Expenditure Profile (£'000):						
Funding Source (see guidance	2021/22	2022/23	2023/24	2024/25	2025/26	Total All
below)						Years
Arts Council (CRF Grant)	51	0	0	0	0	51
Total Estimated Costs & Fees	51	0	0	0	0	51

### **Financial Implications:**

The scheme will be financed through Culture Recovery Fund Grant through the Arts Council.

New Capital Project Approval Request				
Directorate: Families, Children and Learning				
Unit:	Schools			
Project Title:	Stanford Junior School windows replacement.			
Total Project Cost (All Years) £:	£200,000			

#### Purpose, Benefits & Risks:

The capital scheme will upgrade poor quality old windows with newer, higher quality ones. The enhancement will substantially lengthen the useful life of the asset. The project will be financed through borrowing which the school will meet from its annual revenue budget allocation. The loan agreement will contain a clause protecting the repayments in the event that the school were to convert to an academy before the loan had been fully repaid.

Capital Expenditure Profile (£'000):						
Funding Source (see guidance	2021/22	2022/23	2023/24	2024/25	2025/26	Total All
below)						Years
Borrowing	80	120	0	0	0	200
Total Estimated Costs & Fees	80	120	0	0	0	200

#### **Financial Implications:**

The total estimated cost of the enhancements is £200,000 but the work is likely to be undertaken in stages. The school will submit invoices as and when work is undertaken and draw down the value of the completed works only. Stanford Junior School had originally hoped to be able to use DFC combined with revenue contributions to capital to fund these works, but COVID 19 has affected their carry forward revenue balance. The school has submitted a balanced budget plan and has included the costs of the estimated repayments in that plan.

# POLICY & RESOURCES COMMITTEE

# Agenda Item 9

Brighton & Hove City Council

Subject: Treasury Management Strategy Statement 2020-21 –

End of year review

Date of Meeting: 1 July 2021

Report of: Interim Executive Director of Finance & Resources

Contact Officer: Name: Haley Woollard Tel: 01273 291246

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Ward(s) affected: All

#### FOR GENERAL RELEASE

#### 1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 The 2020/21 Treasury Management Strategy Statement (TMSS) and Treasury Management Practices (TMPs) were approved by Policy & Resources Committee on 13 February 2020. The TMSS sets out the role of Treasury Management, whilst the TMPs and accompanying schedules identify the practices and procedures that will be followed to achieve the aims of the TMSS and that underpin the council's Treasury Management function.
- 1.2 The TMSS includes the Annual Investment Strategy (AIS) which sets out the key parameters for investing council cash balances and was approved by full Council on 27 February 2020.
- 1.3 Much of the detail within treasury management is described using technical language. To aid readers, a glossary of the main terms used in this report is included at **Appendix 1**.

#### 2. **RECOMMENDATIONS:**

- 2.1 That Policy & Resources Committee (P&R) notes the key actions taken during the second half of 2020/21 to meet the TMSS and practices (including the investment strategy) as set out in this report.
- 2.2 That Policy & Resources Committee notes the reported compliance with the AIS for the six month period up to the end of March 2021.
- 2.3 That Policy & Resources Committee notes that the approved maximum indicator for investment risk of 0.05% has been adhered to and the authorised borrowing limit and operational boundary have not been exceeded.

#### 3. CONTEXT/ BACKGROUND INFORMATION

3.1 The council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available (i.e. liquid) when it is needed. Effective cash flow

planning enables surplus monies to be invested in counterparties or instruments commensurate with the council's risk appetite, providing adequate liquidity is maintained.

- 3.2 The second main function of the treasury management service is the funding of the council's capital plans. These capital plans provide a guide to the borrowing need of the council, essentially the longer-term cash flow planning, to ensure that the council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn on may be restructured to meet council risk or cost objectives.
- 3.3 The contribution the treasury management function makes to the authority is therefore critical, as the balance of debt and investment operations ensure liquidity and the ability to meet spending commitments as they fall due, either on day-to-day revenue spending or for larger capital projects. The treasury operations also therefore influence the interest costs of debt and the investment income arising from cash deposits which has implications for the council's budget.
- 3.4 Since cash balances generally result from holding earmarked and committed reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund.
- 3.5 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities (arising usually from capital expenditure) and are separate from the day to day treasury management activities.
- 3.6 The Chartered Institute of Public Finance & Accountancy (CIPFA) defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks."

A key element of the Treasury Management Policy & Strategy concerns prudential indicators. These require the council to set limits on external debt and borrowing activity. These are set in the context of capital financing requirements but, more importantly, in the context of overall affordability. Anything borrowed must ultimately be repaid. All councils are required to set aside Minimum Revenue Provision (MRP) for debt but must also consider whether repayments will be affordable both now and in the longer term when resources may be predicted to reduce. Financing costs (principal and interest repayments) must also be budgeted for and any increase in repayments may therefore reduce the resources available for providing other essential services.

#### Economic Background

- 3.7 The council's treasury advisors, Link Asset Services, have provided their assessment of the UK and global economic landscapes over 2020/21 at **Appendix 2**.
- 3.8 The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would rise from 0.75% to 1.25% by the end of 2022/23. This forecast was superseded before the financial year started as a

- result of the Covid-19 pandemic, which caused the Monetary Policy Committee (MPC) to reduce bank rate in March 2020, first to 0.25% and then again to 0.10% to counter the negative impact of the national lockdown on a substantial proportion of the economy. The official Bank Rate has remained at for the whole financial year.
- 3.9 The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with substantial amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more cash in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.

#### Treasury Management Strategy

- 3.10 A summary of the action taken in the 6 months to March 2021 is provided in **Appendix 3** to this report. The main points are:
  - The council entered into £10.0m of new borrowing in December 2020 to fund the HRA Capital Programme;
  - No new General Fund borrowing was undertaken in the second half of the year;
  - The highest risk indicator during the period was 0.009% which is below the maximum benchmark of 0.050%;
  - The return on investments has exceeded the target benchmark rates in each of the 6 months:
  - The two borrowing limits approved by full Council have not been exceeded.
  - The Council entered into 2x new Bond Funds with Royal London Asset Management in February 2021
  - There was a temporary breach of the investment limits of two of the council's Money Market Funds for a period of 4 days in January 2021.
     This is explained in further detail in paragraph 3.24.
- 3.11 Investment activity for the half-year has focused on a short-term horizon as summarised in the table below:

	Amount invested 1 Oct 2020 to 31 Mar 2021				
	Fixed	Pooled	Money	Total	
	deposits	Funds	market		
			funds		
Up to 1 week	-	£10.0m	£314.4m	£324.4m	86%
Between 1 week & 1 month	-	-	-	-	0%
Between 1 month & 3 months	-	-	-	-	0%
Over 3 months	£52.0m	ı	ı	£52.0m	14%
	£52.0m	£10.0m	£314.4m	£376.4m	100%

## Summary of Treasury Activity October 2020 to March 2021

3.12 The following table summarises the treasury activity in the half year to March 2021 compared to the corresponding period in the previous year:

October to March	2018/19	2019/20	2020/21
Long-term borrowing raised (General Fund)	(£10.0m)	(£0.0m)	(£0.0m)

Long-term borrowing raised (HRA)	(£16.0m)	(£7.5m)	(£10.0m)
Long-term borrowing repaid (General Fund)	£14.9m	£0.8m	£0.8m
Long-term borrowing repaid (HRA)	£16.6m	£0.4m	£0.4m
Short-term borrowing (raised)/repaid	(£6.0m)	(£2.0m)	(£0.0m)
Investments made	£337.3m	£369.4m	£376.4m
Investments maturing	(£352.8m)	(£367.1m)	(£372.1m)

- 3.13 The Financing Costs budget variance in 2020/21 was £1.272m underspent. The key variance (£1.140m) is a large reduction in interest costs and minimum revenue provision as a result of pausing the capital programme in response to the pandemic during the year. The other key variance (£0.111m) is due to an over achievement of investment income as a result of higher balances. The higher investment balances were due to a combination of significant cashflow support provided by the government during the year to support the authority's pandemic response, and as a result of pausing elements of the capital programme (i.e. cash balances have not been drawn down as quickly as expected).
- 3.14 The following table summarises how the day-to-day cash flows in the second half-year have been funded compared to the same period in the previous year:

October to March	2018/19	2019/20	2020/21
Net cash flow (shortage)/surplus	(£20.3m)	(£6.9m)	(£4.0m)
Represented by:			
Increase/(reduction) in long-term borrowing	(£5.5m)	(£6.3m)	£8.8m
Increase/(reduction) in short-term	£6.0m	£2.0m	£0.0m
borrowing*			
Reduction/(increase) in investments	£15.5m	£2.3m	(£4.3m)
Reduction/(increase) in bank balance	£4.3m	(£0.9m)	(£0.5m)

<sup>\*</sup>South Downs National Park external investments plus temporary borrowing

#### Investment Strategy

3.15 A summary of investments made by the in-house team and outstanding as at 31 March 2021 in the table below shows that investments continue to be held in good quality, short term instruments.

'AAA' rated money market funds	£25.01m	17%
'AA' rated institutions*	£73.00m	50%
'A' rated institutions	£37.00m	26%
'BBB' rated institutions	£0.00m	0%
Unrated Funds	£10.00m	7%
Total	£145.01m	100%
Period – less than one week	£38.01m	27%
Period – between one week and one month	£5.00m	3%
Period – between one month and three months	£5.00m	3%
Period – between three months and 1 year	£67.00m	46%
Period – more than 1 year**	£30.00m	21%
Total	£145.01m	100%

<sup>\*</sup> For the purposes of this analysis, other Local Authorities are assumed to have the same credit rating as the UK government (AA).

\*\* All investments that are over one year either have a legal offset against debt with the same counterparty, or are with other Local Authorities.

#### Risk

- 3.16 As part of the investment strategy for 2020/21 the council agreed a maximum risk benchmark of 0.050% i.e. there is a 99.95% probability that the council will get its investments back. The benchmark is a simple target that measures the risk based on the financial standing of counterparties and length of each investment based on historic default rates. The actual risk indicator has varied between 0.006% and 0.009% between October 2020 and March 2021, reflecting the high proportion of investments in high security and/or very liquid investments. It should be remembered however that the benchmark is an 'average risk of default' measure and does not constitute an expectation of loss for any particular investment.
- 3.17 The treasury management service is subject to a detailed audit on a regular basis. This includes the testing of the control environment and the management of risk. A 'reasonable' level of assurance was provided during the most recent audit (October 2019). One medium and two low recommendations were made which have all been implemented.

#### Investment Rates

- 3.18 The Bank of England's MPC have left the Bank Rate unchanged over the year at a rate of 0.10%. As part of the response to the pandemic and lockdown, the Bank of England and the Government provided financial markets and businesses with access to credit, either directly through grants and loans or through banks. In addition, the Government has provided grants to local authorities to assist with local responses to the pandemic; this has caused some local authorities to have sudden large and temporary increases in cash which is caused investment rates for lending between local authorities to fall significantly as supply of cash is much higher than the demand for borrowing. Additionally, many of the Council's investment counterparties have reduced rates in response to both the reduction in the bank rate and the surplus of short term cash in the markets, with some very short term products even offering negative investment rates.
- 3.19 Money market fund (MMF) yields have reduced significantly over the year, again as a result of the large supply of short term cash in the markets, and many fund managers have needed to reduce their fee levels to maintain a net positive (or at least at 0.00%) for investors. MMF Managers are not expecting that fund yields will turn negative for investors.

#### Investment Performance

- 3.20 The council's investment portfolio achieved an average rate of 0.49% over the last six months of the year against a benchmark rate of 0.01% for the same period. The benchmark rate for 2020/21 was set at is the 7 Day LIBID plus 0.10%. The 7 Day LIBID the rate at which UK banks are willing to pay for borrowing for a 7-day period (which has been negative during 2020/21). The Investment portfolio has therefore outperformed the benchmark by 0.48% in the second half of the year.
- 3.21 The following table summarises the performance achieved on investments compared to the budgeted position and approved benchmark for the whole year.

In-house Investments

	Average	Average rate
	Balance	
Budget 2020/21	£85.8m	1.15%
Actual 2020/21	£180.7m	0.62%
Benchmark Rate*		0.03%

<sup>\*</sup>benchmark rate was set at 7 Day LIBID +0.10% for 2020/21. The 7 Day LIBID was negative during the last 6 months at an average rate of -0.07%

- 3.22 Action was taken to invest in some longer-term instruments during the last 6 months of the year, once officers had established a higher degree of certainty over the medium-term cash flow position. A total of £10.0m was invested into two pooled bond funds managed by Royal London Asset Management. These funds had previously been selected as part of a selection process facilitated by the council's Treasury Advisors, but investment into the funds had been paused during the early part of 2020/21whilst the impact of the pandemic on the economy was understood. The two funds do not hold credit ratings, but a due diligence process was undertaken on the funds to ensure the underlying assets and strategic approach and outlook of the funds were in line with the council's risk appetite. This due diligence was refreshed in January 2021 prior to entering into the funds.
- 3.23 These funds are technical treated as short term investments, in that the funds can be called back with two days notice. However, in reality, as a result of the higher levels of pricing volatility of funds of this type, an investment time horizon of 3 to 5 years is expected.

## Compliance with the Annual Investment Strategy

- 3.24 A temporary breach of the investment limits of two of the council's Money Market Funds occurred for period of 4 days in January 2021. The total breach was £7.0m across two funds. The breach was a result of cash for lockdown business loans paid over from central government earlier than anticipated.
- 3.25 The breach was assessed and agreed with the Section 151 Officer in advance as the most appropriate action: a temporary increase in AAA rated Money Market Fund balances was the most secure means of holding this cash on a temporary basis without costing the council to place it somewhere.
- 3.26 All other parameters in the Annual Investment Strategy has been complied with in full.

#### **Borrowing Strategy**

- 3.27 Following consultation with Local Authorities by HM Treasury, the PWLB amended its Lending Arrangements to Local Authorities in November 2020. The changes prevents local authorities from borrowing from the PWLB if it has "Debt for Yield" projects (projects where the primary intention is to create revenue income) within their capital investment plans. The PWLB also removed the additional 1% margin that it had added to new General Fund Borrowing in October 2019.
- 3.28 The General Fund has been carrying an internal borrowing position (i.e. where the General Fund borrows cash from its own reserves) since 2008 as a response to the financial crisis. In response to a combination of an expectation of increasing interest rate forecasts, the reduction of certain reserves and

historically low PWLB borrowing rates, the General Fund has entered into planned borrowing of £27.5m from the PWLB to reduce the internal borrowing position over the last three years. The most recent of this borrowing was undertaken in August 2019, where a £7.5m loan was undertaken for a period of 50 years at a historical low rate of 1.67%. Additionally, £10m of PWLB borrowing was undertaken by the General Fund in March 2019 as part of a debt restructure to replace Royal Bank of Scotland (RBS) loans.

- 3.29 The Housing Revenue Account (HRA) carries a fully funded borrowing position (i.e. the HRA does not borrow from its own reserves, but instead undertakes borrowing for its entire borrowing requirement). Over the last three years, the HRA has entered into a total of £34.0m of external borrowing and £4.5m of borrowing from the General Fund to support the HRA Capital Programme. Of the £34.0m, £2.5m was undertaken in August 2019 for a period of 50 years at an interest rate of 1.67%. A second loan of £7.5m was undertaken in March 2020 for a period of 50 years at an interest rate of 1.54%, this was to support the HRA Capital Programme, and to externalise a portion of the loan from the General Fund at an attractive interest rate. Two further loans of £5.0m each were undertaken in December 2020. These loans were taken at 50 and 15 year maturity at interest rates of 1.28% and 1.32% respectively. Additionally, £16m of PWLB borrowing was undertaken by the HRA in March 2019 as part of a debt restructure to replace RBS loans.
- 3.30 The treasury management team, along with the its advisors, monitor interest rates and will seek to externalise the remainder of the HRA's borrowing from the General Fund at a time which would be optimal for both the HRA and the General Fund. The Treasury Team are also exploring alternative borrowing sources, such as forward market borrowing for future capital investment plans.
- 3.31 A summary of the council's debt portfolio is included in **Appendix 4**.

#### Treasury Advisors

3.32 Officers recognise that responsibility for decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to access specialist skills and resources.

#### Member Training

- 3.33 It is a requirement of CIPFA's Treasury Management code to ensure that the members responsible for decision making and scrutiny of the authority's TMSS are adequately trained to undertake their roles in this area.
- 3.34 Treasury Management training was last provided in October 2019. Training has been arranged in October 2021 for members of Policy & Resources and the Audit & Standards committees.

#### 4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 Alternative treasury management policies and practices, and investment strategies, are considered annually by Policy & Resources Committee and full Council. This report sets out action taken in the 6 months to March 2021. Treasury management actions have been carried out within the parameters of the approved AIS, TMSS, and Prudential Indicators and therefore no alternative options have been exercised.

#### 5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 The council's external treasury advisors have been consulted over the content of this report. No other consultation has been undertaken.

#### 6. CONCLUSION

6.1 Treasury management is governed by a code that is recognised as "best and proper practice" under the Local Government Act 2003. The Code requires a minimum of two reports per year, one of which is required to review the previous year's performance. This report fulfils this requirement.

#### 7. FINANCIAL & OTHER IMPLICATIONS:

#### **Financial Implications:**

7.1 The financial implications of treasury management activity are reflected in the financing costs budget set out in paragraph 3.13.

Finance Officer Consulted: James Hengeveld Date: 09/06/21

#### Legal Implications:

- 7.2 The TMSS is approved and associated actions carried out under the powers given to the Council by Part 1 of the Local Government Act 2003 to invest for the purposes of the prudent management of its financial affairs (section 12).
- 7.3 Local authorities are required to have regard to statutory guidance in the form of the *Prudential Code for Capital Finance in Local Authorities* (2017 ed), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) when carrying out functions under Part 1 of the Act.
- 7.4 The Council's approach is consistent with the requirements of the Act and the afore-mentioned Code.

Lawyer Consulted: Victoria Simpson Date: 10/06/21

#### Equalities, Sustainability and other significant implications:

7.5 There are no direct implications arising from this report.

#### **SUPPORTING DOCUMENTATION**

#### **Appendices:**

- 1. Glossary of terms
- 2. The Economy & Interest Rates Link Asset Services
- 3. A summary of the action taken in the period October 2020 to March 2021

#### **Background Documents**

- 1. Part I of the Local Government Act 2003 and associated regulations.
- 2. The Treasury Management Policy Statement, Treasury Management Practices and associated schedules 2020/21 approved by Policy &Resources Committee on 13 February 2020.
- 3. The Annual Investment Strategy 2020/21 approved by full Council on 27 February 2020.
- 4. Treasury Management Policy Statement 2020/21 Mid-Year Review approved by Policy & Resources Committee on 3 December 2020.
- 5. Papers held within Finance, part of the Finance & Resources Directorate.
- 6. The Prudential Code for Capital Finance in Local Authorities published by CIPFA 2017.

Appendix 1

## **Glossary of Treasury Management terms**

**Authorised Borrowing Limit:** The limit for which the council's external borrowing cannot breach. This limit is set by Council as part of the budget each year, and needs to be approved by Council to amend in the year if required.

Capital Financing Requirement (CFR): The council's cumulative need to borrow to support its capital programme. This increases each year by capital expenditure where existing funding streams (such as reserves, capital receipts, grants or revenue contributions) have not been applied (which is also known as funding through borrowing). The Council must make an annual minimum revenue provision (MRP) which reduces the CFR.

**Credit Ratings:** The council uses the credit ratings for counterparties provided by the three main credit ratings agencies (Moodys, Fitch and Standard & Poor) to determine how much and for how long the council can lend to them. The highest credit rating as described in the strategy is AAA, and the lowest credit rating that the council is willing to lend to is BBB.

**Debt Maturity Profile:** The timeline over which the council has to repay its debt. A smooth profile is preferable, as small, regular repayments reduce the risk of having to replace a lot of debt at a time when it may not be the optimum market conditions.

**7 Day LIBID:** London Interbank Bid Rate – A market benchmark rate at which London Banks are willing to borrow from each other for a period of 7 days. This moves daily with market and Bank Base rate changes and is currently a key market rate which the council uses as its benchmark for investment returns. NB: this benchmark is due be phased out from 31 December 2021, so the council's investment yield benchmark will shift to another market reference rate.

**Lender Option Borrower Option (LOBO) Loans:** Loans held with market lenders (such as banks), where lenders hold the right to increase the interest rate on the loans at set intervals during the loan. The council has the right to repay the loans without penalty if the lender choses to increase the interest rate. The council's LOBO Loan portfolio is currently £25m held with three different lenders.

**Minimum Revenue Provision (MRP):** A statutory provision that the council sets aside from revenue to reduce its CFR. This has the impact of setting aside the cash to repay any debt incurred as a result of funding the capital programme by borrowing.

**Operational Boundary:** A limit set by Council as part of the budget each year. Whilst the Authorised Limit cannot be breached, the operational boundary is the expected level at which external debt will reach, taking into account current levels of debt, maturing debt that may need replacing and capital plans for the forthcoming year.

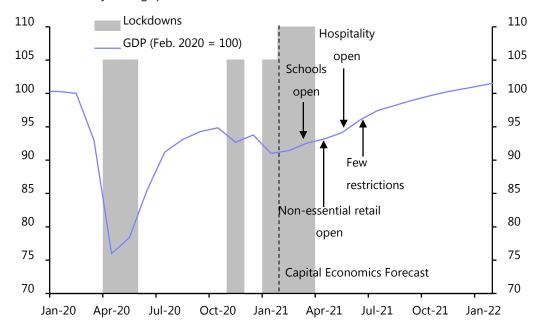
**PWLB Loans:** Loans held with the Public Works Loans Board. This is the primary lender for Local Authorities, and the PWLB forms part of the Debt Management Office (DMO) within the HM Treasury department of Central Government.

**Risk Benchmark:** An indicator used to monitor the perceived level of risk within the council's investment portfolio.

**Under-borrowing:** The difference between the council's CFR and actual level of debt, where the actual debt is lower than the CFR. This occurs when council uses cash from its own reserves to temporarily fund capital expenditure. Also known as Internal Borrowing.

#### ECONOMIC BACKGROUND - Provided by Link Asset Services 12/04/21

**UK.** Coronavirus. The financial year 2020/21 will go down in history as being the year of the pandemic. The first national lockdown in late March 2020 did huge damage to an economy that was unprepared for such an eventuality. This caused an economic downturn that exceeded the one caused by the financial crisis of 2008/09. A short second lockdown in November did relatively little damage but by the time of the third lockdown in January 2021, businesses and individuals had become more resilient in adapting to working in new ways during a three month lockdown so much less damage than was caused than in the first one. The advent of vaccines starting in November 2020, were a game changer. The way in which the UK and US have led the world in implementing a fast programme of vaccination which promises to lead to a return to something approaching normal life during the second half of 2021, has been instrumental in speeding economic recovery and the reopening of the economy. In addition, the household saving rate has been exceptionally high since the first lockdown in March 2020 and so there is plenty of pent-up demand and purchasing power stored up for services in the still-depressed sectors like restaurants, travel and hotels as soon as they reopen. It is therefore expected that the UK economy could recover its pre-pandemic level of economic activity during quarter 1 of 2022.



Both the Government and the Bank of England took rapid action in March 2020 at the height of the crisis to provide support to financial markets to ensure their proper functioning, and to support the economy and to protect jobs.

The **Monetary Policy Committee** cut Bank Rate from 0.75% to 0.25% and then to 0.10% in March 2020 and embarked on a £200bn programme of quantitative easing QE (purchase of gilts so as to reduce borrowing costs throughout the economy by lowering gilt yields). The MPC increased then QE by £100bn in June and by £150bn in November to a total of £895bn. While Bank Rate remained unchanged for the rest of the year, financial markets were concerned that the MPC could cut Bank Rate to a negative rate; this was firmly discounted at the February 2021 MPC meeting when it was established that commercial banks would be unable to implement negative rates for at least six months – by which time the economy was expected to be making a strong recovery and negative rates would no longer be needed.

**Average inflation targeting.** This was the major change adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and *achieving the 2%* 

target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. This sets a high bar for raising Bank Rate and no increase is expected by March 2024, and possibly for as long as five years. Inflation has been well under 2% during 2020/21; it is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern to the MPC.

Government support. The Chancellor has implemented repeated rounds of support to businesses by way of cheap loans and other measures, and has protected jobs by paying for workers to be placed on furlough. This support has come at a huge cost in terms of the Government's budget deficit ballooning in 20/21 and 21/22 so that the Debt to GDP ratio reaches around 100%. The Budget on 3rd March 2021 increased fiscal support to the economy and employment during 2021 and 2022 followed by substantial tax rises in the following three years to help to pay the cost for the pandemic. This will help further to strengthen the economic recovery from the pandemic and to return the government's finances to a balanced budget on a current expenditure and income basis in 2025/26. This will stop the Debt to GDP ratio rising further from 100%. An area of concern, though, is that the government's debt is now twice as sensitive to interest rate rises as before the pandemic due to QE operations substituting fixed long-term debt for floating rate debt; there is, therefore, much incentive for the Government to promote Bank Rate staying low e.g. by using fiscal policy in conjunction with the monetary policy action by the Bank of England to keep inflation from rising too high, and / or by amending the Bank's policy mandate to allow for a higher target for inflation.

**BREXIT.** The final agreement on 24<sup>th</sup> December 2020 eliminated a significant downside risk for the UK economy. The initial agreement only covered trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. There was much disruption to trade in January as form filling has proved to be a formidable barrier to trade. This appears to have eased somewhat since then but is an area that needs further work to ease difficulties, which are still acute in some areas.

## Summary of action taken in the period October 2020 to March 2021

# **New borrowing**

The council undertook £10.0m of new long-term debt in the second half of 2020/21. This was to fund the HRA Capital Programme.

# Debt maturity

PWLB Annuity repayments of £0.516m were made on 31 December 2020. Additionally, £0.682m of PWLB fixed maturity debt matured on 31 March 2021.

Lender options (where the lender has the exclusive option to request an increase in the loan interest rate and the council has the right to reject the higher rate and repay instead) on two loans were due in the 6 month period but no option was exercised.

## Weighted average maturity of debt portfolio

The weighted average maturity period of the portfolio has decreased from 27.7 years to 27.5 years. This is the result of a combination of a natural decrease of the maturity by six months and the change resulting from debt repayments of £1.2m and new debt undertaken of £10.0m.

# Debt rescheduling

Opportunities to restructure PWLB debt are severely restricted under changes introduced by the Public Works Loan Board in October 2007.

# Capital financing requirement

The prudential code introduces a number of indicators that compare borrowing with the capital financing requirement (CFR) – the CFR being the amount of capital investment met from borrowing that is outstanding. Table 1 compares the CFR with actual borrowing.

Table 1 – Capital financing requirement compared to debt outstanding

	1 April 2020	31 March 21	Movement in period
Capital financing			
requirement (CFR)	£379.4m		
Less PFI element	(£44.4m)		
Net CFR	£335.0m	£351.8m	£16.8m
Long-term debt	£271.0m	£278.6m	+£7.6m
O/s debt to CFR (%)	80.9%	79.2%	-1.7%

Traditionally, the level of borrowing outstanding is at or near the maximum permitted in order to reduce the risk that demand for capital investment (and hence resources) falls in years when long-term interest rates are high (i.e. interest rate risk). However, given the uncertainty within the financial markets, the council has maintained the strategy of keeping borrowing at much lower levels (as investments have been used to repay debt).

Currently, outstanding debt represents 79.2% of the capital financing requirement.

#### Cash flow debt / investments

The TMSS states the profile of any short-term cash flow investments will be determined by the need to balance daily cash flow surpluses with cash flow shortages.

An analysis of the cash flows reveals a net deficit for the second half of the year of £4.0 million.

Table 2 - Cash flow October 2020 to March 2021

	Oct 20 to Mar 21			M (ful		Apr 20 to Mar 21 (full year)
	Payments	Receipts	Net cash	Net Cash		
Total cash for period	(£578.3m)	£574.3m	(£4.0m)	(£11.3m)		
Represented by:						
(Increase)/Decrease in invest	ments		(£4.3m)	£2.7m		
(Decrease)/Increase in long-to	erm borrowing		£8.8m	£7.6m		
Decrease in Short term borro	wing (including	g SDNPA¹)	£0.0m	£1.5m		
Movement in balance at bank			(£0.5m)	(£0.5m)		
			£4.0m	£11.3m		

#### Prudential indicators

Budget Council approved a series of prudential indicators for 2020/21 at its meeting in February 2020. Taken together the indicators demonstrate that the council's capital investment plans are affordable, prudent and sustainable.

In terms of treasury management, the main indicators are the 'authorised limit' and 'operational boundary'. The authorised limit is the maximum level of borrowing that can be outstanding at any one time. The limit is a statutory requirement as set out in the Local Government Act 2003. The limit includes 'headroom' for unexpected borrowing resulting from adverse cash flow movements.

The operational boundary represents the level of borrowing needed to meet the capital investment plans approved by the council. Effectively it is the authorised limit minus the headroom and is used as an in-year monitoring indicator to measure actual borrowing requirements against budgeted forecasts.

Table 3 compares both indicators with the maximum debt outstanding in the first half year.

<u>Table 3 – Comparison of outstanding debt with Authorised Limit and</u> Operational Boundary 2020/21

	Authorised limit	Operational boundary
Indicator set	£465.0m	£455.0m
Less PFI & other long-term liabilities	-£54.0m	-£54.0m
Indicator re: Underlying borrowing	£411.0m	£401.0m
Maximum amount o/s in second half of	£279.3m	£279.3m
year		
Variance	<sup>(*)</sup> £131.7m	£121.7m

(\*) Cannot be less than zero

Table 4 shows the limits set for the maturity structure of the debt portfolio along with the actual maturity profile as at 31 March 2021.

<sup>&</sup>lt;sup>1</sup> SDNPA (South Downs National Park Authority) cash/investments are managed on their behalf under contract with Brighton & Hove City Council.

<u>Table 4 – Maturity structure of fixed interest rate borrowing as at 31</u> March 2021

	Lower Limit Set	Upper Limit Set	Actual as at 31 March 2021
Under 12 months	0.0%	40.0%	0.8%
12 months to 2 years	0.0%	40.0%	4.4%
2 years to 5 years	0.0%	50.0%	12.2%
5 years to 10 years	0.0%	75.0%	10.0%
Over 10 years	40.0%	100.0%	72.7%

# Approved organisations – investments

No new organisations were added to the list approved in the Annual Investment Strategy (AIS) 2020/21.

# **Debt Portfolio as at 31 March 2021**

Table 5 shows the debt portfolio as at 31 March 2021, analysed by fund.

<u>Table 5 – Debt External Portfolio as 31 March 2021 by fund</u>

Fund	Debt Outstanding
General Fund – General	£109.139m
General Fund – i360	£28.660m
Total General Fund	£137.779m
HRA	£140.832m
Total Debt	£278.631m

The total debt portfolio is made up of borrowing from the Public Works Loans Board (PWLB), and market lenders. Table 6 illustrates the amount outstanding and average rate of borrowing of each of these parts of the portfolio as at 31 March 2021.

<u>Table 6 – amount outstanding as at 31 March 2021 and average rate by loan type</u>

Lender	Loan Type	Amount Outstanding at 31 March 2021	Average rate
PWLB	Fixed Maturity	£204.971m	3.67%
PWLB	Annuity	£28.660m	2.78%
Market Lenders	LOBOs	£25.000m	4.43%
Market Lenders	Fixed Maturity	£20.000m	4.49%
<b>Total Borrowing</b>		£278.631m	3.71%

The debt outstanding to market lenders is made up of LOBO instruments (Lender Option Borrower Option) of £25.0m, and fixed market loans of £20.0m. The interest rates of these loans vary between 3.90% and 4.88%.

# POLICY & RESOURCES COMMITTEE

# **Agenda Item**

**Brighton & Hove City Council** 

Subject: General Fund Budget Planning & Resources Update

2022/23

Date of Meeting: 1 July 2021

Report of: Acting Chief Finance Officer

Contact Officer: Name: Nigel Manvell Tel: 07841 805131

James Hengeveld 161. 01273 291242

Email: Nigel.manvell@brighton-hove.gov.uk

James.hengeveld@brighton-hove.gov.uk

Ward(s) affected: All

#### FOR GENERAL RELEASE

#### 1. PURPOSE OF REPORT AND POLICY CONTEXT:

- 1.1 This report provides a budget planning and resource update in preparation for the start of the 2022/23 annual budget setting process and in the context of the ongoing pandemic. This inevitably makes cost, income and funding projections very challenging given the unknown extent of pandemic financial impacts locally, and in the absence of any multi-year government funding announcements for local government which may also be affected by the impact on national finances. The lack of clarity regarding the long term funding of Adult Social Care is also of significance to financial planning.
- 1.2 In this situation, as last year, the council will need to consider a range of potential planning scenarios by considering best, midpoint and worst case scenarios for costs, funding and incomes, including taxation revenues. However, even this is unlikely to cover all potential outcomes which then brings into consideration the appropriate level of reserves and balances required to maintain financial resilience and sustainability over the medium term.
- 1.3 Even though government funding information is not yet available and there is great uncertainty in the planning assumptions for the 2022/23 budget, good practice suggests that the council should attempt to look further ahead and draw up a Medium Term Financial Strategy (MTFS) covering at least a 3-year period to 2024/25. Although uncertain, this can at least provide a high level indication of how costs and resources may change and enables consideration of whether or not this provides opportunities to strategically manage finances across the whole period.

#### 2. **RECOMMENDATIONS:**

The Policy & Resources Committee is recommended to:

- 2.1 Note the funding and net expenditure projections for 2022/23, based on the three planning scenarios.
- 2.2 Note the Medium Term Financial Strategy (MTFS) projections for 2022/23 to 2024/25 and the predicted budget gaps based on a 'midpoint' planning scenario.

- 2.3 Note the proposed approach to planning for and managing specified demand-led budgets.
- 2.4 Agree that officers should draw up 3-year budget strategies, including associated cost management measures for demand-led services, together with budget proposals to manage any remaining budget gap across all other services, and report back with draft budget proposals to the December Policy & Resources Committee.

#### 3. MEDIUM TERM BUDGET PLANNING

# Financial Impact of the Covid-19 Pandemic

- 3.1 The pandemic not only increased social care, homelessness, public health, PPE, coroner and other related emergency response costs but has also severely impacted the local economy, which has many sectors that are heavily reliant on visitors to the city. This has in turn resulted in an impact on the council's finances due to significant impacts on incomes such as the Brighton Centre and substantial losses across other fees & charges, particularly parking charges, penalty notices and commercial property rents.
- 3.2 Similarly, taxation revenues were affected due to the impact on businesses and employment, and more people needing financial support such as Council Tax Reduction. There has also been a slow-down in housing developments and Council Tax collection rates have been impacted severely. There are similar impacts in relation to Business Rate growth and collection rates.
- 3.3 Government emergency funding has largely covered the financial impacts of Covid-19 in 2020/21 including some cover for taxation losses (Collection Fund deficits). Further one-off government Covid funding of £11m has been received for 2021/22 alongside continued compensation for 75% of income losses in quarter 1, however, it remains to be seen if this will match the extent of the financial impacts of the pandemic which, for some aspects of council costs and incomes, could be long-lasting depending on economic recovery. Certain sectors, for example retail, were already vulnerable prior to the pandemic and this sector may be further impacted with a correlated impact on business rate revenues and commercial rent income from the council's commercial property portfolio.

# Local Financial Planning Context

- 3.4 Prior to the pandemic, the government issued a one-year financial settlement for local authorities which was a different approach for 2020/21. Due to the pandemic, this was followed up with a further one-year Spending Review settlement for 2021/22 and therefore Local Government still awaits a longer term, multi-year Spending Review which it will hope to receive in Autumn 2021.
- 3.5 Aside from the pandemic, the context of the council's General Fund budget setting is now very different to the past. Government grant support to local authorities has reduced considerably since 2009/10 and is now approximately £112m lower (excluding one-off grants). The council's General Fund is now funded primarily by local taxation and fees & charges with only £6.7m from government Revenue Support Grant (RSG) and a limited number of specific grants of which the most significant are social care grants as follows:

• Council Tax: £154.5m

Fees & Charges for services: £137.1m

- Business Rates (locally retained share): £66.8m
- Government Revenue Grant Support: £6.7m
- Adult Social Care and Better Care Fund Grants £17.2m

The only other significant funding relates to Section 31 grants. However, these are purely to compensate local authorities for business rate losses related to government-determined rate reliefs.

- 3.6 The continuation of social care grants, including the Better Care Fund, are clearly critical to the local authority and these are a key element of funding that local government would prefer to see built into the permanent funding base alongside recognition of nationally and locally growing social care demands.
- 3.7 The detailed Local Government Finance Settlement (LGFS) is not normally made available until late November or December each year, following autumn Spending Review announcements, which provides little time to alter financial planning assumptions before setting the budget and Council Tax level. As a result, the budget setting process each year should allow flexibility to manage any adverse fluctuation in the level of announced resources, particularly in the current situation where there are many unknowns regarding potential government support for the ongoing impact of the pandemic and Adult Social Care. This necessarily requires a prudent approach in order to:
  - (i) keep risks at an acceptable level and maintain financial resilience and sustainability;
  - (ii) minimise arbitrary, last minute cuts to services to balance the budget; and/or
  - (iii) avoid exhausting the authority's reserves and balances (one-off resources) without any plan to replenish them.
- 3.8 This report includes an early assessment of the pressures facing priority services in terms of increases in costs and demographic growth in demands, particularly in relation to 'demand-led' services for vulnerable adults, families and children such as social care and homelessness. Alongside government grant reductions, limitations on the allowable level of council tax increases, and normal inflationary pressures, these demand-led cost pressures have been the cause of substantial 'budget gaps' that the council has been experiencing over the last 12 years. The impact of the pandemic may add another layer of pressures that could exacerbate pressures in 2022/23 and beyond.
- 3.9 Effective financial planning has become increasingly important over recent years due to the increasing financial challenges. Losing grip of the council's finances and the consequent impact on services has serious reputational implications and in cases where this has happened, the members of the authority have generally had to cede control of the situation because the level of external scrutiny, challenge and/or government intervention has escalated accordingly. Recent examples include:
  - Public Interest Reports and Statutory Section 114 reports being issued by External Auditors and Chief Finance Officers (CFOs) respectively. The latter restricts all spending, bringing with it associated media and reputational impact as noted recently in the case of Croydon LBC;
  - Related objections to the accounts which must be investigated by the external auditor;

- Legal challenges from residents in respect of council decisions, particularly where urgent cuts have had to be approved to balance the books;
- Intervention by government in respect of failing services where they can appoint commissioners to take over whole services, Liverpool being a recent example;
- In the severest case, Northamptonshire, direct intervention by government has resulted in the dissolution of the authority and creation of two new unitary authorities from April 2021.

In their annual reviews, external auditors are therefore increasingly concerned with local authorities' arrangements for securing value for money which includes demonstrating financial resilience and sustainability, and providing evidence of effective medium term planning. In the current context, External Auditors will be looking closely at authorities' plans and approaches for managing the impacts of the pandemic and their remit for assessing Value for Money has accordingly been strengthened for the 2020/21 audit onward.

#### Reserves & Balances

- 3.10 In this context, the council's available reserves and balances are an important indicator of the council's financial resilience and ability to manage unexpected financial impacts. Available reserves and balances are those that are cashbacked and are not due to be drawn down for at least one year. This excludes balances held by the Housing Revenue Account and Schools which are not available to the General Fund. Levels are currently as follows:
  - Working Balance £9m this is a permanent risk reserve and therefore any use must be accompanied by a plan for replenishment;
  - Earmarked reserves £33m Earmarked reserves are committed against an approved scheme or expense. Many are held against contractual commitments (e.g. PFI contracts) or are risk provisions (e.g. Self-Insurance Fund) and must be replenished if used. Some are held against regeneration projects (e.g. New England House, Brighton Centre/Waterfront development, etc) and are linked to match funding from the LEP or other government funds. Many are held against future risks or commitments and would therefore need to be replenished.

The Chartered Institute of Public Finance & Accountancy (CIPFA) has generated a 'Resilience Index' covering a wide range of financial indicators that can provide an insight into the financial health of an authority. The level of reserves as a proportion of the net budget is one such measure. BHCC ranks 12<sup>th</sup> lowest out of 15 'nearest neighbour' authorities which are selected for their similar demographic and financial characteristics (they are not geographical neighbours). BHCC's reserves, in 2019/20, were shown to be 19% of net budget. The range of the comparator group is 67% to 15% and the average is 43%.

A more detailed analysis of the council's reserves and balances as at 31 March 2021 is provided in the Targeted Budget Management (TBM) Provisional Outturn report also on this committee agenda.

# 2022/23 Budget Planning Scenarios

3.11 Due to the national and local economic uncertainties and the potential impact on finances, three potential cost, income and funding scenarios are considered for

2022/23 to illustrate a potential range of impacts. The scenarios considered are as follows:

Table: Planning Scenarios 2022/23

Cost, Income & Taxation Scenario	Scenario Description/Assumption
Worst Case	Slow economic recovery. Council Tax Reduction caseload remains above long-term trend. Council Tax base and collection rates remain suppressed well into 2022/23. Higher rate of business failures continue while visitor numbers only recover slowly. Cost pressures across demand-led services such as Adult Social Care and Homelessness remain at higher levels. Fees & Charges such as property rent incomes remain suppressed.
Midpoint Case	Economic recovery starts slow but steadily gathers pace. Council Tax Reduction caseload steadily reduces. Moderate impact on Council Tax base and collection rate. Business failures are apparent, but business start-ups and recovery also begin. Steady recovery of visitor numbers. In-roads begin to be made into cost pressures across demand-led services but they remain at elevated levels of demand. Fees & Charges and property rents begin to recover to normal levels after the first quarter.
Best Case	Economy 'bounces' back relatively quickly once fully out of lockdown. Council Tax Reduction caseload falls quickly as employment increases. Limited, short term impact on the Council Tax base and collection rates. Business failures are significantly offset by start-ups or recovery. Visitor numbers also recover quickly and may even improve due to 'staycationing'. Significant stabilisation and mitigation of demand-led cost pressures is achievable. Fees & Charges and property rents recover to normal levels after first quarter.
Grant Funding Scenarios	Assumptions
Worst	A low level of funding due to the impact of the pandemic on national finances and debt could look as follows:  - Ongoing COVID-19 impact funding of £2.0m  - Adult Social Care grant of £1.0m  - Troubled Families funding withdrawn  - Additional Homelessness funding of £0.5m
Midpoint	A level of funding broadly similar to a 'rolled-forward Spending Review' might look as follows:  - Ongoing COVID-19 impact funding of £3.0m  - Adult Social Care grant of £2.0m  - Troubled Families funding continues (worth £0.9m)  - Additional Homelessness funding of £1.0m
Best	An improved level of funding, particularly for Adult Social Care, and greater recognition of ongoing pandemic

impacts could look as follows:

- Ongoing COVID-19 impact funding of £5.0m
- Adult Social Care grant of £2.5m
- Troubled Families funding continues (worth £0.9m)
- Additional Homelessness funding of £1.5m
- 3.12 There will be variants of these scenarios in between but these serve to illustrate the expected range of possible outcomes from worst to best case for all elements of the council's budget and funding.
- 3.13 In terms of additional funding support, the level of support and the form it may take are unknown. However, the government has not made clear its intentions regarding the long term funding of Adult Social Care which presents a significant risk. In 2021/22, this was partially mitigated by increasing local taxation through a 3% Adult Social Care precept. However, this precept was over a 2-year period and therefore, unless government revisits this mechanism, this council will not be able to levy a further Adult Social Care precept in 2022/23. The council will therefore be reliant on increased government grant support for Adult Social Care.
- 3.14 The level of funding for Homelessness and Rough Sleepers is also a significant risk and the council will be heavily reliant on this remaining at current levels as a minimum. There are also concerns about the Troubled Families grant which has been expected to discontinue for some time but was 'rolled-forward' in the two one-year settlements in 2020/21 and 2021/22. This will hopefully be retained in the next Spending Review.
- 3.15 For planning purposes, it is recommended to use the 'Midpoint' case to develop budget proposals but with consideration of options to meet a worst case scenario also given, as far as practicably possible. Using the Midpoint scenario strikes a reasonable balance for planning purposes, with a less favourable outcome potentially being managed through increased reserve use in the short term ('financial smoothing').

# Addressing Budget Shortfalls (Gaps)

- 3.16 The difference (shortfall) between the estimated costs, demands and funding pressures that the council identifies compared to estimated increases in taxation incomes is termed the Budget Gap. The budget gap can be closed by identifying savings, generating increased income or funding, or developing cost avoidance measures.
- 3.17 In summary, the broad options or possibilities for closing any projected budget gaps are as follows:
  - (i) Government may provide increased funding (compared to the level assumed) through the Local Government Financial Settlement. Potential grant funding for Adult Social Care and Covid-19 are examples discussed above;
  - (ii) The council could elect to increase Council Tax above the current 'excessive council tax increase threshold' (i.e. above 1.99%). However, under current regulations this would require a local referendum to be held with a successful outcome, and in itself creates a cost of approximately £0.375m to hold a referendum and requires identification of one-off resources to mitigate the delay in implementing proposals while the outcome is awaited;

- (iii) Partners could provide increased funding for joint operations e.g. CCG funding toward social care costs. However, the CCG has reduced funding support in previous years because it is also under increasing financial pressure. Other partners are small by comparison;
- (iv) There may be improvements in the projected level of cost, income and/or demand pressures to be prioritised in the current estimates;
- (v) The council develops budget strategies across its major service directorates including identification of potential savings and cost management measures to either reduce costs in non-priority areas, manage down pressures in demand-led areas (e.g. through prevention, commissioning and intervention strategies), generate greater incomes from fees, charges or property rents; or develop strategies to attract alternative funding.
- 3.18 Options (i) to (iv) above carry a high level of uncertainty and therefore the authority will normally need to develop budget strategies and proposals as described in (v) above. In the case of a Council Tax Referendum, it is a legal requirement to have a substitute budget should a referendum not be successful.

# Budget Strategies to support the Corporate Plan

- 3.19 The 2021/22 General Fund budget was set in the context of the council's Corporate Plan 'A fairer city, a sustainable future'. The budget, approved in February 2021, included approximately £22m in support of Corporate Plan priority areas, including provision for key demand-led services.
- 3.20 Budget planning also needs to continually keep under review current budget strategies to ensure they remain fully aligned with the implications and priorities set out in the Corporate Plan. Some current income sources may, for example, be impacted in future by carbon reduction initiatives, while traditional procurement economies may be impacted by Community Wealth Building or Social Value initiatives. Conversely, Corporate Plan objectives could bring new revenues, for example, through investment in infrastructure for electric vehicles. The impact of the pandemic makes it more important to test out these strategies given the higher level of financial risks that the pandemic has exposed.
- 3.21 In 2021/22 the budget also provided significant investment for Corporate Plan priorities including carbon reduction investment to support the Carbon Neutral Programme. Almost £1.5m recurrent funding was identified to support various Corporate Plan priorities together with £1m one-off funding and over £14m capital investment, including significant investment in the Sustainable Carbon Reduction (SCRIF) and Warmer Homes initiatives. The Medium Term Financial Strategy assumes a continued need to invest in Corporate Plan priorities, particularly in support of the Carbon Neutral Programme for which £0.5m has been set aside which can either be used to support revenue costs or provide capital financing support. The level of investment in future years will need to take into account the level of funding and support from central government through green finance, natural capital and other programmes. Similarly, provision of £0.5m has been included to support a range of other priorities set out in the Corporate Plan.
- 3.22 The major service directorates developed Budget Strategies for 2021/22 which remain current but will be updated for 2022/23 and the medium term. The budget strategies identify the longer term direction of travel of services, the approach to the commissioning and delivery of services, the alignment of budget strategies with the council's Corporate Plan priorities, proposals and strategies

- for managing demand-led budgets, and proposals for achieving cost savings or increased income to help address budget gaps.
- 3.23 Based on the experience of recent years' budget setting processes, a different approach to financial planning for priority demand-led services is proposed for 2022/23. In the past, these services have traditionally identified very substantial demographic and cost driven budget pressures, for example, in 2021/22 the budget pressure identified was £19.1m across demand-led services. In common with previous years, this was a key driver of the overall budget gap in 2021/22 requiring savings of £10.644m to close the gap and achieve a balanced budget. However, in the event, over £5m of these 'savings' were related to managing costs in demand-led budget areas. A review of the process indicates that it is not technically correct to regard these as 'savings' proposals because they are effectively ever-ongoing measures to manage limited resources by continually evolving and developing commissioning, prevention and intervention strategies that are designed to improve cost management over the medium term.
- 3.24 For 2022/23, specified demand-led budgets will therefore present a forecast cost pressure scenario together with a forecast of the potential cost management achievable through Budget Strategies aimed at continually improving commissioning, contracting, prevention, intervention, care plans and pathways, joint working with partners (e.g. Health) and so on. The services to be presented in this way will be:
  - Adult Social Care
  - Adult Learning Disability Services
  - Children's Social Care including Disability Services
  - Homelessness and Rough Sleeping
  - Home to School Transport

This will not include the associated administrative, assessment, commissioning or contract management functions within these areas. It will only relate to the demand-led budgets managed by these services.

# 2022/23 Scenario Projections

3.25 The table below sets out the costs, losses and investment requirements under the three scenarios outlined in paragraph 3.11 above.

Table: Investments, Cost Pressures & Tax Base Scenarios 2022/23

Budget Area	Worst Case	Midpoint Case	Best Case
	£m	£m	£m
Net Demand-Led & Other Cost Pressures:			
Increase in Budget Requirement 2022/23 (see Appendix 1)	15.030	15.030	15.030
2021/22 excess pay award cost	2.350	1.680	1.680
Demand lead Service pressures			
Adult Social Care	4.800	4.000	3.000
<ul> <li>Adult Learning Disabilities</li> </ul>	2.500	2.000	1.800
<ul> <li>Looked After Children/Care Leavers</li> </ul>	3.000	2.400	1.500
Loss of Troubled families funding	0.950	0.000	0000
Temporary accommodation/rough	4.200	2.500	2.000

sleeping			
Home to School Transport	0.500	0.200	0.200
Illustrative cost management through application of budget strategies (Appendix 3)	-4.950	-5.100	-5.700
All other services – recurrent pressures	1.500	1.000	0.800
Orbis net disaggregation pressure	0.700	0.500	0.400
Carbon Neutral Investment	0.500	0.500	0.500
Corporate Plan priorities	0.500	0.500	0.500
Potential one off pressures			
Covid impact on commercial income	0.600	0.400	0.150
Covid impact on other income	1.500	1.000	0.500
Covid impact on Supported Bus routes	0.400	0.300	0.200
Ash dieback/Elm Disease	0.600	0.500	0.500
Net Demand-Led & Other Cost Pressures	34.680	27.410	23.060

3.26 The scenarios above indicate net Demand-Led and other cost pressures in the range of £34.680m to £23.060m. Similarly, potential funding scenarios are given below based on assumptions described in paragraph 3.11 above.

Table: Funding Scenarios 2022/23

Funding Scenarios	Worst	Midpoint	Best
	Case	Case	Case
	£m	£m	£m
Council Tax – change in tax base	1.000	1.950	2.500
Council Tax - increase at 1.99%	3.090	3.110	3.120
Council Tax – Adult Social Care precept	0.000	0.000	0.000
Business Rates – change in tax base	0.000	0.610	0.900
Business Rates – inflation increase(CPI)	0.610	0.610	1.100
ASC funding	1.000	2.000	2.500
Covid-19 ongoing impact funding	2.000	3.000	5.000
Additional homelessness/Rough sleeping			
funding	0.500	1.000	1.500
Use of reserves/financial smoothing for one off			
pressures identified above	3.100	2.200	1.350
Total Funding Assumptions	11.300	14.480	17.970

3.27 Combining the projected net cost pressure and funding/taxation scenarios illustrates the range of potential budget gaps as set out in the table below which can be considered for financial planning purposes. This provides the committee with a sense of the range of risks that the council may need to consider, particularly in the case where costs continue to escalate, recovery is slow, and any funding settlement from government is at the lower end.

Table: Range of Potential Budget Gaps 2022/23

Cost & Income Pressures Scenario:	Worst	Midpoint	Best
Aligned with:	£m	£m	£m
Worst Funding/Taxation Levels	23.380	16.110	11.760
Midpoint Funding/Taxation Levels	20.200	12.930	8.580
Best Funding/Taxation Levels	16.710	9.440	5.090

- 3.28 The table above shows the complexity of planning in the current environment where there is uncertainty over almost every aspect of the council's budget from inflation, demographic changes and Covid-19 impacts to tax base recovery and grant funding levels. The table indicates a range of potential budget gaps in 2022/23 from £23.380m at worst down to £5.090m at best. However, this assumes that one-off pressures relating to Covid-19/Tree Dieback and the spreading of the Collection Fund deficits over a 3-year period can be resourced from reserves (i.e. further Financial Smoothing) or other one-off resources for 2022/23.
- 3.29 Planning on the basis of all elements being at the Best or most optimistic level would be a high risk strategy, while planning for the Worst or least optimistic scenario would mean undertaking substantial additional work to identify and plan for savings or cuts that may never be required. The Midpoint therefore represents the most sensible balance for planning purposes at this stage of the process. However, it must be remembered that all estimates are very early in the process and are subject to change as they are reviewed and updated throughout the budget process. In particular, cost management assumptions for demand-led budgets are inextricably linked to the concomitant service pressure estimates. At this stage broad, illustrative assumptions have been made based on previous cost management achieved in these areas, tempered for the lower scale of pressures and the impact of the pandemic.
- 3.30 Using the Midpoint cost and funding level indicates a potential budget gap of £12.930m which is after allowing for cost management improvements of £5.100m for the key demand-led service areas as set out above and in Appendix 3. The budget gap would therefore need to be addressed by identifying savings across all other service areas excluding demand-led budgets, informed by Corporate Plan and member priorities.

## Medium Term Financial Strategy Update 2022/23 to 2024/25

- 3.31 The table below summarises the MTFS estimates and predicted budget gaps for the next 3 years based on the following key assumptions:
  - 1.99% Council Tax increases:
  - Midpoint scenario for net reductions in tax bases;
  - Midpoint scenario for government funding assumptions;
  - 1.5% pay awards;
  - 1.5% income budget uplifts;
  - 2.00% Social care third part payments
  - 0.75% to 1.00% non-pay budget cash limits;
  - 1.00% assumed inflation rate for Business Rate uplifts;

- Continued investment in priority demand-led services and Corporate Plan priorities;
- Repayment of reserves & balances used for COVID-19 over a 10 year period.

Table: Indicative Medium Term Financial Strategy

Summary MTFS and Budget Gaps	2022/23	2023/24	2024/25
	£m	£m	£m
Commitments (from previous decisions)	1.704	1.078	3.637
Provision for grant reduction/ending	8.023	4.000	0.000
Net Inflation (on Pay, Prices, Income, Pensions)	5.303	4.876	5.535
Subtotal	15.030	9.954	9.172
Net Investment in priority services and Corporate			
Plan priorities	10.180	5.150	5.000
New grant funding assumed	-6.000	-1.000	-1.000
Projected Net Tax Base changes	-6.280	-5.679	-8.560
Predicted Budget Gaps	12.930	8.425	4.612

- 3.32 The MTFS projections could be affected by a wide range of factors, including pandemic impacts, as follows:
  - Higher or lower demands and cost pressures than projected;
  - Higher or lower cost management improvements in demand-led areas;
  - Higher or lower tax base movements;
  - Movements in pay or general inflation;
  - More or less favourable government grant settlements:
  - Potential impact of changes to the 'excessive council tax' capping rules and/or precepting;
  - Changes in interest rates (impacts on financing budget); and
  - Actuarial changes to employers' LG pension contributions.

Many of these can have significant impacts on MTFS projections in either direction.

- 3.33 Based on the analysis above, which includes many unknowns and broad estimates, it is recommended to instruct the Executive Leadership Team (ELT) to develop options to address budget gaps over the MTFS period 2022/23 to 2024/25 based on a Midpoint cost and funding scenario for all years. Consideration should also be given to strategies for managing higher potential budget gaps to avoid emergency or arbitrary decisions being required late in the budget process.
- 3.34 The Committee will note that the projected budget gap in 2022/23 is very substantial and this presents severe challenges following large savings targets over many years. The council will therefore need to clearly prioritise services and investment, balancing its duties in relation to statutory service provision with discretionary and/or universal service provision and priority areas for investment and support.

#### 4. CAPITAL STRATEGY AND CAPITAL INVESTMENT PROGRAMME

#### General Fund

# 5 Year Capital Investment Programme

4.1 The Capital Strategy was approved at Budget Council in February 2021 along with scheme-by-scheme capital programme estimates that were incorporated into the council's Budget Book. The aim of the Capital Strategy is to ensure that all members on the full Council can understand and determine the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite of the council. The capital expenditure estimates incorporate planned rolling investment programmes alongside major infrastructure, housing and sustainability schemes.

# Rolling programmes

- 4.2 The majority of the council's capital investment is within rolling programmes. The key programmes are as follows:
  - Investment in maintaining and improving the Council Housing Stock through the Housing Revenue Account;
  - The Education Capital programme provides investment from central government which includes New Pupil Places, Education Capital Maintenance and Devolved Formula Capital for schools;
  - Disabled Facilities Grants:
  - The Local Transport Plan (LTP) covering a wide range of transport-related schemes:
  - The Information, Technology & Digital Investment Fund to maintain and upgrade the council's infrastructure and IT architecture;
  - The Asset Management Fund (AMF) to maintain operational buildings, improve sustainability and reduce long term maintenance costs;
  - Corporate Planned Maintenance (PMB) to undertake planned works and upgrades;
  - The Strategic Investment Fund (SIF) to provide project support for major regeneration programmes;
  - Vehicle and plant replacement annual programme.
- 4.3 The current strategy identifies longer term capital investment plans as well as a funding strategy and the potential outcomes for each investment plan. This strategy includes major investment requirements such as investment in the seafront infrastructure and partnership investment through major projects such as Valley Gardens, Preston Barracks, Brighton Waterfront, New Homes for Neighbourhoods, the Home Purchase scheme, the Housing Joint Venture, Heritage Lottery Fund bids such as the Stanmer Park Master Plan and the Royal Pavilion Estates Regeneration, and plans for investment into the seafront infrastructure at Madeira Terrace.
- 4.4 Government funding through the City Deal has been received to support the development of Longley Industrial Estate including the refurbishment and expansion of New England House. Local Growth Fund (LGF) grants have been approved from the Coast to Capital Local Enterprise Partnership (C2C LEP) to

- support the Brighton Waterfront and Valley Gardens Phase 3 projects. Other schemes which are substantially complete include Preston Barracks Central Research Laboratory, and the Circus Street Redevelopment. Longer term investment for coast protection is also incorporated into the 5 year strategy which includes potential government match-funding.
- 4.5 Capital receipts from the sale of surplus land and buildings support the capital programme and the projections are regularly reviewed. The council will continue with its strategy of re-balancing the property portfolio by disposing of low or non-performing commercial properties and reinvesting in more viable property investments. This ensures costs can be minimised and rental growth optimised to ensure best value is achieved. However, this is now considerably more challenging as borrowing from the PWLB is now prohibited for commercial property investment. Capital receipts are generally under severe pressure due to competing demands and there are significant calls on receipts to support the following objectives:
  - Funding of annual investment funds such as the SIF and AMF referred to above:
  - Rebalancing of the commercial property portfolio;
  - Additional capital investment towards achievement of carbon neutral 2030;
  - Support for accelerating housing supply schemes; and
  - Funding of the Modernisation Fund which supports implementation of savings and improvement programmes (see below).

# Modernisation & Enabling Investment

- 4.6 In February 2020, Budget Council approved a Modernisation Fund of £15.0m over the 4 years 2020/21 to 2023/24 to provide continued investment in the council's IT and Customer Digital infrastructure and developments, as well as providing support for the delivery of savings and improvement programmes through either invest-to-save schemes or through the provision of enabling programmes such as 'Workstyles', the People Promise staff development and support programme, and project and programme management support. The fund was increased to £15.5m by Budget Council in February 2021.
- 4.7 The Modernisation Fund will be kept under review as budget plans develop and spend-to-save opportunities and investment requirements emerge in more detail.

Table 6: Modernisation Fund (Indicative Profile)					
Programme Area	2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m
Invest to Save (4-Year Plans)	0.650	0.550	0.450	0.350	2.000
Customer Digital	1.750	1.750	1.550	1.050	6.100
Modernisation enablers	1.510	0.920	0.930	0.940	4.300
Managing staffing changes	0.700	0.500	0.400	0.400	2.000
IT Modernisation Investment	0.800	0.300	0.000	0.000	1.100
Total	5.410	4.020	3.330	2.740	15.500

The current elements of the Modernisation Fund are as follows:

- 4.8 <u>Customer Digital:</u> The council's Digital programme initially concentrated on developing the digital infrastructure and providing the web design and content management applications and tools necessary to develop digital services. In the last two years there has been development of a significant number of digital services and 'apps', particularly driven by the pandemic where digital access became critical to ensure accessibility and continuity of service. Digital forms, apps and services can enable enhanced data management and a better customer experience. Digital developments enabled thousands of businesses to apply on-line and access Covid-19 business grants during the pandemic.
- 4.9 <u>Modernisation Enablers:</u> This investment covers project teams and staffing necessary to support service directorates in the delivery of large savings and improvement programmes. This includes Project & Programme Managers (PMO), Business Improvement analysts and 'Workstyles' project staff, as well as investment in the People Promise, internal communications and change management. This resource has become more critical during the pandemic where staff providing day-to-day services have very limited capacity to support improvement programmes.
- 4.10 Invest-to-Save (4-Year Plans): These investments cover direct investment by services to enable them to achieve planned savings and improvements. This can include commissioning expert advice or professional services, providing temporary additional capacity, or investing in equipment, training & development and systems developments to support service changes. Investments must be supported by Business Cases which are considered and scrutinised by the Corporate Modernisation Delivery Board (CMDB) chaired by the Chief Executive. The use of the resources also needs to be reviewed in the light of the pandemic and where possible used to help services modernise and achieve cost reductions as a further aid to achieving financial sustainability.
- 4.11 <u>Managing Staffing Changes:</u> Many savings measures will involve service redesign or modernisation (e.g. becoming more digital) that may have an impact on staffing requirements. This is normal within local authorities as they strive to improve value for money as part of their Best Value duty under the Local Government Act 1999 and as part of their budget strategies. Managing change often requires seeking voluntary redundancy or supporting redeployment as a way of managing the process and this requires funding to meet redundancy costs and potential pension strain costs.
- 4.12 The Modernisation Fund is currently managed by the Corporate Modernisation Delivery Board (CMDB) chaired by the Chief Executive and including Executive Directors and the CFO. Decisions regarding the detailed use of the Modernisation Fund are governed according to Financial Regulations, and Committee and Officer delegations set out in the Constitution. Larger investment decisions, above £0.500m, are reported to Policy & Resources Committee as these are outside of officer delegations. Decisions leading to investment in capital assets are also be reported to Policy & Resources Committee either as a separate report or through the capital appendices of Targeted Budget Management (TBM) reports.

# HRA Capital Programme

4.13 The capital investment plan for the HRA is mainly funded from direct revenue funding from tenants' rents (and associated rent rebates) as well as the use of

- retained capital receipts from Right to Buy sales and borrowing for investment in new affordable homes.
- 4.14 The capital investment programme for 2021/22-2023/24 is informed by the stock review and survey and the new HRA Asset Management Strategy 2021-2025. A key consideration will be the investment needed to fulfil the new health and safety requirements as a result of new Government safety guidelines in light of the Grenfell Tower fire.
- 4.15 The HRA continues to look at the range of initiatives it has to deliver additional housing and meet the Housing Committee Work Plan priority commitment to deliver 800 additional council homes by 2023. These initiatives include the New Homes for Neighbourhoods Programme, Home Purchase Scheme and Converting Spaces programmes.
- 4.16 Work will continue through 2021/22 to delivery housing supply pipeline schemes. The Home Purchase Scheme will continue to explore opportunities to buy back ex-right to buy properties to increase the supply of affordable housing within the HRA.
- 4.17 The budget for new homes 2022/23 will need to consider the resources required to support this level of delivery both in terms of capital resources available for building and purchasing of new homes and the revenue resources required to support this work.

#### 5. TIMETABLE

5.1 The suggested timetable for developing and approving the 2022/23 budget is given below. However, the timetable may need to flex depending on the timing of government announcements or in response to a dramatically changing in-year situation. The timetable is in outline only and does not include all aspects of member involvement or wider consultation that may need to be undertaken including with staff, unions, partners, service users and residents.

Table: Outline General Fund Budget Planning Timetable

Date	Who	What
1 July 2021	P&R	2020/21 TBM Provisional Outturn
	Committee	2021/22 TBM Month 2 (May)
		General Fund Budget Planning & Resource Update
July – Oct	ELT	Develops Budget Strategies and budget proposals
		to address budget gaps for 2022/23 to 2024/25
		alongside developing Equality Impact Assessments
7 Oct 2021	P&R	TBM month 5 (August)
	Committee	Council Tax Reduction Scheme Review 2022/23
21 Oct 2021	Council	Approves Council Tax Reduction Scheme 2022/23
Oct/Nov	Government	Likely Spending Review 2021 Announcement
2 Dec 2021	P&R	General Fund Revenue Budget Update 2022/23
		including draft Budget Strategies, budget proposals
		and Equality Impact Assessments.
		TBM month 7 (October)
December	Government	Provisional Local Government Finance Settlement
December	ELT	Consultation process begins on draft 2022/23
		budget proposals including staff, unions, partners
		and residents

27 Jan 2022	P&R	Council Tax Base
		Business Rates tax base
February	Government	Final Local Government Financial Settlement
10 Feb 2022	P&R	2022/23 General Fund and HRA Revenue &
		Capital Budget reports including the Capital and
		Treasury Management strategies
		TBM month 9 (December)
24 Feb 2022	Budget	2022/23 General Fund and HRA Revenue &
	Council	Capital Budget reports

#### 6. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

6.1 The budget process allows all parties to engage in the examination of budget proposals and put forward viable alternative budget and council tax proposals, including through amendments, to Budget Council on 24 February 2022. Budget Council has the opportunity to debate the proposals put forward by the Policy & Resources Committee at the same time as any viable alternative proposals.

#### 7. COMMUNITY ENGAGEMENT AND CONSULTATION

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

#### 8. CONCLUSION

8.1 The council is under a statutory duty to set its budget and council tax before 11 March each year. This report sets out information on projected costs, investments and resources for 2022/23 to 2024/25. It also provides an outline timetable for considering options to develop the 2022/23 budget.

#### 9. FINANCIAL & OTHER IMPLICATIONS:

#### Financial Implications:

9.1 These are contained in the body and appendices of the report.

Finance Officer Consulted: James Hengeveld Date: 21/06/21

#### Legal Implications:

- 9.2 The process of formulating a plan or strategy for the council's revenue and capital budgets is part of the remit of the Policy & Resources Committee. The recommendations in section 2 above are therefore proper to be considered and, if appropriate, approved by it.
- 9.3 This report complies with the council's process for developing the budget framework, in accordance with Part 7.2 of the Constitution.

Lawyer Consulted: Elizabeth Culbert Date:23/06/21

# Equalities Implications:

9.4 For any significant budget changes proposed in 2022/23, it is proposed to use the council's well-established screening process to develop Equality Impact

Assessments (EIAs). Key stakeholders and groups will be engaged in developing EIAs but we will also need to consider how Members and Partners can be kept informed of EIA development and the screening process. In addition, where possible and proportionate to the decision being taken, there may be a need to assess the cumulative impact of the council's decision-making on individuals and groups affected in the light of funding pressures across the public and/or third sectors. The process will ensure that consideration is given to the economic impact of proposals.

# Sustainability Implications

9.5 The council's revenue and capital budgets will be developed with sustainability as a key consideration to ensure that, wherever possible, proposals can contribute to reducing environmental impacts and support progress toward a carbon-neutral city.

# Risk and Opportunity Management Implications:

- 9.6 There are a range of risks relating to the council's short and medium term budget strategy including the ongoing impact of the pandemic, ongoing economic conditions (e.g. the changing shape of high street retail), changes in the national budget, pressures on existing budgets, further potential reductions in grants, legislative change or demands for new spending. The budget process will normally include recognition of these risks and identify potential options for their mitigation. In the current unprecedented situation, the level of risk that the council may be prepared to carry is likely to be higher than in normal circumstances.
- 9.7 Key factors (risks) for projecting the savings requirements for 2022/23 and future years will be taken into consideration including:
  - An assessment of how robust and deliverable the savings that come forward are in the context of current demands, economic conditions, changing needs and the ongoing impact of the pandemic;
  - The accuracy with which tax base estimates and other assumptions, particularly the level of business rate appeals, can be made;
  - The continuing impact of Welfare Reform changes such as Universal Credit e.g. on Temporary Accommodation (homelessness), in particular, the ongoing impact of the application of the Benefit Cap and the pandemic;
  - The impact of economic conditions e.g. property price rises have been impacting on temporary accommodation costs and care home provision and availability. Also, the buoyancy of many income streams can be affected by economic conditions e.g. commercial rents. This is now potentially more volatile both as a result of the pandemic and as 'Brexit' progresses, although the full impact of these may not be known for some time;
  - The impact of demographic and other changes e.g. immigration, public health issues (e.g. obesity), drug improvements (e.g. treating dementia), increasing longevity with health conditions, etc.

#### SUPPORTING DOCUMENTATION

#### **Appendices:**

- Medium Term Financial Strategy Assumptions and Projections Resources Update Demand-Led Budget Projections 1.
- 2.
- 3.

# **Documents in Members' Rooms**

None

# **Background Documents**

None

# **MEDIUM TERM FINANCIAL STRATEGY TABLES**

# **Core Planning Assumptions**

The table below sets out the core planning assumptions included in the MTFS projections:-

	2022/23	2023/24	2024/25
Pay inflation and pay related matters:			
- Provision for pay award	1.50%	1.50%	2.00%
- Employers pension contribution rate change	-0.50%	0.00%	0.00%
General inflation:			
- Inflation on social care third party payments	2.00%	2.00%	2.00%
- Inflation on non pay expenditure	0.75% - 1.00%	0.75% - 1.00%	1.00% - 2.00%
- Inflation on waste PFI	3.50%	2.00%	2.00%
- Inflation on income	1.50%	1.50%	2.00%
- Inflation on parking income	1.50%	1.50%	2.00%
- Inflation on penalty charge notices	0.00%	0.00%	0.00%
Resources:			
Change in Settlement Funding Assessment	0.00%	0.00%	0.00%
Change to Revenue Support Grant (RSG)	0.00%	0.00%	0.00%
Business rates poundage inflation uplift	1.00%	1.00%	1.00%
Assumed council tax threshold increase	1.99%	1.99%	1.99%
Adult Social Care Precept	0.00%	0.00%	0.00%
Council Tax Base	1.25%	0.75%	0.75%

# **Summary of MTFS projections**

The table below sets out the savings /budget gap taking into account the anticipated expenditure over the MTFS period and the funding resources available

	2022/23	2023/24	2024/25
	£m	£m	£m
Net Budget Requirement B/Fwd	184.807	226.531	232.210
Remove net one off short term funding and expenditure	35.442	4.000	
Net Budget Requirement B/Fwd	220.249	230.531	232.210
Pay and Inflation – Salaries, Wages & Expenditure	6.885	6.483	7.639
Inflation – Income	-1.582	-1.607	-2.104
Commitments - impact of previous decisions	2.406	0.858	3.637
Change in employer pension contributions	-0.450		I
Remove 2021/22 Covid support grant	8.023		
Assumed increase in social care grant funding	-2.000	-1.000	-1.000
Assumed additional Covid-19 Homelessness one-off funding 2022/23	-1.000		
Assumed additional Covid-19 one-off grant 2022/23	-3.000		
Demand-Led demographic and cost pressures in Adult Social Care and Adult Learning Disabilities	6.000	4.250	4.000
Demand-Led demographic and cost pressures for Children's Disability, Children in Care and Care Leavers	2.400	1.000	0.750
Demand-Led demographic and cost pressures for Homelessness temporary and emergency accommodation	2.500		
Demand-Led demographic cost and pressures for Home to School Transport	0.200		
Potential Budget Strategy cost management of Demand-led services	-5.100	-1.850	-1.500
New investment, demographic and/or cost pressures for all other services (recurrent)	1.000	0.750	0.750
Orbis disaggregation	0.500		
New Investment in Corporate Plan priorities	0.500	0.500	0.500
Carbon Neutral Investment	0.500	0.500	0.500
One off pressures – ongoing Covid-19 impact	2.200		
Use of reserves/financial smoothing for 2022/23 Covid Impact pressures (10 year repayment)	-2.200	0.220	
Pay award 2021/22	1.680		
Reduction in repayments for the 2021/22 financial smoothing due to improved 2020/21 outturn	-0.250		
Budget Gap (Savings Requirement)	-12.930	-8.425	-4.612
Budget Requirement C/Fwd	226.531	232.210	240.770
Funded by:			
Revenue Support Grant	6.666	6.666	6.666
Locally retained Business Rates	59.247	60.461	62.908
Council Tax (including general increases at 1.99%)	160.618	165.083	171.196
Total Funding	226.531	232.210	240.770

# **Resources Updates and Assumptions 2022/23**

# **General Fund Budget**

# **Local Government Financial Settlement (LGFS)**

- 1.1 The government announced a one-year Spending Review in November 2020 for the financial year 2021/22 which followed a one-year Spending Review for 2020/21. A Spending Review is expected in November 2021 but at this stage it is not clear if this will be for one year only or will be a longer term announcement. The profound impact of the pandemic on the national financial position in the short term alongside the assumptions around recovery will determine the level of certainty the government could provide over the medium term and this will impact on the Local government Finance Settlement for 2022/23 and future years.
- 1.2 As part of the response to the pandemic the government confirmed that the planned reforms to local government finance relating to the Fair Funding Review and 75% Business Rates Retention would be delayed for 2021/22 and it is unlikely these reforms will come forward for 2022/23. The pandemic has created financial pressures across local government that are expected to have a longer term impact on the Council's financial position and these pressures are being presented to Treasury as part of the call for evidence to inform the spending review.
- 1.3 The provisional LGFS for 2022/23 would normally be expected in December 2021 including confirmation of the council tax 'excessive increase' threshold above which a referendum would be required. The financial impact of the Covid-19 pandemic has introduced considerable uncertainty in predicting the government's approach to financial resources for local government for future years, therefore the following resource assumptions should be treated with caution and will be updated as further government announcements are made.

#### **Government Grants and Precepts**

#### Revenue Support Grant (RSG)

1.4 For the 2021/22 LGFS the government rolled forward the 2020/21 RSG allocation. With the expectation that local government finance reforms will continue to be on hold it is assumed that this grant will again roll forward into 2022/23 at the previous year's level of £6.666m.

#### Adult Social Care precepts and Better Care Funding

- 1.5 The core assumption is that the additional grants announced as part of the 2021/22 settlement relating to Social Care will roll forward and continue in 2022/23 at the same level. In 2021/22 the council was able to levy a 3% Adult Social Care Precept to support the increased costs in this area however this flexibility was across 2021/22 and 2022/23 and so no further flexibility has not been assumed for 2022/23.
- 1.6 Adult social care costs were continuing to increase significantly prior to the Covid-19 pandemic. The council worked with the CCG to support the early discharge of patients from hospital to free up capacity as part of the pandemic response and as

- a result the council is incurring significant increases in costs which are likely to remain over the medium term.
- 1.7 The medium level planning assumption is that the government will continue to provide additional ongoing support year on year and the Medium Term Financial Strategy includes £2m additional funding in 2022/23 in this respect.

Table : Social Care Resources	2020/21	2021/22	2022/23 Planning Assumption
ASC Precepts	2%	3%	0%
	£2.894m	£4.450m	-
Improved Better Care Fund (BCF)	£9.181m	£9.181m	£9.181m
Adults & Children's Social Care grant	£2.100m	£2.100m	£2.100m
New Adult social Care Grant	£4.715m	£4.715m	£4.715m
New Social Care Grant (SR2020)	-	£0.944m	£0.944m
Additional Social Care Grant funding assumption			£2.000m

# **New Homes Bonus (NHB)**

1.8 The government provided a one-year extension to the NHB scheme for 2021/22 and intended to explore how to incentivise housing growth effectively going forward. The planned consultation on the future of this incentive is assumed to be put on hold. Even if the scheme is extended for a further year the council is unlikely to reach the threshold of new homes required to receive additional NHB. The budget assumption is the continued tapering of the remaining years from previous allocations meaning the council would receive £0.336m in 2022/23.

#### Other grant changes

- 1.9 There is no update on grant allocations beyond 2021/22 as they are assumed to be announced alongside the provisional local government finance settlement.
- 1.10 The budget estimates assume a continuation of the 10% reductions in the centrally held unringfenced grants budget for 2022/23 in line with previous government funding reductions. This includes grants such as Housing Benefit Admin grant.

#### **Business Rates**

#### **Business Rates estimate for 2022/23**

1.11 It is very difficult to predict the ongoing impact of Covid-19 on businesses within the city and the impact this may have on the level of business rates income. In 2020/21 and 2021/22 the government announced significant retail reliefs of c£120m for Brighton and Hove across the 2 years to support business through the pandemic

- and recovery period. The council has been fully compensated for any loss of income from these reliefs through section 31 grant.
- 1.12 The projections for 2021/22 included an allowance for a net reduction in business rates income driven by increased empty property reliefs, business failures and potential bad debts. For 2022/23 the projections are based on this revised starting position and the medium view includes a 1% growth compared to 2021/22. This reflects the completion of a number of business space developments across the city net of further impact on the retail sector. The range used in scenario planning within the body of the report is 0% growth to 1.5% growth. Business rates are planned to increase by CPI based on September 2021 and the planning assumption is 1%. Recent government projections potentially see CPI being higher but for scenario planning the range is 1% to 1.8%.
- 1.13 Business Rates forecasts continue to be an area of financial risk which is heightened by the unknown ongoing impacts of the pandemic on businesses and these estimates could change significantly.

#### **Council Tax**

#### **Council Tax Reduction Scheme**

- 1.14 The council's localised Council Tax Reduction Scheme (CTRS) was amended at full Council in January 2021 to increase the maximum award for working age claimants from 80% to 82% and remove the minimum threshold for an award.
- 1.15 The annual review of the scheme requires consultation proportionate to the significance of any changes proposed. Potential options are currently being developed and the statutory annual review of the scheme will be presented to this committee in October 2021 and then to full Council to agree the final scheme for 2022/23. The council also intends to continue to operate a discretionary fund. Council Taxpayers in particularly difficult financial circumstances are able to apply for the discretionary funds provided for in the budget and/or are referred to appropriate support and advisory services.
- 1.16 The council had experienced ongoing reductions in the number of CTRS claimants for both working age and pensionable age averaging over 5% in recent years. Reductions in claimants results in an increase in the council tax base. However, the pandemic has caused increased financial hardship and as a result the number of working age claimants has risen significantly throughout 2020/21 but appears to have reached a peak in April 2021 giving a 15% increase in the number of working age claimants compared with Feb 2020. It is difficult to predict whether, and how quickly, claimants' financial position will change as the city recovers from the pandemic however reducing numbers from the peak were assumed in projections for 2021/22 and this is expected to continue into 2022/23 reverting to early 2020 levels by March 2023.

#### Council Tax Estimate 2022/23

1.17 The council tax increase for 2022/23 is currently assumed at 1.99% for planning purposes. This assumes the government does not provide additional council tax increase flexibilities through Adult Social Care precepting. The ongoing impact of the pandemic on council tax income remains difficult to predict but expected

reductions in CTR claimants, new housing developments and improved council tax collection have been assumed for 2022/23. The collection rate reduction in 2021/22 was covered by additional one off grant from government and is assumed to revert to 99% collection from 2022/23 onwards. The projected net increase in tax based from new properties and changes to discounts (including CTR) is assumed to be 1.25%. The range used for scenario planning is 0.6% to 1.6% These estimates will be updated over the coming months when the impacts should become clearer.

# **Corporate Inflation Provisions**

## Pay

- 1.18 At present there is no agreed pay offer for 2021/22 or 2022/23. The latest employers' pay offer for 2021/22 is 1.5% while the budget assumption was 0% with an allowance of £250 increase for employees with salaries under £24,000 per annum. Although the employers offer has been rejected, this sets a minimum addition cost to be funded with a net impact of £1.680m in 2021/22. The extra cost of the pay award will be funded from one off resources through the improved 2020/21 outturn position and creates a financial pressure in for 2022/23 onwards. For 2022/23 onwards budget estimates assume a general 1.5% increase in pay. This assumption will be monitored closely as changes to pay represent a significant proportion of council expenditure and therefore financial risk.
- 1.19 The council's pay structure is primarily based on national negotiating body pay spines and nationally negotiated settlements. The council also pays in accordance with Living Wage Foundation rates. Pay structures are kept under review in the context of local conditions and recruitment and retention issues but there are no specific provisions assumed in the 2022/23 for increased costs beyond annual pay award costs.

#### **Pensions**

1.20 The last triennial review of the East Sussex Pension Scheme covered the period 2020/21 to 2022/23 and showed year on year reductions in the employer contribution rates. In 2021/22 the employer rate was 20.3% reducing to 19.8% in 2022/23, reducing employer contributions by £0.450m for the general fund. The financial health of the East Sussex Pension Fund has been affected by volatile world financial markets during the pandemic which could give rise to changes in the employer rates to ensure financial stability. However, the fund projections are based on a 20 year horizon and therefore the planning assumption is that the agreed employer contribution rates will not change from those agreed in the review.

#### **Prices**

1.21 The provision for general price inflation ranges between 0.75% and 2% depending on the type of expenditure. Non pay costs are assumed to increase by between 0.75% and 1% with the exception of social care related third party payments where a 2% inflation assumption has been maintained. Increases in costs above the assumed inflation levels will be managed through services' budget strategies unless the increase is significant and is identified as a corporate budget pressure.

## Fees and Charges

1.22 Fees and charges budgets for 2022/23 are assumed to increase by a standard inflation rate of 1.5%, Penalty Charge Notices (parking fines) are excluded from this increase as the levels of fines are set by government and cannot be changed independently.

## **Commitments & Risk Provisions**

- 1.23 The budget projections for 2021/22 include a number of commitments; the most substantial include a step increase in IT&D resources including the replacement of the Wide Area Network; increases in financing costs to reflect capital investment decisions; repayment of reserves used for financial smoothing and expected reductions in unringfenced grants.
- 1.24 There is no recurrent risk provision funding included within the financial projections. For planning purposes, any risk provision would need to be managed by redirecting reserves in the short term.

# **Schools Funding**

## Additional government support to schools for Covid-19

- 1.25 The government announced a £1bn support package to support pupils who may have fallen behind due to lost teaching time as a result of coronavirus (COVID-19). This package includes:
  - £650 million for schools over the 2020 to 2021 academic year to help head teachers to provide extra support to children who have fallen behind while out of school. Details of how this funding will be distributed are still to be announced however it is anticipated that this will equate to around £3m for schools in Brighton and Hove.
  - £350 million for catch-up tutoring aimed specifically at the most disadvantaged children.
- 1.26 The £1 billion package is on top of the £14.4 billion three-year funding settlement announced in 2019, recognising the additional work schools will need to do to help students to catch up.

# **Schools Funding 2021/22 and 2022/23**

- 1.27 On 3 September 2019, the Spending Review announced the government's commitment to increase the schools budget over each of the 3 financial years from 2020/21. To fulfil this commitment, the Spending Round exceptionally set budgets for schools until 2022/23. Within this was a commitment for the national schools budget to rise by £2.6 billion in 2020/21, £4.8 billion in 2021/22 and £7.1 billion in 2022/23, compared to 2019/20 funding levels.
- 1.28 The Spending Review announcement in Autumn 2020 confirmed that this funding settlement is still secure despite the wider impact on government finances caused by the Covid pandemic.

# **Housing Revenue Account (HRA)**

- 1.29 The Housing Revenue Account (HRA) is a ring-fenced account within the General Fund which covers the management and maintenance of council owned housing stock. This must be in balance meaning that the authority must show in its financial planning that HRA income meets expenditure and that the HRA is consequently viable.
- 1.30 Although the HRA is not subject to the same funding constraints as the rest of the General Fund it still follows the principles of value for money and equally seeks to drive out inefficiencies and achieve cost economies wherever possible. Benchmarking of both service quality and cost with comparator organisations is used extensively to identify opportunities for better efficiency and service delivery.
- 1.31 The HRA Budget aims to balance the priorities of both the council and council housing residents within the context of the council's Housing Strategy, Housing Revenue Account Asset Management Strategy and the Corporate Plan priorities which set out the overall direction for Housing in the city over a 4 year period.
- 1.32 The pandemic is likely to have an ongoing effect on the resources available to the HRA during 2021/22, mainly as a result of a loss in rental income collected during the first quarter of the year, as households face financial hardship. The withdrawal of the Universal Credit top up of £20pw later in the year is also likely to have an impact. The Housing Income Management Team is working with residents to minimise this impact. However, indications are that this is a short to medium term reduction in revenue and should not affect the long term plans and aspirations of the council in respect of the HRA and associated capital investment plans.
- 1.33 A key area of focus for 2021/22 will be catching up on the delayed delivery of responsive repairs, empty property refurbishments, planned maintenance and major capital works to council homes due to the pandemic. The HRA has set up reserves to assist this process.
- 1.34 The budget for 2022/23 will allow for rent increases of up to CPI (at September 2021) plus 1% as allowed for in the Government guidance for five years from April 2020.
- 1.35 Rents are not calculated to take into account any service charges and only include all charges associated with the occupation of a dwelling, such as maintenance of the building and general housing management services. Service charges are therefore calculated to reflect additional services which may not be provided to every tenant or which may be connected with communal facilities rather than to a particular occupation of a house or flat. Different tenants may receive different types of service reflecting their housing circumstances. All current service charges are reviewed annually to ensure full cost recovery and also to identify any service efficiencies which can be offset against inflationary increases, to keep increases to a minimum. The budget for 2022/23 will review any new areas for service charging as appropriate.

# 2022/23 Scenario Modelling for Demand-Led Services

The following demand-led service areas are primarily statutory services requiring the council to meet an assessed need (e.g. Adult Social Care), safeguard adults or children, or meet a required duty (e.g. Housing Duty). In most of these service areas the council must meet the statutory or regulatory duty but there is a very wide ranging discretion as to how the duty is fulfilled. For example, an Adult Social Care need can be met through a variety of different care pathways, in different care settings or with different care plans and packages of care. Services can also be provided in partnership with others e.g. the Health Service. The council is also able to define the needs it will meet, often called eligibility criteria, because otherwise if it were to meet all needs down to very low level needs, the cost would far outstrip the public purse nationally. Generally, the council therefore provides for critical and substantial need or where safeguarding and protection is required but works with a wide range of partners across the city to address lower level need through advice, support, prevention and signposting to other agencies.

The budget requirement for Demand-led services is driven by three main factors:

- i) The **demographic change** in demand i.e. changes in the size of the population group within the city as well as changes in socio-economic or public health factors that affect the relevant population group.
- ii) Changes in the **prevalence** and/or type of need. For example, in Adult Social Care there has, for some years, been evidence of growing complexity and cost of care due to improved drugs and treatments that enable people to survive for longer but with limiting health conditions requiring more social care support.
- iii) Changes (increases) in the **price or cost** of care, accommodation or services above normal inflation, due to increasing quality standards, the price of the local workforce, the competitiveness of local provider/contractor markets, or local economic factors e.g. cost of housing/property in the city.

The table below indicates potential cost scenarios for 5 key demand-led areas that are of corporate financial significance to the council's budget setting process. Costs are modelled on Worst, Midpoint and Best case scenarios of the 3 factors outlined above. Modelling starts on the basis of the current level of activity (i.e. numbers of people supported) and then takes this forward through 2021/22 to 2022/23 based partly on recent demographic trends (last 3 years) adjusted as far as possible for spikes in cost and/or demand caused by the pandemic. Joint Strategic Needs Assessments (JSNA) are not used for this purpose. JSNA's are macro planning tools that can help design and plan systems of care and support over a long time frame, alongside Public Health data, but are not sensitive enough to indicate changes in numbers of people requiring, for example, dementia care in the city next year. Generally speaking, a straight-line projection based on current activity and recent trends will produce the worst case scenario where the current situation indicates growing costs and demands which is the currently the case for all 5 areas.

Public finances in general, as well as the council's budget, are finite and there are a wide range of limitations on the funding available to provide services. This inevitably requires the council to carefully manage its resources and ensure that they are not only allocated in a fair and consistent way but that they are used to best effect to achieve good quality outcomes for the people they support at a sustainable price/cost of service (i.e. Value for Money). This requires a complex array of commissioning, procurement, prevention and intervention strategies to manage the resources across the whole sphere of needs and services. This is an ever-evolving process that builds on best practice, local and national research and learning, feedback and consultation with all key stakeholders including those

receiving services, and ongoing reviews of service outcomes. This is often referred to as 'demand management' which is effectively the process of using these strategies, particularly prevention, to be able to meet the needs that present to the council within the limited resources available.

Effective strategies involve everything from changing the balance of prevention and intervention, keeping care plans and placements under regular review, 'moving-on' or transitioning people to more sustainable care or housing settings, improving systems of care management (care pathways) to achieve better outcomes, working in partnership or integrating support with other agencies and so on. These strategies and approaches are set out in the Budget Strategies of the relevant service directorate. However, these approaches can also be quantified financially in terms of the positive impact they can have on the overall resource requirement. This can be critical in reducing the overall budget requirement for demand-led services which would otherwise, financially, grow uncontrollably. The table below indicates the potential cost management impact of the Budget Strategies for each demand-led service. Historically, these strategies have been able to achieve year-on-year cost management of between 1.0% and 2.5% of the total spend on demand-led budgets which is in excess of £225m.

At this very early stage of the budget setting process, detailed workings are not available on the potential for cost management improvements in 2022/23 and therefore the amounts below are illustrative planning assumptions based on an average of the last 3 years except in the case of Homelessness where the scenarios assume achievement of different potential levels of 'move-on' from emergency and temporary accommodation from 10 per month (Worst) to 12 per month (Midpoint) to 15 per month (Best). The table is summarised in the main report.

Demand-Led Service Area	Worst	Midpoint	Best
	£m	£m	£m
Adult Social Care (ASC)	4.800	4.000	3.000
Budget Strategy cost management	-2.000	-2.000	-2.000
Net Resource Requirement for ASC	2.800	2.000	1.000
Adult Learning Disabilities (ALD)	2.500	2.000	1.800
Budget Strategy cost management	-0.500	-0.500	-0.500
Net Resource Requirement for ALD	2.000	1.500	1.300
Looked After Children/Care Leavers (LAC)	3.000	2.400	1.500
Loss of Troubled Families funding	0.950	0.000	0.000
Budget Strategy cost management	-1.000	-1.000	-1.000
Net Resource Requirement for LAC	2.950	1.400	0.500
Homelessness & Rough Sleeping	4.200	2.500	2.000
Budget Strategy cost management	-1.250	-1.400	-2.000
Net Resource Requirement for Homelessness	2.950	1.100	0.000
•			
Home to School Transport (HTST)	0.500	0.200	0.200
Budget Strategy cost management	-0.200	-0.200	-0.200
Net Resource Requirement for HTST	0.300	0.000	0.000
Total Net Demand-Led Budget Requirement	11.000	6.000	2.800

#### **Budget Strategies - Cost Management**

The Budget Strategy for each area will be refreshed as part of the draft Budget Plans that will come to 2 December 2021 Policy & Resources Committee. However, in general cost management strategies will be a continuation of current longer term strategies and activities as follows:

#### **Adult Social Care:**

- increasing the reablement offer in order to enable people to live more independently, therefore decreasing the amount of long term care required;
- joint commissioning with the CCG for hospital discharge pathways, which will improve management of the care market, improving value for money;
- increasing the discharge to assess options, reducing long term placements, therefore enabling more people to return home with increased independence;
- negotiating all fee uplifts based on performance, enabling better management of care market costs;
- reviewing service agreements to ensure improved records and improved budget management of service variations;
- recommissioning the provision of night care within an extra care block contract, reducing the required budget;
- using revised home care system controls, enabling more accurate billing of providers;
- redevelopment of a social care building, providing additional care and housing within the City for physically disabled clients;
- enhanced levels of scrutiny for authorising support plans, to ensure consistency and value for money commensurate with outcomes.

## **Adult Learning Disability**

- Continuation of the 'Move On' project supporting adults with LD to move on from high cost placements into new living arrangements which promotes independence;
- Appropriate joint funding arrangements to be pursued i.e. Continuing Health Care funding as current rate of NHS support is below the South East average;
- Improved transition arrangements for young people. Improved earlier planning for transition will provide the 14-25 social work pod more time to explore cost effective options that achieve good outcomes and thereby continuing to focus on this high cost area;
- Review of existing block contracts for outsourced services to address any over provision and more effective utilisation of voids;
- Ongoing expansion of Shared Lives capacity.

#### **Looked After Children/Care Leavers (including Disability Services)**

- Ongoing strategy to increase the number of in-house foster placements and reduce reliance on more expensive independent provider provision;
- Provision of high quality, value for money services though contracted, external providers supported by the children's services framework contract arrangements and preferred provider guidelines;
- Relationship based social work practice and the specialist adolescence service is continues to divert children from the care system, and for those already in care, aims to step down care to in-house and/or less expensive placements;

 Close scrutiny of the cost of placements relative to outcomes (performance) is in place to reduce unit costs wherever practicable.

#### **Homelessness & Rough Sleeping**

- The focus is on improving homeless prevention and reconnection to reduce overall numbers and the length of stay for households in temporary accommodation (TA);
- An 'end to end' review of Temporary Accommodation (TA) services is progressing through a TA Improvement Programme which includes a review of income collection (i.e. benefit recovery), voids turnaround, procurement, management of lettings etc, as well as work to increase the number of council-owned TA units;
- The planned review of Allocations Policy also provides the opportunity to consider options that could reduce the use of TA;
- There is an ongoing review of support to rough sleepers to reflect the aims of the Homelessness and Rough Sleeping strategy, including learning from the Covid-19 emergency housing programme to improve support and transition planning;
- A primary focus is on achieving 'move-on' of people into sustainable tenancies and accommodation, including through the Housing First initiative.

#### **Home to School Transport**

- The main activity is to keep under review the mix of provision and ensure that it closely matches assessed needs i.e. avoids over-provision;
- Single passenger and multi-occupancy routes and performance are also kept under review and scrutinised to ensure value for money.

# POLICY & RESOURCES COMMITTEE

# Agenda Item 11

**Brighton & Hove City Council** 

Subject: i360: Covid-19 Support

Date of Meeting: 1<sup>st</sup> July 2021

Report of: Executive Director Economy, Environment & Culture

Contact Officer: Name: Max Woodford Tel: 01273 291666

Email: max.woodford@brighton-hove.gov.uk

Ward(s) affected: All

#### FOR GENERAL RELEASE

#### 1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 This report proposes ongoing measures necessary to support the continued working cashflow of the i360 during the Covid-19 pandemic, which is continuing to have a negative impact on the entire visitor economy. However, the report notes encouraging early figures from the i360 as it restarts following lockdown. The report identifies the need to support the i360 as a means to preventing future additional costs to the city council in the future.

#### 2. **RECOMMENDATIONS:**

That the Committee:

- 2.1 Agrees to defer the loan payment due in June 2021, but request that any funds over and above the cashflow necessary to keep the attraction operational are paid to the Council in part payment of the sums owed;
- 2.2 Notes the ongoing meetings and information provision between the i360 management and board and the i360 Member Working Group;
- 2.3 Notes that the terms of the loan restructure, agreed in December 2019, should now be implemented ahead of the December loan repayment, and that confirmation of the final detailed terms of the restructure will come to this committee for confirmation before that payment becomes payable.
- 2.4 Notes that officers have progressed the novation of the Coast to Capital Local Enterprise Partnership (LEP) loan agreed at Policy & Resources Committee in December 2019 and that execution of the agreement is imminent.

#### 3. CONTEXT/ BACKGROUND INFORMATION

3.1 The i360 is a key part of the city's visitor economy, having carried well over one million visitors. A report to the December 2019 P&R Committee set out the strong economic and social impact the Brighton i360 has had, already contributing £89.6 million to the Brighton & Hove economy. By the time the £36.2 million loan from the city council and the £4.0 million LEP loan, that were invested to fund its construction are repaid, the i360 will have contributed £640

- million to the city's economy. This represents a return of £15.90 for every £1.00 of public sector investment. It has also generated direct additional income for the council which has been or will be reinvested in the seafront.
- 3.2 However, like much of the rest of the economy, the Covid-19 pandemic has had a massive impact on the attraction. The board took the decision to close on Thursday 19th March 2020, ahead of the government mandated lockdown announced on 23rd March that year.
- 3.3 The first national lockdown took place over weeks of good spring weather, when the i360 would expect to make significant income. In June 2020 P&R (Recovery) Sub-Committee agreed to defer the loan payments due in June and December 2020, acknowledging that the cashflow situation for the attraction would be hit by lockdown.
- 3.4 Later in summer 2020, the attraction was able to reopen in a socially distanced manner. The i360 performed well when compared to other attractions around the country, and whilst visitor numbers were obviously down, costs were managed well and by many indicators the attractions performed very well. For September 2020 the visitor numbers were only down by 13% from the 2019 figures, and yields (spend per head) were kept high. The marketing spend remained in proportion with the total budget, with marketing continuing during the lockdown. Furthermore, steps were taken to bring the underperforming hospitality concessions back in house and run them directly.
- 3.5 However, the overall visitor economy remained limited by a lack of foreign visitors, and towards the end of the year the second wave struck, resulting in a second lockdown over November followed by the tier structure and then a third more severe lockdown from 6<sup>th</sup> January 2021.
- 3.6 Lockdown business grants and furlough have helped the management of the i360 to control costs and a bounceback loan was received from government. However, the situation with a slow release from lockdown going into this summer season with the attraction only reopening on May 17<sup>th</sup> means that the cashflow into the attraction has not really restarted in earnest.
- 3.7 Notwithstanding this, early figures for the first four weeks from the restart have shown strong performance in what are difficult circumstances. They are running overall down on visitor numbers by 19% but it has been an improving picture week on week. The Bank Holiday week this year vs 2018/19 was up by 7%. Retail has performed down by 12% but again improving week on week and the Skybar has increase revenues by 33% vs 2018/19 since re-opening. All these numbers are ahead of their initial forecast, which gives confidence as they move into their peak trading summer period. The catering business is performing even better. They opened on 12 April for outside dining only, and then with restricted numbers for indoor dining available from 17th May, and are running at 75% increase on the comparative year of 2018/19.
- 3.8 With the limited foreign travel, they are expecting a strong summer for Brighton with increased staycations and day trips. Once out of the main summer period the future is of course more uncertain which is a concern expressed by the citywide visitor economy businesses.

- 3.9 Since June 2020, the i360 Member Working Group has met regularly to receive updates from the i360 management team and board. They have not met during the periods the attraction has been closed, when there is no visitor information or income to report on, but have received financial accounts and board papers during those months. They have now met again following the reopening on 17<sup>th</sup> May. These meetings have helped the member working group to gain a greater understanding of the i360's financial position, and the work the management team are doing to improve the performance of the attraction and the hospitality and retail offer in very challenging circumstances.
- Given the financial and visitor number situation, officers have not progressed the 3.10 loan restructure agreed in December 2019 as this was based on agreeing improved visitor number targets, impossible while the attraction has been closed. However, now it has reopened the restructure can take place and it is proposed that it happens ahead of the next repayment date, due at the end of December 2021. The high level terms of the restructure were agreed in December 2019. and this will now be progressed, with confirmation of the final detailed terms of the restructure to come to this committee for confirmation before the next payment becomes payable. For the year July 2021 to June 2022 the i360's forecast visitor numbers for the pod are 292,000. This is a 10% drop on the last full (pre-covid) year which was 2018/19, when the pod visitor numbers were 324,000. This projection is based on the fact that foreign visitors represent between 10% to 15% of visitor numbers, and they are not expecting that market to pick up until 2022/23. But they are forecasting an additional 96,000 visitors to the site who do not go on the pod, which would take this total to 388,000.
- 3.11 Discussions have been completed on the transfer of the LEP loan to the city council (at no cost to the council), and the transfer of the loan is due to take place imminently.
- 3.12 If the i360 were to become insolvent then the city council would have to enforce its step-in rights under the funding agreement. As set out in the December 2019 P&R report, Avison Young have looked at whether it would be in the council's financial interest to exercise its step-in rights under the present loan agreement and take control of the attraction. Their report set out several reasons why such action would not be advisable, and the advice is that the council should seek to avoid enforcement options. The asset benefits from commercial and maintenance arrangements that could be terminated as a result of an insolvency or step-in by the city council, and there would be a loss of value to the asset that is likely to be worse than restructuring the loan. Furthermore, as the directors of the i360 are operating the asset in way that substantially meets the requirements of the city council and are being co-operative, there is currently no clear rationale to pursue an enforcement strategy. The advice from Avison Young was the same as they would give to a commercial lender in similar circumstances, which gives the city council a degree of reassurance that it is in compliance with the UK Subsidy Control regime.
- 3.13 For this reason it is proposed that the June loan repayment is deferred. As with all previous deferrals, this does not mean any of the loan is being written off. Instead it is proposed the loan is restructured, as agreed in 2019, by December of this year and the repayments on the loan are reprofiled. It proposed that the

i360 Member Working Group continues to meet and monitor performance closely.

#### 4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 Section 3.12, above, sets out why the city council enforcing its step-in rights under the funding agreement has not been advised by Avison Young.

#### 5. COMMUNITY ENGAGEMENT & CONSULTATION

- As identified in the December P&R report, the i360 has received a wide range of supportive statements from local businesses, charities and other organisations. Businesses have focussed on the beneficial impact on tourism to the city and the improvements made to a previously run-down part of the seafront.
- 5.2 The council is due to receive 1% of ticket sales in perpetuity to spend on local initiatives with about 25% of this sum allocated to fund part of the landscaping works and discussions continue with local organisations about how to spend the remainder.

#### 6. CONCLUSION

- 6.1 The ongoing impact of the Covid-19 crisis on the i360 has seen cashflow severely affected. However, we saw in the period during late summer and autumn 2020 that when allowed to reopen the i360 out-performed many similar attractions so is in a strong place to capitalise on a future staycation focused visitor economy. The recent economic impact study released by the i360 showed that it is an important piece of the city's visitor economy infrastructure, and letting it fail would mean we would have a closed attraction on the seafront for a number of months at a time when we would be trying to restart the city's visitor economy.
- 6.2 However, there are a number of businesses and attractions that need help and cannot be supported with the council's limited resources. The case for supporting the i360 in particular is more than about the wider economic reasons: It is about protecting council finances. If the i360 were to fail then the cost of getting it operational again and the loss of future loan payments would outstrip any concessions made now.

#### 7. FINANCIAL & OTHER IMPLICATIONS:

#### Financial Implications:

- 7.1 The i360 Ltd, like the whole of the visitor economy has been severely financially impacted by the pandemic. The organisation has minimised its costs during the lockdown period including utilising the nationally available government financial support. However, with limited admission income during the periods the attraction could reopen and the latest reopening period only commencing on the 17 May 2021, the company will have limited cash surpluses.
- 7.2 The recommendation to defer up to 100% of the June 2021 loan repayments will support the i360 Ltd to recover from the pandemic and therefore improve the

prospect of the council receiving loan repayments in the future. The revised loan agreement approved at Policy and Resources committee in December 2019 has yet to be finalised but once agreed will support the ongoing operation of the attraction.

- 7.3 Deferring payment will have a cashflow impact on the council; at present the council's cash investments receive very low levels of interest and so the investment income lost as a result of this deferment is considered immaterial in the current financial climate.
- 7.4 The total debt including deferred payments and accrued interest to 31 March 2021 is £41.108m before any adjustments are made for a revised loan agreement. This includes an accrued interest margin which is held as a reserve in the accounts but cannot be used as it is not cash backed. The unallocated element of this reserve currently stands at £6.806m.

Finance Officer Consulted: James Hengeveld Date: 09/06/21

#### **Legal Implications:**

- 7.5 The options for enforcing the council's security were set out in the report which went to Policy Resources & Growth Committee in June 2018.
- 7.6 The market economy operator principle (MEOP) is a valid method to demonstrate compliance with the UK Subsidy Control regime. The MEOP requires the Council to act in a similar manner to a commercial investor in the same circumstances. It is highly likely that a commercial lender would defer the June payment in response to the current circumstances.

Lawyer Consulted: Alice Rowland Date: 11/06/20

#### **Equalities Implications:**

7.7 The i360 is accessible throughout to people with disabilities and has improved access to the seafront lower promenade by the building of a new lift to the east. Unisex toilets are open to members of the public who are not using the centre or visiting the attraction. The i360 has introduced a range of concessions for local residents and free tickets for local schools. The i360 is a living wage employer and does not offer zero hour contracts. There is an apprenticeship scheme in place and training opportunities for staff at all levels of the organisation.

#### **Sustainability Implications:**

7.8 The i360 is a low energy user, with energy recovery when the pod is descending. The installation of heat pumps provides air heating and cooling in the pod and main building and provides an estimated 30% of the total thermal heating energy use. All electricity is purchased from renewable energy sources. Grey water and rainwater recycling has been included. Purchasing policies are based on sourcing environmentally friendly local products particularly the Sky Bar, café and restaurant.

7.9	None identified.
	Any Other Significant Implications
7.6	None identified.

**Brexit Implications:** 

# SUPPORTING DOCUMENTATION

# **Appendices:**

None

# **Background Documents**

1. <u>Brighton i360 Economic and Social Impact Report.</u>

# POLICY & RESOURCES COMMITTEE

# Agenda Item 12

**Brighton & Hove City Council** 

Subject: Corporate Cleaning Contract

Date of Meeting: 1 July 2021

Report of: Executive Director of Environment, Economy &

Culture

Contact Officer: Name: David Bond

Angela Dymott Tel: 01273 291470

Email: david.bond@brighton-hove.gov.uk

Ward(s) affected: All

#### FOR GENERAL RELEASE

#### 1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 The Council has a contract in place for Corporate Building Cleaning Services with NVIRO Ltd. Policy & Resources Committee on 21st January 2021 approved the procurement and the award for a Corporate Cleaning Service Contract for an initial term of 4 years commencing on the 1<sup>st</sup> May 2022 with an option to extend for a further 2 year period, by way of an open tender premised on a Lot structure of three geographical areas. Additionally at the PAB meeting held on 7<sup>th</sup> December 2020 members requested a further report to be presented by the service to PAB on 14<sup>th</sup> June 2021 setting out the feedback received on market and stakeholder engagement to understand the local interest and feedback on various aspects of the contract.
- 1.2 At the further report to PAB on 14<sup>th</sup> June 2021, members reviewed the supplier engagement feedback, and supported a proposed change to the Lot structure based on that feedback. PAB also recommended a further report be brought to Policy and Resources Committee to detail the agreed changes to the approval granted at the January Policy & Resources Committee. Details of the changes are outlined within this report.
- 1.3 The purpose of the Corporate Building Cleaning Services contract is to provide a high standard of cleaning and sanitisation to various types and size of Council corporate buildings whilst providing a flexible service, responsive to site and user specific requirements to the buildings currently serviced by this contract. The contract is managed and monitored corporately by Property & Design.

#### 2. **RECOMMENDATIONS:**

That Policy & Resources Committee:

2.1 Notes the market engagement and stakeholder feedback in relation to this procurement as agreed at PAB 14<sup>th</sup> June 2021 set out in paragraph 3.

- 2.2 Approves an amendment to the previously proposed lot structure of three geographical lots to a lot structure of three service type building based lots with lots to be split to contain a core element of sites/services within each lot.
- 2.4 Approves the amendment of the previously proposed restricted tender process to an open tender process.

#### 3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 During the PAB meeting held on 7<sup>th</sup> December 2020 members requested a further report to be presented by Property & Design to PAB at the June meeting held on 14<sup>th</sup> June 2021. Members requested for report to be based around market and stakeholder engagement and feedback on various aspects of the contract
- 3.2 A virtual market engagement session was held by Procurement and Property & Design on Monday 26th April 2021. Due to Covid restrictions this took place online and was attended by approximately 20 attendees from 18 different cleaning providers.
- 3.3 The majority of attendees at the market engagement session were from Small-Medium sized Enterprises. There was significant feedback with regards to the Lot Structure of this procurement.
- 3.4 The findings recommend that the Council should amend the Lots from a geographical based proposal, to Lots based on service split. Services include schools, libraries, offices, industrial sites, sheltered housing, community and children's centres etc
- 3.5 The presentation covered off information surrounding the current contract, added value considerations, social value considerations, the proposed procurement route to market (dividing into lots) as well as sustainability and the Real Living Wage.
- 3.6 As the market engagement session took place virtually via Microsoft Teams, inperson break out groups were not a suitable option therefore it was determined that feedback forms would be the most suitable way for inviting suppliers to feedback

Feedback forms were distributed on the 26th April, and BHCC requested feedback on the following:

- If the supplier is a Small-Medium sized Enterprise
- If the supplier would express an interest to bid at tender stage based on what they heard during the session.
- Ideas surrounding what should be included in the specification, including innovation.
- Feedback on how different lots should be split in the tender.
- Social Value Considerations.
- Costing models.
- Any other feedback.

13 forms were submitted to BHCC from 13 different companies. Feedback forms were reviewed, and key themes are highlighted below:

- ▶ 69% of responses identified themselves as Small-Medium sized enterprises.
- ▶ 92% of responses stated that they would be interested in bidding when the tender is published.
- ➤ Innovation key themes included the use of robotics as part of this contract, yet feedback also stated that this could be an expensive option. There was also mention of using handheld devices for staff to capture before/after images for mobile sites.
- Specification some suppliers recommended an output-based specification (without the need for a detailed/prescriptive specification) so that suppliers could be more innovative in their tender responses to meet the needs of BHCC.
- Suppliers also identified the importance of training and development as part of the specification and the importance of sustainability, such as reduced plastics and electric vehicles.

#### 3.7 Lot structure:

- 62% of suppliers felt that Lots should be split by building/service type.
- 15% felt that the tender should be advertised as one lot for one contract.
- 8% felt that the Lots should be task based.
- 8% felt that the Lots should be split geographically
- 8% had no preference on lot structure.

The feedback received for splitting the Lots by building/service type was that certain suppliers may be more experienced in certain settings such as education or social care. Each service area may require a different type of cleaning. There could be differing safeguarding for different buildings and enhanced DBS checks for schools, so grouping them together could be easier. It also gives greater consistency for those customers to have one supplier point of contact.

- 3.8 Social Value There were feedback ideas around specific social value considerations linked to specific Lots. For example, social value for schools could be around holding careers events. The use of local employment apprenticeship schemes, local charity work were all proposed as an upfront commitment for the tender. Suppliers also suggested a points-based scoring system, with more social value commitments resulting in a higher tender score. They highlighted the importance of suppliers being able to demonstrate their experience of current social value initiatives for other contracts as part of the tender response.
- 3.9 Costing Models There was mixed feedback on costing models. Suppliers suggested a ground up approach, with one fixed price per each building, all adding up to one final contract price. However, they noted this could be a large

- piece of work. Others suggested a cost per square metre but stated this may not allow for the specifics of each room (example, differing floor types). Others suggested a cost per hour but also stated that this may not take into account differing equipment being used and differing levels of staff training.
- 3.10 Specifications During the market engagement session the service made it clear there will be a need for flexibility within the building type specifications. This is to allow the service to remain aligned with any guidance changes the government may announce with regards to dealing with Covid-19 in non-healthcare settings. It is not clear if there will be any changes to specifications during the procurement process due to possible changes to government guidelines.
- 3.11 The market engagement proved to be a worthwhile exercise and has provided the service with a good range of feedback. Where relevant, ideas around innovation and training will be considered as part of the procurement process. While some suppliers raised the possibility of an output specification Property & Design consider an input specification to be the most practicable for this type of contract. An input specification clearly defines each cleaning task against a cleaning schedule and is therefore easier to manage, monitor and audit with performance key indicators that can be used to ensure the standard of cleaning is high. Internal stakeholders also expressed a preference towards an input specification contract.
- 3.12 Previous corporate cleaning contracts have run successfully using a square meterage against specification model. This allows the supplier some costing flexibility taking into account type of building, use of building and floor and wall finishes etc.
- 3.13 The market engagement session produced some good feedback around real living wage and social value including suggestion of a points based system to evaluate service providers on social value. This will be taken in account as part of the evaluation process.
- 3.14 Following the amount of interest we had at the market engagement session, it is proposed that an open tender process would now be more suitable than a restricted tender process. The restricted process is a more time-consuming process where we expect a large number of bidders to submit a tender, these bids are then shortlisted to the second stage of the process. An open tender is a one stage process.
- 3.15 It is worth noting that despite a large proportion of attendees at the market engagement session being from SME's, larger enterprises will still be able to bid on the Lots within the resulting tender. Under the Public Contracts Regulations 2015, the Council cannot specify that only SME's are allowed to bid for the individual Lots. In accordance with principles of Public Sector procurement, the tender process must be conducted in a fair a transparent way.
- 3.16 During the tender process, whilst bidders will be eligible to bid for multiple Lots, a maximum of one lot will be awarded per bidder.
- 3.17 Stakeholder Engagement

Following the market engagement, Property & Design engaged with key internal stakeholders who currently utilise this contract. Limited feedback was received but stakeholders did express the need for the contract specifications to be flexible throughout the period of the contract to keep in line with Covid-19 regulations and also to provide flexibility as cleaning budgets change.

Services with multiple sites based around the city including Libraries and Sheltered Housing units expressed a concern over the proposed geographical split. Concerns were based around the need to deal with more than one contractor and contract manager as this could lead to an increased workload and confusion over responsibilities. BHCC received similar feedback from suppliers around the lot structure. Suppliers added that certain contractors may be more skilled/experienced in cleaning one type of building. A lot with multiple types of building may deter some SME suppliers from bidding.

Although it will not be possible for the service to create three exact value service splits it will be possible to create a proportionate and fair split with a reduced amount of building types in each lot compared to a geographical spit.

Schools and other single site services shared no concerns around the geographical spilt.

#### 4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 Following approval of the procurement at the PAB meeting held on 7th December 2020 and subsequent P&R meeting in January 2021, PAB members requested that a report be brought back in June 2021 following a supplier engagement session. The purpose of this was to provide details of the supplier feedback session and as a result of this consider whether it was necessary to change the proposed lot structure among other things to encourage SME engagement.
- 4.2 Following the PAB meeting on 14<sup>th</sup> June 2021, members were supportive of the proposed change to the lot structure to service based lots. Comments were made in relation to how the lots would be split between service/building types. The group also discussed how to ensure the lots would be equitable in value with a base core service proposed, and the benefits for smaller suppliers in bidding on lower value lots vs higher value lots.
- 4.3 Overall PAB members were really positive about the approach being taken with this procurement and acknowledged the potential benefits to SME's and using local providers.

#### 5 COMMUNITY ENGAGEMENT & CONSULTATION

5.1 Property & Design carried out market engagement consultation via a market engagement session. Service providers were given the opportunity to provide feedback on aspects of the contract via a feedback form.

5.2 As part of the market testing and stakeholder consultation requested by PAB, Property & Design engaged with all stakeholders that buy into this contract including school, libraries, sheltered housing, children's centres, housing and the Brighton Centre. Further consultation will be required throughout the procurement process to ensure the new contract services the needs of each individual service.

All feedback will be taken into account during the procurement process. Service heads will work closely with Property & Design during the procurement process to ensure the new contract suits the needs of the individual service.

5.3 Continued engagement and consultation will be required for services that buy into this contract throughout the procurement process to ensure site specific specifications are adequate at the point of tender. Specifications may differ and alter during the procurement process to ensure the risk of COVID-19 is controlled and to keep in line with current government guidance. Engagement and communication will be required with services throughout the period of this contract to monitor and maintain good cleaning standards.

#### 6. CONCLUSION

- 6.1 This contract is fundamental to ensure that effective cleaning of Council buildings is being undertaken. Without this contract there may be an increased COVID-19 risk and/or other viruses to staff and all building users as it may not be able to keep buildings clean and hygienic for staff to work within and visit. The PAB recommendation is to support the option that divides the contract into 3 lots to encourage local SMEs to tender. The estimated business case costs for this option show that it exceeds the current budget allocation and would present a large future budget pressure to the service.
- 6.2 The stakeholder and market testing feedback was well received by members during the PAB meeting held 14<sup>th</sup> June 2021. Members acknowledged the work carried out by Property & Design. It proved to be a worthwhile exercise giving members enough information to agree the recommended change to the contract lot structure.
- 6.3 The recommendation to alter the service lot structure from a geographical split to a service/building type split is essential given the feedback received from potential bidders and stakeholders buying into this contract. It will allow the service to manage the contract more effectively. Contractors with multiple sites will have a clearer simpler contract structure to work within and will be able to commit greater consistency over the sites cleaned within each lot.

#### 7. FINANCIAL & OTHER IMPLICATIONS:

#### Financial Implications:

7.1 The revenue costs associated with the provision of Corporate Cleaning contract will be funded from approved budgets within the Property & Design and from budgets from services that buy into this contract. The contract includes the

provision of cleaning services to other services such as Schools and Housing, the costs of which will be funded from their approved service budgets. Any variation between costs and approved budgets will be reported as part of the budget monitoring and budget setting process.

7.2 The estimated costs for the recommended option in the business case is £9.12m over 4 years, an increase of £0.37m compared to the existing arrangement although actual costs will not be known until the procurement is completed. Budgets within the Medium Term Financial Strategy will need to be amended accordingly. The specifications will include increased cleaning requirements to meet guidance for Covid-19 security that will be flexible and change depending on the prevailing guidance at the time the contracts are let and during the contract. This will potentially increase costs above the business case estimates with any additional costs being factored into future years budgets as part of the councils ongoing financial response to the pandemic.

Finance Officer Consulted: James Hengeveld Date: 11/06/21

#### **Legal Implications:**

- 7.3 The Council is required to comply with the Public Contracts Regulations 2015 in relation to the procurement and award of contracts above the relevant financial thresholds for services, supplies and works.

  The council's Contract Standing Orders (CSOs) will also apply.
- 7.4 The Social Value Act 2012 defines social value as 'improvement to economic, social and environmental well-being of the relevant area' and requires specific consideration by the Council prior to starting a procurement process of how to achieve these benefits through the procurement. In addition, The Public Contracts Regulations 2015 expressly allow contracting authorities to incorporate social and environmental factors into specifications for a contract, award criteria and contract conditions provided they are linked to the subject matter of the contract, proportionate to what is being procured do not result in unequal treatment of bidders, are free from discrimination and comply with the principle of transparency.

Lawyer Consulted: Name Manjinder Nagra Date: 17/06/21

#### Equalities Implications:

7.1 An Equalities Impact assessment will be carried out as part of the procurement process following this extension period and will be monitored throughout the contract.

#### **Sustainability Implications:**

- 7.2 In addition to Council requirements around sustainability outlined in the previous Policy & Resources report, suppliers gave feedback and suggestions which the Council will consider when establishing the evaluation criteria including;
- 7.3 Electrostatic style cleaning was suggested by suppliers as a way of reducing the amount of touch point cleaning. This type of application once applied keeps a

contact point/hard surface virus free for a lengthy period of time compared to disinfectant. This potentially means elements with a cleaning specification can be reduced. This is a relatively new technology. The service will consider this application going forward when putting together the new cleaning specifications for this contract resulting in less chemicals and plastics being used.

- 7.4 Contractors showed a willingness to increase the use of electric cars whilst servicing this contract. Property & Design made it clear during the market engagement that this requirement was essential.
- 7.5 The use of robotic cleaning machinery was mentioned within the feedback forms received from suppliers. This is a new technology especially within commercial cleaning and will be considered along with other innovation throughout the contract period as the technology improves. This could result in a reduction in the use of electricity and also a reduction in staff journeys.
- 7.6 Bio gradable waste bags and consumables.
- 7.7 Use of dosage system cleaning products to reduce plastic wastage

#### **Brexit Implications:**

7.8 Due to the diverse workforce within this industry, there is a risk that the Corporate Cleaning Contract may come under some pressure as the pool of available staff reduces. However, the current contractor has managed this situation well over the period of the previous contract with staffing retention being a measurable within the required contracted KPI's. The contractors may need to consider increasing the provision of mobile cleaners to cover any staff loss at specific sites.

#### Risk and Opportunity Management Implications:

7.9 Failure to ensure the continuity by way of procuring a 4 year contract to provide the cleaning provision who can ensure the required Covid standards are maintained, will expose the Council to financial cost and management resource time to cover the essential services provided within the corporate cleaning contract

#### Public Health Implications:

7.10 The corporate cleaning contract will help promote wellbeing by maintaining a high level of hygiene and cleanliness for all people entering a building serviced by this contract. The emphasis on sanitisation of hard surfaces and contact points will provide protection and security against COVID-19 and other viruses and help to minimise the risk of viruses spreading. There will be continual consultation with Public Health by Property & Design to ensure all government and public health guidelines are being followed to keep staff safe, secure and buildings hygienic. All information and requirements will be communicated to the successful contractors who will be responsible for ensuring staff and public are kept staff safe, secure and buildings hygienic.

#### Corporate / Citywide Implications:

7.11 The proposals support the Councils corporate priorities of keeping the public and staff safe and secure in Council Buildings. They will also support the corporate strategic priorities relating to community wealth building, supporting the local economy and sustainability objectives.

## **SUPPORTING DOCUMENTATION**

Appendices: None

**Background Documents:** 

- 1 PAB reports Dec 2020, June 2021
- 2 Policy & Resources Reports October 2020, January 2021.

# POLICY & RESOURCES COMMITTEE

# Agenda Item 13

**Brighton & Hove City Council** 

Subject: Fair & Inclusive update including ethnicity pay gap

Date of Meeting: 1 July 2021

Report of: Executive Director Finance & Resources

Contact Officer: Name: Alison McManamon Tel: 01273 290511

Email: Alison.McManamon@brighton-hove.go.uk

Ward(s) affected: All Wards

#### FOR GENERAL RELEASE

#### 1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report follows a P&R decision in December 2020 for the council to produce an ethnicity pay gap report, alongside our gender pay gap reporting that is required by statute. The report outlines the ethnicity pay gap and provides an update on the Fair and Inclusive Action Plan that is endeavouring to address the pay gap that exists.
- 1.2 Brighton & Hove City Council is committed to being a fair and inclusive employer with a workforce that knows and understands the city's population and is representative of the people it serves. Our People Promise includes the commitment to be a fair and inclusive place to work and the council made a pledge to become an anti-racist council and city in 2020.
- 1.3 The Fair & Inclusive Action Plan (FIAP) (see **Appendix 1**) was co-created in 2019 and has four workstreams with key outputs for our workforce and services. Progress towards improved outcomes is monitored through a range of measures that includes both quantitative and qualitative data.
- 1.4 Whilst there have been some significant improvements, the employment outcomes for BME staff and other groups are not always consistent across the organisation and continued efforts are required to achieve our equalities objectives.

#### 2. RECOMMENDATIONS:

That the Policy & Resources Committee (P&R):

- 2.1 Notes the reports and the median ethnicity pay gap of 3.1%.
- 2.2 Instructs officers to produce annual ethnicity pay gap reporting in line with the gender pay gap reporting schedule.
- 2.3 Continues to support and champion the actions within the Fair & Inclusive Action Plan.

#### 3. CONTEXT/ BACKGROUND INFORMATION

#### 2020 Pay gap reporting

- 3.1 Currently there is no mandate or framework from central government for ethnicity pay gap reporting. For this reason, the attached ethnicity pay gap report replicates the measures used in the council's gender pay gap reporting and follows ONS guidelines for ethnic origin groupings.
- 3.2 The ethnicity pay gap shows the difference in the average pay between all BME staff in a workforce and White British. Where there is a positive percentage, this means that the pay of White British employees is higher than the pay of BME employees. The higher the percentage, the greater the ethnicity pay gap.
- 3.3 NB. The Black and Minority Ethnic grouping includes the ethnic category White Irish; this particular group is well-represented at all levels of the council and could therefore potentially skew the ethnicity pay gap such that it appears smaller. The council's 2020 ethnicity pay gap report (see **Appendix 3**) found that on average White British employees are paid more than BME employees, with a median pay gap of 3.1%.
- 3.4 Further detailed information about the ethnicity pay gap, including some information about the intersectionality of the data is included in the report at appendix 3.
- 3.5 Recommendations and actions to address these inequalities are focussed on ensuring BME staff are proportionately represented at all levels of the organisation. Actions will be implemented and monitored through the Fair & Inclusive Action Plan.
  - In addition, following collaboration with our BME Workers Forum and the P&R committee standing representative, future reporting will include more detailed analysis to compare pay gaps between specific ethnic groups, where total numbers allow for meaningful analysis.

#### Fair & Inclusive actions and progress 2020/21

- 3.6 Between 1 April 2020 and 31 March 2021, some new actions were prioritised in our FIAP in response to both the pandemic and the anti-racist pledge made by the council in summer 2020. The adaptation of the plan to emerging needs involved some reallocation of resource from previously planned FIAP activities.
- 3.7 Some of the work undertaken during this period included:
  - Collaboration with our workers for to produce the Covid-19 individual risk assessment and accompanying sensitive guidance
  - BME Wellbeing listening workshops facilitated by senior leaders in light of Public Health England evidence of disproportionate impacts
  - Delivering Anti-racist and White privilege training
  - Producing and publishing 'Recruiting Virtually' e-learning as a mandatory requirement for recruitment managers

- Publishing e-learning for managers on inclusive management of remote teams
- Conducting an all-staff wellbeing pulse survey
- Partnering with NHS Sussex Health & Care Partnership on the Sussexwide BAME Disparities Programme
- Publishing a range of anti-racism resources on our Learning Gateway
- Delivering 'BHCC the Employer' presentation to the city's anti-racism strategy Community Advisory Group
- 3.8 Planned activities that were delivered, included:
  - Delivery of Fair & Inclusive mandatory briefings to over 3000 staff
  - Developing a restorative approach to reports of racist behaviour with our BME Workers Forum
  - Offering (online) mediation
  - Attendance at (virtual) Universities careers fairs
  - Supporting managers with targeted recruitment including inclusive advert writing and promotion of roles on social media
  - Establishing ethnically diverse panels for senior recruitment
  - Providing development opportunities to our Leadership and Managers Networks to support the fair and inclusive agenda
  - Supporting the six Directorate Equality Delivery Groups in using data for positive action (HR Business Partners)
  - Piloting an 'Applying to Work at BHCC' insight programme with Voices in Exile
  - Delivering 'Making the Most of your 121s' training to support staff development

#### The council's position as at 31 March 2021

- 3.9 The workforce profile of our BME staff continues to increase and this has been a six-year trend. As at 31 March 2021, the percentage of BME staff within the overall council non-schools workforce is 8.43%, compared with a target of 9.1%. NB. The council's workforce profile data reports the following ethnic groups discretely: BME, White British, White Irish and White Other.
- 3.10 It is important to note that when the Census 2021 data becomes available it is very likely to report an increased local economically active BME population. Therefore, our workforce profile targets will need to be updated to ensure they accurately reflect our communities.
- 3.11 Whilst it is encouraging that the overall workforce profile is increasing, BME staff remain under-represented in roles graded SO1/2 and above (7.51%).
- 3.12 Organisational workforce data from 1 April 2018 up to 31 March 2020 shows that BME staff are obtaining secondments, promotions and acting ups above or in line with their workforce profile. Despite this positive data, it is clear that this is not the consistent experience of BME staff, and the BME Workers Forum feedback tells us there is a lack of consistent support and opportunity for staff to progress within the council.

- 3.13 Further data for 2020/21 will be analysed and published later this year, including 2021 staff survey results which includes a Fair & Inclusive Index.
- 3.14 The organisational workforce data shows clear progress but neither the data nor the lived experiences of staff are consistent across directorates. To ensure interventions are targeted in a meaningful way, each directorate uses its own workforce profile data and holds focussed discussion at regular Directorate Equality Delivery Group meetings. Actions are reported regularly through the Corporate Equality Delivery Group and progress against objectives is monitored through the council's performance management framework.
- 3.15 Specific directorate actions included:
  - HASC and FCL's successful application to the Department of Health & Social Care's pilot of the Workforce Race Equality Standard in social care
  - FCL's appointment of a Lead Practitioner for Anti-racist practice
  - F&R's use of ethnically diverse recruitment panels and recruitment of HR Diversity Recruitment Consultants (2 x 0.6 FTE)
  - HNC's external review of recruitment
  - SGL's focus on ensuring workers' forums are aware of secondments and other job opportunities
  - EEC's attendance at the Universities careers fair to recruit to five new graduate positions

#### Priorities for 2021/22

- 3.16 The recruitment of the HR Diversity Recruitment Consultants means that this year the council can press ahead with the FIAP recruitment, retention & progression priorities working closely with our Workforce Development Team on positive action initiatives outlined in Appendix 1.
- 3.17 The updated FIAP includes additional outputs with regard to improving the workplace for disabled staff. To deliver these outputs, actions include:
  - A dedicated project group managing the IT&D accessibility workstream to focus on digital inclusion and accessibility
  - Improving the reasonable adjustments process
  - Offering a broader range of disability-related training
  - Implementing the Hidden Disabilities Sunflower Scheme
  - Membership of the Business Disability Forum to support work such as policy reviews and training commission
- 3.18 Our workforce profile data shows that disabled staff represent 7.67% of our overall workforce but they are under-represented in roles graded M8 and above (4.26%). Future consideration will be given to disability pay gap reporting.
- 3.19 Many of the outputs within the FIAP will impact positively on all of our staff groups and it is essential that we are able to respond appropriately to the needs of those who share a particular protected characteristic, as well as recognising the nuances of intersectionality. Recognition from all stakeholders of the benefits

of a diverse and inclusive workplace, where all staff feel they belong will be key to the success of the programme.

#### 4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The progress outlined above is on previously Member agreed work under the Fair & Inclusive Action Plan and petitions accepted by committees, as well as commitments in the anti-racist pledge.

#### 5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 The council's Corporate Equality Delivery Group oversees progress of the FIAP and priorities for Year 3 were considered at a meeting on 12 April 2021. Membership of this group includes our workers fora, Trade Unions and other stakeholders. Additional meetings were held with the steering group coordinators of our BME Workers Forum and Disabled Workers and Carers Network to discuss priorities for their members and forum capacity to collaborate on FIAP actions. We have worked closely with the P&R BME standing invitee on this report, and in the recommended changes to our approach to producing data in the future.

#### 6. CONCLUSION

- 6.1 The council is maintaining steady progress in diversifying its workforce and improving employment outcomes for particular staff groups. It has built trust with its workers for and through continued collaboration and focus on agreed priorities, it should minimise risks to the successful delivery of the fair and inclusive objectives.
- 6.2 We remain committed to collaborating with our workers fora, our communities and other key stakeholders to achieve representation of BME staff across all pay bands and to ensuring a fair and inclusive place to work for all staff groups.

#### 7. FINANCIAL & OTHER IMPLICATIONS:

#### Financial Implications:

7.1 There are no direct financial implications resulting from the recommendations of this report. Current and planned actions to address employment outcomes for BME staff and other groups can be accommodated within approved budgets. Any actions that resulted in changes with consequent financial implications for the council would be brought to Policy & Resources Committee for approval.

Finance Officer Consulted: Nigel Manvell Date: 23/06/2021

#### Legal Implications:

7.2 The Council as a public authority is under a legal duty to ensure compliance with the Public Sector Equality Duty which is covered below. Current and planned actions within the Fair & Inclusive Action Plan would be evidence of the Council's compliance with that duty.

Lawyer Consulted: Carol Haynes Date: 23/06/2021

#### **Equalities Implications:**

7.3 As part of the Public Sector Equality Duty under the Equality Act 2010, the council must seek to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
- advance equality of opportunity between people who share a protected characteristic and those who do not: and
- foster good relations between people who share a protected characteristic and those who do not.
- 7.4 The council has identified Year 3 priorities for action in collaboration with its workers fora and agreement at CEDG. The Fair & Inclusive Action Plan has defined actions to remove barriers, create opportunities for career development and progression and improve employment outcomes for under-represented groups.
- 7.5 All staff must be confident that they can be themselves at work and feel valued and a sense of belonging, supported by an inclusive culture that identifies and removes barriers and creates opportunities and career development and progression.
- 7.6 The Fair & Inclusive Action Plan will support all these aims and bring benefits to council employees as well as to the reputation of, and trust and confidence in the council across the city.

Officer Consulted: Deborah Totney Date: 03/06/2021

Sustainability Implications:

7.7 None identified

#### SUPPORTING DOCUMENTATION

#### **Appendices:**

- 1 Fair and Inclusive Action Plan
- 2 Ethnicity pay gap report
- 3 Employment & Skills recovery plan

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Theme	Key Outputs	Measures
Accountability & Consequences	1.1 Staff understand expectations and <b>consequences</b> of behaviour, are confident to speak up and know where to access support	Staff survey Number of mediation cases Number of HRAS cases Timely resolution of casework Exit interview data Feedback from forums Leadership appraisal process
	1.2 Early intervention & mediation to prevent formal processes     1.3 Working with our Trade Unions     1.4 Accountability of leaders ensured via a sound performance management framework     1.5 Fair and more consistent application of formal employment procedures	
Learning & Development	2.1 An effective and comprehensive equality, diversity and inclusion training offer     2.2 Mandatory induction and probation with clear expectations of behaviour     2.3 Positive action initiatives to develop and retain under-represented groups	Staff survey L&D data - compliance, evaluation PDPs Workforce profile
Recruitment, retention & progression	3.1 Robust and inclusive recruitment processes that are reviewed regularly for effectiveness, including fair and more consistent application of secondment, acting up and redeployment procedures  3.2Inclusive workforce & outreach strategy to raise employer brand and engage	Recruitment data Workforce profile Staff survey Exit data
	applicants from diverse communities across the city	
	3.3 Wider use of behaviour-based interviews	
	3.4 Develop and deliver a more accessible and inclusive workplace for disabled staff	

	3.5 A wellbeing offer that responds to the emerging needs of staff who share particular protected characteristics	
Theme	Key Outputs	Measures
Communities & Services	4.1 Services across the council understand and respond effectively to communities they work with and the changing demographic of the city	Staff survey Workforce profile Recruitment data Number of community
	4.2 The council has a reputation as a leader for equality and inclusion and community cohesion in the city, engaging in a joined up way with cultural events across the city	engagements City Tracker
	4.3 Staff to utilise opportunities through the Employee Volunteering Scheme to enable them to work with different communities across the city	
	4.4 The council has a reputation in Schools, College, and HE as a leader for equality and inclusion and an employer of choice in the city for young people	

## 1. ACCOUNTABILITY AND CONSEQUENCES

Key Outputs	Activities
1.1 Staff understand expectations and <b>consequences</b> of behaviour,	1.1.1 Embed the Behaviour Framework
are confident to speak up and know where to access support	1.1.2 Embed a zero tolerance approach with safe spaces for issues to be raised
	1.1.3 Provide development to the Leadership Network to ensure they understand their role in leading the equality agenda
1.2 Early intervention and mediation to resolve issues where appropriate	1.2.1 Provide specialist equalities training for HR advisers, investigating managers and members
арргорпасе	1.2.2 Embed the mediation process and ensure we offer a virtual conferencing option as well as face to face
1.3 Working with our Trade Unions	1.3.1 Improve practice and procedure to ensure a fair and inclusive place to work
1.4 <b>Accountability</b> of leaders ensured via a sound performance management framework	1.4.1 Ensure the equalities measure in the rated appraisal process for leadership roles is reviewed and monitored effectively
·	1.4.2 Monitor and communicate progress towards equalities objectives in the service performance management framework
1.5 Fair and more consistent application of formal employment procedures	1.5.1 Identify members who will sit as part of appeal hearings, and provide comprehensive equalities training
p. 000 dai 00	1.5.2 Work with the member equality leads to develop and deliver a plan of action to support their work in championing equalities

## 2. LEARNING AND DEVELOPMENT

Key Outputs	Activities
2.1 An effective and comprehensive equality diversity & inclusion	2.1.1Develop our fair and inclusive learning and development offer, ensuring compliance with mandatory training
training offer	2.1.2 Use the staff survey results and other data to identify and support teams with gaps in skills, providing bespoke learning and development where required
	2.1.3 Use PDP to identify individual learning needs and barriers to development in relation to equality, diversity and inclusion and support development as needed
	2.1.4 Review and improve all disability-related training and development for managers and colleagues
2.2 Mandatory induction and probation with clear expectations of	2.2.1 Communicate values and behavioural expectations explicitly as part of the recruitment process and during induction
behaviour	2.2.2 Provide safe space for new starters to give feedback confidentially, where required
2.3 Positive action initiatives to develop and retain under-represented groups	2.3.1 Encourage career conversations and offer targeted job shadowing, mentoring, acting ups and/or other opportunities with clear development objectives - internally and externally where relevant - through PDPs and 1-2-1s and address any barriers to access these initiatives.
	2.3.2 Develop, pilot and review a positive action learning and development programme for under-represented groups, using data analysis to ensure positive action is applied and communicated transparently across the organisation

# 3. RECRUITMENT, RETENTION AND PROGRESSION

Key Outputs	Activities
3.1 Robust and inclusive recruitment processes that are reviewed regularly for effectiveness, including fair and more consistent	3.1.1 Mandatory training for everyone on interview panels with enforced compliance monitoring  3.1.2 Improve guidance, communication and processes for internal recruitment
application of secondment, acting up and redeployment procedures	3.1.3 Review, develop and offer a range of inclusive recruitment training workshops 3.1.4 Provide targetted support and data driven interventions during recruitment to prioritised service areas or pay bands where there is under-representation
3.2 Inclusive workforce & outreach strategy to raise employer brand and engage applicants from diverse communities across the city	3.2.1 Identify career pathways for under-represented groups notably young people & with schools including work experience, apprenticeships and government initiatives  3.2.2 Provide corporate, directorate and service open events and workshops for communities who are under-represented at the council to increase confidence in gaining employment at the council, including recruitment of refugee communities  3.2.3 Engage with Comms team, forums and city communities to design and develop diverse recruitment campaigns with corporate approach
3.3 Wider use of behaviour- based interviews	3.3.1 Explore use of behaviour-based interviews across the organisation and use data analysis to target pilot area/service
3.4 Develop and deliver a more accessible and inclusive workplace for disabled staff	3.4.1 Deliver the outcomes of the IT&D accessibility and digital inclusion workstreams 3.4.2 Review and improve the reasonable adjustment process
3.5 A wellbeing offer that responds to the emerging needs of staff who share particular protected characteristics	<ul> <li>3.5.1 Implement new Attendance Management Policy</li> <li>3.5.2 Provide opportunities for staff groups to share their experiences and be heard and responded to by leaders</li> <li>3.5.3 Ensure the council's corporate wellbeing offer is inclusive and accessible</li> </ul>

## 4. COMMUNITIES

Key Outputs	Activities
4.1 Services across the council understand and respond effectively to communities they work	4.1.1 Ensure implementation and monitoring of directorate level equality plans for ensuring differences in access or outcomes for service users – related to their legally protected characteristics – are understood and addressed.
with and the changing demographic of the city	4.1.2 Use learning and development opportunities to ensure staff are aware of the city context and equality and inclusion issues impacting on communities Brighton & Hove
	4.1.3 Engage (where possible) with local communities in the delivery of face to face or virtual learning and development opportunities so staff can learn about lived experiences and consider its practical application to service delivery.
	4.1.4 Services to utilise existing council relationships with community and voluntary sector groups to support engagement with different communities when developing new services, commissions, or strategies
4.2 The council has a reputation as a leader for equality and inclusion and community cohesion in the city, engaging in a	4.2.1 Continue to improve our collaborative approach to community engagement and development, enabled by funding such as Third Sector Investment Programme (TSIP), to bring our services closer to the communities they work with. A focus should be on disabled people and people from BME backgrounds
joined up way with cultural events across the	4.2.2 Continue a council-wide approach to proactively communicate equality and inclusion activities, events and progress (both external and internal)
city	4.2.3 Workers Forums to develop and deliver business plans that include the celebration and promotion of key diversity events working collaboratively with colleagues (e.g Communications Team. HR, Equalities Manager).
	4.2.4 Develop with partners Anti-Racist City Strategy
	4.2.5 Develop with partners Accessible City Strategy

	4.2.6 Continue Council's participation in the Inclusive Cities Programme and undertake a review of our City of Sanctuary status as part of this
Key Outputs	Activities
4.3 Staff to utilise opportunities through the Employee Volunteering Scheme to enable them to work with different communities across the city	<ul> <li>4.3.1 Increase awareness of the Employee Volunteering Scheme including opportunities available to work within different communities.</li> <li>4.3.2 Identify and promote new volunteering opportunities by working with council Workers Forums and with existing community and voluntary sector groups.</li> </ul>
4.4 The council has a reputation in Schools, College, and HE as a leader for equality and inclusion and an employer of choice in the city for young people	<ul> <li>4.4.1 Ensure there is a council presence at careers and university fairs, and job markets including via virtual channels</li> <li>4.4.2 Share information about upcoming careers fair opportunities at DMTs and encourage services to physically or virtually attend and promote upcoming recruitment opportunities</li> <li>4.4.3 Deliver on the five year anti-racist schools strategy</li> </ul>

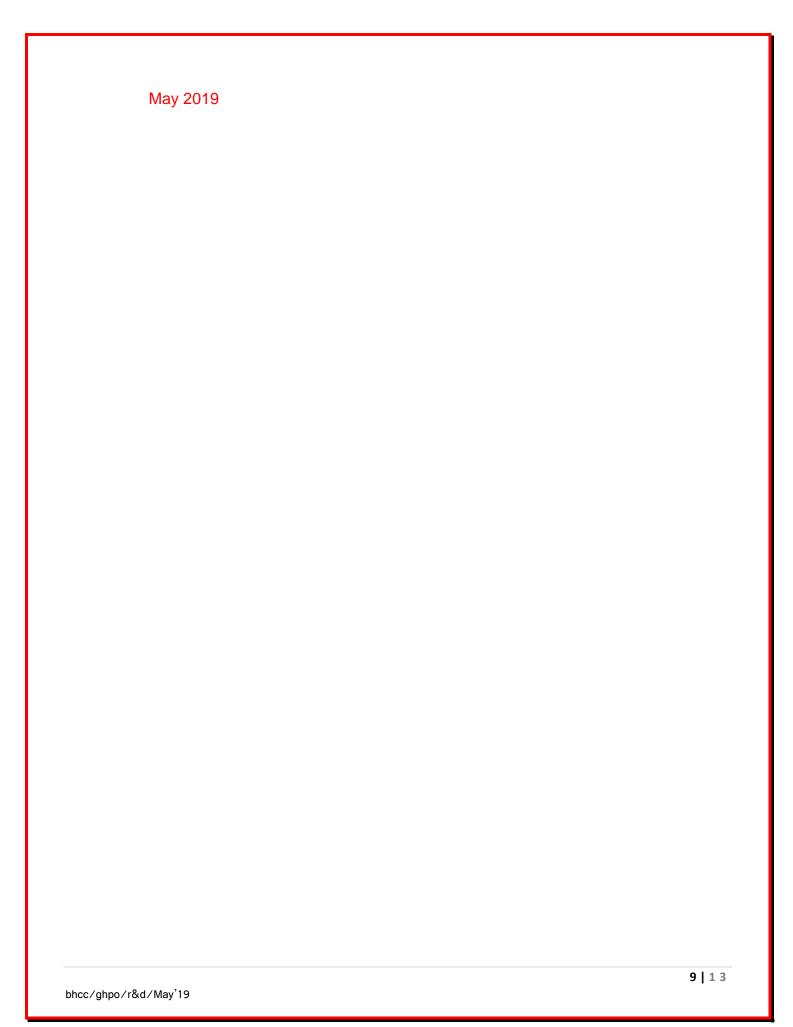
**Brighton & Hove City Council** 

# RACE AND DIVERSITY AT BRIGHTON AND HOVE CITY COUNCIL: OUTCOMES OF A REVIEW 2018

Global HPO Ltd

Elaine Bowes and Davina Boakye - GHPO

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# RACE AND DIVERSITY AT BRIGHTON AND HOVE CITY COUNCIL: OUTCOMES OF A REVIEW 2018

In 2018 Global HPO embarked upon a review of the progress of Brighton and Hove City Council's diversity and inclusion programmes, with a particular focus on racial equality. This paper reports on the outcome of that review.

#### **BACKGROUND**

#### Race Equality in Employment at Brighton and Hove City Council 2013

In May 2012 Global HPO (GHPO) were commissioned to undertake a review of issues affecting BME (Black and Minority Ethnic Staff) in Brighton & Hove City Council (BHCC) based on concerns that had been raised by the council's BME Workers Forum (BMEWF). The GHPO brief was to look at how BME staff were treated with respect to the application of people policies, procedures, processes and systems and whether they suffered greater detrimental outcomes in the application of these. More fundamentally, the brief explicitly focussed on what could and must be done to progress matters so that any issues, however challenging, could be appropriately addressed, with the council ready, willing and able to put in place mechanisms that would enable and support all staff, but in particular BME staff in Brighton & Hove.

The BMEWF in particular felt that the organisational culture inadvertently excluded BME people. The forum also thought that the lack of an effective performance management culture and practice tended to result in the proliferation of discriminatory practices. This, coupled with no agreed statement of values and behaviours across the organisation, left a vacuum that was filled by individual views and actions by some managers and staff alike.

The research report - Race Equality in Employment at Brighton and Hove City Council - concluded that BME staff were more likely to both experience HR processes more negatively and experience the more negative aspect of HR processes in that they were less likely to be appointed; more likely to employed at the lower grades; less likely to be employed at the more senior grades; more likely to experience discipline - particularly capability; more likely to be aggrieved - particularly in relation to bullying, and dismissal; and more likely than other groups, to leave within the first year of service.

GHPO concluded that the reasons for these outcomes included but went beyond unequal treatment on the grounds of race. It included, but also went beyond inconsistent approaches in equality more generally. Fundamentally the core reasons related to organisational issues such as a total lack of an organisational value/behaviour framework, poor performance management and poor leadership. With respect to equality and inclusion there were no standards set and no models to follow at BHCC.

The review report ended with a raft of recommendations for remedial action. These recommendations included addressing:

- Equalities data collection and analysis;
- Fairness in the application of HR policies and procedures recruitment and selection, harassment and bullying, grievance and discipline etc;

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- The application of equality policies and procedures equality training and development, Equality Impact Assessments, positive action programmes to address issues of underrepresentation of staff at senior levels at BHCC and with respect to external recruitment; unequal outcomes for different groups with protected characteristics - i.e. LGBT and women as compared with BME and disabled staff;
- Work with the Trade unions, the staff forums especially the BMEWF and, councillors;
- Improving work with local communities; HR involvement in the then City Partnership;
- The need for a values/behaviour framework
- The Equalities Governance framework.

#### Race and diversity at Brighton and Hove City Council 2018

Five years later BHCC invited GHPO to revisit and review again. However, this 2018 review was triggered by the council's concerns about the slow pace of change and barriers to equality and inclusion that remained despite the council's revised approach and new action plans to achieve the recommendations set out in the 2013 review report.

The 2018 review would firstly establish a baseline by assessing the progress the council has made against the recommendations made in the 2013 report. This would involve highlighting the achievements made but also, equally importantly, identify the area(s) in which the council had either not made any progress or where progress has been limited and the contributory reasons for these differences in outcomes.

The aim of the review would be to:

- Find ways of addressing the perceived impasse that existed and to pro-actively assist in energising and reviving the programme of work that the Council had begun, enabling it to move forward so that it could deliver real and tangible outcomes for BME staff.
- Consider what the Council should continue to do, and stop doing, and how to increase the pace
  of change. In this regard to include a fresh perspective from internal stakeholders enabling
  them to feel that they are being listened to and engaged.

#### Methodology

The review was chiefly qualitative. We began by reviewing all relevant documentation - policies, practices and processes. We then embarked upon a series of one-to-one interviews, focus and discussion groups with the following groups of people.

One-to-one confidential interviews - in some cases 2 people attended:

- HR Leads
- Communities and Equalities Leads
- Learning and Development Leads
- Members of ELT (and where appropriate in their respective roles as diversity champions)
- TU representatives
- Leader of the Council
- Head of Communications

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- Staff members who wished to contribute to the study
- Staff members with relevant case studies

# Focus/discussion groups with:

- BMEWF steering group;
- BMEWF
- BME staff group
- Disabled Workers and Carers Forum
- LGB Forum
- Women's Forum
- Directorate Equalities Group (DEGS)
- Workforce Equalities Group (attended a meeting of the WEG)
- HR staff team
- General all staff steam

Approximately 120 people were engaged in this process. The results reported below are a blend of our observations and views and what we were told by the participants to the review.

#### **OUTCOMES**

#### Context

Our document review and first stage interviews and discussions with key individuals and groups (HR Leads, BMEWF Steering Group, Equalities Leads provided the following evidence:

# There had indeed been slow progress and little improvement in race quality outcomes since the GHPO report in 2013.

This was due to a range of factors identified below. But immediately it was clear that many of the recommendations from the report had not been actioned - even those that had been highlighted as 'quick wins'. A significant factor in this outcome was the unprecedented rate of change in the leadership at BHCC over the past 5 years - both politically and in the executive. This resulted in there being no ownership/leadership of the programme, with one or two senior managers reporting during this exercise that they did not know that this programme even existed.

However, there was one very significant improvement which BHCC has to be commended for and, that is the level of expertise now present in the council with respect to equality data collection and data analysis. This is an important improvement because without data there is no way of measuring equality outcomes and testing how effectively policies, procedures and approaches are impacting the community as a whole. Our document review revealed that BHCC has attained a very sophisticated level of competence here. The comments that follow should not be seen as belittling this achievement and we strongly urge that this competence is not lost as it remains critical to underpin the overall programme.

As mentioned above, record keeping, and monitoring is essential because it paints the picture; it provides evidence for equality and inequality; it shows where things are working and where they are not. Read and analysed over time it provides trends. This information can then drive the programme - it informs as to where the changes need to be made and, on an ongoing basis it informs as to the impact of those changes. So, it is an essential element of the plan, but only one element of the plan.

Equally as important is how that data is used to drive the programme - to maintain energy, and to act on the trends that are evident. Unfortunately, this was lacking at BHCC. The result was hefty - turgid even - reporting. Reporting that was over burdened with data, blind to the trends that the data was revealing and stifling any energy to action. Data collection and analysis had become an end in itself at BHCC, rather than the means to the endgame - equality and inclusion.

For example, the data contained in annual workforce equalities reporting had shown consistently for each of the three years 2014 - 2017, that BME employees were less likely to be promoted than other protected groups and less likely to be offered the opportunity to 'act up' - an important route to permanent promotion. But this trend was not picked up for further investigation and action, even though the 2013 report had highlighted the importance of internal positive action programmes - mentoring and coaching etc - to address this issue. In fact, most of the workforce equality actions along the same three-year period at BHCC was in relation to recruitment and selection. This is not to vilify the importance of addressing inequalities in recruitment outcomes, but some good judgement and balance is necessary.

Whilst BHCC had been attracting an increasing number of BME applicants for jobs, they were still less likely than others to be successful through the various stages up to appointment. The proportion of BME staff employed at BHCC had increased very modestly over the three-year period from 2014 (5.93% of the workforce) to 2017 (6.72% of the workforce) - by 0.8%. This is within the context of a rapidly decreasing workforce overall - reduction of 11.4% FTE during the same period. Missing the trends relating to internal promotion issues for BME staff led to the neglect of important career advancement issues for this group and probably contributed to the increased frustration that we witnessed amongst BME staff during focus groups and interviews. When they said that nothing had changed, this was exactly the case. The data showed that nothing significant had changed for them, and BHCC had done nothing to address this.

#### **THEMES**

#### Culture

The most significant and overriding theme that we identified in this review relates to the organisational culture at BHCC. We would just note here that an equalities programme is a change programme, and essentially a cultural change programme. The challenges facing BHCC in this respect are no different to the ones facing most institutions in this country. So, the fact that fairness and inclusion are not in the DNA at BHCC is by no means a remarkable finding. However, the precise nature of this at BHCC does need to be understood and acted upon for there to be any chance of long-term change and success with respect to its diversity and inclusion programmes.

# There is a veneer of tolerance and an impression of good overall performance on equalities

BHCC is seen as a beacon authority amongst its peers for its performance in equalities. It has won accolades and awards over the years for its achievements, and in relation to LGBT equality, these accolades have been well deserved. Brighton has been described as the UK's 'gay capital' and is believed to have the highest proportion of same-sex households in the country. However, good performance in one aspect of diversity does not mean that there is good performance across the piece in relation to all aspects of difference. There is some misconception with respect to Brighton and Hove

that this is the case. Coupled with this is the historical notion that Brighton is a 'tolerant' city. With a history of acceptance of different - even radical - views within its community going back hundreds of years, it is clear why people might think that discrimination and exclusion don't happen there. We feel that these beliefs and notions about the city have provided a veneer that veils the truth. BME people and disabled people do not enjoy the same experiences of inclusion as other groups, and corporate and community ignorance of this fact only serves to compound the challenges here.

# **Attitudes to equalities**

This leads on to the attitudes to equality and inclusion at BHCC that we perceived during the course of this study. This assessment was by no means scientifically undertaken, but it was apparent amongst the groups and individuals we spoke to and also relayed to us by a number of people that took part in these discussions.

We identified that these attitudes are in three layers:

- Benign neglect: by far the most prevalent viewpoint characterised by people disbelieving that the kinds of case studies and issues reported could really occur at BHCC, and that the organisation and people within it are really very tolerant, and whilst there may be some minor issues, these can be sorted. Why then the need for equalities approaches and policies?;
- Pro-active for change: again, a not insignificant cohort characterised by people believing that BHCC's successes in work around sexuality and gender identity have clouded the reality with respect to far less success with tackling other forms of inequality, and are keen to see and be involved in the change for genuine inclusion;
- Hostility: we see this very much as a minority position at BHCC. We did not encounter this directly in our fieldwork, but this was relayed to us in personal case studies, one-to-one interviews with some managers, and discussions at the BMEWF, other staff forums and with the BME staff discussion/focus group.

Going forward, we believe that it is important for BHCC to capture this by including a relevant question in the annual staff survey, and to maintain a watching brief on these attitudes. We also believe that 'proactive for change' is an important cohort that BHCC should be capitalising on to deliver the equalities change programme - we address this later in the closing paragraphs.

#### No Consequences

This was by far the most common response in interviews and discussion groups when the question was posed about why change had not occurred as expected at BHCC. Overwhelmingly staff believe that there is a culture of acceptance of poor behaviour - some felt that this was linked to an overly laissez faire attitude to tolerance - tolerance defined as meaning that everything is ok and there are no boundaries. Is BHCC so tolerant that it tolerates anything - where is the line drawn? This links back to our findings in 2013 when staff complained then about the lack of a values and behaviour framework and no role models.

Coupled with this is the perception that when managers do attempt to address bad behaviour through the disciplinary process, they can be thwarted by the action of some (including, in some cases, union representatives). There was also the experience of some cases being overturned at hearings and appeals. The reasons for this maybe complex and related to the facts of individual cases but there is a perception held by some managers that there is no point in challenging offensive or abusive behaviour.

It is of course critical that the council sets unequivocal standards of behaviour and ensures that everyone understands what is acceptable and what is unacceptable behaviour and the expectations of standards of behaviour at work. The consequence of breaches of this code will be similarly understood and transgressions dealt with - and be seen to be dealt with - appropriately. A very detailed Behaviour Framework has now been rolled out for use in performance conversations. The Behaviour Framework sets out standards of behaviour in four areas: How we manage ourselves; How we work together; How we shape our future and; How we lead and empower. The Behaviour Framework is enshrined in BHCC's Our People Promise (see concluding paragraphs).

The culture of no consequences extends also to mandatory instructions that are ignored by staff and there are no penalties for these violations. For example, we were told of and observed during this study that instructions to attend compulsory equalities training was sometimes ignored - again with no penalties.

# A lack of strategic thinking in the development and implementation of equalities plans and approaches

We saw this in operation at BHCC on numerous occasions. We observed how this worked and saw patterns that indicated to us that this was embedded into the way that BHCC handles proposals and suggestions for equalities plans - especially when these proposals may come from the BMEWF. A risk assessment of all equalities proposals and suggestions needs to be completed to ensure that these proposals do not derail the overall strategic aims in the long term. Sometimes a proposal may be made that at the time may seem to be an answer to a stubborn challenge - but if it is not rigorously risk assessed it could effectively set the plans back eons, particularly if the risk involves losing the support of key stakeholders. This is not to say that BHCC should not take challenging risks, but it needs to be very clear about the nature of the risk, alternative approaches to address the situation, and whether the outcome is worth any potential losses.

Ill conceived and poorly thought through plans can lead to inconclusive/questionable outcomes which will shatter any illusion that something was being done about the problem, leading in turn to frustrations, and can threaten to undermine the overall strategy.

Some key questions to ask when risk assessing proposals/plans are:

- How will this proposal further/positively impact the overall strategy/corporate aim?
- What outcomes do we want from this?
- What are the risks associated with doing it this way?
- Are we willing to take those risks?
- What alternatives are available?
- What will come next and how will we handle it?

# The council as a community leader

Under s 149 of the Equality Act 2010 BHCC (along with all public bodies, and other bodies in relation to their work in the delivery of services on behalf of public bodies) has the following duty:

# The Public Sector Equality Duty

"Those subject to the equality duty must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act
- Advance equality of opportunity between people who share a protected characteristic and those who do not
- Foster good relations between people who share a protected characteristic and those who do not".

These three points above are known as the three arms of the duty, and the last two points demonstrate clearly that local authorities (and other public bodies that they work in partnership with, such as the NHS, the police, schools etc), are not just there to deliver services, but to build cohesive communities. The local authority has a central role to play here - as a strategic planning body, not only with respect to the environment, but also in respect to communities. It follows then that in order to carry out this function, the council must know and understand about its diverse communities.

# Who do you think you are?

We tested this in our discussion/focus group work. We posed the following questions and facilitated discussions around them

- Is the local authority a community leader?
- Does the local authority have a responsibility to help to create cohesive and peaceful communities?
- Does everyone in the community have a right to expect that (within the given parameters) their lives will be enriched/enhanced by the actions of their locally elected representatives and the organisation that they control?

Many people considered the council to be a service provider and how they delivered their functions/job roles reflected that, so there was a degree of ambivalence here. However, most were engaged and interested in this viewpoint. One or two people expressed their opposition to this, and their view was that the local authority is a service provider and not a builder of communities.

There was also a lack of knowledge about the rapidly changing ethnic demography in Brighton and Hove. Those people with school aged children were more aware of this, as this age group is where this phenomenon is most pronounced. Many Brighton schools have ethnic/racial profiles similar to London schools, with children who are fluent in 3/4 languages. Knowledge about the ethnic profile of a community is important to be able to deliver services that meet all needs, but a more profound/empathetic knowledge of community is necessary to be an effective community leader. The challenge for BHCC going forward is to understand the issues here and plan effectively for the future. What sort of organisation should BHCC be developing into in relation to these important demographic changes?

# **The Equality Governance Framework**

The governance arrangements to manage equality and inclusion at BHCC is a hierarchical structure, ranging from individual staff members through a committee/group system with the Executive

Leadership Team (ELT) overseeing and with ultimate responsibility at the top (see appendix 1). There are inter-relationships between the various committees/groups, so it is not a strictly 'top down' organism. We had discussions with all the key stakeholders in this system and attended a Workforce Equality Group (WEG) meeting and held a focus group with members of the various Directorate Equality Groups (DEGS) across the council. Our focus for this review was workforce equality and our assessment of the governance structure in that regard is that it is ineffective - both as a whole and in its component parts.

The DEGS discussion/focus group was a vibrant session with engaged and interested senior managers. The DEGS themselves however, work in silos in their individual directorates, with little sharing and learning with their counterparts in other parts of the council. They had never met as a group before our focus group meeting and commented on how useful they had found this discussion group. They had little understanding of how they fitted into the wider framework and how their work influenced the other parts of the structure and vice versa.

With respect to workforce equalities it seemed to us that the WEG should be the 'engine' of the system, where we would expect to find most of the energy driving change. Its membership is potentially very powerful - all the key stakeholders for workforce equality are represented here - the Equalities Team, the staff forums, the trade unions, HR - yet it lacked the energy needed to drive the change. The WEG operates as a council committee - relatively passively receiving reports from HR. There is questioning, but nothing very challenging and little dynamism. Data overloaded reports from HR should be constructively challenged here - trends identified and solutions offered. ELT accepts this reporting - without challenge, and it goes on. Reports overburdened with data are very difficult to read - important points are lost if the messages are not presented in a way that engages the reader. Data provides context and should be presented as appendices to underpin/provide evidence for the actions recommended under the themes/big picture story of the main report.

#### Who owns the Workforce Equality Strategy?

An important finding is that there is clearly an over reliance on HR as 'owners' of the strategy. It is seen as their responsibility and not as a corporate strategy - there is insufficient buy in from the council as a whole. A major shift is needed here for any future programme to have any currency.

#### **Development support for staff forums**

In the 2013 report we highlighted the need for development/support for some of the staff forums. We make that recommendation again here. In order for them to operate more effectively a keener understanding of the political nuances at BHCC is needed and how they can navigate their way through this to achieve the outcomes that they want - synchronizing their efforts accordingly with their partners. They just need to work a bit smarter and need some investment in their development to enable this.

# **Equalities Learning and Development (L&D)**

As is the case with most local authorities, BHCC is facing a great challenge with respect to funding the learning and development (L&D) interventions that are essential to keep the council competent. There is no doubt that L&D at BHCC is under resourced generally and of course this is also the case with training around equality and inclusion. Equalities training at BHCC is mandatory - but as mentioned above there are no sanctions for teams or individuals that do not undergo the training. Very little training is delivered in the traditional classroom group setting - as this is very expensive, currently the

council are able to offer equalities classroom group training for up to about 70 people per year. Most of the training is delivered via web based online interventions.

We looked at the online training. We found the quality to be of a very basic standard, the content was out of date - so out of date in one instance that the information provided was wrong. The technology did not enable a seamless effortless journey - it was frustratingly difficult to navigate.

#### **Unconscious Bias Training**

At the time of this review, a large number of council staff had recently undergone unconscious bias training. This is an important equalities L&D intervention, and we were keen to understand how this was delivered and how it was received. It was delivered via a combination of online training followed up by team-based group sessions delivered by the team manager who followed a script/aid memoire that had been developed to coach the manager in how to deliver the training.

Most people that we spoke to during the interviews and focus groups had undergone this training. The reception was mixed. Some people reported a very positive experience, others far less positive. We believe there were a number of reasons for this outcome.

- Unconscious bias training is potentially the most challenging in the range of equalities L&D interventions and requires the skills of a confident and competent equalities trainer. It was very risky to roll this out without the requisite skills in house to deliver it. Most managers will not be "confident and competent equalities trainers". But clearly those managers who were interested and engaged in the subject, who studied the script and who were confident in their delivery were able to deliver a pretty proficient job. Others were not.
- With the likes of unconscious bias training it is far easier to engage people who are receptive to the message. It's a much greater challenge to make an impact on those who are antagonistic or unreceptive to the subject. Here is where the skills of a competent trainer are required.
- But there is one issue that threatens to undermine anything gained from the unconscious bias exercise and that is that there has been no follow through. Raising awareness of unconscious bias is just the beginning of a journey through equalities learning and development. The next stage to this is learning how to manage the expression of bias. The question to be answered is "now that I understand and am aware of my biases and how they can affect my behaviour what do I do about it?, how do I manage it?" The answer is missing at BHCC, and during our discussion groups one or two people who had enjoyed their unconscious bias training asked that very question "what now? what do I do with this?"

We looked at the online training and the script for the trainers. Our view is that whilst the content could have been more sophisticated and the video more up to date - the most important learning points about unconscious bias itself were covered.

# **L&D** outcomes and further challenges

We were told that the impact of equalities training on behaviour change at BHCC is minimal. That is the money spent on the current approaches is giving no return - a false economy, therefore. The great challenge for BHCC going forward is to develop approaches for equalities L&D that really do deliver value for money - that is affordable for the council but also crucially, that is effective. In order to do this BHCC first needs to be clear on exactly what they need their equalities learning to deliver and find

the most cost-effective means of executing this. There are many avenues to learning, these need to be examined and the most relevant models exploited at a cost that is affordable.

#### **Communications**

It appeared to us that Communications at BHCC seemed not to have engaged with workforce equality issues at all. The Comms team seemed to be unaware of BHCC's equalities work in regard to their workforce. Consequently, the existing programme did not have a communications strategy built in. This has to be remedied going forward, with the Communications Team at BHCC involved in the development of approaches so that they are able to use their expertise to advise on and use, the most appropriate methods (using all media- social and otherwise) to promulgate the council's messages internally and externally.

#### **CONCLUSION AND NEXT STEPS**

The brief to GHPO for the conclusion of the project was as follows:

"Outcome of the review

To provide the council with a report detailing the findings from the review and identifying what specific realistic actions the council needs to take to deliver real and tangible positive outcomes for the BME workforce. A key element of the report will be a prioritised programme action with a detailed rationale and recommended timescales".

This is a pretty standard brief for reviews such as this. But we had been here before at BHCC, and we did the same thing then, and much of what we said then we are repeating again now. So, we need a different approach. In designing this we considered the following:

- The council as a corporate body for a variety of reasons had never 'owned' the strategy. It had been seen as an HR issue and the rest of the council had paid scant regard to it. This had to be remedied.
- Political instabilities in the leadership of the council over the years had resulted in insecurities amongst staff and especially senior staff about committing to long term strategies and plans, and for this programme, a lack of direction, steer and drive. There is little to be done about political change, but we felt that one way of mitigating the fallout from this is to ensure that long standing members of staff who 'hold the organisational culture' regardless of change around them are engaged and commit to this approach and develop a sense of ownership and pride in being a genuinely inclusive and just organisation where everyone is valued.
- On our travels during this review we were told 'you'll be back in five years'. The inference being that nothing will change and in five years we will be invited back to do the same thing over again.
   To ensure that this did not happen we needed a different approach.

#### Co-creation

The council were using the model of co- creation to develop Our People Promise. Our People Promise is an ongoing programme of work to improve the BHCC employer offer and is now the BHCC employer brand. It is based on five key commitments to staff and provides a structure for communicating the changes that BHCC are making. Its development has been underpinned by co-creation - with staff and

other stakeholders to ensure that it is a meaningful and sustainable program - co creation with staff is seen as vital to its success.

The action plan from this review fits perfectly into Our People Promise - under the Promise "We Promise that we will be a Fair and Inclusive place to work" - and the model of co-creation we feel will go a long way to addressing the challenges listed above. So, the solution to the issues identified in this review does not lie with GHPO to develop but with BHCC in the co-creation process. BHCC will design and deliver the solutions and be seen to do so.

In assisting BHCC with this process GHPO have facilitated a series of workshops with the key stakeholders, and leaders and influencers throughout the council to begin the process of remedy. At these workshops GHPO have presented the outcomes of the review and responded to questions. Workshop participants have then designed the solutions in smaller group settings led by BHCC senior managers and other key staff. The resulting action plan that you will have read at the beginning of this report is a synthesis of these workshop outcomes. GHPO remains committed to support BHCC through this process of organisational change.

# **Equalities Structure**

(May 2017)

Forums meet quarterly for members to share experiences and provide mutual support. Forum members  $\Leftrightarrow$ and best practice. Co-ordinate and administer ESG, support Directorate Equality Groups, facilitate links for Black & Minority Ethnic staff, Disabled staff and Carers, Lesbian, Gay, Bisexual and Trans staff, and Provide support, training and advice across the council on EIAs, equality monitoring, legal compliance, attend the WEG, ESG and DEGs to have a collective voice in developing policy, procedures and service **Executive Leadership Team (ELT)** Leads for equality work, specifically Larissa Reed for overall progress and Dave Kuenssberg for workforce equality. Receive regular reports on progress.  $\hat{\mathbf{t}}$ ĵţ  $\Leftrightarrow$ **Workforce Equality Equality Steering Group**  $\Leftrightarrow$ **Group (WEG)** (ESG) Communities, Equality and Third Sector between groups and share corporate issues. Ensure equality and Ensure council services diversity across all embed equalities in their all workforce issues. Oversee aspects of their work. **Workers' Forums**  $\Leftrightarrow$ implementation of Ensure progress against EIA Workforce Equality Action  $\Leftrightarrow$ timetable and E&I Strategy. Plan. ĵ Û Directorate Equalities Groups (DEGs) – including representatives from TUs  $\Leftrightarrow$ Provide quality assurance for equalities work in directorates. Staff issues report / refer Service provision issues to WEG report / refer to ESG  $\hat{\mathbf{t}}$  $\hat{\mathbf{t}}$  $\Leftrightarrow$ **Directorate Management Teams (DMT)** DMT to ensure EIAs and corporate equality objectives are embedded into directorate and service business plans.  $\Leftrightarrow$ 

21 | 13



# **Council Teams**

Teams include equality and inclusion issues as part of team meeting discussions, service improvement, Team Plans and Equality Impact Assessments.

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# **Individual Staff**

Performance & Development Planning includes equalities targets. Learning and development identifies equalities needs.

# **Brighton & Hove City Council Ethnicity Pay Gap Report 2020-21**

#### 1. Introduction

- 1.1. The government launched a consultation to review ethnicity pay gap reporting in October 2018. It sought the opinion of employers on various questions such as what ethnicity pay information should be reported, which employers should report and if employers identify disparities, should they be required to publish an action plan. This consultation closed on 11 January 2019 and the government's response to the consultation is yet to be published. As at May 2021 ethnicity pay gap reporting is not a statutory requirement. The Government's consultation document is included at Appendix A.
- 1.2. The council is publishing the workforce ethnicity pay gap on a voluntary basis. In the absence of a mandatory framework for ethnicity pay gap reporting, the council have chosen to replicate the measures used in gender pay gap reporting, and to follow the Office of National Statistics (ONS) guidelines for ethnic origin groupings. Therefore, this report includes:
  - the mean and median ethnicity pay gaps
  - the mean and median ethnicity bonus pay gaps
  - the proportions of Black and Minority Ethnic (BME) and White British employees\* who received a bonus
  - the proportions of BME and White British employees in each pay quartile

\*Please see Appendix B for ethnic origin groupings. In line with the ONS ethnicity pay gap reporting, White British is made up of White British/English/Welsh/Scottish/Northern Irish groups. Ethnic minorities include White minorities such as White Irish. Please note the group White Irish is well represented across varied pay levels at the council and could therefore potentially skew the ethnicity pay gap such that it appears smaller, this is explored later in the report at point 6.4.

- 1.3. The ethnicity pay gap shows the difference in the average pay between all BME staff in a workforce and White British. Where there is a positive percentage, this means that the pay of White British employees is higher than the pay of BME employees. The higher the percentage, the greater the ethnicity pay gap.
- 1.4. The reporting data includes council employees who have provided their equalities data and were employed on 31 March 2020. Apprentices, seasonal, temporary or casual employees are included if they fall within the reference period created by the snapshot date. Mirroring the gender pay reporting regulations, the data excludes schools-based staff.

- 1.5. The council's workforce equalities data is provided confidentially and voluntarily by individuals working for the council. The council encourages its workforce to share their equalities data to understand the workforce profile and plan actions to address inequalities. Not all employees choose to share their details. This report is based on 87% of the workforce on the snapshot date who have disclosed their ethnicity data. The remaining 13% either preferred not to say, selected 'not known' or did not provide details.
- 1.6. The council publishes this information on its website.
- 1.7. This report relates to the snapshot date of March 31st 2020.

# 2. Ethnicity Pay and Equal pay

- 2.1 The ethnicity pay gap is different to equal pay. Ethnic pay disparities are not primarily about those from a White British background and other ethnic groups being paid differently for the same job. The Equality Act 2010 makes it unlawful to discriminate (both directly and indirectly) against employees (and people seeking work) because of their race. The cause of an ethnicity pay gap may not fall within the direct control of the employer and is likely to be due to other factors that impose a disadvantage on people from ethnic minorities without being explicitly discriminatory.
- 2.2 The ethnicity pay gap is a measure of the difference between White British individuals and BME individuals average ordinary earnings (excluding overtime) across an organisation or the labour market. It is expressed as a percentage of White British individual earnings. Both the mean (average) and median hourly rates are reported.
- 2.3 The council supports the fair treatment and reward of all staff irrespective of race or other characteristics. This report sets out the council's ethnicity pay gap including analysis of our ethnicity pay gap by grade and the council's action plan to tackle the gap.

# 3. Ethnicity Pay Gap Reporting

- 3.1 Mean and Median Pay Gap Reporting: Brighton & Hove City Council has a positive pay gap for both the mean and median gross hourly rates, i.e. on average White British employees are paid more than BME employees.
- 3.2 The **Mean** (average) ethnicity pay gap in hourly pay is **7%**.
- 3.3 The **Median** (middle) ethnicity pay gap in hourly pay is **3.1%**.
- 3.4 **Salary quartile reporting** is calculated by sorting employees by their hourly rate, from the lowest to the highest, then splitting them into four equal quartiles to show the proportions of White British and BME employees in each group. Definitions of the salary quartile information are shown in appendix C.

Quartile & Hourly rate range		% White British in Quartile	% BME in Quartile
1. Lower Quartile	£7.70 - £11.54	79.9	20.1
2. Lower Middle Quartile	£13.55 - £13.99	82.3	17.7
3. Upper Middle Quartile	£13.99 – £18.03	81.8	18.2
4. Upper Quartile	£18.03 - £82.52	86.5	13.5

3.5 Bonus pay reporting. The council does not pay bonuses, as such no figures are reportable.

# 4. Supporting Narrative

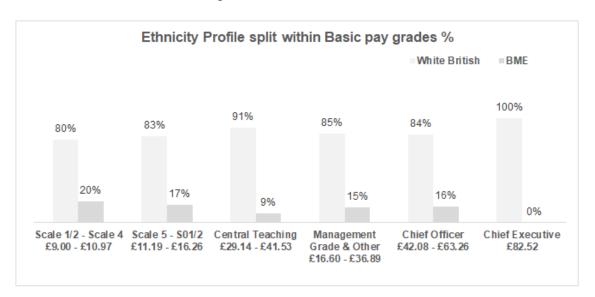
- 4.1 The council's overall workforce ethnicity profile is 83% White British and 17% BME.
- 4.2 4,061 employees are included in the reporting data. These employees hold 4,222 employees job roles in the pay period comprising of 3877 contracted role and 345 casual roles. As per reporting requirements employees on less than full pay have been excluded.
- 4.3 The mean hourly rate of pay for White British employees was £16.04. The mean hourly rate for BME employees was £14.91, this results in the reported 7% difference.
- 4.4 The median hourly rate of pay for White British employees was £13.99. The median hourly rate for BME employees was £13.55, this results in the reported 3.1% difference.
- 4.5 **Salary Quartiles**. The % of BME employees in each quartile is lower than the % of White British employees. This is similar to the overall workforce ethnicity profile of 17% noted above. The highest % representation of BME employees is at the lower quartile (20.1%), with higher representation than the workforce profile at the lower middle quartiles (17.7%), and upper middle (18.2%). The upper quartile shows the lowest proportion (13.5%).

Within quartiles the mean ethnicity pay gap is less than 0.8% for the first 3 quartiles, with the gap increasing at the upper quartile to 4.5%. In contrast the median ethnicity pay gap within quartiles is less than 0.8% for the top 3 quartiles, increasing to 2% for the lower quartile.

Quartile Ethnicity Pay Gap		White British £	BME £	Pay Gap by Quartile %
1. Lower Quartile	Mean hourly rate	10.29	10.26	0.3
£7.70 - £11.54	Median hourly rate	10.14	9.94	2.0
2. Lower Middle Quartile	Mean hourly rate	12.71	12.62	0.7
£13.55 - £13.99	Median hourly rate	12.44	12.36	0.6
3. Upper Middle Quartile	Mean hourly rate	15.94	15.88	0.4
£13.99 – £18.03	Median hourly rate	16.26	16.26	0.0

4. Upper Quartile	Mean hourly rate	24.63	23.52	4.5
£18.03 - £82.52	Median hourly rate	21.27	21.13	0.7

4.6 **Basic Pay**. The ethnicity profile within the council's main basic pay grades similarly reflects the workforce ethnicity profile hourly pay rates between £9.00 and £10.97 where 20% of those on these grades are BME, 80% White British. Management grades have an ethnicity profile of 85% White British and 15% BME, and for Chief Officer grades 16% are BME, 84% White British.



The distribution of ethnic groups across the pay grades shows a more balanced picture. Proportionately more BME employees (75%) hold roles with hourly pay rates between £9.00 - £16.26, compared to White British (69%). Of all BME employees 23% hold management graded roles, this is 5% less than all White British employees (28%) where the hourly rate range is between £16.60 - £36.89. Reaching Chief Officer pay grades, 0.5% of all White British employees are on these pay grades, compared to 0.4% of all BME employees.



- 4.7 Pay & Grading The council's annual pay policy statement provides details of the council's pay and grading arrangements and can be found here.
- 4.8 **Male ethnicity pay gap.** The median hourly rate for male White British employees is £13.64, and £13.63 for male BME employees. This gives a positive male ethnicity pay gap of 0.1%. This means male White British employees are paid 0.1% more per hour than BME male employees.
- 4.9 **Female ethnicity pay gap**. The median hourly rate for female White British employees is £14.46, and £13.53 for female BME employees. This gives a positive female ethnicity pay gap of 6.4%. This means female White British employees are paid 6.4% more per hour than female BME employees.
- 4.10 **BME gender pay gap**. The median hourly rate for male BME employees is £13.63, and £13.53 for female BME employees. This gives a gender BME pay gap of 0.7%. This means male BME employees are paid 0.7% more per hour than female BME employees.
- 4.11 **White British gender pay gap**. The median hourly rate for male White British employees is £13.64, and £14.46 for female White British employees. This gives a White British gender pay gap of -6%. This means female White British employees are paid 6% more per hour than male White British employees.
- 4.12 The council has reported an overall workforce negative median gender pay gap of -2.5%, which means female employees are paid 2.5% more per hour than male employees.

# 5. How figures compare nationally

- 5.1 The Office of National Statistics\* latest figures from 2019 reported a 2.3% national median ethnicity pay. This is 0.8% lower than the council's 3.1% reported ethnicity pay gap. The ONS reported a median hourly pay for White British groups as £12.40 per hour compared with those in an ethnic minority group at £12.11 per hour. The council's reported median hourly rates are higher with £13.99 for comparable White British groups compared with those in an ethnic minority at £13.55 per hour.
- 5.2 Of those organisations that have published ethnicity pay gap data similar to the council there is a trend towards a concentration of BME staff in lower grades and an absence or under-representation of BME staff at senior grades.
- 5.3 **Ethnicity Pay gaps by gender**. The ONS latest figures report that ethnic minority men earned 6.1% less than White British men, whilst the hourly pay of ethnic minority women was 2.1% more than White British women. The council reports significantly different pay gaps, where White British men earned 0.1% more than ethnic minority men, and White British women earned 6.4% more than ethnic minority women.

# \*ONS 2019 Ethnicity Report Link:

https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandwork inghours/articles/ethnicitypaygapsingreatbritain/2019

# 6. Summary & Actions

- 6.1 The council is confident that its ethnicity pay gap does not stem from an equal pay issue. In 2010 the council introduced a new pay and grading system to ensure all roles are graded using a recognised job evaluation system to make sure individuals receive equal pay for equal work. In 2013 a new system of allowances and expenses was implemented to ensure consistency across the workforce.
- 6.2 The council's ethnicity pay gap shows that on average (by both measures)
  White British employees are paid more than BME employees and this is similar
  to the national ethnicity pay gap. This is because we have more White British
  employees in higher graded posts.
- 6.3 The analysis of our March 2020 ethnicity pay gap figures tell us that our pay gap is because BME employees hold fewer management and senior positions within the council than White British employees. While BME employees made up 17% of our overall workforce in March 2020, only 15% of employees holding management grade roles are BME, and 16% of employees holding Chief Officer roles are BME. These grades attract the highest levels of remuneration. This is similarly reflected in the pay quartile reported figures where the upper quartile was made up of 13.5% BME employees and 85.6%% White British employees.
- 6.4 The reporting method used to calculate an overall percentage ethnicity pay gap using White British as the base comparator group means that all Black and Ethnic Minority groups are reported as one BME group. This will inevitably impact the overall reported headline pay gap figures. Looking at the proportions of BME and White British employees in each basic pay grade and pay quartile allows us to consider where ethnic minorities are concentrated in terms of pay and identify any apparent barriers to progression.
- 6.5 Future ethnicity pay gap reporting, where total numbers allow for meaningful analysis and do not risk disclosure of individuals, could explore the data at a more granular level of detail. This might include reporting individual ethnic minority pay gaps, which could identify variations in outcomes within the current groupings. For example, data for this reporting period shows that the council's median pay gap for Black African staff is positive at 13%, meaning White British employees are paid 13% more. Conversely, there are negative pay gaps for Indian staff (-29%) and White Irish staff (-18%). This means that as a median pay gap, Indian and White Irish employees are paid 29% and 18% more respectively than White British.

- 6.6 The council is committed to improving the diversity of its workforce to reflect its communities and ethnicity forms part of our wider inclusion agenda.
- 6.7 As part of the Public Sector Equality Duty, the council carries out regular equalities monitoring in respect of the following aspects of employment:
  - workforce composition
  - recruitment and retention
  - employment casework
  - employee satisfaction via the Annual Staff Survey
- 6.8 Historically, the insight provided by this data has also been used to develop actions to address any difference in outcomes identified for different staff groups.
- 6.9 Following feedback from our 2017 Staff Survey the council developed five commitments known as 'Our People Promise', one of which is:

"We promise that we will be a fair and inclusive place to work by working towards having a workforce that is reflective of the communities we serve, and where everyone experiences dignity and respect in the workplace."

The work programme to deliver this promise, our co-created 'Fair and Inclusive Action Plan' has a comprehensive range of outputs to support the recruitment, retention and progression of BME staff. See Appendix D for a link to the Council's Fair & Inclusive Action Plan.

# Appendix A

Link to Governments 2019 Consultation on Ethnicity Pay Gap Reporting: <a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attach">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attach</a> ment\_data/file/747546/ethnicity-pay-reporting-consultation.pdf

# Appendix B

Ethnic Origin Groupings for reporting purposes. In line with the Office of National Statistics (ONS) ethnicity pay gap reporting, White British is made up of White British groups. Ethnic minorities include White minorities.

Ethnic Origin	Grouping for Ethnicity Pay Gap Reporting
Any other Asian background	ВМЕ
Any other background	ВМЕ
Any other Black background	ВМЕ
Any other Ethnic background	ВМЕ
Any other ethnic group	ВМЕ
Any other Mixed background	BME
Any other White background	BME

Arab	BME
Bangladeshi	BME
Black - African	BME
Black - Caribbean	BME
Chinese	BME
Indian	BME
Pakistani	BME
White British - British	White British
White British - English	White British
White - Gypsy / Irish Traveller	BME
White - Irish	BME
White British - Northern Irish	White British
White British - Scottish	White British
White British - Welsh	White British
White and Asian	BME
White and Black African	BME
White and Black Caribbean	BME

# Appendix C

# Hourly Pay Definition for the purposes of calculating the mean and median hourly rates.

# Pay will include:

- basic pay
- paid leave, including annual leave, sick leave, maternity, paternity, adoption
  or parental leave (except where an employee is paid less than usual because
  of being on any such leave)
- area and other allowances
- shift premium pay
- pay for piecework
- bonus pay

### It will not include:

- overtime pay
- expenses

# **Full-pay Relevant Employee Definition**

"Full-pay relevant employee" means a relevant employee who is not, during the relevant pay period, being paid at a reduced rate or nil as a result of the employee being on leave. Employees who receive no pay at all during the relevant pay period, whether or not this is as a result of being on leave are excluded from the ethnicity pay gap calculations. "Leave" includes—

# (a) annual leave

- (b) maternity, paternity, adoption, parental or shared parental leave
- (c) sick leave and
- (d) special leave

# **Pay Quartiles**

This calculation requires an employer to show the proportions of White British and BME "full-pay relevant employees" in four quartile pay bands. This is done by dividing the workforce (so far as possible) into four equal sections to determine the lower, lower middle, upper middle and upper quartile pay bands. Where employees receiving the same hourly rate of pay fall within more than one quartile pay band, a relative proportion of BME and White British employees receiving that rate of pay was assigned to each of those pay quartiles.

# Appendix D

Link to the Council's Fair and Inclusive Action Plan: <a href="https://www.brighton-hove.gov.uk/fair-and-inclusive">https://www.brighton-hove.gov.uk/fair-and-inclusive</a>





# INTRODUCTION

We have developed the 2021-2023 City Employment and Skills Recovery Plan in response to the current and emerging impact on employment and skills in the city caused by:

- the Coronavirus pandemic
- the end of the transitional arrangements with the EU
- the extensive policy reforms to the further and higher education landscape and the Plan for Jobs announced by the government in July 2020.

The priorities of the previous City Employment and Skills Plan (2016-2020) remain core values underpinning the new plan. They include 'no-one left behind' and supporting 'learn to earn' transitions. These support the council's corporate plan and its commitment to inclusive growth. It remains our ambition to ensure that residents are supported effectively to make the most of the economic opportunity that the city and its wider partnerships can offer.

The Brighton and Hove Economic Strategy continues to provide the evidence base for employment and the narrative for the city's economic priorities. This is supplemented with additional intelligence and information from stakeholders in relation to the implications and impact of the pandemic.

# A FLEXIBLE AND RESPONSIVE PLAN

The scale of the pandemic has meant that most of the city's employers and workers have been affected in some way since restrictions were introduced. Many have been impacted in a significant way, either through redundancy, business closure or insolvency. Locally, the Visitor Economy Sector has been significantly affected, and regionally the Aviation Sector and its supply chain.

In March 2020, as part of its financial support for business, the government introduced the Coronavirus Job Retention Scheme (Furlough) and the Self-Employed Income Support Scheme. According to government data, these schemes have been well utilised by the city's employers and self-employed residents. Both schemes have been extended into 2021.

The impact of the pandemic on unemployment in the city was swift. Across all age groups the increase in unemployment was high, increasing from 5,820 in February 2020 to 14,510 (September 2020).

The young have been disproportionately impacted, with an 180% increase in unemployment for 18-24 year olds at the peak.

The young are particularly vulnerable due to their lack of experience in work. Unemployment can have a long-term impact on individuals (and their families) irrespective of age, and appropriate levels of support will need to be provided to all of the age groups affected.



At the time of writing (February 2021), the pandemic is still causing considerable disruption with a further national lockdown in place. The end of free movement of workers, and the impact of the new points based immigration system following the UK's departure from the EU, is unclear. A greater reliance on domestic

recruitment and re-training to support sectors that have previously relied on overseas workers is likely. It is anticipated that following the relaxation of restrictions, pent up demand will provide opportunities in the accommodation and hospitality sector, particularly if the trend for staycations remains during 2021.



This recovery plan is not static. It will continue to evolve over the next two years in order to:

- respond flexibly to emerging local priorities deliver regional projects funded through the LEP's Smarter, Greener, Stronger and Skills 360 Board's Skills Strategy and Action Plan
- implement and monitor national reforms and interventions introduced to aid economic recovery, increase productivity and close skills gaps.

Employment and skills is interwoven in every aspect of society. The impact of an imbalance between supply and demand manifests on many levels. These include unemployment, underemployment, and jobs that are hard to fill. This can be due to a lack of the level of skill required, or in the extreme, a shortage of specific occupations nationally.

At the other end of the spectrum are roles that have historically been considered not desirable by those seeking work.

# Responding to these challenges is complex and dependent on many factors. These include:

- → inward investment
- → funding
- → qualifications and provision that delivers the knowledge and skills needed
- → information, advice and guidance that help people, whatever the stage in their lives, to make the right decisions about their career
- → offering appropriate opportunities for residents who are facing disadvantage in accessing education or work.

It is not possible for this plan to include every action or initiative that will contribute to job creation, upskilling and reskilling of the city's current and future workforce. Every education provider and employer will develop a recovery plan based on their own economic priorities. However, there is a strong spirit of collaboration in the city to align these priorities and recognition as to the benefits of doing so. Ultimately, local recovery is dependent on the retention and creation of jobs, and the alignment of labour demand with skills supply.

Prior to the pandemic the education sector was already preparing for structural reforms to transform post-16 technical education. The sector was also anticipating higher education reforms to further align post-18 education in response to the evolution in skills and knowledge that employers need.

These reforms, together with the policy interventions cascading from the new Plan for Jobs, mean that the scope and rate of change anticipated through the life of this plan is unprecedented. Announced by the government in July 2020, the 'Plan for Jobs', focuses on supporting, protecting, and creating jobs, in response to the economic impact of the coronavirus pandemic. These interventions will support people to find jobs and gain the skills they need to get jobs, including targeted support for young people.

In acknowledging the complexity of the landscape, the role of the council is to lead this practical local plan. It will need to utilise intelligence from the Local Enterprise

Partnership, in its capacity of Skills Advisory Panel. This will facilitate a shared understanding of what needs to be achieved in order for the city to benefit from the national investment in innovation, education, skills and employment initiatives.

# To be successful this plan will require:

- Implementation of the national policy drivers announced by the government – for example, its 'Plan for Jobs' – at a local level.
- Stakeholder participation and collaboration – with the council, employers, training providers, further education, universities, LEP, business and education networks and the third sector all working together to address priorities
- Governance and accountability

   monitoring and reporting,
   supportively challenging, and
   managing risks detrimental to
   recovery.

The action plan, identifies objectives, actions and outcomes. These will be delivered collaboratively by stakeholders working together to address the priorities in this plan. The impact on stakeholders of the educational reforms and the policy interventions announced by the government to aid recovery, cannot be underestimated, particularly as limited resources are available to support delivery.

Brighton & Hove is the most successful coastal city in the UK. It has a strong knowledge economy, an entrepreneurial workforce and high business start-up rates. With the right conditions, this will underpin economic recovery.

The city benefits from a strong collaborative ethos through formal and informal networks. It also has good partnerships with education, businesses and the third sector.

# **OBJECTIVES**

The following objectives have been identified as essential to recovery.

# **PRIORITY OBJECTIVE – Digital Inclusion**

Digital exclusion is caused by low pay or poverty. It affects residents who are already socially and economically disadvantage, further deepening existing inequalities. It prevents access to education, learning, health, income benefits, employment and causes isolation and loneliness.

Decreasing digital exclusion and increasing digital inclusion across the city is a priority objective which cuts across the 9 objectives. Digital inclusion measures should be embedded in the action plans as they are further developed with progress reported regularly.

# **Objective 1**

Interventions supporting young people into education, training, work and apprenticeships that lead to a decline of NEETs and youth unemployment in the city and address

- Local employer participation with the Kickstart Scheme and creation of meaningful opportunities – resulting in young people moving into sustainable work
- Local implementation of the expanded youth offer
- Establish a physical and virtual Youth Employment Hub in the city
- Creation of new high quality Traineeship opportunities in the city aligned to occupational standards – to support progression into apprenticeships and sector specific jobs

# **Objective 2**

Local delivery of National Careers Service and Job Centre Plus interventions that support people into work, lead to a decline of unemployment in the city and support sector skills gaps

- Deliver high quality careers, information, advice and guidance to the unemployed and economically inactive seeking employment, utilising labour market information to respond to local sector demand
- Deliver a sector-based skills academy offer that responds to local employer demand for skills
- Maximise the city's use of the Flexible Support Fund to fund projects or interventions that move people closer to employment
- Enhance local workforce capacity to support delivery

# **Objective 3**

High quality apprenticeships that meet employer skills requirements and provide progression pathways for residents

- Continue to promote interventions that lead to an increase of high quality apprenticeships in the city
- Collaboration with providers and businesses to plan for future skills needs

# **Objective 4**

Accredited Adult Learning Programmes that meet employer skills requirements and provide progression pathways for residents

- Providers to work together to effectively utilise the Adult Education
   Accredited Learning Budget. This will ensure a varied and relevant
   curriculum offer with strong progression routes and pathways and for
   learners
- Make the new level 3 offer available, varied and accessible to residents in the city and delivered by local providers (where possible)
- Seek opportunities to introduce skills bootcamp programmes

# **Objective 5**

Access funds that facilitate the delivery of employment and skills interventions in the city, and deliver projects that support the Grow Back Greener Strategy

- Development and delivery of Decarbonisation Academy Pilot project in partnership with Coast to Capital LEP
- Deliver social housing decarbonisation retrofit programmes for homes and buildings at scale, working with LEP, academics and leading community sector providers
- Deliver public sector decarbonisation to fund energy efficiency and low carbon heat upgrade measures (subject to successful funding bid)

# Objective 6

Implement T-Levels and Further and Higher Education reforms in the city

- Ensure the infrastructure is in place to deliver T-Levels in the city by September 2023, when T Levels become a mainstream offer for eligible 16-19 providers (note roll out to all providers from September 2024)
- Engage with and respond to Department of Education consultation
   Level 2 and 3 curriculum reviews
- Be an early adopter of Higher Technical Qualifications.

# **Objective 7**

Effective support is in place to address barriers for residents who are facing inequality in accessing the labour market. Including but not limited to age, race, disability, health or homelessness/insecure housing, digital poverty

It is acknowledged that residents can face significant, multiple and complex barriers which impact upon their ability to access and sustain employment. In response to this, the action plan supporting this objective will be further developed in consultation with stakeholders

- Make progress in supporting all age groups with a disability to access pathways to employment and sustain paid work
- Ensure appropriate provision and pathways for residents who are homeless or in supported accommodation
- Ensure appropriate community learning provision pathways for residents requiring first step confidence building pathways, digital, maths, English and family learning
- Make progress in supporting BAME residents to access pathways to employment and sustain paid work, including appropriate provision and pathways for ESOL learners

# **Objective 8**

A varied career education and experience of the world of work offer is available to all young people in the city

 Supporting all young people in education to find out about and gain more experience of the world of work – in order to make informed choices about their future education and career choices

# **Objective 9**

Ensure effective oversight and monitoring of funding streams which provide employability related support and services

• Identify the impact on local services of the cessation of significant funding streams, including EU ESF Funding, and take mitigating action.

# Governance is provided by the Adult Learning and Skills Partnership

**Greater Brighton Metropolitan College** 

**National Careers Service** 

Department for Work and Pensions

Brighton & Hove City Council

City Development and

Regeneration

Education and Skills

Communities & Equality

Chair

Sussex Council of Training Providers

**Community Works Learning and Skills** 

Trust for Developing Communities

**Coast 2 Capital LEP** 

**Greater Brighton Economic Board** 

**ESOL Network** 

Work and Learning Network

Education and Skills Funding Network

Special Educational Needs and Disability (young people) Employability Network

# POLICY & RESOURCES COMMITTEE

# Agenda Item 15

Brighton & Hove City Council

Subject: 62 - 63 Old Steine and 3 - 4 Palace Place – Proposed

appropriation from General Fund to Housing Revenue Account for council owned settled

temporary accommodation

Date of Meeting: 1 July 2021

23 June 2021 – Housing Committee

Report of: Executive Director Housing, Neighbourhoods and

**Communities** 

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Ward(s) affected: All

#### **GENERAL RELEASE**

# 1. SUMMARY AND POLICY CONTEXT:

- 1.1 Improving access to good quality housing and reducing homelessness and rough sleeping are key Corporate Plan priorities. Priorities in the Housing Committee Work Plan 2019-2023 include providing 800 additional council homes and the provision of council run temporary accommodation.
- 1.2 The council must achieve capital receipts to contribute to the Medium Term Financial Strategy, through the disposal and appropriation of corporate property assets that are surplus to requirement and do not contribute to the council's corporate strategy priorities from within its commercial and operational portfolios in order to meet its minimum capital receipts target. This is done in a way that supports the council's target of delivering 800 additional council homes and 700 other affordable homes by 2023, and other strategic priorities relating to community wealth, economic or environmental policy.
- 1.3 The Council's Asset Disposal Process agreed at Policy & Resources Committee (19 March 2020) sets out the criteria for supporting the delivery of these targets to provide additional council homes and other affordable homes by 2023 in relation to where the council's commercial and operational property portfolio's may have the potential to enable delivery of homes by releasing identified sites for development. This Asset Disposal Process also agrees the criteria for identifying non-Housing Revenue Account (HRA) council owned property and land suitable for disposal
- 1.4 This is the context within which we are considering options for future use of 62 63 Old Steine and 3 4 Palace Place.

#### 2. RECOMMENDATIONS:

# 2.1 The Housing Committee:

Recommends to Policy & Resources Committee that it agrees to proceed with Option A (the appropriation and development of a 100% affordable, 11-home housing scheme to meet demand for temporary accommodation).

Recommends to Policy & Resources Committee that it approves a budget of up to £2.660m to be included in the HRA capital programme for 2021/22 financed by HRA borrowing, right to buy Receipts, general capital receipts and HRA reserves.

Recommends to Policy & Resources Committee that it delegates authority to the Executive Director of Housing, Neighbourhoods and Communities to appropriate 62-63 Old Steine & 3-4 Palace Place from the General Fund to the Housing Revenue Account and agrees that the General Fund is compensated by £0.890m.

# 2.2 The Policy & Resources Committee:

Agrees to proceed with Option A (the appropriation and development of a 100% affordable, 11-home housing scheme to meet demand for temporary accommodation).

Approves a budget of up to £2.660m to be included in the HRA capital programme for 2021/22 financed by HRA borrowing, right to buy Receipts, general capital receipts and HRA reserves.

Delegates authority to the Executive Director of Housing, Neighbourhoods and Communities to appropriate 62-63 Old Steine & 3-4 Palace Place from the General Fund to the Housing Revenue Account and agrees that the General Fund is compensated by £0.890m.

### 3. RELEVANT BACKGROUND INFORMATION:

- 3.1 62 63 Old Steine and 3 4 Palace Place are two interlinked buildings forming one end of a period block. The property is currently vacant, and its last use by the Council was predominantly as operational offices. Following this the ground floor and part of the upper floors of the Old Steine building were occupied on a short-term lease until vacation in September 2017.
- 3.2 In July 2017 Policy, Resources & Growth Committee approved the proposal to lease the property for 20 years and borrow capital funds for the development of a new GP surgery in central Brighton subject to final agreement with the NHS and GP surgery. Change in health requirements in the area resulted in a decision in January 2019 not to proceed. Therefore, the property was offered to Housing Revenue Account for residential redevelopment.
- 3.3 In accordance with the Asset Disposal Process (agreed at Policy & Resources Committee on 19 March 2020), where a property held by the General Fund

- meets criteria for housing development and Housing has expressed an interest in a building an appropriation to the HRA is to be progressed over other disposal options.
- 3.4 Under S123 of the Local Government Act 1972, the council is under an obligation to obtain best consideration when disposing of land and property. This requirement does not apply to appropriations but under the Asset Disposal Process, it has been agreed appropriations by the HRA of property held in the General Fund occur at a value which represents best consideration as defined by open market value. This is to ensure that the General Fund receives the same value as they would if the property were sold on the open market. Similarly, the HRA would have to pay this value if they were considering an open market purchase.
- 3.5 Officers from Property, Housing, Planning, Finance and City Regeneration have developed a set of property related criteria to determine which properties are suitable for council housing development.
- 3.6 The building formed of 62-63 Old Steine and 3-4 Palace Place is no longer required within the General Fund (GF), and has been assessed against the criteria (as outlined in the table below) for potential appropriation to the Housing Revenue Account (HRA) for use as council owned temporary accommodation.
- 3.7 The council currently has over 2000 households in Temporary Accommodation, much of it leased from private sector owners, with close to 200 in nightly emergency accommodation, creating significant corporate cost pressures requiring funding in 2021/22 and beyond. In order to secure more cost effective temporary accommodation and be less reliant on the private sector, the council has pursued a policy of purchasing or developing more council owned temporary accommodation.

Table 1: Palace Place assessment against potential housing development criteria			
Criteria	Explanation	Complies	
Viability	Can deliver 10 or more homes, and best consideration can be achieved.	Viable with additional funding provided by capital receipts and reserves.	
Planning	If the proposal means the current building requires a change of use application that would undermine the council's City Plan it would be non-compliant.	Pre-planning advice supports a change of use to 100% affordable housing subject to committee approval and justification of the loss of office space.	
Ownership	If the housing scheme involved mixed tenure or ownership of land/property it would be assessed as too complex to deliver within the	Yes	

	council homes target timescales and therefore non-compliant.	
Location	In cases where the land/property was unsuitably located (eg lacking in service infrastructure – drainage, highways, power etc.), the housing scheme was assessed as financially unviable or incongruous.	Yes
Operational	In cases where the property was required for ongoing service delivery to support corporate strategic priorities, the housing scheme would be assessed as incompatible with the council's other priorities.	Yes

3.8 The business case for the appropriation and development of 10 or 11 affordable rent flats at the above site by the HRA is considered broadly viable, although with some risk.

# Valuation and appropriation sum

- 3.9 In the absence of market engagement, independent valuations have been obtained to assess the market. The highest valuation was as the mixed-use residential scheme with planning permission, valued at £1.000m. This is also the most preferable in terms of planning policy. To establish the best outcome the market values of three options were considered:
  - Existing Use as offices.
  - Mixed-Use Scheme offices and residential.
  - Fully Residential Scheme.
- 3.10 The valuation on an existing use basis (as offices) is £0.950m; and this valuation has been used as a basis for discussions to appropriate as former one would have made any proposal unviable for Housing.
- 3.11 Although Housing will not be using the property for offices the value is what it is anticipated a purchaser in the market would look to pay if they were to use the property as offices, taking into account works required to put the office in a lettable condition. This was the next highest valuation.
- 3.12 Subject to committee approval, an appropriation value of £0.890m has been agreed between the HRA and General Fund. This appropriation value is less than the valuations obtained. However, has been agreed based on the following factors:
  - The proposal holds the building for temporary accommodation use, which is a priority housing need and generates potential General Fund revenue savings against all types of temporary accommodation, which costs the council approximately £4,500 per household per

- year. The most expensive spot purchase temporary accommodation currently costs the council approximately £11,000 per household per year.
- At this level, based on costs to date, the preferred scheme is viable without further subsidy aside from the £0.755m capital receipts and reserves already assumed. The General Fund is willing to agree to this level due to the proposed scheme meeting a housing need.
- 3.13 The appropriation is below that which would be achieved through an open market disposal but is recommended on the following basis:
  - The appropriation will be completed by the end of July 2021.
  - The General Fund would be unable to reduce the appropriation value further to make the scheme or an alternative scheme viable.
- 3.14 These caveats are important as the property has been held vacant since 2019 whilst the necessary feasibility, pre-planning application, appropriation level agreed, and the formal HRA decision-making path is pursued.
- 3.15 The estimated cost to the HRA to secure, maintain and repair the property whilst it remains vacant, as well as paying the utilities and business rates is in the region of £40k per annum. This will only be payable by the HRA following the appropriation from the GF and would therefore be funded from the capital budget approved.

## **Pre-planning advice**

- 3.16 Pre-planning advice has been obtained to ascertain the development potential of the site and identify any constraints based on a preferred option to provide 11 homes to the nationally prescribed space standards. The preference is not to provide a mixed-use space i.e not to have a small commercial unit in the building.
- 3.17 The following is extracted from the formal pre-planning advice response:
  - A residential and/or mixed-use development can be supported in principle, pending other planning considerations.
  - A mixed-use development, retaining some office space and an active use at ground floor being retained, may be easier to justify in planning policy terms if deemed a viable option.
  - The loss of the office space should be addressed using the criteria set out in Policy CP3.
  - A 100% affordable housing scheme would provide wider benefits to the City that could further mitigate against the loss of office space.
  - The housing mix should ideally reflect the City's assessed needs.

## **Options**

- 3.18 The options outlined below were reviewed and following discussion at Housing Member Supply Board on 23<sup>rd</sup> April. The preferred option was Option A 11-home housing scheme to meet demand for temporary accommodation. The consensus is the project is more suitable for single people not families. We agreed to take forward a local lettings plan to make sure the mix and level of support required is balanced and that we would include extra security / lighting provision.
- 3.19 Option A: Proceed with the appropriation and develop a 100% affordable, 11-home housing scheme to meet demand for temporary accommodation. A scheme would be firmed up over the coming months to achieve a mix of units to match housing demand, a full planning application submitted, and the necessary procurement activity in readiness to start on site early in 2022.
- 3.20 Option B: Proceed with the appropriation and develop a 100% affordable, 10-home housing scheme to meet demand for temporary accommodation. A scheme would be firmed up over the coming months to achieve a mix of units to match housing demand, a full planning application submitted, and the necessary procurement activity in readiness to start on site early in 2022.

Table 2: 100% affordable residential options (subject to planning approval)				
Unit size	1 bed (1P /2P) (£135pw)	2 bed (3P) (£176.54pw)	3 bed (5P) (£228.47pw)	Total
Option A	4 (2P) 5 (1P)	2 (3P)	0	11 homes
Option B	4 (2P) 2 (1P)	2 (4P) 1 (3P)	1 (5P)	10 homes

3.21 **Option C: Not proceed with the appropriation**. This option would see the HRA pursue other development opportunities and would see the GF seek alternative options for disposal. This decision would release the asset for the GF to receive a capital receipt, although it would not contribute to meeting the Council's housing supply targets.

## Financial appraisals and implications

3.22 The financial viability modelling sets out to show whether a given scheme can pay for the initial investment itself by using the new rental stream only (net of service charges, management, maintenance, and major repairs and voids costs) over a 60-year period. Assessing the project viability over a 60-year period not only matches the estimated life of the asset post refurbishment but also reduces the need to use existing tenant's rents to support the project. The financial model is based on the units being used as Temporary Accommodation within the HRA,

- following the same principles as Stonehurst Court, Oxford Street and various Home Purchase Properties.
- 3.23 Table 3 details the estimated costs and Funding of the proposal for delivering 11 Temporary Accommodation units of mixed sizes. The estimated costs are based on Cheesman Consulting assumptions from February 2021 and standard Brighton & Hove City Council assumptions for professional fees. Currently no allowances have been made for inflation or contamination works such as removal of asbestos. However, the cost estimates do include carbon reduction measures while the refurbishment takes place rather than retrofit at a later date.
- 3.24 Funding assumes that this project will be funded by RTB receipts of up to £0.530m plus an additional £0.755m from reserves and capital receipts. The remaining funding of up to £1.375m will be from borrowing supported by the net rental income stream.
- 3.25 This proposal makes use of £0.410m of the sustainability and retrofit reserve of £4.010m that was set aside in the HRA budget paper and approved at full budget council on 25<sup>th</sup> February 2021. This is earmarked for costs in future years relating to sustainability measures and retrofit works required on Housing stock. This aspect of the project therefore fits with the purpose of this reserve.
- 3.26 The capital receipt from the sale of land at Braypool Lane was earmarked for use against the delivery of affordable housing, including Temporary Accommodation at Policy & Resources Committee on 9<sup>th</sup> July 2020. This proposal makes use of this capital receipt to offset some of the initial capital investment required.

Table 3 – Investment and Funding			
Estimated Funding	Option A £'000	Option B £'000	Notes
Land Costs	890	890	Latest valuation from Estates Services for the site.
Redevelopment Costs	1,200	1,180	Based on the latest cost report from Cheesman consulting.
Zero Carbon works	410	410	Based on the latest cost report from Cheesman consulting.
Professional fees	160	160	10% included to cover professional fees.
Total Estimated Investment	2,660	2,640	
Funded By:			
Right to Buy Receipts	(530)	(525)	30% of eligible cost of delivering affordable housing.
Sustainability and Retrofit reserve	(410)	(410)	Used to cover the cost of the Zero Carbon works required.
Capital receipt	(345)	(345)	Receipt from Braypool Lane to be offset against

			the delivery of affordable housing.
HRA Borrowing	(1,375)	(1,360)	Remaining funding from HRA borrowing.
Total Proposed Funding	(2,660)	(2,640)	

- 3.27 The total estimated cost per unit is between £0.240m and £0.264m for option A and option B respectively. This does include a provision of £0.037m per unit for zero carbon works bringing the cost down to £0.203m and £0.227m for option A and option B respectively. In comparison under the Home Purchase Policy to date the average cost of a flat for TA use is £0.208m including associated refurbishment works.
- 3.28 Table 2 below outlines the financial appraisal result over a 60-year period, under the current assumptions this shows a break-even position for option A and a negligible surplus for option B The project is highly sensitive to change with any significant changes impacting the viability of the project. Therefore, any increase in costs for Option A would mean further subsidy would start to be required. Whilst Option B I slightly less sensitive and could cope with a 3% increase in construction costs before requiring further subsidy.

Table 5: Viability results: 60-year cashflow NPV (surplus) / subsidy			
	Option A £'000	Option B £'000	
Total 60-year cashflow NPV (surplus) / subsidy	0	(30)	
60-year cashflow NPV (surplus) / subsidy per unit	0	(2.7)	

- 3.29 Making use of the site as Temporary Accommodation will reduce cost pressures in the general fund as these units will have a nil cost to the general fund because housing benefit (where applicable) will cover the rental costs. Currently the most expensive spot purchase accommodation costs an estimated £210 per week, therefore annually this option could reduce costs by up to £0.121m. The budget for Temporary Accommodation is currently under pressure, the shortage of supply of affordable accommodation in the City together with the increasing demand means that the pressure on the Temporary Accommodation budget will continue for 2021/22 therefore any extra low cost units of accommodation will help mitigate this pressure.
- 3.30 If the option to redevelop Palace Place in affordable housing units is not taken then the building could be sold on the open market and achieve a market value of up to £1.000m, The net receipt, less any associated costs, will be used to support the council's capital investment programme over the medium term.

#### Benefits and risks

3.31 The potential opportunities and risks have been set out in the Table 6 below.

Table 6: Potential benefits and risks of proposal			
	Potential advantages	Potential risks of appropriation	Potential risks of not appropriating
Strategic fit	Supports the Homelessness and Rough Sleeping Strategy. Supports the council's target of an additional 800 council homes by	Lengthy procurement route to secure contractors.  Ongoing Covid-19 restrictions slowing progress of delivery.	If not appropriated by the HRA and developed, the property could be sold to private developers for apartments.
	2023 by adding 11 homes to the portfolio. Increases the Housing's capacity to meet current housing demand. Helps to reduce the reliance on spot - purchase for temporary		The prime town centre location and the small number of dwellings are likely to mean there will be an absence of affordable homes.  Another suitable site will need to be found to support the Homelessness and
	accommodation.  Supports the councils Asset Disposal Process to support the Medium-Term Financial Strategy and achievement of Capital Receipts.		Rough Sleeping Strategy on the open market.
Use of council asset	Does not lose a council asset to a private developer.	Could more be achieved for the GF through open market sale.	Council is incurring ongoing costs for holding the building empty.

Cost	Comparative cost per unit is similar when the zero-carbon works are not included in the comparison. Cost per unit is £0.203m or £0.227m, depending on the preferred option under this proposal compared to an average of £0.208m for HPP.	The proposal is only marginally viable as it stands – and very sensitive to any cost creep. Approval for the appropriation will be followed by seeking approval for the final scheme.  (Possibility of the HRA carrying the risk of obtaining a site that is then difficult to develop because of the cost creep. There are nationally reported issues of increasing labour and materials costs, as well as delays).  Purchase and renovation costs - will be between £0.240m and £0.264m (including zero carbon provisions of £0.037m per unit) The average cost of 32 purchases of 1BF over the last year = £0.189m - lowest was £0.165m and highest £0.230m.  Slower delivery route of completed homes than open market purchase of completed properties.  If the budget is spent here, it cannot be spent elsewhere, where potentially better VFM could be achieved by not being in a prime site location.  If costs increase beyond the level outlined further subsidy would be required.	The HRA will incur purchase costs from purchasing a building in the open market.
Tenure	A tenure mix that minimises single occupancy and provides a high ratio of homes for couples and families not requiring additional support is being considered (although provides 10	It is not considered good housing management practice to house vulnerable households at density without the appropriate support and management.	

	homes under Option B, rather than the 11 homes with a higher number of single occupants in Option A).		
Occupants	The proposed number of homes is not too high for the intended occupants.	While there is a need for family sized temporary accommodation, there is currently a higher need for self-contained single person homes.	
Location	City centre location.  This is an inclusive use of a centre location building.	11 town centre homes for homeless single people, in an area with reported ongoing drug related antisocial behaviour issues may be problematic.	
		If, as intended, children reside there, the disturbance in that city centre location could be problematic - night life, taxi rank, clubs and pubs nearby; and reported high incidence of drugrelated ASB.	

## Timetable for appropriation and development

3.32 Should the decision be taken to move forward with a development, an indication of the timings is set out below.

Committee decision making process	June 2021 Housing Committee & Policy & Resources Committee
Public consultation	July 2021
Architectural appointment and planning application	July – October 2021
Detailed design and briefings	October – November 2021
Procurement through major projects construction framework	November – February 2022
Pre-construction phase	March 2022
Mobilisation	April 2022
Construction phase	May 2022 – March 2023

Commissioning	March 2023
Handover	March 2023
Lettings	From April 2023

### 4. COMMUNITY ENGAGEMENT

4.1 As indicated in the proposed timetable for appropriation and development public consultation will be undertaken through planning applications. In addition, the council is committed to good engagement throughout construction works and will engage with neighbours throughout construction, letting and occupation phases providing regular updates.

### 5. FINANCIAL & OTHER IMPLICATIONS:

## **Financial Implications:**

5.1 The detailed financial implications have been included in the main body of the report.

As recommended at paragraphs 2.1 and 2.2, if approved a budget of up to £2.660m will be added to the HRA Capital programme for 2021/22, funded by HRA borrowing, RTB receipts, general capital receipts and HRA reserves. Any significant variations to the costs will be reported in accordance with the council's standard financial procedures and reported through Policy & resources Committee.

Any decision around the borrowing requirement for this project will be made in consultation with the council's Treasury Management team to ensure that it is undertaken in accordance with the council's borrowing strategy, authorised borrowing limits and prudential indicators.

Whether the option to appropriate or to sell the building on the open market is taken a capital receipt will be generated for the GF. The value and timing of this receipt is still to be determined by the option taken, with the appropriation this will occur in 2021/22, an open market sale may take longer. The net receipt, less any associated costs, will be used to support the council's capital investment programme over the medium term.

Finance Officer Consulted: Craig Garoghan Date: 14/06/2021

## **Legal Implications:**

Where a property is no longer required for the purposes for which it is held, a local authority may appropriate it for any purpose for which the authority is authorised to acquire land. The council has powers under the Housing Act 1985 to acquire land.

The decision to dispose of the property from the general fund is not covered by the Scheme of Delegations. Policy & Resources Committee will be required to make the decision to dispose of this property. The appropriation will occur when the Executive Director signs an appropriation memo to effect the appropriation.

Lawyer Consulted: Joanne Dunyaglo Date: 07/06/21

## **Equalities Implications:**

5.3 There are no immediate equality implications arising from this report. An equalities impact assessment will be conducted for future residents, staff and service users.

## Sustainability Implications:

5.4 The conversion and refurbishment of existing buildings makes use of embodied energy and contributes to achieving carbon zero targets. The fabric of the building will be bought up to current u-values in line with building regulations, and carbon reduction measures have been included in the refurbishment work.

## Crime & Disorder Implications:

5.5 None identified at this stage.

## Risk and Opportunity Management Implications:

5.6 The report includes details of potential risks and opportunities of appropriation at 3.31.

## Public Health Implications:

5.7 None identified at this stage.

## Corporate / Citywide Implications:

5.8 Improving access to good quality housing and reducing homelessness and rough sleeping are key Corporate Plan priorities. Priorities in the Housing Committee Work Plan 2019-2023 include providing 800 additional council homes and the provision of council run temporary accommodation.

## 6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

6.1 A range of options are considered in the body of the report.

#### 7. REASONS FOR REPORT RECOMMENDATIONS

7.1 This report considers the potential options for the future use of 62 - 63 Old Steine and 3 – 4 Palace Place and recommends the property be appropriated by the Housing Revenue Account from the General Fund and developed into an 11 home housing scheme to meet demand for temporary accommodation in the city.

## **SUPPORTING DOCUMENTATION**

None

# POLICY & RESOURCES COMMITTEE

## Agenda Item 16

**Brighton & Hove City Council** 

Subject: Future Use of Knoll House Resource Centre -

Extract from the proceedings of the Adult Social Care & Public Health Sub-Committee meeting held

on 8 June 2021

Date of Meeting: 1 July 2021

Report of: Executive Lead Officer for Strategy, Governance &

Law

Contact Officer: Name: Penny Jennings Tel: 01273 291065

E-mail: Penny.jennings@brighton-hove.gov.uk

Wards Affected: Wish

## FOR GENERAL RELEASE

## **Action Required of Policy and Resources Committee:**

To consider the report and agree the recommendations from the Adult Social Care & Public Health Sub-Committee.

## **Recommendations:**

- (1) That the preferred option to demolish and build a 3-storey Supported Housing service on the site of the Knoll House care home be approved;
- (2) That a capital programme budget up to a maximum of £9.370m for the delivery of a Supported Housing service to be financed through capital borrowing and a Homes England bid. (or the difference between £9.370m and the sum released by Homes England) be approved;
- (3) That the Executive Director of Health & Adult Social Care be granted delegated authority in consultation with the Executive Director for Finance & Resources to enter into the necessary contracts (including with a development partner as necessary) to secure:
  - (i) The demolition of the existing building;
  - (ii) The Design and Build operations required to complete the development of the Supported Housing service at Knoll House as described in this report; and
  - (iii) The housing management, repairs and maintenance function.

#### **BRIGHTON & HOVE CITY COUNCIL**

## ADULT SOCIAL CARE & PUBLIC HEALTH SUB COMMITTEE

## 4.00pm 8 JUNE 2021

#### **MEETING**

#### MINUTE EXTRACT

**Present**: Councillors Shanks (Deputy Chair in the Chair); Fowler (Opposition Spokesperson and Mears (Spokesperson).

## **PART ONE**

#### 9 FUTURE USE OF KNOLL HOUSE RESOURCE CENTRE

- 9.1 The Sub Committee considered a report of the Executive Director of Health and Adult Social Care setting out proposed options for the future use of Knoll House Resource Centre.
- 9.2 It was noted that the Care Act placed a duty on local authorities to provide accommodation and support where needed and people with physical disabilities and brain injuries wanted to be able to live at home for as long as they possibly could with good quality care and support available to help them do this.. This report provided a summary of, and linked to, the Knoll Supported Housing Business Case which sets out the need to create 27 Supported Housing flats with care on site to prevent 28 people from having to move out of the area or into residential care and to provide opportunities for people to come back to the city.
- 9.3 Currently only 10 units of wheelchair accessible supported housing were available for people with physical disabilities and or brain injuries in the city. It was anticipated that by 2030 there would be more than 1.047 people with moderate to serious disabilities and personal care needs and that this would include more than 580 people with serious disabilities. Currently the city placed 55% more people in residential care than other areas and spent more on average per week. People with an average age of 55 were being placed in care homes for older people or out of the area in care homes or supported housing. It was recommended that the existing care home be demolished and that a 3-storey supported housing service block be provided containing 27 flats. The rationale for the recommendations and details of consideration given to alternative options was set depth.
- 9.4 Councillor Mears stated that although the report referred to the site being located in Hangleton and Knoll Ward it was in fact in Wish Ward. Councillor Mears also sought confirmation regarding how the scheme would be funded and what if any proportion would be funded from the General Fund and whether any element of it would be funded from Housing budgets. Councillor Mears referred to the Brook Mead Development which had run over budget and sought reassurance that sufficiently robust arrangements were in place to ensure that this did not occur in this instance. The Executive Director, Rob

- Persey, confirmed that the option proposed had been fully evaluated and had factored in experience gained from past schemes.
- 9.5 Councillor Mears also asked for clarification of the level of consultation which had taken place with neighbouring residents bearing in mind that the site was surrounded by residential blocks. It was explained that engagement about the preferred option had taken place with residents 2 years previously prior to the closure of the existing unit and that they had been kept apprised of the on-going situation as had Local Ward Councillors.
- 9.6 The Chair, Councillor Shanks, confirmed that she was aware of the detailed discussions which had taken place and the level of engagement which had occurred.
- 9.7 Councillor Fowler referred to the area of land which surrounded the building and asked whether local residents had been consulted regarding any future use of that. The Chair stated that she was aware that this area had not been in use for some time.
- 9.8 Councillor Mears stated that she considered that it would be appropriate for a more detailed map/plan to be provided which showed the proposed scheme in relation to the neighbouring residential development which included sheltered housing and absolute clarity regarding how the scheme would be funded. The scheme as presented now had clearly moved on considerably from what had originally been envisaged, it was complex and she queried whether it would be appropriate to defer decision making in order for further consultation to take place.
- 9.9 The other Members of the Sub Committee in attendance were of the view that it would not be appropriate to defer decision making in view of the need to secure funding for the scheme and to deliver it within the timeframe identified. They were of the view however that it would be beneficial for Members of the Policy and Resources Committee to be offered the opportunity to visit the site in advance of the report being considered by that Committee.
- 9.10 The Chair thanked everyone for their comments and then put the recommendations to the vote.
- 9.11 **RESOLVED:** That the Adult Social Care and Public Health Sub Committee:
  - (1) Recommend to Policy & Resources that it approves the preferred option to demolish and build a 3-storey Supported Housing service on the site of the Knoll House care home:
  - (2) Recommend that Policy & Resources Committee agree a capital programme budget up to a maximum of £9.370m for the delivery of a Supported Housing service to be financed by capital borrowing and a Homes England bid (or the difference between £9.37mm and the sum released by Homes England);
  - (3) Recommend that Policy & Resources Committee delegate authority to the Executive Director of Health and Adult Social Care (in consultation with the Executive Director Finance & Resources) to enter into the necessary contracts (including with a development partner as necessary) to secure:

- (i) The demolition of the existing building;
- (ii) The Design and Build operations required to complete the development of the Supported Housing service at Knoll House as described in this report; and
- (iii) The housing management, repairs and maintenance function.

## POLICY & RESOURCES COMMITTEE

## Agenda Item 16

**Brighton & Hove City Council** 

Subject: Future Use of Knoll House Resource Centre

Date of Meeting: 1 July 2021

8 June 2021 - Adult Social Care & Public Health Sub-

Committee

Report of: Executive Director for Health & Adult Social Care

Contact Officer: Name: Anne Richardson-Locke Tel: 01273 290379

Email: anne.richardson-locke@brighton-hove.gov.uk

Ward(s) affected: Wish

#### FOR GENERAL RELEASE

## 1. PURPOSE OF THE REPORT & POLICY CONTEXT

- 1.1 Following a previous report to Health & Wellbeing Board (28 January 2020) this report sets out the feasibility and estimated cost of a Supported Housing development on the site of the Knoll House care home for people with physical disabilities and brain injuries.
- 1.2 The report provides a summary of the Business Case attached as Appendix 1 and seeks approval for Health & Adult Social Care (HASC) to borrow capital and apply for Homes England funding to pay for the demolition and new build of a 3 storey Supported Housing building (Knoll House Project Works) and to request delegate authority for the related tendering and contractual arrangements to undertake the Project Works.
- 1.3 On 8<sup>th</sup> June 2021 Adult Social Care and Public Health Sub-Committee agreed to:
  - (1) Recommend to Policy & Resources that it approves the preferred option to demolish and build a 3-storey Supported Housing service on the site of the Knoll House care home;
  - (2) Recommend that Policy & Resources Committee agree a capital programme budget up to a maximum of £9.370m for the delivery of a Supported Housing service to be financed by capital borrowing and a Homes England bid (or the difference between £9.370m and the sum released by Homes England):
  - (3) Recommend that Policy & Resources Committee delegate authority to the Executive Director of Health and Adult Social Care (in consultation with the Executive Director Finance & Resources) to enter into the necessary contracts (including with a development partner as necessary) to secure:
    - (i) The demolition of the existing building;
    - (ii) The Design and Build operations required to complete the development of the Supported Housing service at Knoll House as described in this report; and

(iii) The housing management, repairs and maintenance function.

An extract and the decisions of this meeting accompany this report.

- 1.4 The Procurement Advisory Board has also considered this project and their recommendations are attached at Appendix 2.
- 1.5 Members of Adult Social Care & Public Health Sub-Committee and Procurement Advisory Board have, however, expressed their concerns about the potential for costs to escalate in projects of this nature. The pandemic and Brexit are particularly affecting supply chains and labour costs and it is hard to predict how long this will continue and what effect it will have on prices. There could also be the potential for other factors to increase costs that cannot at this stage be predicted such as planning and design considerations and unforeseen construction issues. Taking these factors into account the contingency costs have been increased from 10% to 24% which increases the capital costs required from the original estimate of £9.370m to a maximum of £10.500m.

#### 2. RECOMMENDATIONS

That Policy & Resources Committee:

- 2.1 Approve the preferred option to demolish and build a 3-storey Supported Housing service on the site of the Knoll House care home
- 2.2 Agree a capital programme budget up to a maximum of £10.500m for the delivery of a Supported Housing service to be financed through capital borrowing and a Homes England bid. (or the difference between £10.500m and the sum released by Homes England).
- 2.3 Delegate authority to the Executive Director of Health and Adult Social Care (in consultation with the Executive Director Finance & Resources) to enter into the necessary contracts (including with a development partner as necessary) to secure:
  - (i) The demolition of the existing building;
  - (ii) The Design and Build operations required to complete the development of the Supported Housing service at Knoll House as described in this report; and
  - (iii) The housing management, repairs and maintenance function

#### 3. CONTEXT / BACKGROUND INFORMATION

- 3.1 On 28<sup>th</sup> January 2020 the Health & Wellbeing Board approved the preferred option to convert Knoll House into Supported Living for people with Physical Disabilities and Acquired Brain Injuries. The Board asked for a further report with details of the capital funding and the viability and costs of a Council run or outsourced service.
- 3.2 Detailed work to identify the costs for the Knoll House development was paused in March 2020 as the Covid-19 pandemic put significant strain on HASC resources and resulted in BHCC and BHCCG considering other emergency uses for the building as well as the above proposal. When the BHCCG confirmed they would not be using

- the building the work on the Business Case resumed and the detailed Business Case is in Appendix 1.
- 3.3 Under the Care Act 2014 Local Authorities must provide accommodation and support to people who have been assessed as needing it. The Act sets out the duty of authorities to shape the market and promote diversity and quality in the provision of efficient, effective, sustainable, services. Individual's wellbeing must be taken into account with choice provided into how support needs are met to enable as much control over day to day life as possible.
- 3.4 It is recognised that in Brighton & Hove too many people are placed in residential and nursing home placements 55% more than our comparator authorities and over half of these are placed outside of Brighton & Hove. In many cases this is due to the lack of suitable, accessible accommodation and support. The average age of people with physical disabilities and brain injuries is 55 yet they are being placed in care homes with older people.
- 3.5 The numbers of people with serious disabilities in Brighton & Hove is predicted to increase by 15% by 2030 (580 more people). The current provision of 10 units of Extra Care housing and 10 units of Supported Housing is inadequate to manage the demand. Only 10 of these units are wheelchair accessible and whilst there is wheelchair accessible accommodation scattered throughout the city in other general needs blocks this does not come with support on-site. People with disabilities and their advocates have complained that there aren't enough alternatives to residential care and there is much evidence relating to the long-term benefits of Supported Housing on wellbeing and independence as well as the financial benefits.

## 4. ANALYSIS AND CONSIDERATION OF ALTERNATIVE OPTIONS

## Refurbishment and new build options

- 4.1. The Business Case sets out the detailed analysis and consideration of the 3 different options.
- 4.2. The first stage of the project was to agree the Brief that was put together using feedback from people with disabilities, occupational therapy and social work feedback and lessons learnt from other supported housing and extra care schemes and is designed to be accessible, make the best use of technology and include communal areas and adequate space for care staff.
- 4.3. The next stage was to assess the feasibility of the refurbishment. This was thought to be a good option as it utilises current resources and is less disruptive to the local community and was thought to be better value for money. A thorough feasibility study found that due to the age and current facilities extensive work would be required to meet the mechanical, electrical and structural requirements. The footprint of the existing building also meant that the Brief would be compromised with only 1 bariatric flat, some studios and not all flats would be fully wheelchair accessible. Taking into account the revised contingency costs, the costs are estimated to be up to £4.9m and a 2-storey new build is estimated to cost approximately 30% more. Therefore, the Board decided to also look at the feasibility of a new build.

4.4. An architect and further surveys were commissioned, and the feasibility report produced provides evidence that both 2 and 3-storey options are possible and meet the Brief of providing accessible, modern, sustainable accommodation with support. Taking into account the revised contingency costs, the 2-storey option is estimated to cost up to £7.6m (including fees) and the 3- storey option up to a maximum of £10.500m. The actual total contract values will differ and may anticipate some reduction on costs estimated as the tender exercise is expected to include an element of price competition. The new build options include more efficient energy sources (electricity and solar), all flats accessible for people in wheelchairs, there are 2 bariatric flats, inset balconies for each flat and more space for parking and mobility scooters.

## Preferred option

- 4.5. The 3-storey option is recommended as the preferred option as it provides a further floor that could accommodate 10 more flats, increase the rental income and provide greater economies of scale for the support service. A new building will have an extended life span over and above the refurbishment option and have lower planned maintenance costs.
- 4.6. The in-house Architect team with support from the case building surveyor will act in the Client Advisory role and support HASC through the whole construction project. Property and Design team recommend that an Employer's Agent (EA)/Construction project manager be appointed through a compliant Framework and that the specialist mechanical /electrical and structural is also appointed though a compliant Framework. The contractor will also be selected through a suitable Framework. The EA project manager would manage the whole construction project alongside the Client's Advisory in-house role and support the HASC client to ensure the outcome is a building of high quality fulfilling all HASC client requirements. This proposed route has been used by Property & Design successfully and fulfils the lessons learnt from other projects.
- 4.7. The recommendation is that HASC will need a specialist project manager to steer this project from the Client's perspective.
- 4.8. An indicative timeline for the recommended option is set out in below:

September 2021	Commence Client brief detailed requirements, Client advisory role and further design pre -app work
	<u> </u>
Dec 2021	Commence Direct appointments for EA/Project Manager and
	Specialist M & E/Structural
Feb 2022	EA/Project Manager and Specialists in place
May 2022	Issue Design & Build tender
October 2022	Instruct contractor - obtain planning consent, legals
August 2023	Start on site
February 2025	Complete on site

These are draft dates and may be subject to change

4.9. More detailed information regarding the opportunities and risks of each option is set out in Section 5 of the Business Case (page 23).

#### **Costs and revenue**

- 4.10. The detailed estimated costs and revenue are set out on pages 12-14 of the Business Case. The service is necessary to help manage the financial pressures and is linked to the Medium-Term Financial Strategy. The financial model assumes that rents would be set at the Local Housing Allowance (LHA) levels and the Council would retain the housing management, repairs and maintenance function. Rental income, net of service charges, management, maintenance, major repairs and voids costs is estimated at £0.150m per annum.
- 4.11. A bid will be submitted to the Government's Affordable Homes Programme and a grant of £45k per unit is assumed (£1.260m).
- 4.12. A higher project contingency of approximately 24% is assumed in the current situation due to:
  - the potential impact of Brexit on labour market/costs and supply chain risks/costs;
  - the potential impact of the pandemic on supply chain costs already in evidence;
  - the added complexity of designing properties for social care residents compared to standard housing i.e. greater risk of cost over-runs; and
  - the higher risk of cost over-runs for increased sustainability and carbon reduction requirements.
- 4.13. On this basis the development requires capital borrowing of £9.240m towards the total scheme capital cost of a maximum of £10.500m. The majority of the capital funding required will be from borrowing over the life of the asset (50 years) which will therefore result in an annual repayment of up to £0.296m.
- 4.14. The housing element of the scheme will therefore cost approximately £0.146m per annum. However, the indicative reduction in future service pressure funding, i.e. revenue savings to the Health & Adult Social Care budget arising from the avoidance of high cost in and out of area placements is in the region of £0.399m per annum assuming an externally commissioned service provides the care.
- 4.15. If BHCC provide the care on-site, the modelling assumes there is a loss, as BHCC care costs are higher due to high infrastructure, overhead and service on-costs. This would add to future service pressure funding requirements and increase any budget gap;
- 4.16. All costs are subject to change and are calculated at 20/21 prices. Any delay in the processes linked to the project has the potential to impact on the costs.
- 4.17. Recognising the 24% contingency assumed within the cost model there could also be the potential for other factors to increase costs that cannot at this stage be

predicted such as planning and design considerations and unforeseen construction issues.

## Housing management, repairs and maintenance

4.18. The Business Case (pages 10-11) sets out the 2 different options for the provision of the housing management, repairs and maintenance and for the purposes of the financial modelling assumes that the Council will provide this function. Knoll House is located on a BHCC estate and next to 2 sheltered housing schemes therefore there are teams and services already in the area. BHCC would receive income in the form of rent and are already providing a similar level of service in another extra care service.

## Care and Support

- 4.19. Care and support will be provided by a specialist care provider who will be registered with the Care Quality Commission to provide care to people with physical disabilities and brain injuries. Care will be available 24 hours a day to help people remain as independent as possible.
- 4.20. A decision about whether this support is to be provided directly by BHCC or by a commissioned care provider will be made nearer to the completion date. The Business Case provides more detail and the costs of both options on page 11.

### 5. COMMUNITY ENGAGEMENT AND CONSULTATION

- 5.1. The Director of Health & Adult Social Care and the Lead Member for Health & Adult Social Care met with local residents in October 2019 to set out the options for Knoll House and then in January 2020 to inform them of the preferred option. The meetings were well attended by Ingram Estate residents and tenants of the Muriel House and Sanders House sheltered housing schemes.
- 5.2. A Client Design group has been formed of a small number of people with physical disability and/or sensory loss. They have provided feedback that has influenced the design brief to ensure the building would be accessible and feel homely and welcoming. They have given feedback on aspects such as layout, technology, communal space and sensory accessibility issues. The group will be consulted further before establishing a final design.
- 5.3. The Lead HASC Members, Ward Councillors and local Community Engagement Officers have been briefed on progress and will be kept up to date with each stage of the project as per the Communication and Engagement Plan. More detail is set out in section 8 of the Business Plan (page 22) and this will be developed further and will include:
  - The methods of communication and timescales for engagement events with local stakeholder groups and local residents and people who need the service
  - Consideration of accessibility of the information presented, for example interpretation into BSL and other languages and models & drawings may be more accessible than paper plans

• Clarity on the purpose of the engagement, the decisions that can be influenced and how the impact of the engagement will be communicated.

## 6. CONCLUSION

6.1. People with physical disabilities and brain injuries want to be able to live at home for as long as they possibly can with good quality care and support available to help them do this. The Knoll House site provides an excellent opportunity to create a service that will provide this support for 28 people and prevent the need for people to have to move out of area or into residential care and provide opportunities for people to come back to living in the city.

## 7. FINANCIAL & OTHER IMPLICATIONS

## **Financial implications**

- 7.1 The proposed Adult Social Care service for people with physical disabilities and brain injuries would potentially help mitigate future financial pressures and is linked to the Medium-Term Financial Strategy. As detailed in paragraphs 4.14 and 4.15, the level of future financial mitigation in revenue terms depends on whether the service is provided in-house or externally.
- 7.2 The capital funding request is a maximum of £10.500m which will require capital borrowing over the life of the asset (50 years). Any decision around the borrowing requirement for this project will be made in consultation with the council's Treasury Management team to ensure that it is undertaken in accordance with the council's borrowing strategy, authorised borrowing limits and prudential indicators together with overall affordability within the Council's borrowing requirements.
- 7.3 A bid will be submitted to the Government's Affordable Homes Programme and any grant awarded will reduce the £10.500m capital funding request. The current financial modelling assumes a successful bid with a grant of £0.045m per unit (£1.260m in total).

Finance Officer consulted: Sophie Warburton Date: 25/05/21

## Legal implications

7.4 The appointment of external professional support and engagement of the design and build contractors as well as contract(s) awarded in respect of housing management, repairs and maintenance functions are subject to UK public procurement regulations and the Council's standing orders. Legal considerations related to Council obligations under the Care Act 2014 as these connect to the project are addressed in section 3.3 of the Report above. The commissioning approach relating to the provision of the extra care and support in the new homes will be formulated at a later point when recommendations and a further report will be prepared, depending on the estimated value of any proposed contracts at that time.

Lawyer consulted: Michael Leech Date: 24/05/21

## **Equalities implications**

7.5 The Equality Impact Assessment for the proposed Knoll House Supported Housing development identified a number of potential impacts and actions to be taken. These included the need for mandatory LGBTQ and race/ethnicity training for support staff and associated performance indicators. For the building design, this included adding a communal bathroom, smart technology for people with sensory loss, two units specifically for people with bariatric needs and a 2 bedroom flat with two wheelchair accessible bedrooms.

## **Sustainability implications**

- 7.6 The proposed new development will be energy efficient and built to minimise carbon emissions. The design will aim to achieve a fabric first construction with high levels of insulation It is proposed all energy for heating or cooled filtered fresh air, lighting, hot water and power to be generated from sustainable energy systems such as solar photovoltaic panels on the roof and air source heat pump technology. There will still be a requirement for a UKPN electricity supply sized for the whole development, for cloudy days or when system is being worked on etc but likewise there will be an option to feedback any surplus electricity into the tariff.
- 7.7 Development to the BREEAM or equivalent standard with a target level of 'Very Good' ensures that new homes are designed sustainably to minimise carbon emissions and use sustainable materials in their construction. Employer's Requirements will include KPIs in place to measure such items as minimising landfill, reusing and repurposing materials from the demolition of the existing building and sourcing local construction materials and services.
- 7.8 As standard best practice and as part of the circular economy principles BHCC will look to re-use existing building material when demolishing. Re-use and limiting waste is a condition in terms of the planning application and is very high on BHCC's Key Performance indicators. This requirement will be added to the specifications when they are being worked through as part of the process.
- 7.9 The Climate Impacts Implications checklist will be used throughout all stages of the project delivery (once final version agreed).

## **Brexit implications**

7.10 Supply chain disruption due to Brexit has been identified as a risk as this may result in an Increase in the costs of materials, equipment and labour. To mitigate against this the build costs, include contingency and the proposed Design and Build contract will have a fixed construction cost.

## **Crime & Disorder**

7.11 A Community Impact Assessment has been completed which tests if a planned service will have an impact on community cohesion and community conflict. The impact assessment for the proposed Knoll House Supported Housing service indicates that it does not have the potential to heighten community tension or reduce cohesion. There will be a detailed communication plan, which will seek to maximise cohesion.

## **Risk and Opportunity Management**

7.12 A detailed risk log is included in the Business Case at page 15 with a summary of some of the high impact risks and mitigations listed below:

Risk	Mitigation
The 3-storey option does not receive planning permission	Formal Pre-Planning Application is required to get a clear steer from Planning.
as it is higher than the existing building	There are other buildings above 3 storeys on the estate.
Construction works costs in excess of the budget estimates provided.	Estimated cost plans for both refurbishment and new build options have been completed based on the feasibility studies and a detailed Client Brief. These have been completed by an experienced and qualified Quantity Surveying Consultant.
	The estimated budgets also contain a 5% design development contingency as well as a 5% contingency for the construction works. The former used to cover inflationary issues given the period between tender return and start on site.
	The submitted estimated Cost Plans also provide an indication of anticipated inflation allowances based on BCIS forecasts. The submitted budgets are at 1st Quarter 2021 pricing levels.
	Whilst it is never possible to have 100% certainty on likely Tender returns until the market is tested, given the above and not withstanding large changes to the brief, in normal circumstances it would be unlikely construction costs would vary greatly from the budget costs included within this report.
	However, as lockdown restrictions are lifted industry reports over the last few days show there is a huge issue developing with construction supplies and skilled labour at present and at the moment, post lockdown / Brexit. Major shortages of steel, copper, plaster, bricks etc are being reported which is delaying projects and forcing costs to spiral upwards supply is reduced and the market forces of supply and demand will apply with some large increases being forecast over the next few months.
	Predictions vary but there could be significant cost increases over the next 12-18 months and beyond.

	Striking a reasonable risk balance depends in part on how cautious BHCC wishes to be. It is worth considering that Price inflation is just one variable on the project. Other elements that will be important in overall cost include design, value engineering, procurement route, risk reduction etc.
	In light of this the decision has been made to increase the contingency to 24%.
Construction works costs exceed Contract sum	The proposed Design and Build contract will have a fixed construction cost.
Communication of the communica	Sufficient time to be allocated to completion of suitably detailed of Employer's Requirements (ER's).
	An experienced Employer's Agent will be engaged compile the ER's, produce tender documentation, evaluate returns, ensure compliance with ER's and report on progress and costs etc.
	Unless there are errors/omissions in the tender documentation or there are any unknowns or the Client changes items then the fixed cost cannot change.
	Prior to going to tender HASC will instruct further investigations to minimise unknowns.
Timescales not met	A specialist Project Manager will be required to oversee the project
Design and specification not	Lessons learnt from other developments.
adequate to meet the needs.	Engagement with people with disabilities, Occupational Therapist and providers of other Supported Housing.

## **SUPPORTING DOCUMENTATON**

## <u>Appendices</u>

Appendix 1 Knoll Supported Housing Business Case

Appendix 2 Procurement Advisory Board Extract

## **Full Business Case and Options Appraisal**

Project Information	
Project Name	Knoll House Supported Housing Development
Directorate/Service	Health & Adult Social Care, Commissioning Service
Full Business Case Author (Name and job title)	Anne Richardson-Locke, Contracts & Commissioning Manager, Health & Adult Social Care
Date Full Business Case drafted	19/05/21 and revised on 18/06/21 to take in account the revised contingency costs
Senior Responsible Owner/ Project Executive	Andrew Witham, Head of Commissioning Service, Health & Adult Social Care
(Name and job title)	
Project Manager/Programme Manager	Cristina Forjaz, Project Manager/ Kat Brett, Programme Manager, Corporate Programme Management Office

## 1. Executive Summary & Recommendations

- 1.1 Knoll House is a Council owned residential care home that was built in 1981 and closed in 2019. Various uses of the building have been considered since then but the preferred option, as agreed at Health & Wellbeing Board in January 2020, was to convert the building into Supported Housing flats for people with physical disabilities and/or brain injuries. The Board asked for a detailed Business Case to support this option and this paper sets out this case.
- 1.2 Health & Adult Social Care directorate have identified a significant shortfall of care provision for people with physical disabilities and brain injuries in the city whose average age is 55. There are currently in excess of 28 people who are in residential care, placed out of area or living in inappropriate accommodation who would benefit from supported accommodation that is accessible for people with mobility problems or who use wheelchairs and that has on site care and support.
- 1.3 A project board led by Health & Adult Social Care with representatives from Property & Design, Commissioning, Estates, Occupational Therapy, Project Management, Assessment, Legal, Procurement, Finance, Housing and the Clinical Commissioning Group (CCG) have been working together to identify the best solution to improve the housing and care that Brighton & Hove City Council (BHCC) provides to residents with disabilities. The Board have also taken into account the views of people with disabilities via the 'Client Design Panel' who have helped shape the brief.
- 1.4 Consideration has been given to various ways of changing the building and site at Knoll House. Initially the refurbishment and conversion of the existing 2-storey building to provide 17 flats for 18 persons with medium to high support needs was the preferred option. A detailed feasibility report for this option was completed by BHCC Property and Design.
- 1.5 As part of the report an overview of the existing services and fabric was completed alongside the production of indicative layout plans that showed the necessary physical amendments required to provide the desired accommodation.
- 1.6 To ensure a full and thorough investigation into the viability of the proposals, reports from specialist external consultants were commissioned. A significant amount of time was taken to complete and refine a detailed Brief to ensure proposals were in line with the end users' needs.

- 1.7 Generally, the building fabric was found to be in good condition, however in order to facilitate the proposed use some significant changes to the structure and internal layouts are required. The mechanical, electrical and plumbing (MEP) services showed signs of degradation and in several areas exceeded or is approaching the end of its serviceable life. Throughout the life of the building elements have been replaced, for example windows and roof coverings. However, as the building is approaching 40 years old and will inevitably incur higher maintenance costs compared to a new build. Constraints of the existing building mean improvements to thermal and sound insulation levels are limited.
- 1.8 The recommendation was to strip out the existing services installation and provide new systems throughout to suit the proposed works. Working within the constraints of the existing buildings footprint presented many challenges and despite the limited size of the building it was possible to fit in the desired quantity of accommodation although concessions were required as detailed within the report. Some flat layouts were compromised, flat sizes and kitchens were smaller than desired and 2 of the 17 flats were studios.
- 1.9 On the back of the feasibility a detailed cost plan was compiled by a fully qualified and experienced Quantity Surveyor. The cost was based on a detailed Brief, Concept Drawings and detailed input from Structural, Mechanical and Electrical Engineers to ensure cost certainty. 10% contingency costs were assumed but the pandemic and Brexit are particularly affecting supply chains and labour costs and it is hard to predict how long this will continue and what effect it will have on prices. There could also be the potential for other factors to increase costs that cannot at this stage be predicted such as planning and design considerations and unforeseen construction issues. Taking these factors into account the contingency costs have been increased from 10% to 24%
- 1.10 Taking into account these revised contingency costs, costs for the refurbishment / conversion option are identified as £4.9 million (including fees). 33% of these costs relate to the mechanical, electrical installations, sprinklers and lifts as these would not currently meet requirements.
- 1.11 Calculations using the Building Cost Information Service (BCIS) of the Royal Institution of Chartered Surveyors (RICS) for a new build of the same internal floor area were only found to be around 30% higher. A second feasibility report and detailed cost plan were therefore commissioned to assess the viability and provide accurate costings of demolishing and building anew before presentation to committee. Both a 2-storey and a 3-storey building were considered and the detail is set out in the Knoll House New Build Feasibility Report.
- 1.12 The Business Case sets out the **preferred option to demolish Knoll House and build a replacement 3 storey building with 27 self contained Supported Housing flats** using capital borrowing and a Homes England bid to fund the project. 28 people could be accommodated who need support ranging between 10 and 63 hours per week.
- 1.13 The feasibility and cost estimates for the new build were completed with input from BHCC Property and Design, BHCC Occupational Therapists, Structural Engineers, Chartered Quantity Surveyors and Architectural Consultants.
- 1.14 The new build design fully meets the Brief (see section 4 of this report) providing fully wheelchair accessible flats that incorporate balconies and allow future proofing due to the likely degenerative conditions some tenants may have, for example, e.g. future installation of hoists. It also includes for 2 bariatric flats and 1 two bedroom flat. A good level of parking including disabled parking with electric car charging point is also included. There will be 24/7 on site support with office and kitchen facility, with the provision of staff sleeping accommodation along with communal space for use by residents and potentially the wider community (for meetings, small community groups etc).

- 1.15 In achieving the requirements of the brief, the proposed building has a larger footprint than the existing which is 920msq, with the proposed being 1060msq, over 20% larger, making much more efficient use of the site.
- 1.16 The gross internal floor area of the preferred 3 storey new build option is 2893msq compared to 1900msq for the 2-storey and 1511msq for the refurbishment option. With gross internal floor area £/msq rates estimated. However, these £/msq rates do not offer direct comparison given the provision for the new build options are greater in terms of larger flats, no compromise on space standards / layout and have the ability to provide low carbon energy. It was advised that it would be not be possible to eliminate the use of gas to heat hot water on the refurbishment option as limited space means alternatives such Air Source Heat Pumps are not viable for this as they require large spaces for the dedicated external condensers and associated buffer vessels.
- 1.17 Taking into account the revised contingency costs, the estimated build cost for the preferred option of 27 self-contained flats is £10.500m\_excluding VAT, furniture, fixtures and equipment, and including Professional Fees. Costs of statutory applications and further investigations are also an additional expenditure (see section 4 preferred option).
- 1.18 Professional fees that include likely statutory application fees, further investigations, and specialist consultants to support planning applications are estimated to be up to 15% of the build cost.
- 1.19 Given the compromises required within the refurbishment option, the 3 storey new build option is considered to offer the best value for money for the following reasons: the small variance of £/msq costs; the ability of the new build options to fully meet the Brief providing a building with high energy efficiency and high levels of insulation; and the ability to incorporate low carbon mechanical and electrical services.
- 1.20 A 3-storey building would also offer the ability to provide care to more people, additional much needed wheelchair accessible accommodation, greater economies of scale in the management and provision of the support service and more income in rent.

## 2. Objectives

- 2.1 The objective of this project is to provide long term support with accommodation for people with physical disabilities and brain injuries. Under the Care Act 2014 Local Authorities must provide accommodation and support to people who have been assessed as needing it. The Act sets out the duty of authorities to shape the market and promote diversity and quality in the provision of efficient, effective, sustainable, services. Individual's wellbeing must be taken into account with choice provided into how support needs are met to enable as much control over day to day life as possible.
- 2.2 The refurbishment of Knoll House will create homes with support for 28 people in 27 self-contained flats. This will ensure that Brighton & Hove residents can continue to live as independently as possible in their local area and also ensure longer term financial sustainability by reducing the reliance on high cost residential, nursing home, and single person placements.
- 2.3 The Equalities Impact Assessment and Needs Assessment carried out by the HASC Commissioning Team shows that there is a particular need for housing and support for:
  - 2.3.1 Young people aged 18-25 leaving the family home, residential colleges or other care settings with conditions such as Cerebral Palsy, other disabilities or brain injuries. Some young people with Cerebral Palsy who have care needs have been placed out of the City,

in services with people with learning disabilities or in residential care. There are also young people with physical disabilities in single person services or small care homes that require high levels of 1:1 support offering little privacy and independence and that are high cost.

- 2.3.2 People with brain Injuries that have some behavioural / complex needs. There are a small number of people with injuries to, or conditions that affect their brain that have resulted in some behaviours that can be challenging or could put themselves at risk. People may require staff to be present to prevent conflict with others or people may require services with the ability to put in place restrictions where they do not have the mental capacity to make decisions. For example, some people may be at risk if they were to go out by themselves so would be prevented from doing so unless a staff member was present. Currently, if restrictions are required people must go into residential care or out of the area.
- 2.3.3 People with physical disabilities. There are some people with conditions such as Multiple Sclerosis, Huntington's, who have experienced a stroke, a spinal injury or have an Acquired Brain Injury (ABI) who continue to live at home. However, if their condition means that they need support this may depend on the availability and ability of carers or personal assistants and having a suitable property which unfortunately is not the case for everyone. People who may only be in their 40s and 50s have then been placed in older people's care homes locally or as happens more frequently they are moved to specialist care homes that can be miles away in other counties, far from their families and friends.
- 2.4 Within the city there are currently 10 other flats in 2 supported living services, none of which are accessible to people in wheelchairs and 10 Extra Care flats that are wheelchair accessible. On the rare occasions that there is a void in these services there are multiple applications, with 5 people applying for the last vacancy in the Extra Care service. None of these services are suitable for people with behavioural needs or provide the opportunity for young people to be clustered together. Whilst there are other wheelchair accessible flats across the City they do not have support available on site.
- 2.5 The needs assessment shows that people need medium to high support (average range of 28-63 hours per week plus overnight care), rehabilitation and an assessment function to see how well they can manage and may go on to need more or less support. This would provide a step down from residential care and rehabilitation services or prevent a move into residential care or nursing homes. Whilst residential care can provide a very important role, people with disabilities have a strong desire to live as independently as possible in their own self-contained accommodation with their own front door. There is also an acute need for bariatric accommodation that can house and support people who weigh up to 55 stone.
- 2.6 There is also the need for wheelchair accessible accommodation for people with lower support needs (average of 10 hours per week) who need help with some tasks and the safety and reassurance of on-site care should they need it and the knowledge that they don't need to move should their needs increase.
- 2.7 There has been a strategic shift within social care and health towards prevention and early intervention. Supported Housing, also known as 'Assisted Living' or 'Extra Care' housing provides a preventative service by responding quickly to tenants' changing needs, and can respond in emergencies as well as provide planned care. Supported housing comprises of self-contained homes with design features and support services available to enable self-care, more independent living and choice and control over meeting individual needs.

- 2.8 The Housing Learning and Improvement Network (Housing LIN) were commissioned by BHCC to report on the housing needs of older people in Brighton & Hove and produced a report in November 2019 that made recommendations mainly with regard to older people. The report, however, also referred to gaps in provision for people with Acquired Brain Injury (ABI), Multiple Sclerosis & other physical disabilities and identified the need for 'supported living for people with a physical disability/ABI both with and without behavioural issues, including people who also have age related needs'1. There are currently 22 people with physical disabilities or brain injuries, aged 55-64 in older people's Extra Care housing in Brighton & Hove.
- 2.9 The objective for this service is to provide a very personalised service by combining self-contained Supported Housing with individualised personal budgets for each tenant. Individual Service Funds (ISF's) will be utilised and are an arrangement where the service provider works with the person to provide flexible support. ISF's are a middle ground between direct payments that are managed by the individual themself and a package of care that is arranged by a local authority. The service provider receives the fund for each tenant but must work with the tenant to identify how they want to use their personal budget to meet their needs. As needs change the overall fund can flex without having to reassess needs constantly and people can also 'bank' support hours to use flexibly.
- 2.10 As well as providing accessible accommodation this is an opportunity to include the digital infrastructure from the outset in order to enable technology to be integrated with care and personalised according to need in accordance with the ADASS recommendations<sup>2</sup> which could also be of benefit to residents with sensory needs. For example, enabling sensor access to lifts and doors and the ability to control windows, curtains, lighting & music without the need for staff input.

## 3. Background and context

- 3.1 Knoll House is a BHCC owned building that has had various uses but most recently a nursing home providing short term care to people being discharged from hospital with staff from the BHCC Provider Services and Sussex Community Foundation Trust (SCFT). In April 2019 due to the changing needs of the people being leaving hospital SCFT no longer felt they could provide safe and sustainable community nursing and therapy into Knoll House and withdrew their staff.
- 3.2 BHCC changed the registration with the Care Quality Commission (CQC) from nursing to residential care but saw a significant reduction in admissions resulting in an unsustainable service. Staff were merged with those at BHCC other service, Craven Vale. In September 2019 Health & Wellbeing Board agreed to consider a detailed proposal to use the building for people with mental health issues. However, as the building was specifically designed to be accessible for people with mobility issues the preferred option was agreed to look at the costs of developing Supported Housing for people with physical disabilities and brain injuries at the next HWB in January 2020. Engagement with the local community in October 2019 and January 2020 indicated a preference for this option.

<sup>&</sup>lt;sup>1</sup> Older People Housing Needs Assessment: Report for Brighton & Hove City Council, Housing Learning & Improvement Network, 2019.

<sup>&</sup>lt;sup>2</sup> ADASS TSA Commission EXPLORING HOW TECHNOLOGY CAN BE TRULY INTEGRATED INTO ADULT SOCIAL CARE March 2021 <a href="https://www.tsa-voice.org.uk/adass-tsa-comm/">https://www.tsa-voice.org.uk/adass-tsa-comm/</a>

- 3.3 Detailed work to identify the costs for the development was paused from March to October 2020 as the Covid-19 pandemic put significant strain on HASC resources and resulted in BHCC and CCG considering other emergency uses for the building. Brighton & Hove CCG explored using the building as a dementia care unit and a step down from the hospital but concluded that the extensive work required to meet infection control and safety standards would be expensive and time consuming. The building remains closed with a Guardian Scheme providing security and bringing a small income to the Council as the Guardians pay a fee to live in the property.
- 3.4 BHCC Property and Designs' Building Surveying & Maintenance Team was initially commissioned by Health & Adult Social Care to deliver Building Surveying Services; develop the Brief, and produce a feasibility report for the conversion of Knoll House into specialist self-contained flats for people with physical disabilities and brain injuries supporting their Business Case. The initial feasibility with cost plan was followed by a second investigating the New Build alternatives. Three options were investigated in detail:
  - Refurbish and Conversion of Knoll House
  - Demolish and Build a 2-storey Building
  - Demolish and Build a 3 Storey Building

### **Refurbishment and Conversion of Knoll House**

- 3.5 A thorough review of the Brief was undertaken to ensure the proposals were in line with the end user needs. In order to have a degree of cost certainty and be sure a conversion was viable, several external consultants known and regularly used by BHCC were engaged to bring expertise and knowledge. These were engaged within BHCC guidelines. These included:
  - 3.5.1 Mechanical and Electrical Consulting Engineers: To provide a condition survey of the existing services, and assess the need to amend, alter or replace services to meet the new proposals and the low carbon aspirations.
  - 3.5.2 Structural Engineers: To review the proposed amendments and resultant works in order to ensure viability.
  - 3.5.3 Fire Engineering Consultant: Given the nature of the tenants' disabilities very careful consideration was needed regarding emergency egress (many would be unable to self-evacuate) and further to detailed consultation with BHCC's Lead Consultant on Health & Safety a Fire Engineering Consultant was engaged to provide advice on the proposals;
  - 3.5.4 Chartered Quantity Surveyors: To ensure associated costs for the build could be determined accurately a Cost Plan Report on the alterations, improvements and amendments required to the existing building was commissioned.
- 3.6 Working within an existing building presents numerous problems. Constraints within the layouts meant, although the refurbishment option was able to meet some elements of the Brief but certain compromises had to be made. As well as compromising on space standards, there is limited ability to improve the insulation levels and fully meet low carbon objectives. It was advised that it would be not possible to eliminate the use of gas to heat hot water on the refurbishment option. Limited space means alternatives such Air Source Heat Pumps are not viable as they require large spaces for the dedicated external condensers and associated buffer vessels. Alterations to existing structures are also costly and this is represented in the £/msq costs.

## **New Build Options**

- 3.7 Further feasibility and cost estimates were completed for the new build options, again to ensure an accurate assessment on costs along with certainty on the viability. Information collated from the initial feasibility was used with additional services obtained from Structural Engineers, Chartered Quantity Surveyors and Architectural Consultants. The latter compiled the feasibility report.
- 3.8 The new build options make it possible to fully meet the Brief, provide fully wheelchair accessible flats that incorporate balconies (there is no provision for this in refurbishment option) and allow future proofing due to the likely degenerative conditions some residents may have (for example future installation of hoists). It also includes for 2 bariatric flats (the refurbishment option only has provision for 1 such flat) and 1 two bedroom flat. There is a good level of parking including disabled parking with electric car charging points. There will be 24/7 on site support with office and kitchen facility, with the provision of staff sleeping accommodation along with communal areas for use by the residents and potentially the wider community (for meetings, small community groups etc).
- 3.9 In achieving the requirements of the brief, the proposed building has a larger footprint of 1060msq than the existing footprint of 920msq. This is over 20% larger, making much more efficient use of the site.
- 3.10 The gross internal floor area of the preferred 3 storey new build option is 2893msq compared to 1900msq for the 2-storey and 1511msq for the refurbishment option. With gross £/msq rates indicating clear economy of scale advantages in respect of the 3-storey build. However, these £/msq rates do not offer direct comparison given the provision for the new build options are greater in terms of larger flats, no compromise on space standards / layout and has the ability to provide low carbon energy.
- 3.11 Given the compromises required on the refurbishment option, the small variance of £/msq costs and the ability of the new build options to fully meet the brief providing a building with high energy efficiency, high levels of insulation and ability to incorporate low carbon mechanical and electrical services the 3 storey new build option is considered to offer the best value for money.

## Local picture and demographics

- 3.12 Both Health & Adult Social Care and the Sussex Clinical Commissioning Groups are currently experiencing the challenge of meeting increasing demand and complexity within reducing budgets. Demographic projections show:
  - 3.12.1 Significant increases in all areas of need met by HASC and increasing complexity of need in the younger adult population.
  - 3.12.2 People aged 18-64 predicted to have impaired mobility is estimated to increase by 9% from 2019 2030 in Brighton & Hove. This is significantly higher than the average in other areas where it is estimated to increase by 2%. Also in that period it is predicted that there will be 11% more people between 18 and 64 with a moderate disability and a 15% increase in people with a serious disability. This equates to 580 more people out of a total of 1.047 more people with moderate to serious disabilities with personal care needs.<sup>3</sup>
  - 3.12.3 BHCC have 55% more people aged 18 to 64 in residential and nursing care in comparison with other local authorities, with 52% of these out of area. There are also higher levels of spend for both short and long- term support for Physical Support. BHCC spends £262

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<sup>&</sup>lt;sup>3</sup> Source: Institute for Public Care. <u>www.pansi.org.uk</u>

- more than similar local authority areas, per 100,000 people for Short Term Physical Support for 18 64-year olds.
- 3.12.4 Currently there are 5 people under the Court of Protection requiring support in Brighton & Hove. This means that they are objecting to their current placement in a care or nursing home out of the city and want to move to more independent living in Brighton & Hove. The Court regularly ask for progress reports from Assessment and Commissioning about the options available to meet their requested needs.
- 3.13 Brighton & Hove Clinical Commissioning Group colleagues are keen for more local services as they are also placing people in high cost placements outside Brighton & Hove. They currently fund 2 of the 10 Supported Housing placements in Brighton with Continuing Health Care funding and have identified further people who would benefit from a service like this.

## Commissioning Plan for people with physical disabilities, sensory needs and brain injuries:

- 3.14 Engagement with people with physical disabilities and their carers as part of the development of the Commissioning Strategy in 2020 identified that people would like to be able to stay in their own home with adaptations if necessary for as long as possible and in some cases to the end of their lives. They would also like a range of accommodation options with a wide range of activities for all ages, communal spaces and support to live independently by retaining skills or learning new ones.
- 3.15 The Commissioning Plan therefore identifies the need for further supported living with 24-hour support for people with physical disabilities in the city as well as relevant social activities and community access to be included within specifications for all services.

## **Community Impact**

- 3.16 A Community Impact Assessment has been completed which tests if a planned service will have an impact on community cohesion and community conflict. The impact assessment for the proposed Knoll House Supported Housing service indicates that it does not have the potential to heighten community tension or reduce cohesion. There will be a detailed communication plan, which will seek to maximise cohesion.
- 3.17 As with all building work noise and disruption cannot be totally avoided. The contractor will be required to mitigate against disruption by providing suitable segregation of the building site and public areas, maintaining pedestrian and vehicle access for residents, restricting parking of operatives working on the site, traffic control as necessary, wetting and cleaning of areas to avoid excess dust, regular liaison with the local community, letter drops etc. The contractors will also be required to join the Considerate Constructors' Scheme which is a not-for-profit, independent organisation founded to raise standards in the construction industry. By registering with the Scheme, they will agree to abide by the Code of Considerate Practice, designed to encourage best practice beyond statutory requirements. The Scheme's main areas of concern fall into three categories: the general public, the workforce and the environment.
- 3.18 Build periods for all three options considered (refurbishment, 2 and 3-storey new build) are similar, so the each present a challenge in reducing disruption with the new build obviously requiring a short demolition stage at the beginning.

Which corporate principles and priorities (as outlined in the Corporate Plan) will it help deliver?

- 3.19 The project will help the Council to deliver the corporate priorities:
  - "A healthy and caring city Support people to live independently"
  - "A sustainable city Become a carbon neutral city by 2030"
  - Directorate objective: to "Lead the delivery of the Health and Wellbeing Strategy"
  - the Service objective: to "Commission services to meet current and expected demand, ensure good outcomes and deliver value for money"

## What other programmes, projects or services does it link to?

## 3.20 The project is linked to:

- Health & Adult Social Care Medium Term Financial Strategy
- Health & Wellbeing Strategy
- Commissioning Strategy
- Housing Strategy
- Physical Disabilities Commissioning Plan 2020-2024
- Health & Adult Social Care Modernisation Programme
- Better Lives, Stronger Communities Programme
- Officers from internal departments that include: HASC services, Property & Design, Housing services, Corporate Programme Management Office, Procurement, Estates, Finance, Legal and also Brighton & Hove Clinical Commissioning Group

## 4. Preferred Option

### **OPTION 1**

## 1. Description of the option

Describe the option that is being explored. Including any evidence base, this should include benchmarking data and needs analysis undertaken.

The proposal is to demolish the existing Knoll House care home and use Capital borrowing and funding from a Homes England bid to build a 3 storey building with 27 Supported Housing flats.

The accommodation will need to be of a high standard and meet the requirements set out in the Building Regulations and additional guidance applicable to these specialist works.

The feasibility report compiled by Evolution Architectural Consultants provides plans in line with the Brief that will create 27 flats with 3 distinct areas:

- 4 flats clustered together for people aged 18-25 with its own separate entrance
- 4 flats for people with ABI with a separate entrance and the facility to section this area off if there are people whose behaviours are particularly challenging
- 19 flats for the remaining 10 people with physical disabilities, including 2 bariatric flats and a 2 bedroom flat

Tenants may have a range of mobility needs with some people using wheelchairs for most of the time and some only for outside use or not at all when they first move in. All flats have been designed to accommodate wheelchairs to enable the most flexible use of the accommodation and to prevent people having to move should their mobility decline.

The feasibility and cost plan include for the following:

- Self-contained flats with open lounge and kitchen area and with separate bedroom and bathroom
- Kitchens will have adjustable work surfaces; bathrooms will have level access showers and flats will be future proofed by providing space for tracking to include ceiling track hoists if required
- Communal areas for tenants to be able to socialise with each other or with visitors

- A shared spa/bathroom with accessible bath for tenants to use and receive treatment.
- Energy for lighting, heating and hot water to be generated via photovoltaic panel arrays and individual microgeneration systems using air source heat pump technology
- Lifts that can accommodate people in stretchers and wheelchairs and are designed as an evacuation lift. In addition there will be associated refuge areas.
- Balconies to each flat
- A fully integrated sprinkler system to ensure fire safety
- Staff accommodation will include a supervision room, office space and staff overnight accommodation
- 1 accessible guest room with ensuite facility and a suitable number of accessible visitor toilets.
- A resident laundry room with industrial size machines
- Limited external Garden areas for use by tenants and visitors.
- Storage in flats for tenants' equipment and cycle store for staff
- Communal doors to be automatic with video door entry system ensuring separation between cohorts.
- Adequate parking for staff and residents with electrical charging facilities.
- Smart technology and technology to assist with those with sensory needs issues.

## **Procurement Route for New Build Option**

The Strategic Construction Project has almost reached its limit of schemes under the original OJEU total so would not be a suitable procurement route. For a project of this type and value, the Design & Build contract is recommended. The contractor takes on the design risk as well as the construction risk. This is better for the Client as there is a single point of responsibility. HASC would engage an Employer's Agent as lead, to produce sufficiently detailed Employer's Requirements, before tendering to Design & Build Contractors to submit a fixed price for undertaking the planning submission, detailed design work and constructing the building.

In terms of professional fees including likely statutory application fees, further investigations and specialist consultants to support planning applications, whether a traditional or Design & Build contract is used, fees could add up to 15% of the build cost and will be included in the tender return for the build.

## **Possible Routes to Market**

Possible routes to market are being considered for delivery of the recommended Design & Build contract.

These routes include the use of existing frameworks. The in-house Architect team with support from the case building surveyor will act in the Client Advisory role and support HASC through the whole construction project. Property and Design team recommend that an Employer's Agent (EA)/Construction project manager be appointed through a compliant Framework and that specialist mechanical /electrical and structural work is also appointed though a compliant Framework. The EA project manager would manage the whole construction project alongside the Client's Advisory in-house role and support the HASC client to ensure the outcome is a building of high quality fulfilling all HASC client requirements. A suitable Framework will be used to select the contractor. This proposed route has been used by Property & Design team successfully and fulfils the lessons learnt from other projects.

The recommendation is that HASC will need a project manager to steer this project from the Client's perspective.

## **Housing Management, repairs and maintenance**

There are two options for the provision of the housing management. The Council's Housing Department could manage the building and carry out ongoing repairs and maintenance. Knoll House is located on a BHCC estate and next to 2 sheltered housing schemes therefore there are teams and services already in the area who would ensure a swift response to any urgent repairs. BHCC staff could be involved from the outset and be involved in the property development to ensure it fits with current repairs and maintenance provision.

The 28 people living at Knoll House would have tenancies and the Council would receive income in rent or Housing Benefit / Universal Credit. Specialist inhouse resources would support the ongoing running of the scheme for example the Housing Adaptations Service are currently, and would continue to, assist with individually adapting the flats and Trusted Assessors would be able to make minor adaptations. This is working very successfully at Brooke Mead, another Council managed Extra Care scheme for people with dementia.

Alternatively, BHCC could enter into a lease arrangement with a Registered Provider (RP) to provide housing management, repairs and maintenance. Soft market testing indicated some interest from RP's with 4 responses from RP's who currently provide housing management in similar settings, 2 locally and 2 in other regions. The minimum lease lengths expected were between 5 and 25 years with anticipated rents around the local housing allowance rates.

Three RP's expressed some interest in providing the Design & Build function as well as housing management but would expect capital funding to come from the Council and lease lengths of between 5 and 25 years.

## **Care and Support**

Care and support will be provided by a specialist care provider who will be registered with the Care Quality Commission to provide care to people with physical disabilities and brain injuries.

The aim will be to provide independence, choice and control so each tenant will have their own personal budget and care and support plan that reflects their needs and wishes.

Staff will provide support 24 hours a day and be available to support people with activities in the community or to support tenants to use or pool their funds to organise social activities. Using personal budgets can enable tenants to be more flexible as their needs change and the aim is that by using Individual Service Funds (ISFs) the provider can flex the support and staffing accordingly which prevents having to continuously review need.

Two options for the provision of the care and support are being considered:

A specialist provider could be procured via a tender exercise. Specialist independent sector providers are currently providing good quality support to these client groups in the city and are keen to expand. Soft market testing has resulted in some interest in the potential service from experienced providers, both local and national organisations, who are currently providing similar services to people. All of the organisations that responded were open to the idea of using Individual Service Funds and did not see the range of needs to be supported as a challenge as long as the specification set out appropriate staff training, staffing levels, personalised and flexible support, suitable referrals, housing support, assistive technology, and co-production. The cost of support has been calculated using the same model and structure as other externally commissioned services and has been estimated at £960 per person per week.

Alternatively, BHCC currently provide residential care and supported living to older people, older people with mental health issues and to people with learning disabilities and/or autism some of whom may have additional physical disabilities. BHCC HASC Provider Services previously provided the care at Knoll House and received 'Good' in all areas from the Care Quality Commission. The cost of BHCC providing support has been calculated using the same model and structure as other Council directly provided services and has been estimated at £1,420 per person per week.

## 2. Is this the preferred option?

Yes or no and a brief explanation why.

Yes.

The 3 storey new build is the preferred option given that there are economies of scale to be derived and it will fully meet the Brief and provide urgently needed accessible care and accommodation to more people than the 2-storey refurbishment or 2-storey new build options.

It would provide a bespoke high quality, energy efficient building with the ability to incorporate low carbon mechanical and electrical services. It will be possible to have photovoltaic panel arrays that have the ability to regenerate all electricity for lighting and power on the site and individual microgeneration systems using air source heat pump technology to provide heated or cooled filtered fresh air.

Such a building will have an extended life span over and above the refurbishment option and have lower planned maintenance costs.

It is considered to offer the best value for money as the care costs and housing management costs are spread over a greater number of tenants, realise increased savings and therefore the 3 storey option will enable the return on investment to be realised over a shorter period.

## 3. Costs, Funding & Cashable benefits

What are the anticipated financial savings from the programme or project? Profile the savings over the lifetime of the programme or project.

The table below sets out the investment requirement to fund the preferred option. The service is necessary to help manage the financial pressures and is linked to the Medium-Term Financial Strategy.

This model assumes that rents would be set at the Local Housing Allowance (LHA) levels and that the Council would retain the housing management, repairs and maintenance function. Rental income, net of service charges, management, maintenance, major repairs and voids costs is estimated at £0.150m per annum.

A bid will be submitted to the Government's Affordable Homes Programme 2021-26 which provides funding 'to support the development of good quality housing provision for disabled and

vulnerable people that can be either supported or where access to support is provided where needed'4. For the modelling a grant of £45k per unit is assumed (£1.260m).

The estimated costs originally used 10% contingency costs but this has now been increased to 24% in the current situation due to:

- the potential impact of Brexit on labour market/costs and supply chain risks/costs;
- the potential impact of the pandemic on supply chain costs already in evidence;
- the added complexity of designing properties for social care residents compared to standard housing i.e. greater risk of cost over-runs; and
- the higher risk of cost over-runs for increased sustainability and carbon reduction requirements.

On this basis the development requires capital borrowing of £9.240m towards the total scheme capital cost of £10.500m. The majority of the capital funding required will be from borrowing over the life of the asset (50 years) which will therefore result in an annual repayment of up to £0.296m.

The housing element of the scheme will therefore cost approximately £0.146m per annum. However, the indicative reduction in future service pressure funding, i.e. revenue savings to the Health & Adult Social Care budget arising from the avoidance of high cost in and out of area placements is in the region of £0.399m per annum assuming an externally commissioned service provides the care.

The table below shows the potential payback period against the investment of £10.500m with the current projected ongoing net revenue saving for each option. This assumes a weekly cost if provided by the Council of £1,420 per week, and if provided by a commissioned service a cost of £960 per week. The current average weekly cost of the care to the individuals identified as needing this service is £1,233 per week.

This is based on the average current cost of care provided at existing care home placements and other smaller supported living or live in care placements. Tenants also contribute to or fund the cost of their care where able and therefore average client contributions are taken into account here too.

This modelling indicates that if an externally commissioned service provides the support the capital borrowing could potentially be paid back in 23 years (from when service provision commences). If BHCC provide the care on-site, the modelling assumes there is a loss, as BHCC care costs are higher due to high infrastructure, overhead and service on-costs. This would add to future service pressure funding requirements and increase any budget gap;

Please note: All costs are subject to change and are calculated at 20-21 prices. Any delay in the processes linked to the project has the potential to impact on the cost. Recognising the 24% contingency assumed within the cost model there could also be the potential for other factors to increase costs that cannot at this stage be predicted such as planning and design considerations and unforeseen construction issues.

<sup>&</sup>lt;sup>4</sup> https://www.gov.uk/guidance/capital-funding-guide/3-specialist-homes-for-older-disabled-and-vulnerable-people#supported-housing-groups

New build option	Externally Commissioned Service	BHCC Service Provision
	£'000	£'000
Total Investment	10,500	10,500
Funded by:		
Estimated external funding (Homes England)	-1,260	-1,260
Borrowing required	9,240	9,240

Annual borrowing costs @ 2% pa	296	296
Average net income**	-150	-150
Annual estimated net General Fund care costs***	1,256	1,928
Total cost per annum	1,402	2,074
Current net spend (average net cost of £1,233 per week, per client)	1,800	1,800
Total Annual saving (+) / loss (-) ****	399	-273

Payback (from when service provision commences) Year 23 N/A

<sup>\*</sup> Assumed at £45k per unit

<sup>\*\*</sup> Local Housing Allowance rates net of Service charges, management, maintenance, major repairs and voids costs

<sup>\*\*\*</sup> Net of estimated client contributions

<sup>\*\*\*\*</sup> Figure rounded to nearest thousand

#### 4. Non-cashable benefits

Every non-cashable benefit (or improvement) should be expressed in measurable terms, and the current situation understood and baselined before the programme or project is implemented. Include benefits from the perspective of the customer

Current situation	Benefit expected	Measured outcome that you hope to achieve	How will the benefit be measured?
Only 10 units of Extra Care housing for people with physical disabilities and 10 units of Supported Housing for people with brain injuries. provided within the city which is insufficient to meet current and projected needs	People are able to return to live in Brighton nearer to friends and family  People are able to move out of the family home / residential care / unsuitable tenancies and live more independently  It makes good use of a site that is not required for its current purpose, is empty and is already classified as C2 with Planning  People live as part of a community that includes other Council housing and sheltered housing and is close to shops and buses	Reduction in people placed in older people's residential care homes Reduction in people placed out of area People report that they feel more independent People report that they feel part of a wider community People can maintain social networks and closer family contact Increase in the number of people with disabilities with their own tenancies  Reduction in people experiencing multiple living arrangements as their physical and emotional/mental needs change	Customer Satisfaction surveys     Performance indicators

#### 5. Risks and Benefits

Assess the risks and Benefits associated with the programme or project by using the council's Risk Management Framework and risk register template. List the most significant risks in the table below and the initial mitigating actions.

Ri	isk description	Potential consequences	Likelihood (1 = almost impossible, 5 = almost	insignific ant, 5 =	Mitigating controls and actions
			certain)	catastrop	

			hic/ fantastic)	
(1) The 3-storey option does not receive planning permission as higher than the existing building	Project is delayed or does not go ahead	2	4	Formal Pre-Planning Application required to get a clear steer from Planning.
(2) Change of use (building) is required	Planning process could take longer adding more time to the project	2	3	Formal Pre-Planning Application required to get a clear steer from Planning  Initial informal feedback from Planning indicates use would remain as C2
(3) Community Infrastructure Levy (CIL) applies	Chargeable at £100/m2	2	3	HASC has sought advice from Community Infrastructure Levy (CIL) team, who advise that CIL liability for either a rebuild or a refurbishment can only be determined definitively at the planning stage, though there could be deductions. The Community Infrastructure Team are also seeking further advice from Legal. The levy will be included in the cost plan, which could subsequently be reduced.
(4) Ground conditions: underlying clay soils affect foundation and soakaway design	Increased costs in relation to foundations and surface water disposal	2	3	Upon approval instruction of trial holes to be undertaken for certainty.
(5) Permission not received for the development to go beyond the existing boundary.	Plans have to be re-worked and there would be a smaller footprint and compromises to the brief	2	3	Discussions have already taken place with colleagues in Housing Stock Management who have indicated that is likely to be supported but will need to go to the Housing Leadership Team.
(6) Capacity for the existing sewer is not able to manage the increase in dwellings with (3- storey option)	Increased costs for alterations to existing sewer.	2	2	As soon as approval to go ahead with project engage Civil Engineer to complete calculations to determine this.  Provisional sum allowed for alterations within Budget. Risk therefore mitigated.
(7) Electrical and water supply not able to manage the increase in dwellings (3 storey option)	Shortage of water and electricity to the site	2	2	Provisional sum allowed for alterations within Budget. Risk is therefore mitigated.
(8a) Construction works costs in excess of the budget estimates provided.	Budget inadequate, creating budget pressures.	3	3	Estimated cost plans for both refurbishment and new build options have been completed based on the feasibility studies and a detailed Client Brief. These have been completed by an experienced and qualified Quantity Surveying Consultant.
				The estimated budgets also contain a 5% design development contingency as well as a 5% contingency for the construction works. The former used to cover inflationary issues given the period between tender return and start on site.

T	I	ı	1	
				The submitted estimated Cost Plans also provide an indication of anticipated inflation allowances based on BCIS forecasts. The submitted budgets are at 1st Quarter 2021 pricing levels.  Whilst it is never possible to have 100% certainty on likely Tender returns until the market is tested,
				given the above and not withstanding large changes to the brief, in normal circumstances it would be unlikely construction costs would vary greatly from the budget costs included within this report.
				However as lockdown restrictions are lifted industry reports over the last few days show there is an huge issue developing with construction supplies and skilled labour at present and at the moment, post lockdown / Brexit. Major shortages of steel, copper, plaster, bricks etc are being reported which is delaying projects and forcing costs to spiral upwards supply is reduced and the market forces of supply and demand will apply with some large increases being forecast over the next few months.
				Predictions vary but there could be significant cost increases over the next 12-18 months and beyond.
				Striking a reasonable risk balance depends in part on how cautious BHCC wishes to be. It is worth considering that Price inflation is just one variable on the project. Other elements that will be important in overall cost include design, value engineering, procurement route, risk reduction etc.
				In light of this the decision has been made to increase the contingency to 24%.
(8b) Construction works costs	Increase in costs and delay	2	2	The proposed Design and Build contract will have a fixed construction cost.
exceed Contract sum	in project			Sufficient time to be allocated to completion of suitably detailed of Employer's Requirements (ER's).
				An experienced Employer's Agent will be engaged compile the ER's, produce tender documentation, evaluate returns, ensure compliance with ER's and report on progress and costs etc
				Unless there are errors/omissions in the tender documentation or there are any unknowns or the Client changes items then the fixed cost cannot change.
				Prior to going to tender HASC will instruct further investigations to minimise unknowns.
(9) Design and specification not	The target group for residents do	2	4	Occupational Therapist involved from the beginning Use feedback from engagement with people with
adequately designed to be	not apply to Knoll House			disabilities  Client design panel made up of people with
able to support people with				disabilities

physical disabilities  (10) Lack of internal resources to progress project specification and delivery over the entire timespan required by the project	Once occupied, residents may leave Failure to meet needs result in increased costs Inadequate or ill-defined Employer's Requirements (specification) leading to construction not meeting the brief / variations required to the specification	3	3	Lessons learnt from previous Extra Care and Supported Housing builds  Specialist Project Management resource required to oversee the process.  Where resources not available internally external resources and costs must be included within the business case  Project board meetings set up with clear expectations of the roles of each member
	results in possible delays and increased costs			
(11) Contractor failure - workmanship and delays.	Increase in costs and delay in project	2	2	Fixed priced contract for build  Contractors will be vetted at tender stage (how this is done depends on the route to market – framework/ open market)  There will liquidated damages for delays.  Through duration of the build Employer's Agent will ensure Employer's requirements are met.
(12) Covid-19 or other pandemic contamination	Increase in costs and delay in project	2	4	Build works timescales and budget include contingency Ensure there is accountability for risk assessments and that they are always current and mitigations are strictly actioned to reduce risk
(13) Supply chain disruption due to Brexit	Increase in costs of materials, equipment and labour	3	3	Budget for build costs include contingency.  The submitted Cost Plans provide an indication of anticipated inflation allowances based on BCIS forecasts. The submitted budgets are at 1st Quarter 2021 pricing levels.  The proposed Design and Build contract will have a fixed construction cost.  See comments above in item 8a.
(14) Lack of external engagement	May lead to community not being supportive of the project	3	4	Communications plan to release information in appropriate timing Briefings with Ward councillors
(15) Delay in the build programme	Delay in service opening Additional costs and budget pressure Lack of support from new	2	2	Building programme with contingency planned with margin for eventual delays

	potential residents			
(16) Lack of referrals and demand for the service	Voids that result in lack of income and wasted support costs and staff time	2	4	Working closely with colleagues from Assessments team in order to identify clients who would be interested in moving on to Knoll House as service users
(17) Lack of interest/appetite from contractors for procurement (for building works, building management, or support service)	Reduced number of bids and value for money can be compromised	2	3	Soft market testing is being carried out

#### 6. Outline programme or project plan

Indicate the timeline for the programme or project with key milestones, including when decisions are needed and by whom, and deliverables.

#### Decisions to be made at the following committees:

- 8<sup>th</sup> June 2021 Social Care and Public Health Sub-Committee (Approval of Building development)
- 14<sup>th</sup> June 2021 Procurement Advisory Board (Advice on procurement route)
- 1<sup>st</sup> July 2021 Policy & Resources Committee for approval of preferred option (Agreement of capital spend)

#### **Outline project plan for the Preferred Option:**

These are draft dates and may be subject to change:

September 2021	Commence Client brief detailed requirements, Client advisory role and further design pre -app work					
Dec 2021	Commence appointments for EA/Project Manager and Specialist M & E/Structural					
Feb 2022	EA/Project Manager and Specialists in place					
May 2022	Issue Design & Build tender					
October 2022	Instruct contractor - obtain planning consent, legals					
August 2023	Start on site					
February 2025	Complete on site					

	urces staffii	s ng resources are required to	deliver the pro	ogramme or p	roject?	
Service		Why are they required?	Quantify the requirement (fte)	When are they required?	Has the service been consulted and what did they say?	Are the staff available?

HASC Operational staff	Head of Service as Senior Responsible Owner     Commissioning Manager as Project Lead		Project lifecycle	Resource availability has been identified and is available	Yes
Property & Design	To provide a 'Client Advisory role' & assist in engaging an Employer's Agent		Design stage Build stage	Limited Architectural resource available.  Surveying resource has been identified but	Limited Yes
Communications	Communications Business Partner HASC to advise on stages of communication		Project lifecycle	funding is required.  Resource availability has been identified and is available	Yes
Finance	Senior Finance Officer – HASC Finance support – Housing to advise on financial implications to business case and committee reports		Design and feasibility stage	Resource availability has been identified and is available	Yes
Housing operational staff	Housing Strategy & Enabling Manager to support with Homes England bid and strategic housing input Tenancy Services Management to support around the Housing Management provision		Feasibility stage and near completion	Resource availability has been identified and is available	Yes
Human Resources & Organisational Development	HR Business Partners in HASC & Housing to support with recruitment (dependent on inhouse option being selected)		Recruitment for the support & housing management stages	Will be consulted if necessary	
Information Governance (DPIA)	Support required for completion of the Data Protection Impact Assessment as part of the tender process		Tender stage		
Internal Audit	To check on the processes.				
Legal & Democratic Services	Support required for Support service and building management		Business case and committee stages	Resource availability has been identified and is available	Yes
Performance, Improvement & Programmes	Project Manager as part of the overall management of the modernisation programme	0.1fte	Business Case and Committee stages	HASC Project Manager who is already providing project management support and is only funded by Modernisation programme to 31.03.22	Yes
Planning	Planning Officer to advise on planning requirements		Planning, design and build stage	Resource availability has been identified and is available	Yes
Policy, Communities & Equalities	Support with Equalities Impact Assessment		Business case and committee stages	Resource availability has been identified and is available	Yes
Procurement	Strategic Procurement Manager  – HASC  Strategic Procurement Manager  – Housing & Property		Procurement process (building development & support model)	Resource availability has been identified and is available	Yes
Sustainability	To ensure sustainability is paramount throughout the		Brief, planning,	Resource availability has been identified and is available	Yes
	•	•	•		

project in all stages of the development	design and build stages	
------------------------------------------	-------------------------	--

Are any specialist skills required to deliver the programme or project (beyond those identified above)? If so, how will these be acquired?

Specialist Project Management resource to manage the build project.

#### 8. Stakeholder consultation

List any consultations with stakeholders and the findings. Examples of stakeholders include citizens, staff, partner organisations, Members.

#### **Engagement with local residents**

The Director of Health & Adult Social Care and the Lead Member for Health & Adult Social Care met with local residents in October 2019 to set out the options for Knoll House and then in January 2020 to inform them of the preferred option. The meetings were well attended by Ingram Estate residents and tenants of the Muriel House and Sanders House sheltered housing schemes.

#### **Client Design panel**

A client design group has been formed of a small number of people with physical disability and/or sensory loss. They have provided feedback that has influenced the design brief to ensure the building would be accessible and feel homely and welcoming. They have given feedback on aspects such as layout, technology, communal space and sensory accessibility issues. The group will be consulted further before establishing a final design.

#### **Briefings to Members**

The Lead HASC Members, Ward Councillors and local Community Engagement Officers have been briefed on progress and will be kept up to date with each stage of the project. A brief summary is set out below but a full Communication and Engagement Plan will be developed:

Summary of Communication & Engagement Plan					
Stakeholder	What do we need to tell them?	Why?	How?		
Lead Members and Ward Councillors	Provide information on every stage of the process, what the options are and the risks and opportunities	To ensure councillors are aware of potential impact on service users and cares, service provision  To enable them to contribute ideas and answer queries from residents	Briefings, emails and pre- meetings Site visit		
People with disabilities, brain injuries and sensory loss & carers	Provide information about the service and the design, accessibility and adaptations.	Ensure tenant/carer views influence design and accessibility issues	Regular Client design panel meetings		
Neighbours and local residents	Provide information about the service, the design, and the building works	To ensure they are aware of the impact on them and to provide an opportunity to	Briefings / focus groups Newsletter /		
	Provide information about key milestones (building works/mobilisation/launch)	contribute their views	leaflet Public exhibition		
	Provide Information about the service and the building	Understand different impacts on service users	Briefings		
Potential future tenants, families and carers	Seek user/carer's views on the housing and support options, and design of new supported living	To ensure service reflects and meets the needs of users / carers	One to one meetings		
	Views will be part of specification as customers' quality expectations, in case of procurement of support				

		Feedback can influence the council and provider (e.g. customer satisfaction and KPIs)		
1	Assessment teams in HASC, FCL & CCG	Identify people who would be interested in moving to Knoll House	Briefings and emails.	

#### 9. Equalities

Has an Equalities Impact Assessment been conducted for the programme or project? Is one required? When will it be undertaken?

The Equality Impact Assessment for the proposed Knoll House Supported Housing development identified a number of potential impacts and actions to be taken. These included the need for mandatory LGBTQ and race/ethnicity training for support staff and associated performance indicators. For the building design, this included adding a communal bathroom, smart technology for people with sensory loss, two units specifically for people with bariatric needs and a 2 bedroom flat with two wheelchair accessible bedrooms.

#### 10. Sustainability

What significant environmental impacts is the project likely to have? Are there any implications for the local economy and local communities?

The proposed new development will be energy efficient and built to minimise carbon emissions. The design will aim to achieve a fabric first construction with high levels of insulation It is proposed all energy for heating or cooled filtered fresh air, lighting, hot water and power to be generated from sustainable energy systems such as solar photovoltaic panels on the roof and air source heat pump technology. There will still be a requirement for a UKPN electricity supply sized for the whole development, for cloudy days or when system is being worked on etc but likewise there will be an option to feedback any surplus electricity into the tariff.

Development to the BREEAM or equivalent standard with a target level of 'Very Good' ensures that new homes are designed sustainably to minimise carbon emissions and use sustainable materials in their construction. Employer's Requirements will include KPIs in place to measure such items as minimising landfill, reusing and repurposing materials from the demolition of the existing building and sourcing local construction materials and services.

As standard best practice and as part of the circular economy principles BHCC will look to re-use existing building material when demolishing. Re-use and limiting waste is a condition in terms of the planning application and is very high on BHCC's Key Performance indicators. This requirement will be added to the specifications when they are being worked through as part of the process.

The Climate Impacts Implications checklist will be used throughout all stages of the project delivery (once final version agreed).

#### 11. Data Protection

Has a Data Protection Impact Assessment been conducted for the programme or project? Is one required? When will it be undertaken?

## 5. Alternative Options

BHCC demolish & rebuild a 2-storey building with 18 flats  Less capital funding required on a 2-storey building  This option offers the same opportunities as the new build of 27 flats though the  Higher build & demolishment costs than the refurbishment  More disruption for the local residents tha a refurbishment	£7.6m
with 18 flats opportunities as the new a refurbishment	n
Dulid Of 21 Hats thought the	
service would only support medium and high needs and not low needs  Lengthier planning process and longer build period than a refurbishment	
Loss of additional accommodation for people with low needs & therefore higher unit costs	
BHCC refurbish the existing Knoll Better value than the 2-storey new build option so not able to fully meet the Brief	£4.9m
House 2- storey building for 18 people  Shorter planning process and build length  Constrained by existing fabric ability to improve thermal, sound insulation etc limited	
Utilises existing building and resources Low-carbon options are limited	
Less disruptive to the local community  Higher ongoing maintenance costs	
BHCC do not convert or No capital funding required to convert or refurbish or rebuild Initial discussions with BHCC Estates advise alternate sites extremely hard to	Any cost benefit
build on the site and Potential income from other	derived by
dispose of the parties if the building is	disposal of the site
building.  Loss of a site in a part of the city that	would be
Alternative provides level access to local shops, bus sites or routes and the seafront maximising	negated by sale,
services would be required. community access in a way that other sites may not	purchase
sites may not	and legal costs even
Engagement with the local community	if a
shows this is the preferred option and would need to go back to them regarding	cheaper site could
other options	be found

### **Authority to proceed**

This business case needs to be approved via the appropriate governance route before the programme or project can be implemented. Please complete the table below to confirm where this authority was obtained. Please ensure the agreement was minuted

Meeting where authority to proceed was obtained	Date of meeting

# BRIGHTON & HOVE CITY COUNCIL PROCUREMENT ADVISORY BOARD

#### 2.00pm 14 JUNE 2021

#### **VIRTUAL**

#### MINUTE EXTRACT

**Present**: Councillors Osborne (Chair), Yates (Opposition Spokesperson), Evans, Druitt and Miller.

#### **6 KNOLL HOUSE SUPPORTED HOUSING**

- 6.1 The Commissioning and Contracts Manager introduced the report which detailed the proposed the demolition of Knoll House and the rebuilding on a 3-storey Supported Housing building. She noted that a report was due to be considered by the Adult Social Care & Public Health Committee on the 8<sup>th</sup> June and if agreed recommendations would then be made to the Policy & Resources Committee for approval of the project.
- 6.2 The Board noted the proposal and referred to a previous project, Brookmead and sought assurances that the lessons learnt from that would be taken on board and payback on the cost difference would be accounted for.
- 6.3 The Head of Commissioning confirmed that officers were aware of the lessons learnt and noted that aspects of the project would become clearer as it progressed e.g. whether it would be a commissioned service or run in-house. He also stated that the council would have greater control over the contract that previously e.g. in relation to the design and build.
- 6.4 **RESOLVED:** That the Policy & Resource Committee be recommended to delegate authority to the Executive Director for Health & Adult Social Care to Procure and award contract(s) for the design and build services required to demolish and construct (new build) a 3 storey Supported Housing building at the Knoll House site.

## POLICY & RESOURCES COMMITTEE

### Agenda Item 17

**Brighton & Hove City Council** 

Subject: Covid 19 Bus Network Recovery Plan

Date of Meeting: 1 July 2020

Report of: Executive Director for Economy, Environment &

Culture

Contact Officer: Name: Owen McElroy Tel: 01273 293693

Email: <a href="mailto:owen.mcelroy@brighton-hove.gov.uk">owen.mcelroy@brighton-hove.gov.uk</a>

Ward(s) affected: All

#### FOR GENERAL RELEASE

#### 1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 Bus services financially supported by the council are due to expire in September 2021, although there is provision in current contracts to extend them for up to four years. However, the situation is complicated by the Covid-19 pandemic which has resulted in lower passenger numbers and additional financial support being provided to operators. This report sets out recommendations to allow services to be retained in the short-term as well as for the longer-term reprocurement of services.

#### 2. RECOMMENDATIONS:

- 2.1 That the Committee agrees to a short-term (up to two years) extension to the existing supported bus service contracts for services 37/37B, 21, Breeze to the Downs and school services.
- 2.2 That the Committee agrees to re-procure temporary short-term (up to two years) contracts for routes 16, 47, 52 and 57.
- 2.3 That the committee agrees to extend contracts for routes 16, 47, 52 & 57 for no longer than the end of April 2022 should retendering not be possible before September 2021 or should the tender process for these services be unsuccessful.
- 2.4 That the Committee agrees to continue to provide additional financial support to operators where necessary in light of the impact of the Covid-19 pandemic for the duration of the contracts.
- 2.5 That the Committee agrees to the postponement of the procurement process for long-term contracts for all supported bus service routes from 2021 to 2023 or sooner if there is a service need and/or market conditions allow.

#### 3. CONTEXT/ BACKGROUND INFORMATION

3.1 Supported buses serve routes which the commercial network does not and are provided by the council because of their social need. All supported bus service

contracts were awarded in September 2017 following a competitive tender process. They are due to expire in 2021, although contain an option to extend for up to four years.

3.2 During the pandemic, bus use fell considerably. Care is required when comparing usage for different time periods as restrictions and the number of services run on each route has varied throughout the past year. However, for context, Table 1 summarises the drop in usage for the latest comparable period.

**Table 1: Change in Patronage** 

Route	Description	Period for Comparison	Approximate Reduction	Comment
37	Meadowview – Bristol Estate	May-June 2019 / 2021	42%	
37B	Meadowview – Bristol Estate via Queens Park		37%	
16	Portslade, Knoll Estate and Hangleton	Oct-Feb 2019-20 / 2020-21	55%	Later comparison not possible
47	Hangleton - Saltdean		62%	because of service changes
52	Patcham - Woodingdean		53%	in September 2019; however,
57	Saltdean – Seven Dials (Sundays)		71%	passenger numbers have increased since Feb 2021 in line with the easing of lockdown restrictions.
77	Breeze – Devil's Dyke	May 2019 / 2021	49%	
78	Breeze – Stanmer Park		33%	
79	Breeze – Ditchling Beacon		51%	

- 3.3 Substantial reductions have also been seen across the commercial bus network.
- 3.4 As a result, the government introduced Covid Bus Service Support Grant (CBSSG) funding in Spring 2020. The council is receiving this from the government to provide grants to supported bus service operators whilst operators of commercial services are receiving CBSSG directly from the government. It is a requirement of CBSSG that operators do not make profits whilst in receipt of this funding.
- 3.5 It is unclear if or when patronage will return to pre-pandemic levels. This means that there is a risk that supported bus services will need greater financial support in the long-term. There is also a risk that some commercial services will no longer be viable. In this case, the council may be required to make future decisions on the bus services its supports.
- 3.6 However, the government published its National Bus Strategy on 15 March 2021 and this provides some reassurance on the immediate future for bus services in the city. Previously, the expectation was that CBSSG would reduce from summer 2021 before

ending, but the strategy now states that "CBSSG will remain in place for as long as it is needed" (p.38). This is subject to the council and operators making a number of commitments, including forming an Enhanced Partnership and producing a Local Bus Service Improvement Plan. Nevertheless, the amount of future support the council will need to provide, either through its own funds or government grants, is currently unclear. The response to the National Bus Strategy is the subject of a separate report to the Environment, Transport & Sustainability (ETS) Committee on 22 June 2021.

- 3.7 This uncertainty brought by the pandemic does not provide desirable market conditions for retendering contracts. It is therefore recommended that the majority of contracts are extended by an initial period of up two years by activating the extension clauses.
- 3.8 The cost to the council would increase compared to the current contracts. This is because, prior to the pandemic, the contracts were on a fixed price basis, meaning operators kept all fare income. However, following the fall in passenger numbers, the council has been providing additional funding to operators for the loss of passenger revenue. This is currently provided via CBSSG funding but it is possible that at some point the grant may be reduced or withdrawn. The financial implications are outlined in full in Section 7.
- 3.9 Services operated by The Big Lemon had experienced issues with viability prior to the pandemic and the operator is not able to continue providing services at the original tender price. Despite contract changes agreed to by the council (permitted under the procurement regulations), the operator has been sustaining losses on these routes. The pandemic has exacerbated the problem and The Big Lemon is not able to sustain ongoing pre-Covid losses without additional support from the council. It is therefore being recommended that contracts associated with these services are retendered, rather than extended, to ensure that the council is receiving best value for money.
- 3.10 The contracts would be tendered based on the current routes and frequencies. Specifications, such as requirements for vehicle type (minimum Euro V), will be kept the same as the previous tender in 2017. This is consistent with those contracts that this report recommends are extended. In addition, it is not deemed reasonable to place additional requirements on operators to invest for short-term contracts of one or two years. For longer-term re-procurement from 2022/3, officers would recommend that additional requirements are placed on bidders.
- 3.11 A temporary contract of two years would be awarded to the operator providing the lowest price. This would be subject to meeting the minimum quality requirements and prices being considered high enough to be viable.
- 3.12 A report was taken to Procurement Advisory Board (PAB) on 19 April with subsequent amendments discussed at PAB on 14 June. PAB's advice to Policy & Resources (P&R) Committee was that the officer recommendations should be accepted.

#### 4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The council has no capacity to provide bus services in-house. Currently, there are restrictions on local authorities setting up bus companies, although they can choose to purchase operators. The government has indicated in the National Bus Strategy that it will review the ability for local authorities to set up bus companies but, in any event,

the provision of the services in-house would need substantial investment and resources from the council. This is therefore not recommended as an option and, in any case, is not available in the short-term.

- 4.2 The government has said that it will support authorities who wish to pursue franchising. For authorities without elected mayors, this requires legislation and is likely to take a number of years. Different franchising models are available which range from the approach used by Transport for London, where the transport authority centrally specifies routes and tenders for each one, to area-based arrangements where the successful operator would have more control in the design of services. The National Bus Strategy has said that to pursue franchising, authorities would need to demonstrate they have the available skills and resources, including specific funding, and that it would deliver an improvement to bus passengers.
- 4.3 At the time of writing, a report on the response to the National Bus Strategy was due to be taken to ETS Committee on 22 June. This included a recommendation to commission a feasibility study into bus franchising. However, were it to be considered further, franchising would be a longer-term option and the need to address the continuation of supported services in the short-term remains.

#### 5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 No changes to services are proposed in this report; therefore, engagement and consultation has not been undertaken.

#### 6. CONCLUSION

6.1 The report sets out the impact of the Covid-19 pandemic on supported bus services in the city. It provides recommendations for the short-term future of these services to allow them to continue to September 2023. The intention is that this will provide time for market conditions to settle and future requirements for the supported bus network to become clear. This will then allow longer-term decisions on the design and procurement of these services to be made.

#### 7. FINANCIAL & OTHER IMPLICATIONS:

<u>Financial Implications:</u>

7.1 Please refer to Part 2 report (Exempt category 3)

Finance Officer Consulted: Paul Tucknott Date: 09/06/2020

#### Legal Implications:

- 7.2 As regards recommendation 2.1, the extensions are permitted by the contract terms. If, in addition to the extension, any further variations are required, Regulation 72(1) of the Public Contracts Regulations 2015 (PCR) allows contracts to be modified without a new procurement procedure where:
  - (i) the need for modification has been brought about by circumstances which a diligent contracting authority could not have foreseen,
  - (ii) the modification does not alter the overall nature of the contract; and

- (iii) any increase in price does not exceed 50% of the value of the original contract.
- 7.3 Recommendation 2.2 is for the award of certain short-term contracts following a competitive procurement process. The council's Contract Standing Orders will apply. If the value of the proposed contract is above the current procurement regulations threshold (£189,330), the procurement process will also need to comply with the procurement regulations.
- 7.4 Recommendation 2.5 is for a full procurement in the longer-term. The council will need to comply with the procurement regulations and, again, the council's Contract Standing Orders will also apply.
- 7.5 The subsidy control regime also needs to be considered in relation to all new subsidies. In this case, there is a good argument that this funding does not constitute a subsidy because it does not have an effect on trade or investment between the UK and its international partners.

Lawyer Consulted:

David Fairfield

Date: 9.06.21

#### **Equalities Implications:**

- 7.6 The recommendations to retain the existing services until at least September 2022 mean that residents should not be affected by the withdrawal of services.
- 7.7 Were contracts not to be extended and services withdrawn, an Equalities Impact Assessment would be required. However, owing to the nature of the services and distance to alternative commercial routes, it is likely that older, less mobile and vulnerable residents would be more negatively affected by the withdrawal or reduction in frequency of council supported services.

#### Sustainability Implications:

- 7.8 The continuation of the supported bus services is important in the context of the council's wider sustainable transport commitments.
- 7.9 Reducing bus services to communities would conflict with the council's Local Transport Plan objectives to promote sustainable and accessible travel.
- 7.10 In addition, reducing bus services to communities conflicts with recommendations 2 and 8 of the Climate Assembly, around the need for public transport accessibility, convenience and affordability.
- 7.11 It is possible that another operator could bid for routes currently operated by the Big Lemon using Euro V vehicles. This would be compliant with the contract specification; however, a number of the Big Lemon's vehicles currently exceed this requirement.

#### **Brexit Implications:**

#### 7.12 None

#### Risk and Opportunity Management Implications:

- 7.13 The financial risks are outlined above. These risks are mitigated by the government committing to provide the support necessary during the recovery from Covid-19. However, until the level of funding is confirmed, there is a financial risk in extending the contracts to September 2022. This in particular applies to 2022-23.
- 7.14 There is a further risk that passenger numbers will be lower than used to calculate the above forecasts.
- 7.15 Finally, there is a risk that operators will request further funding or otherwise withdraw from contracts. However, as the extension to services would be on the basis that the council is providing a revenue guarantee, this uncertainty is removed for operators. All other costs should be fixed and allow operators to provide inclusive quotes for running services.

#### Public Health Implications:

7.16 The sustainability implications outlined above also apply to air quality and therefore public health.

#### Corporate / Citywide Implications:

7.17 The maintenance of bus services is important in respect of the council's priorities for sustainable transport and climate change.

#### SUPPORTING DOCUMENTATION

<b>Appen</b>	dices:
None	

**Background Documents** 

None

## POLICY & RESUORCES COMMITTEE

## **Agenda Item 19**

**Brighton & Hove City Council** 

Subject: Decisions Taken Under Enhanced Delegated Powers

Date of Meeting: 1 July 2021

Report of: Executive Lead Officer for Strategy, Governance &

Law

Contact Officer: Name: Mark Wall Tel: 01273 291006

Email: Mark.wall@brighton-hove.gov.uk

Ward(s) affected: All

#### FOR GENERAL RELEASE

#### 1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 The report details the various decisions taken under the enhanced delegated powers by officers and has been listed for Members information only.

#### 2. **RECOMMENDATIONS:**

2.1 This item is published with the agenda for information only and is not for consideration at the meeting.

#### 3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The current enhanced powers delegated to officers to take decisions on matters during the pandemic with the agreement of the Chair and Opposition Spokespersons of the Committee were approved on the 3<sup>rd</sup> May 2021. The various reports listed below were due to come to the Policy & Resources Committee in July but were approved for officers to implement.
- 3.2 The reports are also listed in a separate supporting information pack to the agenda so that the full information is available to Members and members of the public.

	Subject	Directorate
1	Public Toilets Cleaning & Maintenance Contract	Economy, Environment & Culture
2	Sports Facilities Investment Plan	Economy, Environment & Culture
3	Madeira Terrace – Restoration Phase 1 – Contractor Procurement	Economy, Environment & Culture
4	Allocation of Carbon Neutral and Climate Action Fund to Transport Projects and Programmes	Economy, Environment & Culture
5	Sustainable Urban Drainage (SUDS) Project	Economy, Environment & Culture

	Manager Resourcing	
6	Exceptional Request for Conditional Community Infrastructure Levy Expenditure	Economy, Environment & Culture
7	New Homes for Neighbourhoods – Windlesham House	Housing, Neighbourhoods & Communities
8	Strategic Risk Register	Strategy, Governance & Law
9	Works Management System Replacement Project	Economy, Environment & Culture
10	Annual Customer Insight report 2020/21	Strategy, Governance & Law
11	Progress update against Corporate Key Performance Indicators Q4 2020/21	Strategy, Governance & Law
12	Rottingdean Neighbourhood Plan	Economy, Environment & Culture

#### 4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The potential to bring reports to committee was considered and relevant Members consulted prior to agreeing to the decisions being taken outside of the committee cycle and being listed on the council's website. The alternative would have been to delay the decisions and to bring reports to the committee and for expediency it was agreed that it would be better to implement the decisions rather than bring reports to committee.

#### 5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 The Chair and Opposition Spokespersons were consulted.

#### 6. CONCLUSION

6.1 That the decisions taken by officers under enhanced delegated powers be recorded and published for information.

#### 7. FINANCIAL & OTHER IMPLICATIONS:

#### Financial Implications:

7.1 The financial implications associated with the decisions taken have been considered and provided by Finance officers as normal and detailed in the associated reports that have been published with the decision records.

Finance Officer Consulted: Nigel Manvell Date: 18/06/21

#### Legal Implications:

7.2 Members agreed the use of enhanced delegations to officers at Policy & Resources Committee on 13<sup>th</sup> May 2021. The arrangements are consistent with Government and Public Health Guidance on ensuring Covid Safe meetings and

are a lawful delegation of powers to officers in this context. The publication of the information to note in this report will ensure transparency and access to information regarding the decisions taken.

Lawyer Consulted: Elizabeth Culbert Date: 18/06/21

#### **Equalities Implications:**

- 7.3 A full risk assessment and equalities impact assessment of the protocol on the use of enhanced delegations to officers has been undertaken together with an Equalities Impact Assessment.
- 7.4 Any associated equalities implications relating to the individual reports listed in paragraph 3.1 are detailed in the individual reports available on-line.

#### **Sustainability Implications:**

7.5 The various sustainability implications associated with the various reports listed in paragraph 3.1 are detailed in the individual reports available online.

#### **Brexit Implications:**

7.6 The various Brexit implications associated with the various reports listed in paragraph 3.1 are detailed in the individual reports available online.

#### Public Health Implications:

7.7 The various public health implications associated with the various reports listed in paragraph 3.1 are detailed in the individual reports available online.

#### Corporate / Citywide Implications:

7.8 The various corporate/citywide implications associated with the various reports listed in paragraph 3.1 are detailed in the individual reports available online.

#### SUPPORTING DOCUMENTATION

#### **Appendices:**

1 - 14 – Full reports as detailed in the table at paragraph 3.2 of the report will be published as a separate supporting pack to the report and agenda.

#### **Background Documents**

None