Brighton & Hove City Council

Policy, Resources & Growth Committee

Date:	**18 July 2019**
Time:	**4.00pm**
Venue	**Council Chamber, Hove Town Hall**
Members:	**Councillors:** Platts (Chair), Yates (Deputy Chair), Mac Cafferty (Opposition Spokesperson), Bell (Group Spokesperson), Childs, Clare, Gibson, Janio, Moonan and Shanks
Contact:	**Lisa Johnson** Democratic Services Manager 01273 291228 lisa.johnson@brighton-hove.gov.uk

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AGENDA

PART ONE **Page**

PROCEDURAL MATTERS

20 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.

21 CHAIR'S COMMUNICATIONS

22 CALL OVER

(a) Items (25 - 34) 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

23 PUBLIC INVOLVEMENT **1 - 2**

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 at the meeting itself

(b) **Written Questions:** to receive any questions submitted by the due date of 12 noon on the 12 July 2019;

(i) I360 – Mr J Deans

(c) **Deputations:** to receive any deputations submitted by the due date of 12 noon on the 12 July 2019.

24 MEMBER INVOLVEMENT

To consider the following matters raised by councillors:

(a) **Petitions:** to receive any petitions submitted to the full Council or at the meeting itself;

(b) **Written Questions:** to consider any written questions;

(c) **Letters:** to consider any letters;

(d) **Notices of Motion:** to consider any Notices of Motion referred from Council or submitted directly to the Committee.

FINANCIAL MATTERS

25 BAI360 JUNE 2019 PAYMENT **3 - 12**

Report of the Executive Director Economy, Environment & Culture (copy attached)

Contact Officer: *Max Woodford*
Ward Affected: *All Wards*

26 TARGETED BUDGET MANAGEMENT (TBM) PROVISIONAL OUTTURN 2018/19 **13 - 88**

Report of the Executive Director Finance & Resources (copy attached)

Contact Officer: *Nigel Manvell* *Tel: 01273 293104*
Ward Affected: *All Wards*

27 TARGETED BUDGET MANAGEMENT (TBM) 2019/20: MONTH 2 **89 - 142**

Report of the Executive Director Finance & Resources (copy attached)

Contact Officer: *Nigel Manvell* *Tel: 01273 293104*
Ward Affected: *All Wards*

28 TREASURY MANAGEMENT STRATEGY STATEMENT 2018/19 - END OF YEAR REVIEW **143 - 162**

Report of the Executive Director Finance & Resources (copy attached)

Contact Officer: James Hengeveld Tel: 01273 291242
Ward Affected: All Wards

29 REVENUE & CAPITAL BUDGET PLANNING AND RESOURCE UPDATE 2020/21 TO 2023/24 **163 - 208**

Report of the Executive Director Finance & Resources (copy attached)

Contact Officer: James Hengeveld Tel: 01273 291242
Ward Affected: All Wards

30 UPDATE ON THE CAPITAL WORKS UNDERTAKEN AS PART OF THE SEND REVIEW **209 - 214**

Report of the Executive Director Families Children & Learning (copy attached)

Contact Officer: Richard Barker Tel: 01273 290732
Ward Affected: All Wards

CONTRACTUAL MATTERS

31 COAST PROTECTION AND HIGHWAY STRUCTURES MAINTENANCE FRAMEWORK AGREEMENT **215 - 220**

Report of the Executive Director Economy Environment & Finance (copy attached)

Contact Officer: Alistair Booton Tel: 01273 291733
Ward Affected: All Wards

32 PROCUREMENT OF A CORPORATE CONTRACT FOR THE PROVISION OF MULTIFUNCTIONAL DEVICES (MFDS) **221 - 226**

Report of the Executive Director Finance & Resources (copy attached)

Contact Officer: Adrian Palmer

GENERAL MATTERS

33 GREATER BRIGHTON ECONOMIC BOARD – ADMISSION OF NEW MEMBER TO THE BOARD **227 - 244**

Report of the Executive Director Economy, Environment & Culture (copy attached)

Contact Officer: Andy Hill
Ward Affected: All Wards

34 REVIEW OF MEMBERS ALLOWANCES **245 - 250**

Report of the Executive Lead Strategy Governance & Law (copy attached)

Contact Officer: Mark Wall Tel: 01273 291006

35 ITEMS REFERRED FOR COUNCIL

To consider items to be submitted to the 25 July 2019 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.

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FURTHER INFORMATION
For further details and general enquiries about this meeting contact Lisa Johnson, (01273 291228, email lisa.johnson@brighton-hove.gov.uk) or email democratic.services@brighton-hove.gov.uk

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Date of Publication - Wednesday, 10 July 2019

WRITTEN QUESTIONS

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

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 questions have been received from members of the public.

(1) i360

I have been following the financial crisis reported on the i360, is it time to think about a rescue plan before administrators step in leaving egg on the face of the council. What is the true cost to the city in loans and any other investment in it. Is the council prepared to listen to a genuine plan.

Jim Deans

POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 25 Brighton & Hove City Council

Subject:		**i360 June 2019 Loan Payment**
Date of Meeting:		**11th July 2019**
Report of:		**Executive Director, Economy, Environment & Culture**
Contact Officer:	**Name:**	**Max Woodford**
	Email:	**max.woodford@brighton-hove.gov.uk**
Ward(s) affected:		**All Wards**

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 This report sets out the steps being taken by the BAi360 to return the attraction to a financially sustainable footing, and seeks agreement to a sum for the June 2019 payment from BAi360 Ltd towards the PWLB loan from the city council. This payment is pending a long term restructure of the loan expected in Autumn 2019.

2. RECOMMENDATIONS:

2.1 That the Committee notes the progress being made by BAi360 to return the attraction to a financially sustainable footing.

2.2 That the Committee agrees to defer up to £1.342 million of the total payment due on 30 June 2019.

2.3 That the Committee agrees not to take default action at this stage in relation to the failure to hit the financial ratios set out in the loan agreement.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 The i360 opened to the public on 4 August 2016 and has since carried well over one million visitors. It has also generated direct additional income for the council which has been or will be reinvested in the seafront; in particular in the landscaping of the council owned land around the i360, contributions towards the refurbishment of the Madeira Terraces and festoon lighting along the seafront.

3.2 However, recent reports to this committee have noted that visitor numbers have been lower than anticipated; and in particular they were lower than forecast through 2018, in keeping with a number of indoor attractions in the city, such as the Royal Pavilion, which suffered falls in visitor numbers despite it being a very hot summer. This meant that the i360 was not able to make the full anticipated 30th June 2018 and 31st December 2018 payments to the city council of both the loan repayment and the margin.

3.3 PR&G committee agreed to defer £0.570 million of the £1.492 million due on 30th June 2018. The £0.922 million payment made by the BAi360 enabled the council to pay the PWLB amount owing that month.

3.4 Then in December 2018 PR&G Committee agreed to defer £0.880 million of the £1.492 million total payment due on 31st December 2018.

3.5 On both previous occasions when the Council agreed to defer payments, it also agreed not to take default action in relation to the failure to achieve the financial ratios set out in the loan agreement. This Committee is asked to repeat this decision.

3.6 The Council has instigated work to consider restructuring the loan in the long term to protect the council's position and maximise the returns on the loan payment. GVA (now known as Avison Young) were appointed to work on financial modelling with a view to arriving at a preferred recommendation for restructuring the loan. They produced an initial report which was noted by Committee in December 2018. However, without a better understanding of the BAi360's plans to turn around its performance – and the visitor numbers that might support – GVA were not able to recommend a restructure option to the December 2018 PR&G meeting. Likewise, they were also not able to advise whether the city council should step in to take control of the i360. They did advise that stepping in is not necessarily the option that would result in the city council getting the largest amount of its money back as it could immediately result in a write down of the value of the asset.

3.7 For this reason, PR&G Committee decided in December 2018 that the city council should defer any loan restructure until after the summer season of 2019 to take a view on the steps the i360 Board were taking to improve visitor numbers. In doing so it was proposed the city council would also defer any elements of loan payments in that period (i.e. the June 2019 payment) which the i360 is unable to make whilst remaining financially solvent. The committee decided that officers should return with this report to PR&G Committee to determine the amount of deferral at the end of June 2019.

3.8 The December 2018 PR&G report also set out that the city council had appointed visitor attraction specialists LDP to look into the existing and potential commercial performance of the attraction and to advise on whether the i360 is taking all available steps to maximise income and enable it to meet its obligations to the council under the loan agreement. LDP found that the attraction was underperforming in key market sectors, and that this could be attributable to a lack of marketing spend. If the i360 were to be performing at the expected level for an attraction of this type, and therefore having the expected degree of market penetration, then it should be achieving visitor figures of 433,204 by 2020/21 and 486,419 by 2021/22. This level of visitor number would enable the i360 to pay all of the PWLB element of its loan from 2021/22.

3.9 For this reason it was it was also recommended that the i360 be set a number of key performance indicators to show that the board has considered both the advice of LDP and is enacting its own plan for a turnaround in visitor number. These KPIs included:

- Marketing spend should be on target to reach 8% - 10% of revenue over the year.
- A clear marketing strategy for the effective spend of that budget should be in place and be delivered.
- Visitor numbers should remain on target to hit 364,860 by the end of the 2019/20 financial year.
- The i360 Board should show an ongoing commitment to ensuring it has the relevant skills and experience sitting around the table.

3.10 At the end of May 2019 the Chair of the i360 Board wrote to the chief executive setting out the various actions have been taken since December 2018, to drive performance at the BAi360 (Appendix 1). This note sets out that a new management team have been appointed, a new Head of Marketing and an enhanced marketing budget. Officers continue to sit as observers at board meetings and have noted the increased skills that have been brought into both the organisation and the board.

3.11 The note sets out how the Board has addressed the suggestions in the LDP report, and how they have managed to cut their cost base while still remaining a Brighton Living Wage employer.

3.12 The steps taken to improve performance will not have an immediate effect. Steady growth over a number of summer seasons would be necessary to get the BAi360 onto a sustainable financial footing. However, the spring months of 2019 have seen a growth in visitor numbers, and the projections are that they will be in line with or above the figures LDP suggested they can reach, and would need to reach to be able to pay back the PWLB element of the city council's loan.

3.13 The June loan payment is always more of a challenge for the BAi360 than the December one as the summer season has not got into full swing and it covers the period of the January maintenance close-down where there is no income at all. Furthermore, due to the slow nature of any turnaround, and the additional money that the board is investing into marketing, the cash flow situation at the BAi360 means that there will need to be a deferral of a considerable element of the June payment. The i360 are expected to make a payment of at least £150,000 on the 28 June (officers will update the Committee orally on whether this payment was made). They state that they hope that they will pay more, but this will be dependant on trading in June. This would therefore require a deferral of up to £1.342 million. The city council would expect this to be a lowest payment we receive before the improved performance starts to work through to an improved cash-flow situation.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 A report will be brought to a future PR&G Committee meeting before the December payment is due, setting out a proposed option for a long-term loan restructure. The report last December on work done by GVA, in discussion with LDP, had resulted in all options available being reduced down to the four options set out in that report, but it was decided that the council's financial interest was best served by giving the i360 time to get itself onto a more financially sustainable footing. GVA will produce a final report making a recommendation to the Council in the Autumn.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 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 BAi360 has been a catalyst for regeneration, both on the seafront and in the wider city and will be into the future, no matter what happens with the way the attraction has been financed. It has had a strong positive impact on the city's visitor economy while also delivering new funding streams that the city council would not otherwise benefit from. It is an iconic structure that has quickly become a key part of Brighton & Hove's global brand and imagery.

6.2 Strong steps have been taken towards turning around the financial performance of the attraction. However, due to the fact that this will take time to have an effect, and the fact investment in marketing has been necessary, it is recognised that the June payment will require a deferral. Officers will return with a report before the December payment is due setting out how the loan should be restructured in the long term to protect the city council's financial position.

7. FINANCIAL & OTHER IMPLICATIONS:

<u>Financial Implications:</u>

7.1 The original loan to the i360 included the principle, rolled up interest during construction, and arrangement fees totalling £36.222 million. The loan was planned to be repaid on an annuity basis to the 30 June 2041 including a market interest resulting in 6 monthly payments of £1.492million which includes both capital repayment and interest

7.2 The council, like any market lender, needs to take such action as required to recover the maximum debt outstanding. A number of options are being explored, however debt restructuring once a turnaround in performance is demonstrated, is the basis on which deferred payments are being recommended. To facilitate this, payment deferrals totalling £1.450 million were approved by this committee during 2018. The latest deferral was anticipated in December 2018 although the amount was unknown at that time.

7.3 Advice from visitor attraction specialists LDP suggested that low surpluses would be expected during a period where marketing expenditure has been incurred for longer term gain. As the attraction's cashflows are lower in the first 6 months of the year, the funds available to service the debt are lower and the proposed payment of £0.150 million of the £1.492 million due, reflects this. As a result the proposed June deferral is £1.342 million. If approved, this deferral will allow more time to obtain assurance over the ongoing viability of the attraction - and in turn its ability to make debt repayments.

7.4 The proposed payment shortfall of £1.342 million in June 2019 coupled with the deferred payments in 2018 have a cashflow impact on the council reducing the council's investment income. Interest will be charged on deferred payments in line with the loan agreement to offset this loss and this interest will be included in any proposed debt restructuring.

7.5 The outstanding debt is funded from a combination of external PWLB loans and rolled up marginal interest. The PWLB debt repayments are £0.922 million every 6 months and the marginal interest forms part of the i360 reserve. This reserve increases as each payment becomes due however, given the financial position of the i360 Ltd and the amount of debt deferred, no new commitments can be made against this reserve until a viable option to recover all outstanding debt is agreed. The councils draft Statement of Accounts for 2018/19 include provision for financial risks associated with the outstanding debt.

7.6 In addition to the loan, the ongoing viability of the i360 has a number of other financial implications for the council. The council receives a 49% share of the business rates from the attraction and potentially benefits from increased parking revenue from Regency Square car park.

Finance Officer Consulted: James Hengeveld Date: 12/06/19

<u>Legal Implications:</u>

7.7 The Council wrote to the i360 ahead of the 28 June to inform them that officers intended to take a report to the Council's Policy, Resources & Growth Committee on 11 July 2019 and to make it clear that in the meantime they should not take the Council's receipt of the £150,000 payment as agreement that the Council will defer the June payment.

7.8 The options for enforcing the council's security were set out in the report which went to PR&G in June 2018.

7.9 Loan arrangements such as this comply with state aid law if they meet the market economy operator principle (MEOP). The council is required to act in a similar manner to a commercial investor in the same circumstances. The final report from GVA will make a recommendation which they will confirm meets the MEOP test.

7.10 It is lawful to defer payment in these circumstances as a commercial lender would explore in detail the options before settling on a preferred option to take forward.

7.11 In order to protect its position, the council has sent a reservation of rights letter to i360 in relation to the deferral in June 2018 and December 2018 and will send a further letter in relation to the deferral in June 2019 if the recommendations in this report are agreed. The Council continues to take external legal advice in relation to the loan arrangements to ensure it complies with state aid law and to support the council to achieve the best commercial outcomes.

Lawyer Consulted: Alice Rowland Date: 26/06/2019

Equalities Implications:

7.12 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:

7.13 The i360 is low energy use 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.

Any Other Significant Implications:

7.14 All significant implications are dealt with in the body of the report.

SUPPORTING DOCUMENTATION

Appendices:

1. BAi360 Business Overview – May 2019

Business Overview – May 2019

Various actions have been taken since December 2018, to drive performance at the British Airways i360. In summary;

- A new General Manager, Ian Hart, was appointed in January who has brought a more commercial and professional approach to operating the attraction. We have 5 Strategic Goals.

  Awareness – Improve through effective & targeted marketing
  Guest Experience – enhance every aspect of the customer journey / experience
  ensure that the customer is at the heart of everything we do
  Operational Efficiency – maximise through planning, improved processes and leadership
  Team Development – ensure a highly trained and motivated team
  Commercial Focus – ensure every decision is commercial with ROI consideration

- Increased awareness of the attraction and venue with the spend on marketing increasing to £500,000, in line with the LDP recommendation. A new Head of Marketing has been appointed who has been involved in the development of the new marketing plan. We have adopted a more focused and targeted approach. Employed a creative agency to develop a new creative, revised brand logo and brand advertising. Employed a digital agency to help develop and implement our digital strategy and improve our digital reach / conversion / transactions. Our digital reach is now 100,000.

- We have negotiated and signed a new contract with Sodexo to take over the complete operation for food beverage and event management on the site. This should improve performance and increase profitability of this part of the business. The contract underpins profit with a guaranteed minimum in place.

- All team roles and responsibilities have been reviewed and revised to ensure efficient management of the business.

Visitor Numbers

Performance in visitor numbers started to improve marginally in February. In March we achieved growth of +8% vs LY and April achieved growth of +32% vs LY. This is a clear indication that strong growth is achievable and should continue to grow as the key elements of the marketing campaign start to take effect in June and through the peak summer months. Our current forecasts are:

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
LDP Projection	290,049	364,860	433,207	484,419	491,850	497,371
i360 Budget	320,000	390,000	450,000	495,000		

With the 2018/19 year ending at the end of June we are reasonably confident in the budget numbers for this year. These will be 10% above the LDP projection. We have applied realistic growth numbers over the next 3 years which results in us outperforming the LDP numbers every year and achieving the LDP visitor number forecast for year 5, by year 3.

We expect to be able to make a payment to the Council at 30 June 2019 of not less than £150,000. If visitor numbers and therefore revenues in June hold up to our current forecast the figure will be greater.

LDP Report Recommendations

Engage the guests with the views

We have been working in improving the flight experience for our guests. We are in the process of developing some clip-on signage boards to be installed in the POD to help guests understand the view, highlighting key aspects. In addition, we have reviewed the previous App, improved it and will be re-launching it for July. It will be available in 10 languages. The current mini guide is also being updated in time for our peak season.

As part of the wider guest experience we have also trialled and will soon be implementing security gates which make the customer experience better and quicker whilst reducing our costs, as less manpower will be required.

More penetration of the secondary market

Whilst maintain a strong presence within Brighton, we have increased our activities in the wider South East and London area. We have targeted advertising in main rail stations from Victoria station in London to Burgess Hill. We have digital advertising on screens within key Waitrose and Sainsbury stores. We have upweighted leaflet distribution across all of Sussex including the key commuter towns, from Guildford in the west to Tunbridge Wells in the East. These are located in other visitor destinations, cafes, restaurants and hotels. We also have leaflets in service stations on the M25 including Cobham.

In addition, we are maintaining a strong presence within Brighton to capture residents and visitors, with advertising on buses, digital screens both inside and outside the Churchill Shopping Centre and a number of banners along Queens Road, from the station down to the city centre. This is being supported by leaflet campaigns.

Room for improvement across the international market

This is an area where joint partnerships are key as we need to be a part of a wider offer for Brighton including other activities and accommodation. We are working closely with both Visit Brighton and Tourism South East, in particular with the United Stated of America market, In addition we are targeting the Chinese travel market in collaboration with Visit Brighton and the Nordic and near Europe countries including France, Germany, Belgium and Holland , with Tourism South East.

We are continuing to work with the strong presence of Language schools in Brighton.

Our overseas press overview has also been improved, now available in four additional languages to English; German, French, Spanish and Simple Mandarin. This is being well received by visiting journalists and helping drive increased coverage for the BAi360 and Brighton.

Strategy & campaigns aligned with attraction industry best practise

As part of this we have applied for accreditation with Visit England – Visitor Attractions. We are currently awaiting their assessment and hopefully their quality standard award.

We have also commissioned some customer research with DJS, both onsite and online. This should give us further insight to enable us to improve further, and ensure we provide the best possible experience.

We have launched three core messages to communicate to all potential visitors; Brighton's Best Views, Brighton's Best Sunset and the South Coasts Highest Bar. Our logo is shortly to be updated to achieve two things. Firstly, to say what we are ie BAi360 Viewing Tower and secondly to ground us in Brighton with the strap line Brighton's Best Views.

Pricing in line with expected with modest price increase

We took the decision to hold the headline price at £16:50 for 2018 and will hold that price for 2019. After that we will review and may look to increase it to £16.99. Our aim to maintain our yield that the LDP report stated was high. This will be achieved by ensuring that our promotional activity is not all about discounts but about value for money and enhanced experience. We sit very competitively priced within the market.

Concession Income forecast growth of 1.5%

Having negotiated the new deal with Sodexo to operate all food and beverage and manage the event space, we have the real opportunity to drive performance much higher than the LDP forecast. From a base number this year of £315,000 the growth over the next 3 years predicted by Sodexo is:
2019/20 £393,000
2020/21 £595,000
2021/22 £684,850

Sponsorship

Despite the agreed reduction in the sponsorship fee to reflect the reduced visitor numbers last year and this, our relationship with British Airways remains strong and supportive. The initial 5-year deal ends in August 2021.

Staff costs

Having reviewed the team numbers and structure we have reduced the size of the team and subsequently made some cost savings. The staffing costs for 2018/9 will be just under £1.7M., reduced from the £1.9m in the LDP report. As a % of revenue the LDP forecast was 37.5% for 2018/19. Our actual ratio is 33.5%.

We continue to be a Brighton living wage employer.

Expenses

We have increasingly got a better understanding of all costs and have developed a more robust budgeting and monthly control process. This will ensure tight control of costs going forward. This year 2018/19 demonstrates good control, and are better than the LDP forecasts.

	i360	LDP
Repairs & Maintenance	3.4%	4 - 5 %
Utilities	2.6%	3%
Insurance	2.8%	3%
Other Costs	16%	16%

The total operating cost for the year 2018/19 will be 63.5% of total revenue. The LDP forecast for this year was 68%. This shows that operating costs are being well controlled and are not excessive.

POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 26 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) Provisional Outturn 2018/19**	
Date of Meeting:		**18 July 2019**	
Report of:		**Executive Director of Finance & Resources**	
Contact Officer:	**Name:**	**Nigel Manvell**	**Tel: 29-3104**
	Email:	**nigel.manvell@brighton-hove.gov.uk**	
Ward(s) affected:		**All**	

FOR GENERAL RELEASE

1 SUMMARY AND POLICY CONTEXT:

1.1 The Targeted Budget Monitoring (TBM) report is a key component of the council's overall performance monitoring and control framework. This report sets out the provisional outturn position (i.e. Month 12 year-end) on the council's revenue and capital budgets for the financial year 2018/19.

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) by 31 May 2019 and the audited set approved by the Audit & Standards Committee by 31 July 2019.

1.3 In summary, the council has achieved a provisional outturn underspend of £0.111m on its General Fund services, which also enables release of the financial risk safety net of £1.500m held for 2018/19 but not required. The full release of the financial risk safety net was assumed to be achievable when setting the 2019/20 budget as at Month 9. The provisional outturn therefore represents an improved resource position of £0.111m. The improvement relates to a small number of significant movements detailed in the report and appendices.

1.4 The position demonstrates that the council continues to plan and manage its resources effectively and remains financially resilient without resorting to the use of reserves. This is in an environment of significant financial challenges, including the achievement of over £11m savings during the year. This is important in the context of growing pressures on demand-led services, the requirement to achieve further substantial savings, and uncertainties over funding in future years, particularly concerning business rates and the longer term funding of health and social care with health partners. An outturn position within budget is also important to satisfy external scrutiny including the opinion of the external auditor on the council's financial resilience and arrangements for effective medium term financial planning.

2 RECOMMENDATIONS:

2.1 That the Committee note that the provisional General Fund outturn position is an underspend of £0.111m and that this represents an improvement in resources of £0.111m compared to the projected and planned resource position at Month 9 taken into account when setting the 2019/20 budget.

2.2 That the Committee note the provisional outturn includes an overspend of £1.057m on the council's share of the NHS managed Section 75 services.

2.3 That the Committee note the provisional outturn for the separate Housing Revenue Account (HRA), which is an underspend of £1.031m.

2.4 That the Committee note the provisional outturn position for the ring-fenced Dedicated Schools Grant, which is an underspend of £0.804m.

2.5 That the Committee approve carry forward requests totalling £2.745m as detailed in Appendix 5 and included in the provisional outturn.

2.6 That the Committee approve the creation of 3 earmarked reserves as set out in paragraph 6.2.

2.7 That the Committee agree to allocate £0.100m of the outturn underspend to support completion of Subject Access Requests (SARs) as set out in paragraph 6.

2.8 That the Committee note the provisional outturn position on the capital programme which is an underspend variance of £1.278m.

2.9 That the Committee approve the capital budget variations and slippage requested in Appendix 7.

3 RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Change in resources since Month 9 (Budget Setting)

3.1 The forecast outturn position at Month 9 was an overspend of £0.381m against which there was available a one-off financial risk safety net of £1.500m, giving a net position of £1.119m underspend. When setting the 2019/20 revenue budget, the overspend was assumed to improve to a break-even position meaning that the amount of one-off resources available to support the budget was £1.500m i.e. equivalent to the release of the full financial risk safety net. This assumed resource was fully allocated in the setting of the 2019/20 budget.

3.2 In essence therefore, when considering the provisional outturn position, only the movement from the assumed break-even position is relevant. The table in paragraph 3.6 below shows that the provisional outturn on the General Fund is an underspend of £0.111m which, subject to approval of the carry forward requests in this report, means that £0.111m additional one-off resources are available compared with Month 9.

3.3 The remainder of this report is in the standard TBM format and compares the movement from Month 9 to outturn as normal.

Targeted Budget Management (TBM) Reporting Framework

3.4 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 & Growth Committee. Services monitor their TBM position on a monthly or quarterly basis depending on the size, complexity or risks apparent within a budget area. TBM therefore operates on a risk-based approach, paying particular attention to mitigation of growing cost pressures, demands or overspending together with more regular monitoring of high risk 'demand-led' areas as detailed below. At year-end the TBM report will additionally include consideration of the treatment of any underspend or overspend with recommendations to the committee.

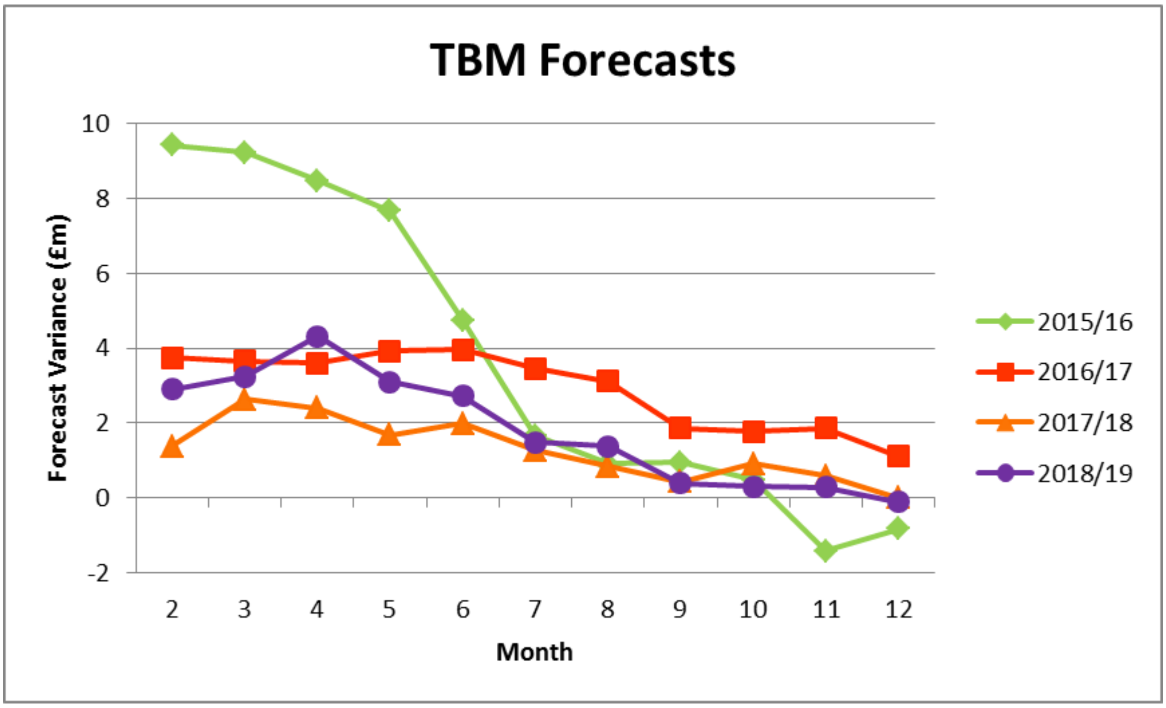
General Fund Revenue Budget Performance

3.5 Appendix 2 provides a high level RAG (Red/Amber/Green) rating of financial performance for each major service heading. 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 Appendices 3 and 4.

3.6 The General Fund includes general council services, corporately-held budgets and central support services. Corporately-held 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).

Forecast Variance Month 9 £'000	Directorate	2018/19 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(790)	Families, Children & Learning	84,780	83,979	(801)	-0.9%
2,029	Health & Adult Social Care	52,979	55,733	2,754	5.2%
23	Economy, Environment & Culture	18,784	17,399	(1,385)	-7.4%
(320)	Neighbourhood, Communities & Housing	11,557	11,187	(370)	-3.2%
(248)	Finance & Resources	21,874	21,390	(484)	-2.2%
(84)	Strategy, Governance & Law	5,736	5,669	(67)	-1.2%
610	Sub Total	195,710	195,357	(353)	-0.2%
(229)	Corporately-held Budgets	934	1,176	242	25.9%
381	Total General Fund	196,644	196,533	(111)	-0.1%

3.7 The chart below shows the monthly forecast variances for 2018/19 and the previous 3 years for comparative purposes. To ensure a like for like comparison of the underlying position, the data for the 3 years excludes the allocation of risk provisions.

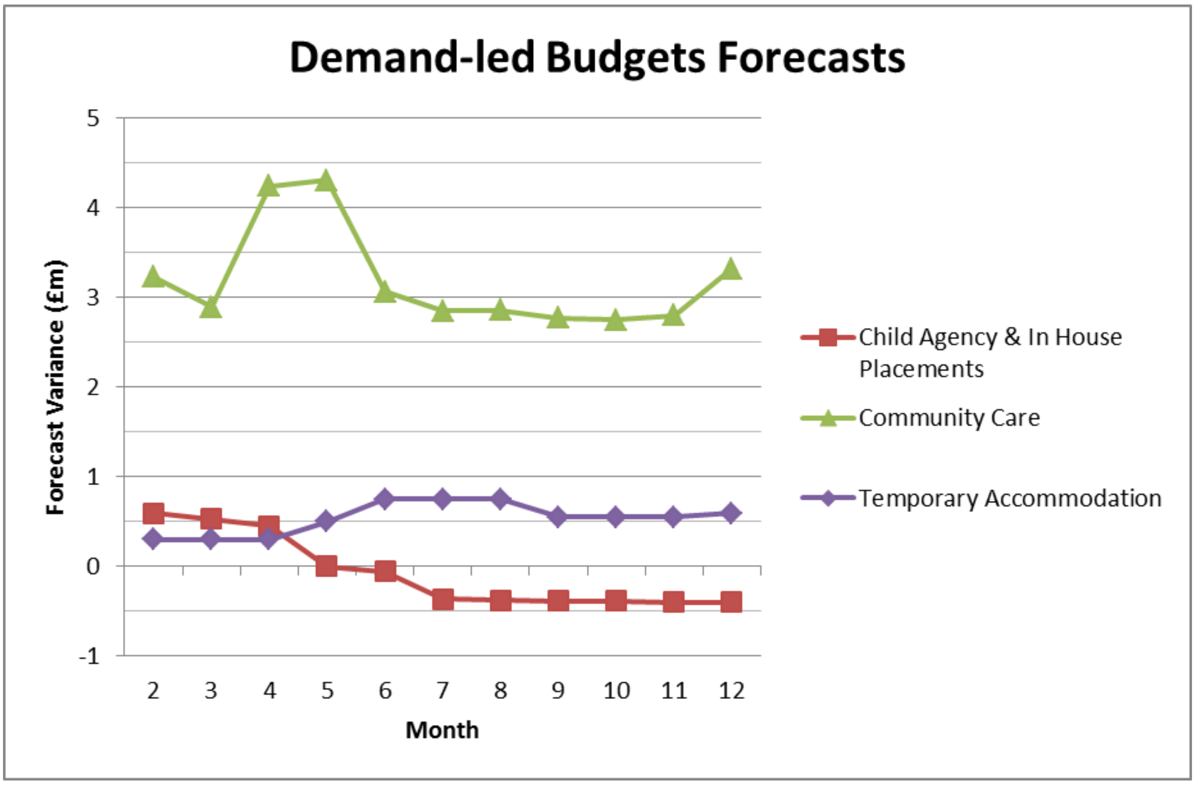


Demand-led Budgets

3.8 There are a number of budgets that carry potentially higher financial risks and therefore could have a material impact on the council's overall financial position. These are significant budgets where demand or activity is difficult to predict and where relatively small changes in demand can have significant implications for the council's budget strategy. These therefore undergo more frequent and detailed analysis.

Forecast Variance Month 9 £'000	Demand-led Budget	2018/19 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(389)	Child Agency & In House Placements	22,448	22,042	(406)	-1.8%
2,772	Community Care	55,658	58,974	3,316	6.0%
550	Temporary Accommodation	2,884	3,476	592	20.5%
2,933	Total Demand-led Budget	80,990	84,492	3,502	4.3%

3.9 At this stage of the year it is important to monitor underlying trends in the context of the 2019/20 budget for which £10.883m service pressure funding for demand-led budgets was provided, reflecting the pressures on these budgets indicated above. The chart below shows the monthly forecast variances on the demand-led budgets for 2018/19.



Summary of the position at Outturn

The main pressures identified during the year were across Learning Disability, Adult Social Care, IT & Digital, Homelessness, and City Environmental Management services as summarised below:

3.10 **Children's Services:** The initial forecast budget risk across Families, Children & Learning was £2.382m, primarily resulting from increased demand pressures on adults with learning disabilities, services for children leaving care and costs relating to social work. Subsequently, the directorate put together a financial recovery plan to address the financial risks. There were significant financial pressures on services for adults with learning disabilities. In addition, there were a number of significant financial risks in supported employment and services for children with disabilities. These were closely monitored and had an adverse impact on the Families, Children & Learning Directorate 2018/19 budget position. However, the considerable success of measures put in place to improve spending decisions and value for money, particularly in social work and placements for children in care mitigated these budget risks.

The final position showed overspends of £0.302m on services for Adults with Learning Disabilities, £0.587m on services for Children with Disabilities; £0.210m on Home to School Transport and £0.174m on Able & Willing. However, there were significant underspends on Social work and legal costs (£0.814m) and Children's placement costs (£0.641m).Together with other variances (£0.619m), this results in a final outturn underspend of (£0.801m) as at the year-end.

3.11 **Adults Services:** The service has faced significant challenges in 2018/19 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 the provider market. This is alongside delivering a significant budget savings programme and developing integration plans through the Better Care Fund.

- The outturn position is an overspend of £2.754m after the implementation of a number of initiatives to improve the financial stability of the directorate in previous years, which have helped to contain the risk. The recovery measures 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.

- There was focus nationally on improving rates of hospital discharge in preparation for winter that leads to increasing financial pressure. There are also continued potential forecast risks concerning increased complexity of need and pressures on the in house older people resource centres. Service pressure funding and improved Better Care funding have partly mitigated the risk for this financial year.

- The outturn position includes the fee uplifts agreed at Health & Wellbeing Board on 30th January 2018 across care in the community and residential care. In order to manage the local market and address the significant under-supply of providers in the city who will accept publicly funded residents, fee increases were essential.

- At the end of the financial year, £1.478m of the total approved budget savings of £3.416m were not achieved.

- Service pressure funding of over £4.000m, including the Adult Social Care precept, has been applied in 2018/19 and used to fund budget pressures resulting from: increased demands and complexity; DoLS assessment costs; national living wage and fee rate cost increases. In addition, the one-off Adult Social Care Support grant of £0.768m and winter pressures funding of £1.229m have been used to augment the pressure funding. However, £1.610m was needed to offset the reduction in one-off iBCF funding this year, £1.000m to cover the withdrawal of CCG funding contributions and £0.500m for the reduction in the Public Health grant. Over the last two years there has been an overall £2.900m reduction in CCG funding for social care services (excluding significant reductions in Continuing Health Care funding agreements). In addition, there is a further recurrent reduction in CCG funding in 2018/19 of £1.1m as part of a £14m savings target across the CCG.

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. This forms a key part of the savings implementation plan. Adult Services are also using benchmarking information to support the driving down of unit costs but are faced with increased complexity and demand (demographic) growth which is also a national picture. Through regional and other social care networks the service has been looking at best practice in delivering cost effective services in order to influence future direction - this includes demand management strategies and identifying opportunities through Housing provision.

3.12 **Housing Services and Temporary Accommodation:** The outturn position for 2018/19 is an overspend of £1.030m (Month 9 forecast was an overspend of £0.900m). This overspend can be met from the Flexible Homelessness Support grant. The major overspends are £0.592m on Temporary Accommodation (Month 9 forecast overspend £0.550m) and £0.388m on Seaside Homes (Month 9 forecast overspend £0.150m).

The Temporary Accommodation overspend is driven by higher than budgeted volumes and costs of temporary accommodation due to the continuing local pressures and bedding in the statutory requirements of the Housing Reduction Act. The number of households in temporary accommodation has reduced by over 200 units but it has not decreased to the expected levels when the budget was set.

The Seaside Homes overspend is a combination of property costs (mainly buildings insurance) for which service pressure funding of £0.150m has been provided for 2019/20. The remainder of the overspend is due to lower income collection following the impact of Universal credit and void losses due to higher churn as households are moved on from temporary accommodation. The service is focusing on how to improve income collection, which may be more difficult as Universal Credit is rolled out and the benefit payment for rent is not always paid directly to the landlord.

The £1.300m trailblazer project has delivered some reductions in accommodation volumes in 2018/19. This has been extended into 2019/20 and, combined with the funding the council has received from the government's Private Rented Sector Access Programme, should deliver more reductions in 2019/20 and beyond.

The aim is to both deliver a further reduction in the numbers of households in temporary accommodation and shift the accommodation provided away from higher cost units (such as spot purchase or emergency accommodation) by the end of 2019/20.

3.13 **Environment, Economy & Culture:** The directorate experienced a number of pressures across CityClean services. Pressures in CityClean concerned higher non-contracted overtime and agency staffing to cover vacancies and sickness, increased fuel costs and higher vehicle maintenance costs, as well as income pressures for commercial waste and fleet workshop services. There were favourable variances in all other service areas contributing to an overall net underspend position across the directorate; in particular parking services achieved a large underspend due to vacancies and an over-achievement of income, largely related to bus lane enforcement. During the year, the directorate looked at all available options to mitigate increased costs and income shortfalls and developed some successful financial recovery measures, the effects of which contributed to the outturn position.

Carry Forward Requests (Appendix 5)

3.14 Under the council's Financial Regulations, the Director of Finance[1] 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. Given the council's challenging financial position, carry forwards are only allowed where there is clear evidence of a prior commitment that was not able to be completed or undertaken by the end of the financial year. Fortuitous underspends have not been allowed as carry forwards. Under this Financial Regulation, a total of £0.374m has been agreed for 14 service areas to ensure planned commitments can be met in 2019/20.

3.15 Policy, Resources & Growth Committee approval is required for carry forward requests in excess of £0.050m. These include grant funded and non-grant funded carry forwards totalling £2.745m and have been assumed in the outturn figures above. The principles outlined in paragraph 3.14 above also apply. An analysis of these is provided in Appendix 5 split into two categories as follows:

i) The non-grant funded element of carry forwards totals £0.930m. These items have been proposed where funding is in place for existing projects or partnership working that crosses over financial years and it is therefore a timing issue that this money has not been spent in full before the year-end.

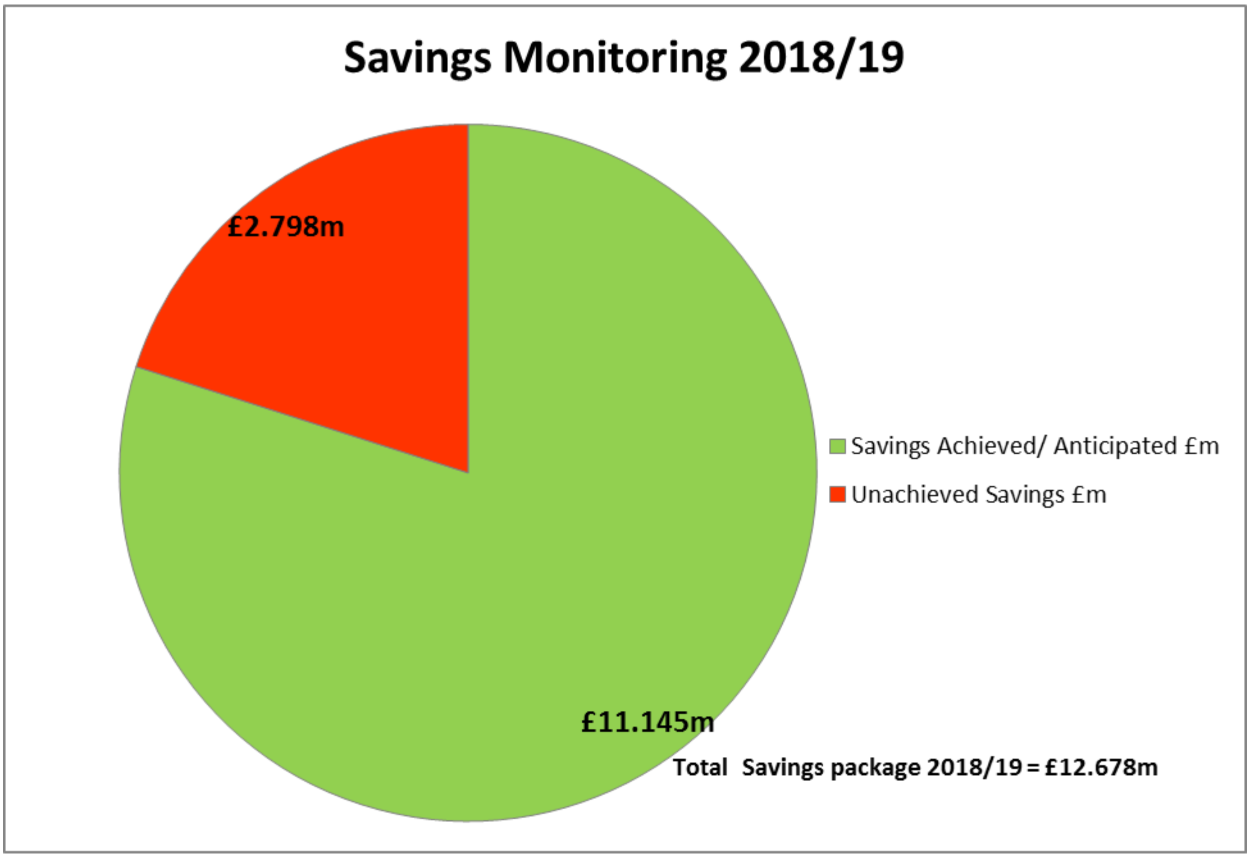
ii) The grant funded element of carry forwards totals £1.815m. Under current financial reporting standards, grants received by the council that are unringfenced or do not have any conditions attached are now recognised as income in the financial year in which they are received rather than in the year 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. Within the total of £1.815m, a sum of £0.804m relates 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

3.16 The savings package approved by full Council to support the revenue budget position in 2018/19 was £12.678m. This follows 7 years of substantial savings programmes totalling over £130m that have been essential to enable cost and demand increases to be funded alongside managing reductions in central government grant funding.

3.17 Appendix 4 provides a summary of savings in each directorate and indicates in total what was achieved or unachieved. Appendix 6 summarises the position across all directorates and presents the entire savings programme. This shows that approximately £11.145m savings were achieved (including over-achieved areas) with £2.798m (22%) unachieved. The areas where savings were most at risk were Children's and Adults social care and Learning Disability services. Service pressure funding in the 2019/20 budget recognises the underlying issues on these services.

[1] Director of Finance is a generic term used in Financial Regulations meaning the Chief Financial Officer or S151 Officer, which in this council is the Executive Director Finance & Resources



Note: Savings achieved/unachieved includes an overachievement of savings of £1.265m.

Housing Revenue Account Performance (Appendix 4)

3.18 The Housing Revenue Account (HRA) is a separate ring-fenced account which covers income and expenditure related to the management and operation of the council's housing stock. Expenditure is primarily funded by Housing Benefits (Rent Rebates) (approx. 61%) and Council Housing tenants' rents (approx. 39%). The provisional outturn is an underspend of £1.031m and more details are provided in Appendix 4.

Dedicated Schools Grant Performance (Appendix 4)

3.19 The Dedicated Schools Grant (DSG) is a ring-fenced grant which can only be used to fund expenditure on the schools budget. The schools budget includes elements for a range of services provided on an authority-wide basis including early years education provided by the Private, Voluntary and Independent (PVI) sector, and the Individual Schools Budget (ISB) which is divided into a budget share for each maintained school. The provisional outturn is an underspend of £0.804m 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.

NHS Managed S75 Partnership Performance (Appendix 4)

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

3.21 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 council's contribution to the risk share for 2018/19 is £1.056m and more details are provided in Appendix 4.

Capital Programme Performance and Changes

3.22 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) Variance: 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) Budget Variations: 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.

iii) 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 & Growth Committee.

v) IFRS changes: 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.

3.23 The table below provides a summary of capital programme performance by Directorate and shows that there is an overall underspend of £1.278 m which is detailed in Appendix 7.

Forecast Variance Month 9 £'000	Capital Budgets	2018/19 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
0	Families Children & Learning	6,934	6,934	0	0.0%
0	Health & Adult Social Care	643	643	0	0.0%
0	Economy Environment & Culture	34,758	34,758	0	0.0%
0	Neighbourhood Comm's & Housing	4,891	4,701	(190)	-3.9%
(551)	Housing Revenue Account	31,345	30,257	(1,088)	-3.5%
0	Finance & Resources	1,512	1,512	0	0.0%
0	Strategy Governance & Law	188	188	0	0.0%
0	Corporate Services	0	0	0	0.0%
(551)	Total Capital	80,270	78,992	(1,278)	-1.6%

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

3.24 Appendix 7 shows the changes to the 2018/19 capital budget. Policy, Resources & Growth 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 Movements	2018/19 Budget £'000
Budget Approved at TBM Month 9	102,890
IFRS Year-end changes (for noting)	(3,223)
Variations (for approval - see Appendix 7)	(454)
Reprofiles (for approval - see Appendix 7)	(13,916)
Slippage (for approval - see Appendix 7)	(5,027)
Total Capital Budget at Outturn	80,270

3.25 Appendix 7 also details any slippage into next year. In total, project managers have forecast that £5.027m of the capital budget may slip into the next financial year and this equates to approximately 6% of the capital budget.

Implications for the Medium Term Financial Strategy (MTFS)

3.26 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 & Growth 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

3.27 Capital receipts are used to support the capital investment programme. For 2018/19 a total of £6.330m capital receipts (excluding 'right to buy' sales) have been received. Disposals during the year include the sale of 13 Roedean Way, 120-124 Vale Cottages at Stanmer, a flat at St. James Mansion, Hollingbury Barn and land at both Foxdown Road, Woodingdean and Wollards Field. There has been a lease premium received at Rowan Avenue and some minor lease extensions at the Marina. The transfer of land at Victoria Road, Hollingbury Library, properties at Greenleas, Drove Road and 84 Coombe Road to the HRA for new homes was also completed. Finally, the completion of the Shoreham Airport deal was finalised during the year.

3.28 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 2018/19 is £7.736m including £6.638m available for replacement homes.

Collection Fund Performance

3.29 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.

3.30 The collection fund for council tax at 31 March 2019 has a deficit of £0.378m which is an improvement of £0.179m (council share = £0.151m) from the forecast deficit of £0.556m from month 9. The reduced deficit arose from a lower than anticipated bad debt provision. The majority of the overall deficit relates to adjustments to prior years' liabilities from exemptions and discounts that have reduced the council tax income. The council's share of the overall forecast council tax deficit is £0.326m.

3.31 The collection fund for business rates at 31 March has a deficit of £4.175m which is a decrease of £0.078m from Month 9. The main elements of the overall deficit are firstly a successful appeal on the Royal Pavilion dating back to the year 2000 rating list which resulted in a refund of £2.458m. Secondly, an appeal court ruling has been made that ATM cash machines should be taken out of the rating list and the estimated cost of removing liability back to 1 April 2010 is £1.880m, which after allowing for the appeals provision held against ATM's represents a net loss of £1.386m. The council's share of the overall forecast business rates deficit is £2.046m and after allowing for the impact of timing differences to Section 31 grant this reduces to £1.644m. The council has set aside £1.214m from the Royal Pavilion refund to offset the council's 49% share of the refund as the council was the beneficiary. Therefore the net unfunded deficit for the council is £0.430m (overall improvement of £0.082m from Month 9).

3.32 The council's share of the combined net deficit across both collection funds is lower than the amount factored into the 2019/20 budget (at month 9) and therefore the improvement of £0.233m will be included in the budget forecast for 2020/21.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The provisional outturn position on council controlled budgets is an underspend of £0.111m including the council's risk-share of the provisional overspend on NHS managed Section 75 services of £1.056m. The overall underspend position will not therefore require the use of reserves and will enable the council to maintain its recommended working balance of £9.000m. The improved resource position since the February Budget Council releases one off resources of £0.111m that can be used to aid budget management and planning for 2019/20 and will be added to General Reserves unless otherwise allocated by the committee.

5 COMMUNITY ENGAGEMENT & CONSULTATION

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

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

6.1 The resource position at outturn has improved by £0.111m compared with the position at Month 9 and assumed in the 2019/20 Revenue Budget report to Policy, Resources & Growth Committee and Budget Council in February 2019. This indicates a favourable position for the financial year and demonstrates effective financial management and resilience in order to satisfy external scrutiny by partners, external auditors and other stakeholders. The position indicates underlying pressures on Adults Social Care and Learning Disability Services that have been addressed in the 2019/20 budget through further service pressure funding. However, the position on these budgets will need close monitoring during 2019/20 to avoid further growth in cost pressures beyond the additional funding provided.

Other Approvals under Financial Regulations

6.2 New Earmarked Reserves: In accordance with sections B.3.1 and B.3.5 of Standard Financial Procedures, the committee is required to approve the creation of new earmarked reserves. The table below details proposed earmarked reserves, which will support ongoing projects that span financial years and which have already been accounted for in the outturn position:

Directorate	Description	Reason for Reserve	£'000
Economy, Environment & Culture	Bike Share Reserve	Reserve required for the council's share of income from the Bike Share scheme which will be held to fund continuation and development of the scheme in future years.	78
Economy, Environment & Culture	Outdoor Events Reserve	Reserve required to set aside funds for the 2021 UEFA women's Football Championships where Brighton & Hove is a host city.	30
Economy, Environment & Culture	Phoenix House Sinking Fund	As part of the transfer of ownership of this West Street property, a built up sinking fund (which is a requirement under the lease terms for service charges) of £0.060m was transferred to the council by being netted off the purchase price. This needs to be held in an earmarked reserve.	60
Total			**168**

6.3 Allocation for Subject Access Requests: In May 2018 the General Data Protection Regulation (GDPR) and the Data Protection Act (2018) came in to force. The aim of this legislation was to give users better control of how their data is used and it increased rights over their personal information. This has significantly increased obligations on organisations handling large volumes of personal data. Specifically, the changes made it free for individuals to submit Subject Access Requests (SARs), therefore removing a significant disincentive, as well as reducing by approximately 25% the time allowed for providing a response. This resulted in the council's SARs compliance rate falling short of the Information Commissioner's Office (ICO) benchmark of 90% of cases responded to within one month. This significantly heightened the risk that BHCC could be issued with a non-compliance financial penalty which is likely to be material. In response, the Executive Leadership Team have identified an urgent need to create a virtual corporate team to manage all SARs sent in to the local authority. A one-off funding allocation of £0.100m is recommended to address immediate concerns and compliance issues through increased staffing while the longer term budget position is reviewed and potentially addressed in the 2020/21 budget setting process if deemed necessary.

7 FINANCIAL AND OTHER IMPLICATIONS

Financial Implications:

7.1 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 Review Group and the management and treatment of strategic financial risks is considered by the Audit & Standards Committee.

Finance Officer Consulted: Jeff Coates Date: 10/06/2019

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.

Following the implementation of the EU General Data Protection Regulation (GDPR) there has been a 98% increase in the number of Subject Access Requests. The Council is obliged to respond to these requests within 40 days and the proposals in the report will assist the Council in meeting this obligation.

Lawyer Consulted: Elizabeth Culbert Date: 10/06/19

Equalities Implications:

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

Sustainability Implications:

7.3 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 break-even position or better is therefore important in the context of ensuring that there are no adverse impacts on future financial years from performance in 2018/19.

Risk and Opportunity Management Implications:

7.4 In 2018/19 the council's revenue budget and Medium Term Financial Strategy contained risk provisions to accommodate emergency spending, even out cash flow movements and/or meet unexpected changes in demands. The council maintains a recommended minimum working balance of £9.000m to mitigate these risks. The council also maintains other general and earmarked reserves and contingencies to cover specific project or contractual risks and commitments.

SUPPORTING DOCUMENTATION

Appendices:

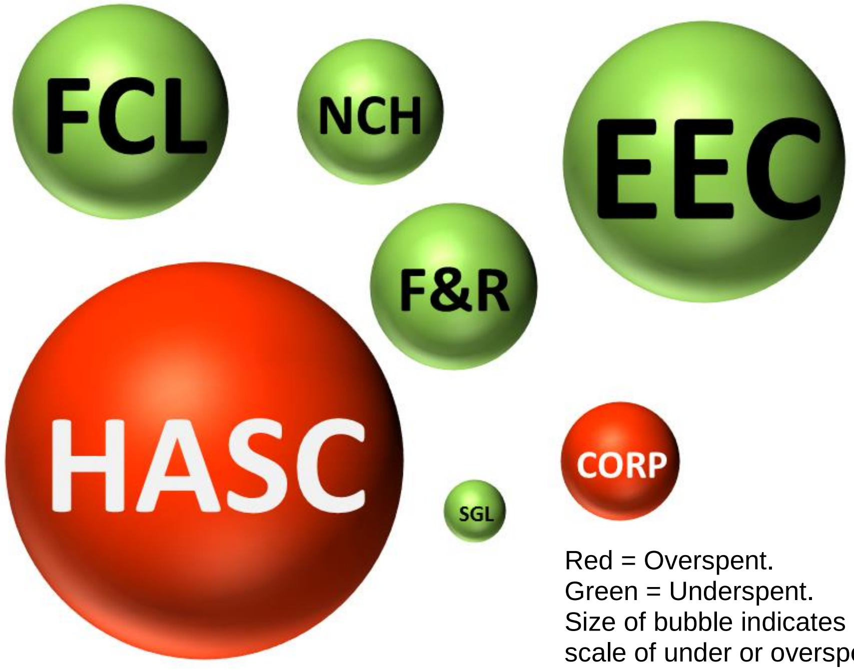
1. Financial Dashboard Summary
2. Revenue Budget Performance RAG Rating
3. Revenue Budget Movements since Month 9
4. Service Revenue Budget Performance
5. Year-end Carry Forward Requests
6. 2018/19 Savings Progress
7. Service Capital Programme Performance

Documents in Members' Rooms:

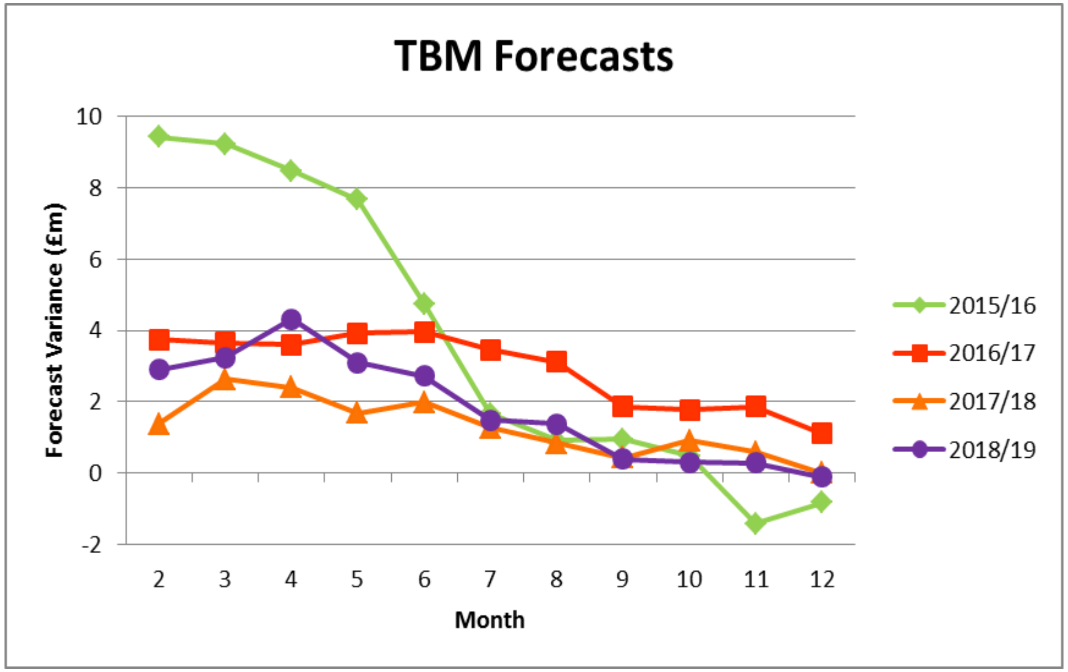
None.

Background Documents

None.

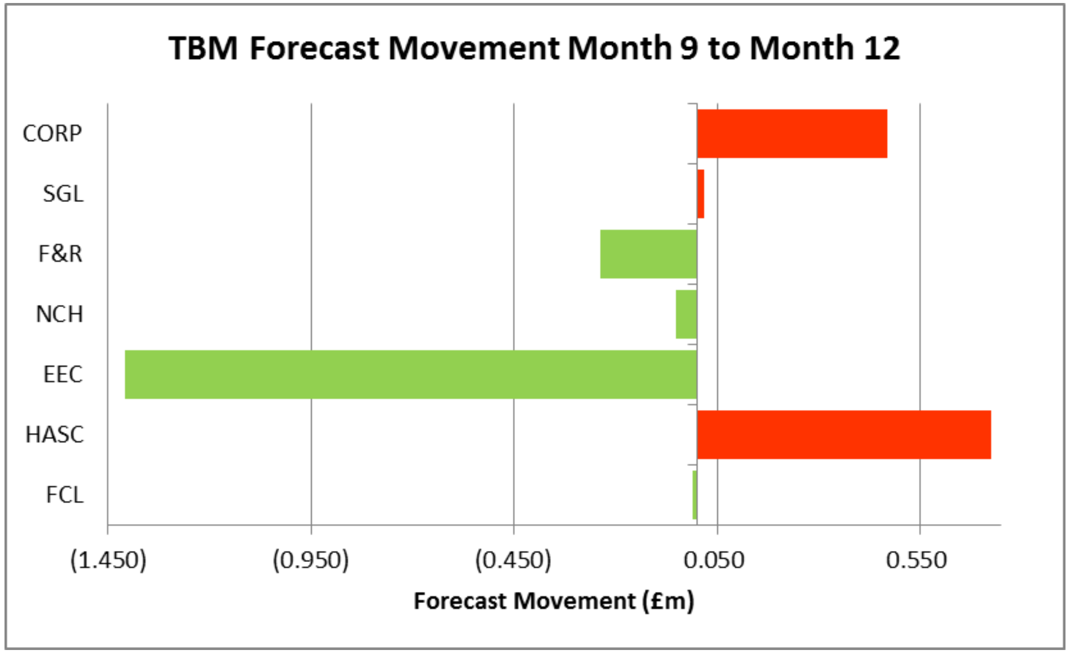


Red = Overspent.
Green = Underspent.
Size of bubble indicates scale of under or overspend.

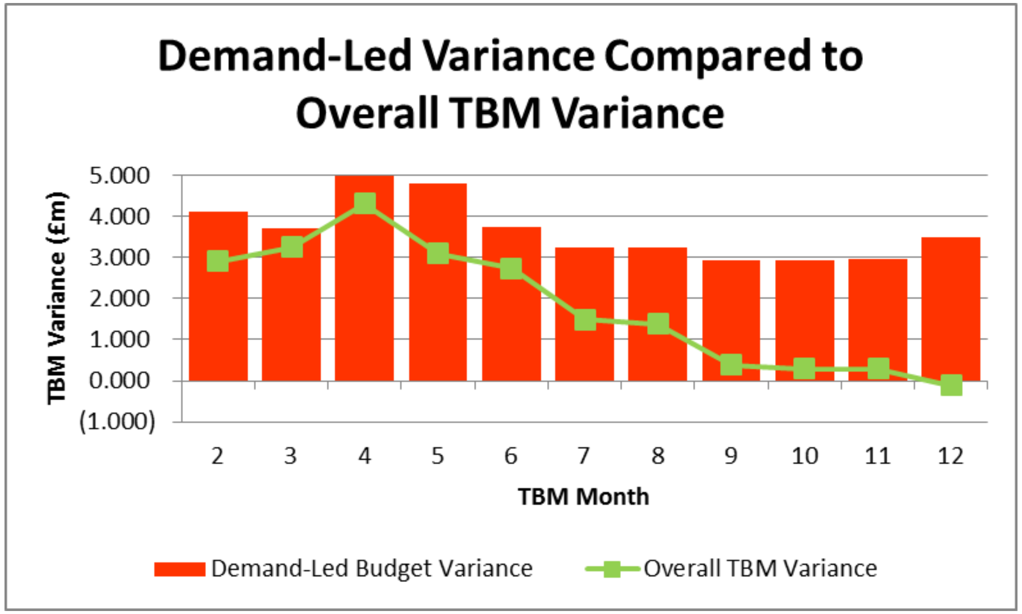


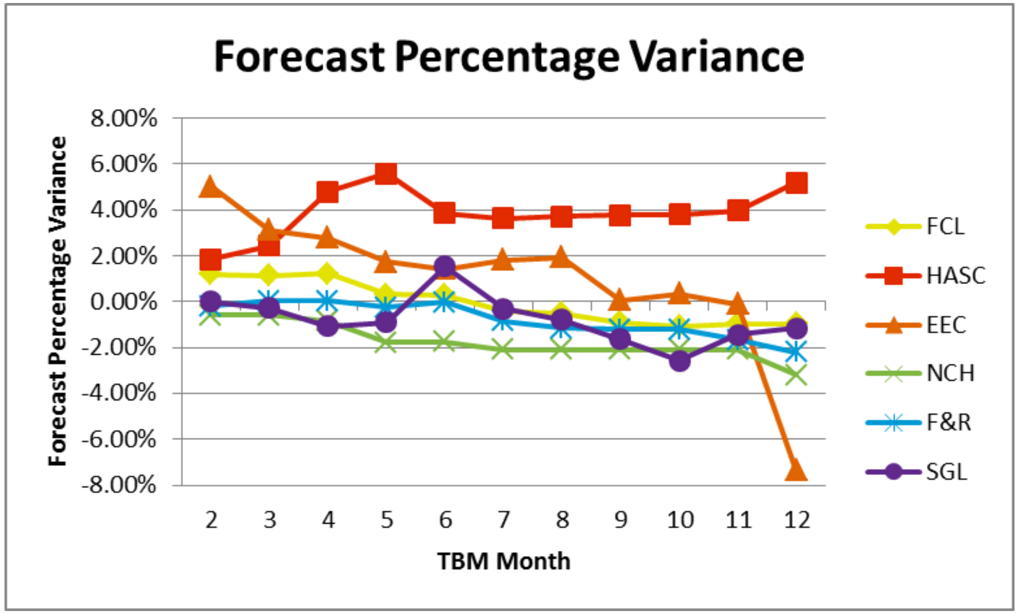
Direction of Travel

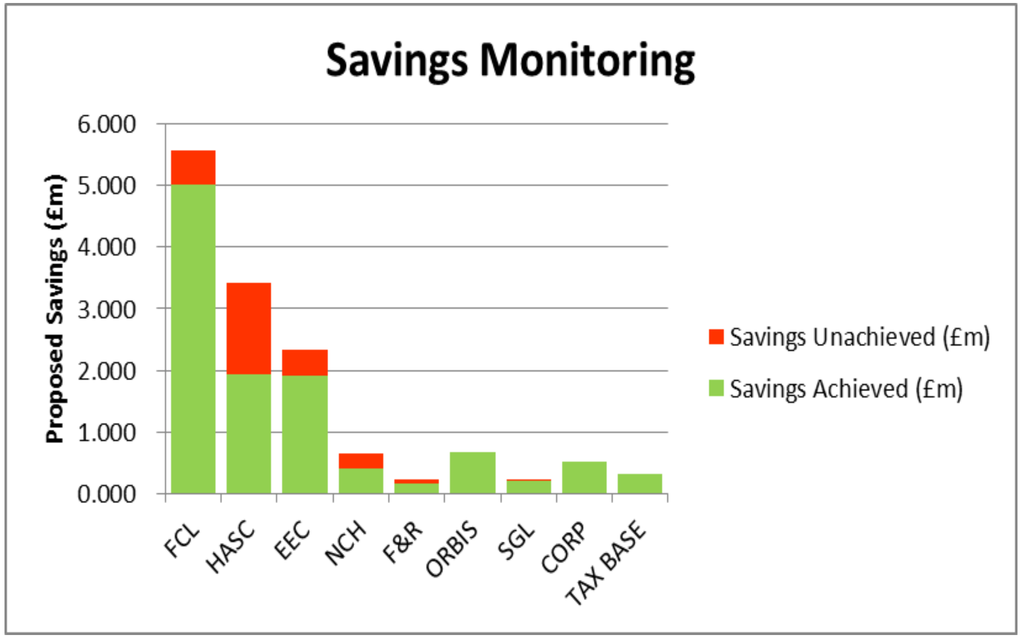
Directorate/Fund	Provisional Variance Month 12	Provisional Variance Month 12	Change From Month 9	RAG Rating Month 12
	£'000	%		
General Fund Services:				
Families, Children & Learning	(801)	-0.9%	↑	Green
Health & Adult Social Care	2,754	5.2%	↓	Red
Economy, Environment & Culture	(1,385)	-7.4%	↑	Green
Neighbourhood, Communities & Housing	(370)	-3.2%	↑	Green
Finance & Resources	(484)	-2.2%	↑	Green
Strategy, Governance & Law	(67)	-1.2%	↓	Green
Corporately-held Budgets	242	25.9%	↓	Red
Total General Fund	(111)	-0.1%	↑	Green
Dedicated Schools Grant (DSG)	(804)	-400.0%	↓	Green
Housing Revenue Account	(1,031)	0.0%	↑	Green

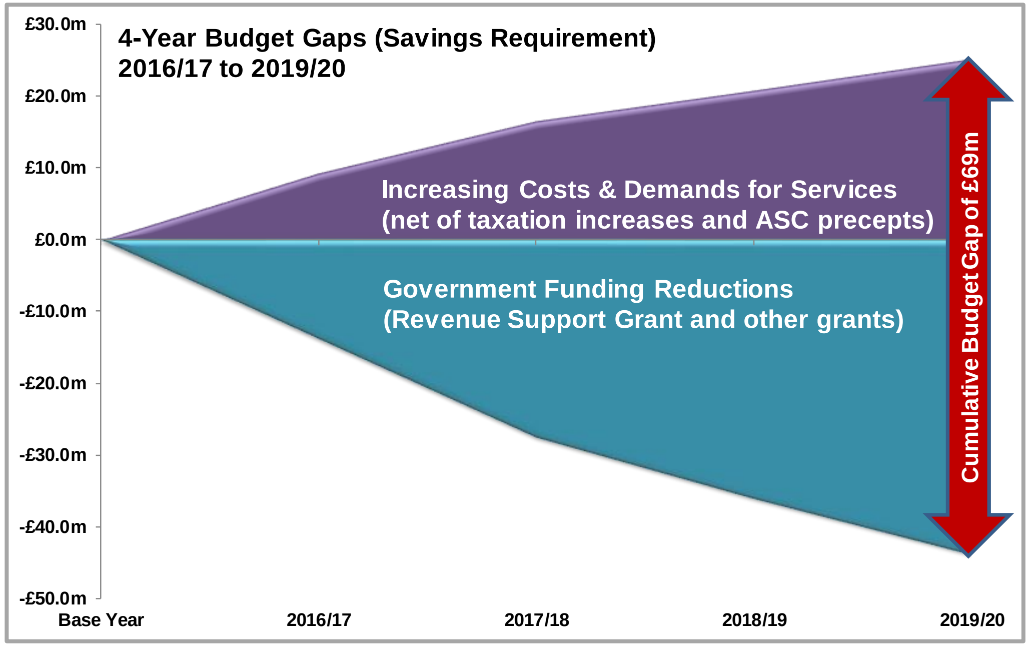


Appendix 1 - Financial Dashboard Summary









Appendix 2 – Revenue Budget Performance RAG Rating

RAG Rating Key:	RAG for Service Areas	RAG for Directorates(1)	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

Service	2018/19 Budget Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %	RAG Rating Month 12
Director of Families, Children & Learning	221	(16)	-7.2%	Green
Health, SEN & Disability Services	37,648	550	1.5%	Red
Education & Skills	5,456	163	3.0%	Red
Children's Safeguarding & Care	40,063	(1,452)	-3.6%	Green
Quality Assurance & Performance	1,392	(46)	-3.3%	Green
Total Families, Children & Learning	84,780	(801)	-0.9%	Green
Adult Social Care	31,714	1,548	4.9%	Red
Integrated Commissioning	6,741	149	2.2%	Red
S75 Sussex Partnership Foundation Trust (SPFT)	13,991	1,057	7.6%	Red
Public Health	533	0	0.0%	Green
Total Health & Adult Social Care	52,979	2,754	5.2%	Red
Transport	1,002	(2,807)	-280.1%	Green
City Environmental Management	22,417	1,856	8.3%	Red
City Development & Regeneration	(3,836)	(175)	-4.6%	Green
Culture, Tourism & Sport	1,164	(115)	-9.9%	Green
Property	(1,963)	(144)	-7.3%	Green
Property Contribution to ORBIS	0	0	0.0%	Green
Total Economy, Environment & Culture	18,784	(1,385)	-7.4%	Green
Housing General Fund	2,603	0	0.0%	Green
Libraries	3,222	(77)	-2.4%	Green
Communities, Equalities & Third Sector	3,056	(83)	-2.7%	Green
Safer Communities	2,643	(210)	-7.9%	Green
Digital First	33	0	0.0%	Green
Total Neighbourhood, Communities & Housing	11,557	(370)	-3.2%	Green
Finance (MOBO[2])	5,448	(99)	-1.8%	Green
Housing Benefit Subsidy (MOBO)	(901)	(444)	-49.3%	Green
HR & Organisational Development (MOBO)	831	7	0.8%	Amber
IT&D (MOBO)	3,190	642	20.1%	Red
Business Operations (MOBO)	(30)	(30)	-100.0%	Green
F&R Contribution to Orbis	13,336	(560)	-4.2%	Green
Total Finance & Resources	21,874	(484)	-2.2%	Green
Corporate Policy	700	(37)	-5.3%	Green
Legal Services	1,366	(52)	-3.8%	Green
Democratic & Civic Office Services	1,750	(58)	-3.3%	Green

Appendix 2 – Revenue Budget Performance RAG Rating

Service	2018/19 Budget Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %	RAG Rating Month 12
Life Events	(22)	96	436.4%	Red
Performance, Improvement & Programmes	1,272	(10)	-0.8%	Green
Communications	670	(6)	-0.9%	Green
Total Strategy, Governance & Law	5,736	(67)	-1.2%	Green
Sub Total	195,710	(353)	-0.2%	
Bulk Insurance Premia	3,277	0	0.0%	Green
Capital Financing Costs	8,842	(344)	-3.9%	Green
Levies & Precepts	201	(1)	-0.5%	Green
Unallocated Contingency & Risk Provisions	157	(157)	-100.0%	Green
Unringfenced Grants	(18,771)	(253)	-1.3%	Green
Other Corporate Items	7,228	997	13.8%	Red
Total Corporate Budgets	934	242	25.9%	Red
Total General Fund	196,644	(111)	-0.1%	Green

Individual Schools Budget (ISB)	126,039	0	0.0%	Green
Early Years Block (incl delegated to Schools)	13,258	(287)	-2.2%	Green
High Needs Block (excl delegated to Schools)	19,960	(596)	-3.0%	Green
Exceptions and Growth Fund	3,850	79	2.1%	Amber
Grant Income	(162,906)	0	0.0%	Green
Total Dedicated Schools Grant (DSG)	201	(804)	-400.0%	Green

Capital Financing	33,555	(252)	-0.8%	Green
Head of Housing HRA	3,636	(130)	-3.6%	Green
Head of City Development & Regeneration	412	(99)	-24.0%	Green
Housing Strategy	662	(79)	-11.9%	Green
Income Involvement Improvement	(46,338)	(299)	-0.6%	Green
Property & Investment	6,169	(183)	-3.0%	Green
Tenancy Services	1,904	11	0.6%	Amber
Total Housing Revenue Account	0	(1,031)	0.0%	Green

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

([2]) MOBO (Managed on behalf of) refers to elements of support functions that are managed by Orbis Services but where the budget is retained directly the sovereign authority.

Service	Forecast Variance Month 9 £'000	Provisional Variance Month 12 £'000	Movement £'000	Explanation of Main Movements
Director of Families, Children & Learning	(10)	(16)	(6)	
Health, SEN & Disability Services	573	550	(23)	
Education & Skills	163	163	0	
Children's Safeguarding & Care	(1,490)	(1,452)	38	
Quality Assurance & Performance	(26)	(46)	(20)	
Total Families, Children & Learning	(790)	(801)	(11)	
Adult Social Care	1,021	1,548	527	Due to increased hospital demand (i.e. discharges) and home care activity.
Integrated Commissioning	(92)	149	241	Due to reduction in CCG funding towards joint contracts.
S75 Sussex Partnership Foundation Trust (SPFT)	1,100	1,057	(43)	
Public Health	0	0	0	
Total Health & Adult Social Care	2,029	2,754	725	
Transport	(1,324)	(2,807)	(1,483)	There is a significant movement of £1.471m in Parking Services. This includes an improvement in terms of Penalty Charge Notices (PCN) income of £0.620m. At Month 9 it was estimated that PCN fines in bus lanes would reduce from 11,000 (May 2018) to 4,000 but this has remained steady at 4,500 over the last three months. A reduction in PCN appeal backlogs and a focus on debt recovery action have also improved the position. Permit fee income from suspensions was significantly higher in the last three months of the financial year resulting in an improvement of £0.149m. Other parking income increased by £0.311m which may have been due to particularly good weather since January 2019 compared to previous years alongside ongoing rail maintenance works most weekends on the main rail line to London. Other minor net movements totalled £0.391m for various reasons such as staff

Service	Forecast Variance Month 9 £'000	Provisional Variance Month 12 £'000	Movement £'000	Explanation of Main Movements
				vacancies, reduced card transaction fees, lower bank charges and stock adjustments. In Transport Projects and Engineering, routine repairs and planned highway maintenance costs exceeded forecast by £0.184m. This was offset by other minor movements in the Transport service.
City Environmental Management	1,761	1,856	95	
City Development & Regeneration	(155)	(175)	(20)	
Culture, Tourism & Sport	(228)	(115)	113	Additional expenditure on a one-off contribution towards the delivery of the Brighton Arts & Cultural Framework.
Property	(31)	(144)	(113)	One-off adjustment for historic debt offset by an improvement to commercial rents forecasts, particularly relating to Phoenix House.
Total Economy, Environment & Culture	23	(1,385)	(1,408)	
Housing General Fund	900	0	(900)	Financial Recovery Plan measures applied to Housing General Fund (see below).
Libraries	(50)	(77)	(27)	
Communities, Equalities & Third Sector	(70)	(83)	(13)	
Safer Communities	(200)	(210)	(10)	
Digital First	0	0	0	
Further Financial Recovery Measures	(900)	0	900	Financial Recovery Plan measures applied to Housing General Fund (see above).
Total Neighbourhood, Communities & Housing	(320)	(370)	(50)	
Finance	(81)	(99)	(18)	
Housing Benefit Subsidy	(243)	(444)	(201)	Mostly due to an improvement of £0.325m in the net position on the recovery of overpayments partially offset by an increase in costs of £0.102m for a particular benefit type to vulnerable tenants which is not fully subsidised by the DWP.
HR & Organisational Development	0	7	7	

Service	Forecast Variance Month 9 £'000	Provisional Variance Month 12 £'000	Movement £'000	Explanation of Main Movements
IT&D	1,093	642	(451)	Links with 'Further Financial Recovery Measures' below.
Business Operations	0	(30)	(30)	Various underspends.
F&R Contribution to Orbis	(92)	(560)	(468)	Increased underspends across the Orbis Partnership mainly relating to vacancies and third party supplier contract savings.
Further Financial Recovery Measures (IT&D)	(925)	0	925	The IT&D gross overspend improved by £0.126m meaning that an element of the recovery plan was not required. Similarly £0.474m relating to the Modernisation Fund was not required due to the improved overall corporate position. The remaining £0.325m was applied to IT&D to reduce its net overspend to £0.642m.
Total Finance & Resources	(248)	(484)	(236)	
Corporate Policy	(23)	(37)	(14)	
Legal Services	(15)	(52)	(37)	Extra overachievement of income targets.
Democratic & Civic Office Services	0	(58)	(58)	Staff vacancies, lower spend than expected for Members and Civic costs.
Life Events	12	96	84	Mainly due to lower than expected income for the Registration service.
Performance, Improvement & Programmes	(10)	(10)	0	
Communications	(48)	(6)	42	Higher than expected supplies and services costs.
Total Strategy, Governance & Law	(84)	(67)	17	
Bulk Insurance Premia	0	0	0	
Capital Financing Costs	(255)	(344)	(89)	Replacement debt for restructured RBS loans taken on later and at a lower rate than forecast (£0.069m), as well as an increase in investment income due to higher balances in the second half of the year and also improving investment rates (£0.210m). Of this increased underspend, £0.190m has been transferred to an earmarked reserve to fund expected financing pressures in 2019/20.

Appendix 3 – Revenue Budget Movement Since Month 9

Service	Forecast Variance Month 9 £'000	Provisional Variance Month 12 £'000	Movement £'000	Explanation of Main Movements
Levies & Precepts	(1)	(1)	0	
Unallocated Contingency & Risk Provisions	(147)	(157)	(10)	Unspent contingency budget.
Unringfenced Grants	(239)	(253)	(14)	Transparency grant received in March 2019.
Other Corporate Items	413	997	584	Additional corporate bad debt provision needed of £0.431m in accordance with the council's accounting policies; also £0.142m Expected Credit Loss provision required under new accounting rules; a reduction in underspend on Carbon Reduction Commitment £0.107m, and; overall reduction in accounting provision for holiday pay £0.096m.
Total Corporately-held Budgets	(229)	242	471	
Total General Fund	381	(111)	(492)	

Families, Children & Learning

Revenue Budget Summary

Forecast Variance Month 9 £'000	Service	2018/19 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %	2018/19 Savings Proposed £'000	2018/19 Savings Achieved £'000	2018/19 Savings Unachieved £'000
(10)	Director of Families, Children & Learning	221	205	(16)	-7.2%	15	25	0
573	Health, SEN & Disability Services	37,648	38,198	550	1.5%	1,245	764	481
163	Education & Skills	5,456	5,619	163	3.0%	276	298	70
(1,490)	Children's Safeguarding & Care	40,063	38,611	(1,452)	-3.6%	2,722	3,879	0
(26)	Quality Assurance & Performance	1,392	1,346	(46)	-3.3%	50	56	0
(790)	Total Families, Children & Learning	84,780	83,979	(801)	-0.9%	4,308	5,022	551

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

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Director of Families, Children & Learning		
(16)	Other	
Health, SEN & Disability Services		
108	Adults Learning Disabilities - Community Care	The number of clients continues to increase (now 20.90 WTE over budget) and the complexity of clients is impacting on the ability to achieve savings.
75	Adults Learning Disabilities - loss of continuing health care funding	The CCG is reviewing health needs of Adults LD clients and there is a loss of £0.075m of Continuing Health Care (CHC) funding in 2018/19 for a high cost client.
119	In-house Adults LD provision	The overspend relates to unachieved savings mainly as a result of Tranche 2 of outsourcing not proceeding and delays with the Care Quality Commission in changing the registration of one of the residential services.
281	In-house Children's Learning Disability Provision	There is a significant budget pressure on Drove Road (£0.358m) being offset by small underspends in other areas of Children's in-house disability provision.
235	Children's Disability Agency Placements	Due to new high cost placements in 2018/19, both the number (increase of 0.4 FTE over budget) and unit cost of placements (increase of 33% above budget) are in excess of budget.
(130)	Medical requisites	Underspend achieved following legal advice to resolve a long running dispute with Sussex

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
		Community Trust.
(76)	Staffing - underspend due to vacancies and turnover	There are a number of anticipated underspends due to vacancies across the branch including SEN team, and adults' and children's disability admin teams.
70	Direct payments	Reduction in Dedicated Schools Grant (DSG) element of funding and increase in the volume and unit cost of direct payments.
(132)	Other	This includes a number of underspends across the branch including contracted services for children with disabilities and preventive payments.
Education & Skills		
210	Home to School Transport	The overspend is due to additional hired transport and an increase in numbers and fuel costs.
148	Skills and Employment	Mainly due to underachievement of income targets in the Able & Willing unit.
(151)	Early Years Youth, Family Support and Troubled Families	There is an underspend of £0.060m within Troubled Families due to slippage on new initiatives and an underspend of £0.045m on the Integrated Team for Families that is attributable to the delayed appointment of the Primary School Family Coaches. In addition there is also an underspend of £0.023m on youth related areas and an underspend of £0.023m on central early years management and administration.
(44)	Other	
Children's Safeguarding & Care		
457	Demand-Led - Residential Agency Placements	The number of residential placements (35.68 FTE) is broken down as 31.68 FTE social care residential placements (children's homes) and 4.00 FTE schools placements. The budget allowed for 30.20 FTE social care residential care placements and 5.30 FTE schools placements. The average unit cost of residential placements is higher than the budgeted level at £3,666.25 per week (£139.77 per week above budget). The combination of the number of children placed being 0.18 FTE above the budgeted level and the high unit costs result in the overspend of £0.457m.
451	Demand-Led - Independent Foster Agency (IFA) Placements	The number of children placed in Independent Foster Agency placements has decreased in recent years. During 2017/18 there were 118.68 FTE (compared with 132.14 FTE for 2016/17). The number of placements in 2018/19 was 98.73 FTE, a reduction of 17%. The budget for IFA placements included significant levels of savings and was set at 86.30 FTE. The numbers being higher than the budget by 12.43 FTE results in the overspend of £0.451m.
(400)	Demand-Led - Secure Accommodation	During 2018/19 there were 0.20 FTE secure (welfare) placements and 0.65 FTE secure (justice) placements. The budget allowed for 1.40 FTE welfare and 1.10 FTE justice placements during the year. There is currently one child in a secure (welfare) placement and one in a secure (justice) placement resulting in a projected underspend of £0.400m.

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
(736)	Demand-Led - Semi-independent/Supported placements	The number of semi-independent and supported living placements was 28.69 FTE in 2018/19 being 8.41 FTE below the budgeted level. The average unit cost of these placements had increased considerably last year but has now stabilised in line with the budgeted level. The lower number of placements results in the underspend of £0.736m.
(882)	Demand-Led - In-House Fostering	As at 31st March 2019 there were 144 children placed with 'in-house' foster carers and 146.94 FTE for the year. The budget, based on an increasing trend over the last few years and the drive to increase recruitment of in-house carers, was set at 171.60 FTE placements. This has resulted in the underspend of £0.882m.
235	Demand-Led - Family & Friends placements, Child Arrangement Orders and Special Guardianship Orders	The budget allowed for 314.40 FTE placements of these types. By the end of the year there were 324.51 FTE children in these placements and this results in the overspend of £0.235m.
163	Demand-Led - Care Leavers	The number of care leaver placements in 2018/19 was 123.45 FTE. The budget provides for 114.40 FTE placements. The change in responsibilities for local authorities has seen a growth in the number of care leavers receiving financial support and has resulted in the overspend of £0.163m.
71	Demand-Led Unaccompanied Asylum Seeking Children (UASC) Grant	The numbers of unaccompanied asylum seeking children has increased considerably in the last few months. The costs of looking after these children is funded by a grant from the Home Office, however the increase in the number of asylum seekers has required additional staffing and there has been an increase in other, non-accommodation costs resulting in the overspend of £0.071m.
(35)	Legal Fees	The underspend of £0.035m accounts for the fact that activity and associated spend are down significantly on 2017/18. For 2018/19 the Special Assessment budgets (Medical, Psychological etc.) were transferred to the Clermont Service and managed therein. Accordingly, the overspend is attributable in the main to Legal, Court and Counsel fees.
3	Adoption Payments	The overspend in Adoption Payments is made up of two elements. An underspend of £0.008m in Adoption Allowances combined with an overspend of £0.011m against the Interagency Adoption budget.
(83)	Social Work Team (Pods)	The £0.210m underspend against staffing budgets was offset by non staffing overspend of £0.017m. Additionally, at Month 11 a cost of £0.110m was reported and has been factored into the outturn in respect of expenditure incurred against The Partners is Change (P.I.C) initiative. It had been envisaged that the cost of externally commissioned posts would not materialise until 2019/20 due to difficulties experienced in recruitment. Confirmation as to the 2018/19 costs was received in February and the outturn reflects this update.

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
(229)	Adolescent Service	Late filling of vacant posts and staff turnover following service restructure. Sessional spend on the Extended Adolescent Service did not materialise to the levels anticipated.
(175)	Preventive	Despite significant costs from families with no recourse to public funds, there were reductions in spending on agency and sessional workers, rent and deposits, payments to relatives and assessment and treatments resulting in an overall underspend of £0.175m.
(97)	Contact Service	Maternity Leave and vacant posts account for the underspend. Additional scrutiny has been applied to the better manage use of sessional contact staff.
(86)	Specialist Assessment and Domestic Violence Service	Late take up of Psychology posts in SAS. Underspend on Clinical/Medical assessments as well as sessional staff following the service restructure.
(109)	Other	
Quality Assurance & Performance		
(46)	Other	

Health & Adult Social Care (HASC)

Revenue Budget Summary

Forecast Variance Month 9 £'000	Service	2018/19 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %	2018/19 Savings Proposed £'000	2018/19 Savings Achieved £'000	2018/19 Savings Unachieved £'000
1,021	Adult Social Care	31,714	33,262	1,548	4.9%	2,130	652	1,478
(92)	Integrated Commissioning	6,741	6,890	149	2.2%	120	120	0
1,100	S75 Sussex Partnership Foundation Trust (SPFT)	13,991	15,048	1,057	7.6%	340	340	0
0	Public Health	533	533	0	0.0%	826	826	0
2,029	Total Health & Adult Social Care	52,979	55,733	2,754	5.2%	3,416	1,938	1,478

Explanation of Key Variances

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Adult Social Care		
1,813	Demand-Led Community Care - Physical & Sensory Support	There are increasing numbers of ‘new’ older people being discharged from hospital requiring social care services for the first time, as well as increased community demands. This additional financial pressure was partly met by the Adult Care Support Grant and Improved Better Care fund for 2018/19. The residential and nursing unit cost pressure for 18-64s is due to 48 placements since January 2018 which were on average 62% above the budgeted unit cost. There has been a significant reduction in Continuing Health Care savings over the last two financial years where in 2016/17 £0.602m was achieved (26 clients at £564 per week on average) but this reduced to £0.174m in 2017/18 and £0.316m in 2018/19 (18 clients at £491 per week).
119	Demand-Led Community Care - Substance Misuse	There are relatively small numbers of clients within this service and this is in line with the expected demand. The average unit cost is higher than the budgeted unit cost resulting in the overspend of £0.119m.
250	In house provision	The saving of £0.326m set against in house provision (home care and residential) has been put at risk subject to further review. This is offset with temporary savings elsewhere in the service.

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
(637)	Assessment teams	This is due to a number of temporary vacancies across the Assessment teams.
3	Other	
Integrated Commissioning		
(205)	Contracts	In-year underspends have been identified as a result of contract pricing management and variable contracts.
350	Commissioning	Due to reduction in CCG funding towards joint contracts
4	Other	
S75 Sussex Partnership Foundation Trust (SPFT)		
202	Demand-Led - Memory Cognition Support	The unit costs are higher than had been anticipated resulting in the overspend projection of £0.202m. This is due to a current lack of affordable residential and nursing home placements within the city. The forecast number of residential & nursing placements is 298 WTE which is less than the budgeted level of 303 WTE placements. However, the average unit cost of residential placements is higher than the budgeted level at £456 per week (£30 per week above budget). The combination of the number of adults placed being 5 WTE less than the budgeted level and the increased unit costs result in the overspend of £0.327m (before applying the agreed risk-share with Sussex Partnership Foundation Trust).
994	Demand-Led - Mental Health Support	The average unit costs are higher than budgeted and this results in the overspend projection of £0.994m. There is an increasing need and complexity within this client group and the forecast number of residential & nursing placements is 147 WTE, which is above the budgeted level of 131 WTE placements. The average unit cost of residential placements is also higher than the budgeted level at £768 per week (£85 per week above budget). The combination of the number of adults placed being 16 WTE more than the budgeted level and the increased unit costs result in the overspend of £1.119m (before applying the agreed risk-share with Sussex Partnership Foundation Trust).
(139)	Staffing Teams	This is due to a number of temporary vacancies across the Assessment teams.

Economy, Environment & Culture

Revenue Budget Summary

Forecast Variance Month 9 £'000	Service	2018/19 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %	2018/19 Savings Proposed £'000	2018/19 Savings Achieved £'000	2018/19 Savings Unachieved £'000
(1,324)	Transport	1,002	(1,805)	(2,807)	-280.1%	1,243	1,124	119
1,761	City Environmental Management	22,417	24,273	1,856	8.3%	350	100	250
(155)	City Development & Regeneration	(3,836)	(4,011)	(175)	-4.6%	221	221	0
(228)	Culture, Tourism & Sport	1,164	1,049	(115)	-9.9%	282	282	0
(31)	Property	(1,963)	(2,107)	(144)	-7.3%	243	178	65
23	Total Economy, Environment & Culture	18,784	17,399	(1,385)	-7.4%	2,339	1,905	434

Explanation of Key Variances

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Transport		
(2,704)	Parking Services	An underspend on salaries of £0.396m due to time taken to recruit following the Parking Services restructure which started on 1st April 2018 and vacancy controls. Some key roles have been covered by agency staff to safeguard income. An overachievement of penalty charge notice (PCN) income of £1.817m for bus lane enforcement following the installation of the new CCTV cameras. After an initial spike the PCN's issued are declining as, as expected, as compliance improves. Pay & display income overachieved by £0.770m primarily due to new parking zones introduced in 2017/18. Off-street car park and permit fee income overachieved by £0.243m and £0.192m respectively. Maintenance requirements have been identified in a number of off-street car parks which has resulted in an overspend of £0.319m. Other net variances total an overspend of £0.395m. This includes additional CCTV camera maintenance costs and the purchase of new vehicles for the maintenance teams. Parking income is monitored on a monthly basis as there are a number of variable factors that can impact on parking activity. Minor variations in demand can result in significant financial

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
		implications. The outturn variance represents 8.24% of the parking income budget.
(196)	Concessionary Fares	The concessionary bus fares budget underspent mainly due to lower than anticipated reimbursements of £0.189m.
476	Transport Projects and Engineering	A net overspend on highways repairs and maintenance of £0.167m. Bus Shelter advertising income shortfall of £0.025m due to the tender for bus shelter advertising being delayed. An overspend on groundworks costs of £0.088m associated with the new contractual arrangements. An overspend on Public Transport operating costs of £0.147m.
(216)	Traffic Management	An overachievement of income from skips & scaffold, tables and chairs, hoardings and A boards of £0.261m. Also, Trench Inspection Fees and Crossover application and licence payment receipts exceeded budget by £0.098m and Temporary Traffic Regulation Order receipts by £0.093m. This is largely offset by additional costs of £0.122m to carry out an in depth assessment of the highway to identify where improvements and opportunities could be implemented.
(125)	Head of City Transport	An underspend on initiatives, consultants fees and subscriptions.
(42)	Other Variances	
City Environmental Management		
796	City Clean Operations	An overspend of £0.392m on salaries resulting from high demand during summer season due to the heatwave and outdoor events such as Pride, high sickness levels and weekend working in communal bin areas. Unachieved savings of £0.302m for the trade waste service. An overspend of £0.085m on vehicle hire costs.
156	Strategy & Projects	Unachieved savings of £0.075m due to delayed implementation and introduction of charging at 12 public convenience sites approved at October 2018 Policy, Resources and Growth committee. Other minor variances of £0.081m.
961	Fleet & Maintenance	External and internal vehicle maintenance income was underachieving by £0.376m and £0.129m respectively due to unachievable savings targets. An underspend of £0.410m on unsupported borrowing repayments partly offsets overspends of £0.871m on vehicle costs such as repairs & maintenance, contract hire and fuel
(57)	Other Variances	
City Development & Regeneration		
(175)	Other Variances	

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Culture, Tourism & Sport		
(151)	Royal Pavilion & Museums	Reduction in Royal Pavilion & Museums Business Rates of £0.170m partly offset by other minor net variances.
131	Arts	This includes a commitment to the Brighton Arts & Cultural Framework and Brighton Fringe of £0.070m. The remaining variance relates to overspend on salaries of £0.36m, funding the Living Well workstand £0.10m and other minor overspends.
(95)	Other Variances	
Property		
(81)	Rents	Contracted Property rental income overachieved by £0.262m mainly associated with the transfer of a contract from Cluttons to Avison Young which reduces overall management costs of the Contracted Property Portfolio. There was also additional rental income from the recent purchase of Phoenix House which was higher than expected due to Unsupported Borrowing charges not commencing until 2019/20. A large number of year-end adjustments were required to reconcile the Avison Young account plus Write Off's and contributions to the Bad Debt Provision totalling £0.180m. There were also some additional improvements at New England House and for the In-House Property Portfolio. The service is also still exploring options to sell some off less efficient premises and reinvest for greater gain.
(63)	Other Variances	

Neighbourhood, Communities & Housing

Revenue Budget Summary

Forecast Variance Month 9 £'000	Service	2018/19 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %	2018/19 Savings Proposed £'000	2018/19 Savings Achieved £'000	2018/19 Savings Unachieved £'000
900	Housing General Fund	2,603	2,603	0	0.0%	364	186	178
(50)	Libraries	3,222	3,145	(77)	-2.4%	85	50	35
(70)	Communities, Equalities & Third Sector	3,056	2,973	(83)	-2.7%	35	35	0
(200)	Safer Communities	2,643	2,433	(210)	-7.9%	169	129	40
0	Digital First	33	33	0	0.0%	0	0	0
580	Total Neighbourhood, Communities & Housing	11,557	11,187	(370)	-13.1%	653	400	253
(900)	Further Financial Recovery Measures (see below)	-	0	0	-	-	-	-
(320)	Residual Risk After Financial Recovery Measures	11,557	11,187	(370)	-3.2%	653	400	253

Explanation of Key Variances

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Housing General Fund		
250	Housing General Fund savings	There are £0.250m of Housing General Fund savings (some from 2017/18) to be identified. There is further work underway to deliver more savings in Housing General Fund services.
592	Temporary Accommodation	The overspend is the result of higher than budgeted volumes and costs of temporary accommodation due to the continuing local pressures and bedding in the more onerous statutory requirements of the Housing Reduction Act. The number of households in temporary accommodation has reduced by 208 to 1,495 but it has not decreased to the expected levels. The service continues to work to reduce the volume of households in temporary accommodation by focusing resources on earlier prevention of homelessness and using the grant funding to transform the service.

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
388	Seaside Homes	There is an overspend on property costs of £0.170m, mainly in relation to buildings insurance, which were in the past covered by underspends on voids and maintenance budgets. This cost of insurance is outside the remit of the service and this has been addressed for 2019/20 by the addition of service pressure funding of £0.150m. For the remainder of the overspend, this is a result of i) lower income collection following the impact of Universal credit; and ii) void loss due to the higher churn as we move people on from temporary accommodation. The service is focusing on how to improve income collection, which may become increasingly difficult as Universal Credit is rolled out, and improve void turnaround times. It has been agreed in principle with Seaside Homes to make changes to the agreement to offer fixed term tenancies and thereby discharge the Housing duty, enabling households to remain longer term. A draft Assured Shorthold Tenancy (AST) has been agreed but before enacting Seaside's lender needs to provide consent and the change requires a variation to the Overarching Agreement.
(87)	Travellers	This underspend reflects the continued reduction in unauthorised encampments and related costs since the opening of the permanent and transit site at Horsdean.
(113)	Housing Options	Staff underspends due to the high turnover of staff, partly as a result of creating grant funded secondment opportunities and difficulties retaining staff at lower grades. Alternative options for retaining staff are being explored.
(1,030)	Financial Recovery Measures	Housing General Fund services had a challenging savings target which was only partly met together with an overspend on Temporary Accommodation. As the service transforms, there were a range of measures put in place in Housing Needs that impacted on costs in Temporary Accommodation to deliver a balanced budget for 2018/19 and 2019/20. These included early intervention and prevention of homelessness, moving people on to private rented accommodation as part of the Private Rented Sector access project and identifying people who have been in Temporary Accommodation for a long time to explore options for moving on. The net overspend for 2018/19 has been met from one-off Flexible Homelessness Support Grant.
Libraries		
(77)	Staffing and running costs	There is an underspend against the staffing and running costs budget.
Communities, Equalities & Third Sector		
(43)	Supplies & Services	Minor variances.
(40)	Staffing	Minor variances.
Safer Communities		
(210)	Staffing	Net underspend forecast across Safer Communities, mainly as a result of the summer start date for Field Officers and staffing costs being less than originally budgeted.

Finance & Resources

Revenue Budget Summary

Forecast Variance Month 9 £'000	Service	2018/19 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %	2018/19 Savings Proposed £'000	2018/19 Savings Achieved £'000	2018/19 Savings Unachieved £'000
(81)	Finance	5,448	5,349	(99)	-1.8%	137	137	0
(243)	Housing Benefit Subsidy	(901)	(1,345)	(444)	-49.3%	0	0	0
0	HR & Organisational Development	831	838	7	0.8%	25	25	0
1,093	IT&D	3,190	3,832	642	20.1%	62	0	62
0	Business Operations	(30)	(60)	(30)	-100.0%	0	0	0
(92)	Contribution to Orbis	13,336	12,776	(560)	-4.2%	681	681	0
677	Total Finance & Resources	21,874	21,390	(484)	-2.2%	905	843	62
(925)	Further Financial Recovery Measures (see below)	-	0	0	-	-	-	-
(248)	Residual Risk After Financial Recovery Measures	21,874	21,390	(484)	-2.2%	905	843	62

Explanation of Key Variances

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Finance		
(73)	Revenues & Benefits	There is a shortfall of £0.268m in court costs and bailiff income (resulting from staff vacancies). This is being offset by additional grant income of £0.116m, staff vacancies of £0.103m, underspends on court costs expenditure of £0.064m and income from deminimis asset sales of £0.032m. The remaining net underspend of £0.026m is mainly from supplies and services.
(26)	Finance	There was a reduction in the cost of external audit fees of approximately £0.070m though this was offset by a net reduction in staff recharge income of £0.028m. Other variances accounted for a small overspend of £0.016m.
Housing Benefit Subsidy		
(444)	HB Subsidy	There is a surplus of £0.125m on the recovery of overpaid council tax benefits which is £0.011m worse than Month 9. The outturn on the main subsidy budgets is a surplus of £0.319m which is

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
		an improvement of £0.212m compared to Month 9. Within this the position, the recovery of housing benefit overpayments is £0.626m better than budgeted. This has been partially offset by costs in excess of budget by £0.288m in respect of a particular benefit type for vulnerable tenants which is not fully subsidised by the DWP.
HR & Organisational Development		
7	HR	Minor Variances.
IT&D		
642	IT&D Contracts	The service has reported significant budget pressures all year. The final overspend was £0.642m mainly relating to the cost of ICT contracts and unachievable savings driven by the high demand for IT&D services. During the year the service identified significant pressures for these areas of over £1m but worked to develop a recovery plan which included appropriate use of earmarked ICT Reserves, capitalisation of legitimate costs, funding from Orbis contribution underspending together with £0.574m from the council's modernisation programme. This resulted in the net pressure of £0.168m forecast at Month 9. During the final quarter, it was apparent that some of the overspend could be mitigated by other favourable variances within the Finance & Resources directorate budget requiring a lower drawdown of Modernisation funding of £0.100m compared with earlier estimates of £0.574m. This reflects the majority of the movement between Months 9 and the year-end outturn for IT&D.
Business Operations		
(30)		Various minor underspends.
F&R Contribution to Orbis		
(560)	F&R Contribution to Orbis	The BHCC share of the contribution to Orbis is calculated at approximately 21% of the final cost of the partnership. The final cost of Orbis in 2018/19 was £59.819m which was an underspend against budget (£62.442m) of £2.623m mainly due to staffing underspends and lower than expected pension costs. The BHCC share of this underspend was £0.560m.

Strategy, Governance & Law

Revenue Budget Summary

Forecast Variance Month 9 £'000	Service	2018/19 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %	2018/19 Savings Proposed £'000	2018/19 Savings Achieved £'000	2018/19 Savings Unachieved £'000
(23)	Corporate Policy	700	663	(37)	-5.3%	20	20	0
(15)	Legal Services	1,366	1,314	(52)	-3.8%	59	59	0
0	Democratic & Civic Office Services	1,750	1,692	(58)	-3.3%	32	32	0
12	Life Events	(22)	74	96	436.4%	20	0	20
(10)	Performance, Improvement & Programmes	1,272	1,262	(10)	-0.8%	48	48	0
(48)	Communications	670	664	(6)	-0.9%	46	46	0
(84)	Total Strategy, Governance & Law	5,736	5,669	(67)	-1.2%	225	205	20

Explanation of Key Variances

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Corporate Policy		
(18)	Chief Executive's Office	Vacancy management savings.
(19)	Policy, Partnerships & Scrutiny	Mainly underspends in supplies and services costs.
Legal Services		
(52)	Legal Services	This relates to a number of Income overachievements.
Democratic & Civic Office Services		
(58)	Democratic Services	This underspend was due to vacancy management, and also lower than expected costs for Members and Civic services.
Life Events		
96	Life Events	The outturn for the service was an overspend of £0.096m compared to a forecast overspend of £0.012m at Month 9, an increase of £0.085m. This was mostly due to an increase in the Registration income pressures, which ended up at £0.143m, with similar pressures in Bereavement Services of £0.103m, due mainly to reduced nationality checking fees and a

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
		slowdown in business reported by the service respectively. However, there were further reductions in staffing costs across the service which saw an underspend of £0.192m, offset by the pressure of £0.110m from the Coroners' pay review. The Land Charges income provided a £0.013m surplus, mainly due to an increase in demand for searches, and additionally the service has received £0.042m relating to new burdens funding. Elections underspent by £0.021m this year in Electoral Registration costs. Other variances accounted for a net overspend of £0.008m
Performance, Improvement & Programmes		
(10)	Performance Improvement & Programmes	Management of vacancies.
Communications		
(6)	Communications	There were underspends from staffing costs of approximately £0.023m, offset by overspends in supplies and services of £0.015m and other variances of £0.002m overspend. The movement from Month 9 (£0.048m net underspend) is mainly due to increased supplies and services costs.

Corporate Budgets

Revenue Budget Summary

Forecast Variance Month 9 £'000	Service	2018/19 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %	2018/19 Savings Proposed £'000	2018/19 Savings Achieved £'000	2018/19 Savings Unachieved £'000
0	Bulk Insurance Premia	3,277	3,277	0	0.0%	0	0	0
(255)	Capital Financing Costs	8,842	8,498	(344)	-3.9%	0	0	0
(1)	Levies & Precepts	201	200	(1)	-0.5%	0	0	0
(147)	Unallocated Contingency & Risk Provisions	157	0	(157)	-100.0%	0	0	0
(239)	Unringfenced Grants	(18,771)	(19,024)	(253)	-1.3%	0	0	0
413	Other Corporate Items	7,228	8,225	997	13.8%	525	525	0
(229)	Total Corporately-held Budgets	934	1,176	242	25.9%	525	525	0

Explanation of Key Variances

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Capital Financing Costs		
(435)	Investment Income	This was primarily due to larger than forecast cash balances.
(65)	Recharges to Services	Increase in recharges to services in respect of unsupported borrowing undertaken.
(34)	Capital financing costs	Pressure in relation to one off costs associated with the debt restructure of RBS LOBO loans. However, this restructuring will provide annual savings from 2019/20 onwards. This has been offset by a saving in interest as replacement loans were not able to be taken up as soon as originally anticipated.
190	Transfer to earmarked reserve	Transfer to Financing Cost Reserve to fund the ‘smoothing’ of short term financing cost budget pressures resulting from the gap between investment rates and borrowing rates. This is driven by strategic ‘over-borrowing’ due to current advantageous interest rates which are predicted to rise within 18 months.
Levies & Precepts		
(1)	Levies & precepts	Minor variances.

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Unallocated Contingency & Risk Provisions		
(157)	Contingency	£0.150m was held in contingency for a planning appeal - however a proportion of this was funded from directorate budgets in 2017/18 and only £0.005m spent in 2018/19.
Unringfenced Grants		
(21)	Department of Health - Local Reform and Community Voice grant	The allocation announced in July 2018 was higher than budgeted.
(13)	Department for Education - Extended rights for home to school transport	Additional grant allocation for Extended Rights for Home to School Transport announced in August 2018.
(205)	S31 grant compensation for the small business rates relief threshold	Estimated additional funding for 2018/19.
(13)	Ministry for Housing, Communities and Local Government - Transparency Grant	Grant allocation announced and received in March 2019.
(1)	Minor variances	
Other Corporate Items		
(56)	Corporate Pension Costs	On corporate pension costs there is a £0.041m underspend relating to overpayments identified in respect of 2017/18 and £0.015m in respect of an in-year reduction.
(53)	Carbon Reduction Commitment (CRC)	This reflects the latest estimate of CRC credits that are required to be purchased in 2018/19 taking into account the pre-purchased credits brought forward from 2017/18.
500	Procurement and contract management savings	This reflects allocation of the corporately-held procurement savings target across all services in respect of cost reductions achieved through improved contract management, savings on re-procurements and lower than anticipated costs of planned new procurements. Spending areas include agency staffing, external advisory commissions, and various supplies and services contracts.
129	Admin savings	Represents allocation of the corporately-held savings target across all directorates to reflect current recruitment controls which are prioritised on vacancy management of administrative and support roles rather than front-line or customer facing roles.
431	Bad Debt Provision	The year-end bad debt provision (impairment) undertaken on debts outstanding identified a further net contribution needed of £0.431m. This provision is in accordance with the council’s

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
		accounting policies and follows agreed methodologies for each type of debt. Bad debt provisions normally increase when there are a greater number of older debts outstanding. This can result from an increase in the overall amount of income being collected or can be related to income collection performance.
142	Expected Credit loss	Under new accounting requirements (IFRS 9), a provision is required to allow for losses on the organisation's financial instruments (investments, loans to third parties and non-trade debtors). This provision will be annual, but future years' provisions are expected to be marginal.
(105)	Holiday Pay provisions	A £0.220m write back of the build-up of casual staff holiday pay provision which was no longer required was offset by a £0.100m provision for holiday pay on overtime back pay and £0.015m in respect of clearing a debit balance on holiday pay overtime provision.
9	Minor Variances	

Housing Revenue Account (HRA)

Revenue Budget Summary

Forecast Variance Month 9 £'000	Service	2018/19 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %	2018/19 Savings Proposed £'000	2018/19 Savings Achieved £'000	2018/19 Savings Unachieved £'000
(140)	Capital Financing	33,555	33,303	(252)	-0.8%	0	0	0
(120)	Strategic Director HRA	3,636	3,506	(130)	-3.6%	105	105	0
(80)	Head of City Development & Regeneration	412	313	(99)	-24.0%	0	0	0
(60)	Housing Strategy	662	583	(79)	-11.9%	0	0	0
(150)	Income, Involvement & Improvement	(46,338)	(46,637)	(299)	-0.6%	0	0	0
(350)	Property & Investment	6,169	5,986	(183)	-3.0%	550	550	0
0	Tenancy Services	1,904	1,915	11	0.6%	0	0	0
(900)	Total Housing Revenue Account	0	(1,031)	(1,031)	0.0%	655	655	0

Explanation of Key Variances

Key Variances £'000	Service Area	Variance Description
Capital Financing		
(252)	Capital Financing	Significant reprofiling of HRA capital expenditure from 2017/18 into 2018/19 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 2018/19 compared to the original budget forecast. There was also a reduction in financing costs, following the repayment and re-financing of a £30m RBS loan.
Strategic Director HRA		
(104)	Employees costs	Net reduction in staff costs due to the service redesign in Housing Management and an underspend against the staff training budget.
(26)	Supplies & Services	Underspend against legal and professional fees.

Key Variances £'000	Service Area	Variance Description
Head of City Development & Regeneration		
(99)	Employees costs	Staff vacancies and capitalisation of salaries were higher than originally budgeted.
Housing Strategy		
(54)	Rents & Service Charges	Income for the year is more than the budget assumption for Temporary Accommodation due to new properties in the HRA.
(25)	Employee costs	Net underspend on employee costs across this service.
Income, Involvement & Improvement		
(171)	Rents & Service Charges	Income was slightly more than budget assumptions including £0.075m more income from garages and car parks which is partly attributable to an improvement in turnaround times. This was due to a new on-line application process as well as higher than expected income from St. James' Car Park.
(100)	Contribution to bad debt provision	The budget for the contribution to the HRA debt provision has underspent by £0.100m, based on the level of arrears and write offs for the year.
(28)	Employees costs and premises	Minor variances.
Property & Investment		
(123)	Premises	Lower than budgeted spending on service contracts (for example, gas servicing and maintenance contract). These budgets have now been realigned as part of the 2019/20 budget setting process with £0.100m being reinvested in priority areas in the HRA.
(94)	Employees costs	Net underspend due to staff vacancies and mobilisation of resources identified to support forthcoming costs aligned to the future delivery of the repairs & improvement service.
(72)	Commercial Rents	Income was more than budget assumptions, due primarily to full-year effect of new tenancies from 2017/18.
106	Responsive Repairs and Empty Property works	Increased spend against responsive repairs and empty property works, compared to revised budget.
Tenancy Services		
11		Minor variances.

Dedicated Schools Grant (DSG)

Revenue Budget Summary

Forecast Variance Month 9 £'000	Service	2018/19 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
0	Individual Schools Budget (ISB)	126,039	126,039	0	0.0%
(346)	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)*	13,258	12,971	(287)	-2.2%
(575)	High Needs Block (excluding delegated to Schools)	19,960	19,364	(596)	-3.0%
56	Exceptions and Growth Fund	3,850	3,929	79	2.1%
0	Grant Income	(162,906)	(162,906)	0	0.0%
(865)	Total Dedicated Schools Grant (DSG)	201	(603)	(804)	-400.0%

Explanation of Key Variances

Key Variances £'000	Service Area	Variance Description
Early Years Block (including delegated to Schools)		
51	Additional Support funding for 2, 3 & 4 year olds	Significant increase in the number of children receiving additional support funding and the impact of increased free entitlement available to working parents from September 2017.
337	Universal early years free entitlement for 2, 3 and 4 year olds	Based on summer and autumn term take-up and budgeted level of provision for the spring term.
(658)	Extended hours early years entitlement for working parents	Increase in DfE funding based on January 2018 census. This will be subject to a retrospective downward adjustment in 2019/20 if actual take-up is below January 2019 snapshot.
(17)	Other	Balance of variances on the other cost centres.
High Needs Block (excluding delegated to Schools)		
48	Inclusion Support Service	Vacancy control and plans to move the service to operate on a part traded basis in 2019/20.

Key Variances £'000	Service Area	Variance Description
124	High Needs top-up for mainstream schools	Additional top-up funding agreed at case review for pupils with high needs. Growth in top-up funding estimated at £0.300m in 2018/19.
121	High Needs top-up for Special schools	Additional support packages for several pupils to avoid more expensive agency placements and special schools numbers above commissioned places.
(77)	Educational agency placements and other external high needs provision	Special schools are above capacity, largely due to upward pressure from mainstream settings, and this is having knock-on implications for out of city placements.
131	Children with Medical Needs	Increased number of children with medical needs and private hospital charges.
(19)	Other	Balance of variances on other cost centres.
(384)	Unallocated balance of carry forward from 2017/18 DSG	Balance of funding available following retrospective adjustment made to the 2017/18 DSG by DfE in July 2018.
(540)	Additional DfE HNB allocation in December 2018	
Exceptions and Growth Fund		
35	Historic pension costs	Historic pension liabilities.
43	Funds de-delegated from mainstream schools	Staff suspended in mainstream schools.
1	Other	Balance of variances on other cost centres.

Directorate	Unit	Details	Proposed Carry Forward Amount £'000
Non Grant Funded Areas			
FCL	Health, SEN and Disability	A planned restructure of disability services is now taking place in 2019. To support the integration of the children's and adults teams into a revised pod structure, additional social worker capacity will be needed to build resilience across the entire team with shadowing and training opportunities being made available to existing staff. The services will also be relocating from Seaside View and Bartholomew House to Wellington House. Budget had been set aside to facilitate this move and a carry forward is now requested to enact this in 2019.	79
FCL	Quality Assurance and Performance	The Local Safeguarding Children Board (LSCB) budget is funded via multi agency contributions from BHCC, Sussex Police, National Probation Service, Children and Family Court Advisory and Support Service (CAFCASS) & Brighton & Hove CCG. The budget underspend has arisen due to staff vacancies and an underspend in relation to Serious Case Reviews. The carry forward is requested as the partners have agreed that any underspend should be carried forward each year to create a fund for Child Safeguarding Practice Reviews (which are currently called Serious Case Reviews). Partners have also agreed, given the size of this year's underspend and carry forward, that they will incorporate the close down of the LSCB and launch of the new safeguarding arrangements. Any underspend not carried forward would have to be divided back between contributing partner agencies	69
HASC	Integrated Commissioning	Towards the end of 2018/19 Health & Adult Social Care Commissioning was offered an accommodation block to lease which would increase the size of an existing accommodation service for rough sleepers. The lease itself offers good value for money but there is no budget to run the support service in 2019/20. The carry forward of 2018/19 funds would allow for a year-long support service for the individuals within the accommodation with the intention of them being able to sustain their tenancy alone or with the support of an existing floating support service after the year end.	120
HASC	Integrated Commissioning	The Performance, Business Improvement and Modernisation team have a significant role to play in supporting work to manage social care demands and providing analysis required to inform new, more efficient ways of working. The 0.5 FTE Data Integration Project Manager role within the team (jointly funded by the council and CCG) was originally due to be a full time jointly role within the CCG.	50

Directorate	Unit	Details	Proposed Carry Forward Amount £'000
		Following difficulties in recruiting the recruitment strategy was changed and the post is now 0.5 FTE within BHCC Performance and Business Improvement. As the council received a full refund for the transfer already made to the CCG to cover LA contribution (when the role was due to be fulltime in the CCG) a carry forward is requested for the remaining funds to support cost of the post that fall within 2019/20. HASC are committed to reviewing ongoing staffing need and establishing a permanent sustainable staffing model for the team for 2020/21 onwards. The service is requesting carry forward for all surplus 2018/19 funding to support our arrangements within 2019/20 as above.	
HASC	Integrated Commissioning	The Safeguarding Adults Board is a multi agency funded partnership. Carrying forward the underspend of this funding will enable a number of initiatives to continue to be supported in 2019/20. The service is looking to commission in the next financial year guidance on working with trauma and understanding the neuro-developmental implications of abuse, neglect and trauma. This will require the commissioning of specialist providers, with financial implications, Furthermore, the SAB will commission a Serious Case Review on a case regarding the death of an adult with care and support needs, which will also incur costs. It is also planned to hold a SAB conference in November 2019 and to progress participation and engagement intiatives.	87
EEC	Transport	Essential building maintenance works in car parks to ensure parking can be enforced and to prevent closures was delayed to 2019/20 pending reports and quotes for works	177
EEC	Transport	Essential equipment maintenance works in car parks to ensure parking can be enforced and to prevent the closure of the car parks was delayed to 2019/20 pending reports and quotes for works. A carry forward is requested to meet committed costs.	54
EEC	City Development & Regeneration	The Greater Brighton Economic Board (GBEB) is funded by contributions from the constituent Board members, i.e. the 6 Local Authorities, the education providers, business partners and the South Downs National Park Authority. The pooled fund, (which is held on behalf of GBEB by the council) represents funds that support the GBEB 5-year plan which was approved by the Board on the 26th March 2019. It includes a set of priorities which, if implemented will lead to a significant economic uplift for the City Region. 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.	201

Directorate	Unit	Details	Proposed Carry Forward Amount £'000
EEC	Culture, Tourism & Sport	Funding to support Brighton Fringe Ltd through the coming season on the basis that they require one-off financial support and that the organisation generates a significant amount of economic value and prestige for the city.	20
NCH	Safer Communities	Restricted funding from strategic partners for Violence against Women and Young Girls commissioning budget. Carry forward will enable projects to be completed in 2019/20.	55
SGL	Policy Partnerships & Scrutiny	The underspend on this service needs to be retained to accommodate cyclical projects such as 2030 Vision, City Tracker, support for theme groups, live music venues programme, creation of a Policy framework for the City and support for the Corporate Policy Network (CPN). All of these programmes involve city wide partners, most of whom contribute to this pot of money.	18
Total Non Grant Funded Areas			**930**
Grant Funded Areas			
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.	804
FCL	Education and Skills	Troubled Families Grant. This will fund activity to deliver whole family working to vulnerable families as part of the Stronger Families Stronger Communities programme.	220
HASC	Public Health	Due to the additional financial pressures facing Public Health during 2019/20 from the Public Health grant cut and from the cost pressure of £0.350m on the Cranstoun substance misuse contract, the service has, where possible, delayed filling vacancies and tightened programme spend. The money being carried forward will be used to contribute towards the final year of the current Cranstoun contract before reprocurement and to support health improvement activities.	399
EEC	City Environmental Management	Ministry of Housing Communities & Local Government (MHCLG) grant for Parks Improvements received in March 2019 to be used to undertake remedial work and renovation of existing parks to enhance the green space available to local communities. Grant conditions include a monitoring report to check how the grant has been spent.	50
EEC	City Development & Regeneration	MHCLG Neighbourhood Planning grant paid to acknowledge the extra costs that are incurred by the Council to undertake this new statutory duty imposed on planning via the Localism Act 2011. Specifically, the funds are required to support either Rottingdean Parish Council and/or Hove Station Neighbourhood Forum with progressing their Neighbourhood Plans including funding the Examination and Referendum; both of which have to be paid for by the Council. Despite assistance and advice from the council, both Neighbourhood Forums have been slow to reach	20

Directorate	Unit	Details	Proposed Carry Forward Amount £'000
		Regulation 14 Draft Plan stage which is not now expected until 2019/2020. Without this grant funding, the cost will have to borne by the council.	
EEC	Culture, Tourism & Sport	Arts Council grant for Museum Development not fully spent in 2018/19. The variance is primarily due to staff shortages creating salary underspends and impacts on programme delivery. There is agreement and expectation from Arts Council England to use funds on programme delivery in 2019/20.	83
EEC	City Environmental Management	MHCLG grant for High Street Improvements received in March 2019 to be used to work with existing community groups to undertake community-led street and town centre cleansing. Grant conditions include a monitoring report to check how the grant has been spent.	50
EEC	City Development & Regeneration	Contribution is for the development of the Greater Brighton Water Plan from Southern Water. It was envisaged that this would take place in 2018/19, but it will now take place in 2019/20.	15
NCH	CETS	This is a year on year request. Funding is received from Home Office to support the Syrian Refugee Programme and costs will continue to be incurred in 2019/20, which will be set against the grant.	70
F & R	HROD	DfE Teaching Partnership funding - funding received via ESCC as a result of successful bid to DfE for funding for social work education; partnership includes ESCC (lead partner), BHCC, University of Sussex and University of Brighton.	36
F & R	HROD	DfE Step Up funding - funding received as a result of successful bid for Step Up cohort 5 (commenced April 2018) and cohort 6 (commencing May 2019).Partnership includes BHCC (lead partner), ESCC and University of Sussex.	16
F & R	HROD	This is a year-on-year request in respect of the Student Social Work Placement programme. Of the £0.082m grant income from the Department of Health & Social Care (DoH&SC) Daily Placement Fee funding (claimed on our behalf by Universities of Brighton and Sussex) the service needs to continue to fund additional Professional Education Consultant (PEC) posts in Adults’ and Children’s services in 2019/20.	25
F & R	HROD	This is a year-on-year request. Funding received to support Assessed & Supported Year in Employment (ASYE) for newly qualified social workers in adults' and children’s services. The programme runs from September to August.	27
Total Grant Funded Areas			**1,815**
Total Carry Forward Requests			**2,745**

Savings Monitoring 2018/19

General Fund

Directorate	2018/19 Savings Proposed £'000	2018/19 Savings Achieved £'000	2018/19 Savings Unachieved £'000
Families, Children & Learning	4,308	5,022	551
Health & Adult Social Care	3,416	1,938	1,478
Economy, Environment & Culture	2,339	1,905	434
Neighbourhood, Communities & Housing	653	400	253
Finance & Resources	224	162	62
ORBIS	681	681	0
Strategy, Governance & Law	225	205	20
Corporate Budgets	525	525	0
Total Directorate Savings	**12,371**	**10,838**	**2,798**
Tax Base Savings	307	307	0
Total General Fund Savings	**12,678**	**11,145**	**2,798**

Housing Revenue Account

Directorate	2018/19 Savings Proposed £'000	2018/19 Savings Achieved £'000	2018/19 Savings Unachieved £'000
Housing Revenue Account	655	655	0
Total HRA Savings	**655**	**655**	**0**

Families, Children & Learning – Capital Budget Summary

Forecast Variance Month 9 £'000	Service	2018/19 Budget Month 9 £'000	IFRS Changes £'000	Variation, Slippage/ Reprofile £'000	2018/19 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
0	Health, SEN & Disability Services	43	0	36	79	79	0	0.0%
0	Education & Skills	7,582	(805)	72	6,849	6,849	0	0.0%
0	Children's Safeguarding & Care	40	0	(35)	5	5	0	0.0%
0	Schools	122	0	(122)	0	0	0	0.0%
0	**Total Families, Children & Learning**	**7,787**	**(805)**	**(48)**	**6,934**	**6,934**	**0**	**0.0%**

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

Detail Type	£'000	Project	Description
Health, SEN & Disability Services			
Reprofile	(43)	Various	Reprofiles of less than £0.100m across the following schemes: (£0.043m) - Beach House
Variation	79	Various	Variations of less than £0.100m across the following schemes: £0.003m - Beach House Adaptations £0.003m - Ireland Lodge Building works £0.073m - 8-9 Kings Road Property Improvements
Education and Skills			
IFRS Adjustment	(511)	Capital Maintenance 2018/19	Please see paragraph 3.22 (v) of the main report for a general explanation of IFRS changes.
IFRS Adjustment	(192)	Devolved Capital Adjustments	Please see paragraph 3.22 (v) of the main report for a general explanation of IFRS changes.
Reprofile	(119)	Capital Maintenance 2017/18	A major electrical replacement and refurbishment contract changed to holiday working only. As a result, the

Detail Type	**£'000**	**Project**	**Description**
			expenditure profile for the project has slowed. Work is due to complete by end of summer 2019.
Reprofile	(115)	Capital Maintenance 2018/19	Work on a number of mechanical projects has been limited mainly to holiday periods which has affected completion and expenditure profiles. Two major toilet replacement projects completed at Easter in the new financial year which impacted on expenditure in 2018/19.
Reprofile	(105)	Devolved Formula Capital 2018/19	Devolved Formula Capital is a financial resource that is devolved to schools by the Local Authority. Schools have the option to accrue the money for a maximum of 3 years. However, accrued funds are normally retained by the Local Authority. Schools are able to request their allocation at any time. Any remaining budget will be rolled forward to 2019/20 in the usual way.
Variation	186	New Pupil Places	A large part of the New Pupil Places budget was reprofiled into 2019/20 earlier in the year and since then the delivery of furniture, equipment and ICT for the new West Blatchington Primary School was faster than anticipated requiring some of the original budget to be reprofiled back into 2018/19.
Variation	275	Additional Devolved Formula Capital 2018-19	Additional Devolved Formula Grant funding was announced and awarded late in the financial year.
IFRS Adjustment	(102)	Various	Please see paragraph 3.22 (v) of the main report for a general explanation of IFRS changes. IFRS Adjustments of less than £0.100m across the following schemes: (£0.050m) - Capital Maintenance 2017/18 (£0.030m) - New Pupil Places (£0.019m) - Capital Maintenance 2016/17 (£0.004m) - Capital Maintenance 2015/16

Detail Type	£'000	Project	Description
Reprofile	(60)	Various	Reprofiles of less than £0.100m across the following schemes: (£0.031m) - Devolved Formula Capital 2017/18 (£0.009m) - Devolved Formula Capital 2015/16 (£0.007m) - Healthy Pupils/Surrendean Pool (£0.006m) - Universal Free School Meals (£0.006m) - Capital Maintenance 2016/17 (£0.001m) - Capital Maintenance 2015/16
Variation	10	Various	Variations of less than £0.100m across the following schemes: £0.010m - Devolved Formula Capital 2016/17
Children's Safeguarding & Care			
Reprofile	(35)	Various	Reprofiles of less than £0.100m across the following schemes: (£0.035m) - Contact Supervision Centres
Schools			
Reprofile	(122)	Various	Reprofiles of less than £0.100m across the following schemes: (£0.042m) - Fairlight Primary Solar Panels (£0.037m) - Portslade Community Academy (£0.028m) - Hillside School Extension (£0.009m) - Carlton Hill - Improvement Works (£0.006m) - Hertford Junior School Interactive TVs

Health & Adult Social Care – Capital Budget Summary

Forecast Variance Month 9 £'000	Service	2018/19 Budget Month 9 £'000	IFRS Changes £'000	Variation, Slippage/ Reprofile £'000	2018/19 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
0	Adult Social Care	330	0	313	643	643	0	0.0%
0	**Total Health & Adult Social Care**	**330**	**0**	**313**	**643**	**643**	**0**	**0.0%**

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

Detail Type	£'000	Project	Description
Adult Social Care			
Variation	(179)	BCF - Adaptations for the Disabled	The Adaptations for the Disabled scheme forms part of the Better Care Fund (BCF) and the expenditure is shared between Housing and Adult Social Care. This variation is due to this share of spend changing through the year in order to achieve the best outcomes for residents. All spend is funded by the Disabled Facilities Grant allocated for the year 2018/19.
Variation	436	BCF - Community Equipment	The Social Care Community Equipment scheme forms part of the Better Care Fund and the expenditure is shared between Housing and Adult Social Care. This variation is due to this share of spend changing through the year in order to achieve the best outcomes for residents. All spend is funded by the Disabled Facilities Grant allocated for the year 2018/19.
Variation	57	Various	Variations of less than £0.100m across the following schemes: £0.057m - BCF - Telecare

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

Forecast Variance Month 9 £'000	Service	2018/19 Budget Month 9 £'000	IFRS Changes £'000	Variation, Slippage/ Reprofile £'000	2018/19 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
0	Transport	17,536	0	(7,894)	9,642	9,642	0	0.0%
0	City Environmental Management	4,811	0	(2,412)	2,399	2,399	0	0.0%
0	City Development & Regen	8,173	0	(482)	7,691	7,691	0	0.0%
0	Culture, Tourism & Sport	8,478	0	(2,052)	6,426	6,426	0	0.0%
0	Property	10,947	0	(2,347)	8,600	8,600	0	0.0%
0	**Total Economy, Environment & Culture**	**49,945**	**0**	**(15,187)**	**34,758**	**34,758**	**0**	**0.0%**

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

Detail Type	£'000	Project	Description
Transport			
Reprofile	(2,693)	Street Lighting Maintenance (LTP)	Project mobilisation took longer than expected following a recent contractor procurement. A key lantern supplier also ceased trading which meant further orders could not be instructed by the main supplier, creating a standstill situation for a number of months. A revised expenditure profile should be achievable now that all supplier contracts are in place.
Reprofile	(1,010)	A259\West Street Shelter Hall - BS5618	The project works have experienced a number of unforeseeable delays including brick façade complexities resulting in some manufacturing changes to the bricks to overcome dimensional tolerances.
Reprofile	(438)	Central Hove and Portslade Property level Protection (PLP)	The planning process has been quite slow and this is outside BHCC control as in some cases the residents need to sign an agreement prior to installation of flood mitigation measures. Drafting the tender documents also took longer than anticipated as a result of timings being

Detail Type	£'000	Project	Description
			shifted, impacting on availability of legal and procurement capacity. Due to the combination of the above reasons the scheme has not been completed in 2018/19. The project is currently on standstill and the contractor had to demobilise as the contractor cannot progress any further without signed and agreed planning applications. The expectation now is that the scheme will be completed in summer 2019. Reprofiling is requested.
Reprofile	(102)	Controlled Parking Schemes	Reprofiling is necessary to accommodate consultation and implementation of parking schemes which fall between financial years.
Reprofile	(100)	Purchase of Vans - Maintenance Team	The purchase of vans is expected to be undertaken during 2019/20.
Slippage	(2,033)	Valley Gardens - Phases 1 & 2	The project has had a slow construction start that did not fully recover and then a change in programming some of the high value works such as resurfacing roads which will take place in the later stages of the construction phase to realise greater efficiencies. Furthermore, contingency set aside for expensive statutory undertakers' works has not yet been utilised. The project is expected to complete in late summer 2020.
Slippage	(353)	Bridge Strengthening and Assessment	The original design solution provided by the consultant is not deemed suitable by the term contractor so proposals have to be re-drawn and further consultation is required with the affected residents.
Slippage	(229)	Major Projects (LTP)	This underspend is primarily due to slower progress than originally anticipated in developing the early stages of a single project. This is because of the combined effects of the need to review the work programme to realign its progress with other adjacent projects, and an increased volume of work on another project with a greater priority. The council is also awaiting confirmation from a third party about the continued need for an agreed contribution to another project that has been constructed using

Detail Type	£'000	Project	Description
			substantial government funding.
Variation	(500)	Hove Station Footbridge	The Budget Report 2019/20 was amended by full Council to redirect this budget toward supporting modernisation investment.
Variation	(60)	Street Lighting Maintenance (LTP)	A variation of £0.060m is required to transfer funding to the A259\West Street Shelter Hall project. The Shelter Hall project has previously funded £0.060m of works which should have properly been met from the Street Lighting Spend to Save project.
Variation	60	A259\West Street Shelter Hall - BS5618	As per above, a variation of £0.060m is required to transfer funding from the Street Lighting capital scheme.
Reprofile	(400)	Various	Reprofiles of less than £0.100m across the following schemes: (£0.090m) - Local Safety Schemes (LTP) (£0.087m) - Valley Gardens Phase 3 (LTP) (£0.070m) - SCAPE Carden Avenue & Norton Rd (£0.039m) - Integrated Transport Schemes (LTP) (£0.036m) - Vans for Parking Infrastructure Team (£0.031m) - Bike Share\Hire Scheme (LTP) (£0.023m) - Bus Shelters (non advertising sites) (£0.014m) - North Street Environmental Improvement (£0.009m) - Intelligent Transport Systems 2 (LTP)
Slippage	(44)	Various	Slippage of less than £0.100m across the following schemes: (£0.023m) - Safer Routes to Schools (£0.021m) - Maintenance of Principal Roads
Variation	8	Various	Variations of less than £0.100m across the following schemes: £0.008m - Brighton Marina to River Adur Works
City Environmental Management			
Slippage	(750)	Citywide Street Investment	This relates to delays in procurement of new bins for the city while the most appropriate bin systems have been considered. New seafront recycling bins are required for

Detail Type	£'000	Project	Description
			the seafront to maintain blue flag status. They have been designed and are due to be ordered when the final design is submitted and approved. £0.300m has been set aside for this purpose. The new seafront bins will enable the recycling of plastic, glass and cans and if successful can be considered for a wider roll out across the city as funds allow. £0.025m will purchase 20 x 3200 ltr communal bins to replace the most damaged. The remainder of the funding is intended to be used towards replacing on-street communal bins subject to a decision by members on a new bin system that is intended to improve the look of the city; increase recycling and the efficiency of the service
Slippage	(174)	Parks Investment Fund	Resourcing has prevented this planned investment progressing during 2018/19 and plans are now in place for capital works to continue and be completed during 2019/20 for parks and playgrounds investment.
Variation	(1,592)	Procurement of Vehicles	The vehicle replacement programme is being reviewed and revised borrowing projections will be incorporated into the Capital Investment Programme from next year.
Variation	156	Stanmer Park Restoration HLF	A variation to the budget into 2019/20 is required to meet the costs incurred to date associated with the Heritage Lottery Fund project. A contractor has been appointed and the majority of costs associated with the project commenced in June 2019.
Variation	189	Stanmer Depot Relocation	A corporate budget was identified to support the Stanmer Depot temporary relocation with the majority of expenditure profiled into 2019/20 pending the review of the project. A variation to the current year is required to meet the costs of the relocation incurred.
Reprofile	(170)	Various	Reprofiles of less than £0.100m across the following schemes: (£0.075m) - Sheepcote Valley Household Waste (£0.059m) - Downland Initiative Project (£0.028m) - Woodingdean Allotments

Detail Type	£'000	Project	Description
			(£0.008m) - Eastbrook Allotments
Slippage	(116)	Various	Slippage of less than £0.100m across the following schemes: (£0.040m) - City Clean Modernisation Scheme (£0.023m) - Preston Park Cycle Track (£0.019m) - Hove Park 3G Pitch (£0.014m) - Hove Lagoon Play Area S106 (£0.007m) - St Anne`s Wells Gardens S106 (£0.006m) - East Brighton Park Parking Controls (£0.005m) - Tarner Park S106 (£0.001m) - Saltdean Oval Park S106 (£0.001m) - Stanmer Estate Access Improve Works S106
Variation	45	Various	Variations of less than £0.100m across the following schemes: £0.002m - William Clarke Park S106 £0.016m - Queens Park Playground £0.027m - Saunders Park Playground
City Development & Regeneration			
Reprofile	(322)	Circus Street Development - LGF	Construction work on the Dance Space will be completed during 2019/20, with payment from the council to the developers for this balance being made after completion.
Reprofile	(137)	Preston Barracks Central Research Lab	Construction and infrastructure works have commenced and a reprofile of the budget to 2019/20 is required to enable completion of the project for December 2019.
Reprofile	(111)	Regeneration Project Support (Regen)	Funding was identified within the 2018/19 Budget Report to support for the Projects Regeneration Team to enable delivery of major projects such as Madeira Terraces and other initiatives. Funding is required in 2019/20 and beyond to enable continued delivery of these projects.
Slippage	(223)	Seafront Investment - Landscaping	The main reason for slippage is due to extended user consultation. There was a delayed start to the project resulting in the defects period and final account running into the next financial year.

Detail Type	£'000	Project	Description
Variation	86	Madeira Terraces Regeneration	Variation of additional SIF funding balance and variation from Local Full Fibre Network funding not required.
Variation	253	Waterfront Redevelopment	A reserve is set aside to meet the ongoing costs associated with delivering the Brighton Waterfront Redevelopment. Additional budget is required from this reserve to meet these costs.
Variation	265	King Alfred Swimming Pool Redevelopment	A reserve is set aside to meet the ongoing costs associated with delivering the King Alfred Redevelopment. A budget is required from this reserve to meet these costs.
Reprofile	(219)	Various	Reprofiles of less than £0.100m across the following schemes: (£0.096m) - Madeira Terraces Crowd Funding (£0.071m) - Circus Street Development (£0.025m) - Full Fibre Network (£0.011m) - Improvements to New England House (£0.007m) - Open Market (£0.004m) - Falmer Released Land (£0.004m) – Ann Street \ Providence Place Improvements
Slippage	(15)	Various	Slippage of less than £0.100m across the following schemes: (£0.015m) - Full Fibre Network
Variation	(59)	Various	Variations of less than £0.100m across the following schemes: (£0.098m) - Immersive Tech Hub £0.001m - Preston Barracks Site £0.038m - i360 Project and Landscaping
Culture, Tourism and Sport			
Reprofile	(1,012)	Royal Pavilion Estate (Phase 1)	The project works have experienced considerable delays relating to a number of issues, the most significant being extensive remedial works to address the structural defects of the 200 year old Corn Exchange roof joists revealed with the removal of the existing lead based paint.

Detail Type	£'000	Project	Description
Reprofile	(728)	Prince Regent - Replace Mechanical Equip	Other works have taken priority this year (i.e. low level glazing works) and Studio project. There have been resource shortages throughout the team to manage the works during the year. Preparatory works are continuing and internal Mechanical and Engineer colleagues are now commissioned to ensure the scheme proceeds.
Reprofile	(203)	Portslade 3G Pitch	There was a delay whilst the council awaited the outcome of an external grant funding application which was successful and awarded in March 2019. Work is now due to start in June 2019.
Reprofile	(87)	Various	Reprofiles of less than £0.100m across the following schemes: (£0.052m) - Prince Regent - Glazing Works (£0.019m) - New Historical Records Office (The Keep) (£0.009m) - Volks Railway HLF - Delivery Stage (£0.004m) - Mikvah to Studio Conversion Prince Regent Swimming Complex (£0.002m) - ACE Ready to Borrow (£0.001m) - Brighton Centre Stage
Slippage	(29)	Various	Slippage of less than £0.100m across the following schemes: (£0.029m) - Manor Road Gym S106
Variation	7	Various	Variations of less than £0.100m across the following schemes: £0.007m - Saltdean Lido CIC
Property			
Reprofile	(968)	Workstyles Phase 4	Project resource costs associated with the delivery of the various Workstyles projects are required to be reprofiled into 2019/20 to support the ongoing development of projects such as Moulsecoomb Hub, Brighton Town Hall, Disability Services and the Stanmer Projects.
Reprofile	(263)	Workstyles 4 Wellington House	The budget is required to support the integration of disability services by co-locating teams based in

Detail Type	£'000	Project	Description
			Montague House, Bartholomew House and Seaside View together in to Wellington House. The majority of the works are expected to commence during 2019/20.
Reprofile	(225)	Hove Town Hall - South End Office Refurb	The project is completed but there are some minor final works toward the fit out on the ground floor to be completed. Any additional underspend would reduce the borrowing requirement.
Reprofile	(168)	Corporate Building Security	Funding was identified within the 2018/19 Budget Report to support a review of security measures at corporate buildings. A budget reprofile is required into 2019/20 to enable completion of this project.
Reprofile	(160)	B&H Estates Conservation Trust Loan	Progress has been halted whilst the Trustees review the requirements to the proposed scheme.
Reprofile	(131)	Stanmer Park Agricultural Buildings	The scheme has slowed due to resource capacity within the Council. It is anticipated that this will resume in 2019/20.
Reprofile	(364)	Various	Reprofiles of less than £0.100m across the following schemes: (£0.084m) - Madeira Terrace Struc Repair & Resurface (£0.055m) - Housedean Grain Store (£0.045m) - Barts Cladding & Window Replace Phase 1 (£0.038m) - BTH - PMB Contribution to Refurbishment (£0.035m) - Btn Town Hall Flat Roof (£0.022m) - Hollingdean Depot (£0.020m) - Stanmer Workshop - PMB Contribution (£0.018m) - Premises Van Capital Cost (£0.014m) - Hollingdean Depot Pedestrian Footbridge (£0.013m) - Purchase of Phoenix House (£0.011m) - Asbestos Surveys (£0.007m) - Corporate Fire Risk Assessments (£0.001m) - Legionella Works
Slippage	(112)	Various	Slippage of less than £0.100m across the following schemes:

Detail Type	£'000	Project	Description
			(£0.044m) - Statutory DDA Access Works Fund (£0.025m) - HTH - Adaptations to Ventilation (£0.022m) - Corp. Elec. meeting room booking SW (£0.008m) - Safety Railings (£0.007m) -HTH Roof - Provision of Bird Netting (£0.005m) - External Improvement Works
Variation	44	Various	Variations of less than £0.100m across the following schemes: £0.001m - Kings Rd Toilet Roof £0.002m - Passenger Lift H&S Works £0.004m - Fire Safety Improvements £0.017m - Mechanical Boiler Replacements £0.021m - Misc Internal Refurbishments

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

Forecast Variance Month 9 £'000	Service	2018/19 Budget Budget £'000	IFRS Changes £'000	Variation, Slippage/ Reprofile £'000	2018/19 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
0	Housing – General Fund	2,558	0	(127)	2,431	2,241	(190)	-7.8%
0	Libraries	212	0	(51)	161	161	0	0.0%
0	Digital First	2,433	0	(135)	2,299	2,299	0	0.0%
0	**Total Neighbourhood, Communities & Housing**	**5,203**	**0**	**(312)**	**4,891**	**4,701**	**(190)**	**-3.9%**

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

Detail Type	£'000	Project	Description
Housing General Fund			
Variance	(205)	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.
Variation	(127)	BCF - Disabled Facilities Grants (DFG)	The DFG forms part of the Better Care Fund and the expenditure is shared between Housing and Adult Social Care. This variation is due to this share of spend changing through the year in order to achieve the best outcomes for residents. All spend is funded by the DFG allocated for the year 2018/19
Variance	15	Various	Variances of less than £0.100m across the following schemes: (£0.009m) - Renovation Grants £0.019m - Permanent Travellers Site
Libraries			
Reprofile	(60)	Various	Reprofiles of less than £0.100m across the following schemes: (£0.060m) - Hove Library Redevelopment
Variation	9	Various	Variations of less than £0.100m across the following schemes:

Detail Type	£'000	Project	Description
			£0.009m - Hollingbury Library
Digital First			
Reprofile	(144)	Various	Reprofiles of less than £0.100m across the following schemes: (£0.092m) - CFDA - Programme Costs (£0.050m) - CFDA - Digital Supply (£0.001m) - CFDA - Technology Investment
Variation	9	Various	Variations of less than £0.100m across the following schemes: £0.009m - CFDA - Community Investment

Housing Revenue Account (HRA) – Capital Budget Summary

Forecast Variance Month 9 £'000	Service	2018/19 Budget Month 9 £'000	IFRS Changes £'000	Variation, Slippage/ Reprofile £'000	2018/19 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(551)	Environment, Economy & Culture	8,023	(1,580)	(676)	5,767	5,617	(150)	-2.6%
0	Neighbourhood, Communities & Housing	27,657	(838)	(1,241)	25,578	24,640	(938)	-3.7%
(551)	**Total Housing Revenue Account**	**35,680**	**(2,418)**	**(1,917)**	**31,345**	**30,257**	**(1,088)**	**-3.5%**

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

Detail Type	£'000	Project	Description
Economy Environment & Culture			
IFRS Adjustment	(1,454)	Victoria Road	Please see paragraph 3.22 (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 Victoria Road from the General Fund to the HRA approved as part of the wider scheme costs at the December Policy, Resources & Growth Committee.
IFRS Adjustment	(126)	Selsfield Drive	Please see paragraph 3.22 (v) of the main report for a general explanation of IFRS changes. In this case, the adjustment relates to the s106 contribution from the scheme.
Reprofile	(114)	Redevelopment of HRA Vacant Garage Sites	The completion of works is now scheduled for May 2019. A reprofile is required to match the completion date.
Reprofile	(61)	Buckley Close	The demolition of the existing buildings was expected to be completed by March 2019. Therefore a budget variation is required to cover the cost of demolition in 2019/20. The demolition works were completed during April and May 2019. At this stage the Agreed

Detail Type	£'000	Project	Description
			Maximum Price for the construction works is expected to be within the approved budget. The start on site is expected to be June 2019 with completion by March 2020.
Reprofile	(50)	Victoria Road	The demolition of the existing buildings is now underway and due to be completed by mid 2019; the previous assumption was for this to be completed by March 2019. Therefore a budget variation is required to cover the cost of demolition in 2019/20. At this stage the Agreed Maximum Price for the construction works is expected to be within the approved budget.
Variance	(233)	Tilbury Place	Following the purchase of two buildings at Tilbury Place, the refurbishment works were put back until April 2019. The original plan was for this to begin late in 2018/19. There is sufficient budget allocation in 2019/20 to carry out the works.
Variation	(598)	Lynchet Close	The development at Lynchet Close is now finished with the final costs coming in at £0.598m below the approved budget. A budget variation to the Site Pipeline budget is required to keep these resources available for use on a different project.
Variation	147	Selsfield Drive	The enabling works at Selsfield Drive have been completed ahead of the original forecast, a budget variation is required to bring forward budget from 2019/20 to fund these works. With these now completed the main construction works are expected to start in June 2019, once an Agreed Maximum Price has been signed and assurance has been given that best value is being provided for the project.
Variance	82	Various	Variances of less than £0.100m across the following schemes: (£0.003m) - Wellsbourne Development £0.004m - Brookmead Site Development £0.005m - Design Competition

Detail Type	£'000	Project	Description
			£0.026m - Feasibility and Design - Housing Invest £0.050m - Whitehawk (Findon Road) Development
Neighbourhood, Communities & Housing			
IFRS Adjustment	(838)	Home Purchase Scheme	Please see paragraph 3.22 (v) of the main report for a general explanation of IFRS changes. In this case, the adjustment is in relation to the appropriation of three properties actioned in accordance with the Home Purchase Policy from the General Fund to the HRA.
Reprofile	(100)	ICT	Spend against the Wi-fi Connectivity in the Seniors Housing Schemes project will not take place until 2019/20.
Slippage	(356)	Roofing	The council has introduced further engagement with residents ahead of planning works which has had some impact on the programme this year. The majority of the programme has been delivered as planned but work on 3 blocks has been delayed whilst we engage fully with tenants and leaseholders.
Slippage	(140)	Water Tanks	The planned water mains replacement, due to poor condition of existing pipework, is not taking place until 2019/20. Delays were caused by a need to redesign the installation to take into account additional plant room working around leaseholder owned space in the building. This delayed consultation with residents will now take place throughout April/May 2019.
Slippage	(189)	Oxford Street	Delays in planning approval in connection with additional daylight studies and the identification and removal of asbestos have contributed to a revised spend profile.
Slippage	(156)	Car Parks & Garages	The works at St James Car Park were delayed due to additional engagement requirements with stakeholders, the requirement to provide a traffic management study and the desire not to carry out works over the Christmas period. This led to a revised

Detail Type	£'000	Project	Description
			start date on site.
Slippage	(108)	External Decorations & Repairs	Additional engagement and changes to the specifications of works resulted in a delay to the start of one project.
Variance	(330)	External Decorations & Repairs	There is an underspend against the planned programme of less than 10% of the allocated budget.
Variance	(246)	Windows	There is an underspend against the planned programme, due to a number of properties requiring timber windows. These replacements will take place next financial year and can be met from the approved budget allocation for 2019/20.
Variance	(217)	Converting Spaces in Existing Buildings	There has been some delay to the programme due to the complexity of structural alterations required and some design changes related to agreements with services companies. Further work has been done on the pipeline for hidden homes ahead of full delivery in 2019/20.
Variation	(430)	Structural Repairs	Savings delivered against Major Projects has resulted in an underspend against the 2018/19 budget.
Variation	430	Home Purchase Scheme	There were two purchases of properties close to the year-end which were over and above those anticipated at Month 9. The budget variation is required to move budget from elsewhere in the HRA Capital Programme and as such will be funded by a mix of resources, including Direct Revenue Funding and borrowing.
Reprofile	(191)	Various	Reprofiles of less than £0.100m across the following schemes: (£0.080m) - Condensation & Damp Works (£0.080m) - New Housing Management ICT system (£0.031m) - Minor Capital Works
Variance	(145)	Various	Variances of less than £0.100m across the following schemes:

Detail Type	£'000	Project	Description
			(£0.099m) - Water Tanks (£0.098m) - Roofing (£0.071m) - Lifts (£0.065m) - Empty Properties (£0.060m) - Door Entry Systems & CCTV (£0.055m) - Fire Safety (£0.033m) - Capital Works Assessment (£0.031m) - Ventilation (£0.029m) - Internal Decorations & Repairs (£0.021m) - Condensation & Damp Works (£0.021m) - Doors (£0.020m) - Structural Repairs (£0.018m) - Communal Fire Alarms (£0.017m) - Domestic Rewire (£0.016m) - Communal Rewire (£0.015m) - Sheltered Services Systems (£0.012m) - Asbestos (£0.004m) - Stonehurst Court (£0.001m) - Partnership Establishment Costs £0.001m - Environmental Improvements £0.001m - LDV Assessment Works £0.002m - Insulation £0.002m - New Housing Management ICT system £0.002m - Future Proofing Assets £0.005m - Cladding £0.007m - Estate Service Vehicle Replacement £0.008m - Fencing £0.011m - ICT £0.017m - Bathrooms £0.026m - Communal Boilers £0.027m - Car Parks & Garages £0.036m - Main Entrance Doors £0.067m - Feasibility and Design - P&I £0.070m - Kitchens

Detail Type	£'000	Project	Description
			£0.077m - HRA Adaptations £0.081m - BHCC Projects £0.099m - City-Wide Loft Conv & Ext Project

Finance & Resources - Capital Budget Summary

Forecast Variance Month 9 £'000	Service	2018/19 Budget Month 9 £'000	IFRS Changes £'000	Variation, Slippage/ Reprofile £'000	2018/19 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
0	IT&D	1,944	0	(432)	1,512	1,512	0	0.0%
0	**Total Finance & Resources**	**1,944**	**0**	**(432)**	**1,512**	**1,512**	**0**	**0.0%**

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

Detail Type	£'000	Project	Description
IT&D			
Reprofile	(436)	Carefirst replacement mobile devices	The Carefirst Replacement programme forms part of the modernisation programme and will be delivered over a number of years. The budget is required to be reprofiled into 2019/20 to continue the delivery of this programme.
Reprofile	(327)	General Data Protection Regulations (GDPR)	The GDPR process will continue to be supported into 2019/20 and the budget will be required to be reprofiled into this year to enable the delivery of the council's obligations to meet GDPR.
Variation	268	iPhone Purchases	IT&D Fund required from 2019/20 to support the purchase of new phones as part of the modernisation of the council workforce.
Reprofile	(8)	Various	Reprofiles of less than £0.100m across the following schemes: (0.008m) - Information Management
Variation	72	Various	Variations of less than £0.100m across the following schemes: £0.002m - CEM Parking £0.070m - Internal Customer Access to Information

Strategy Governance & Law - Capital Budget Summary

Forecast Variance Month 9 £'000	Service	2018/19 Budget Month 9 £'000	IFRS Changes £'000	Variation, Slippage/ Reprofile £'000	2018/19 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
0	Life Events	6	0	(6)	0	0	0	0.0%
0	Perf Improvement & Programmes	1,995	0	(1,807)	188	188	0	0.0%
0	**Total Strategy Governance & Law**	**2,001**	**0**	**(1,813)**	**188**	**188**	**0**	**0.0%**

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

Detail Type	£'000	Project	Description
Life Events			
Reprofile	(6)	Various	Reprofiles of less than £0.100m across the following schemes: (£0.006m) - Coroners Software System
Perf Improvement & Programmes			
Reprofile	(1,807)	Carefirst Replacement Project	The Carefirst Replacement programme forms part of the modernisation programme and will be delivered over a number of years. The budget is required to be reprofiled into 2019/20 to continue the delivery of this programme.

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

POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 27 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) 2019/20: Month 2**	
Date of Meeting:		**18 July 2019**	
Report of:		**Executive Director of Finance & Resources**	
Contact Officer:	**Name:**	**Nigel Manvell**	**Tel: 29-3104**
	Email:	**Nigel.manvell@brighton-hove.gov.uk**	
Ward(s) affected:		**All**	

FOR GENERAL RELEASE

1 SUMMARY AND POLICY CONTEXT:

1.1 The Targeted Budget Monitoring (TBM) report is a key component of the council's overall performance monitoring and control framework. This report sets out an early indication of forecast risks as at Month 2 on the council's revenue and capital budgets for the financial year 2019/20.

1.2 As set out in the General Fund Revenue Budget 2019/20 report to Budget Council, £11.567m was provided for in the budget for reinvestment in identified service pressures across social care and £3.194m for pressures in other services. These sums are expected to meet identified demand-led, cost and income pressures in 2019/20. However, the council has set aside risk provisions of £1.065m to mitigate potential demand risks and/or any difficulties in delivering savings targets. This risk provision is held as a one-off "financial risk safety net" as part of general reserves.

1.3 The forecast risk for 2019/20 at this early stage is a £3.427m overspend on the General Fund revenue budget. This includes a forecast overspend of £0.099m on the council's share of the NHS managed Section 75 services. As noted above, the council set aside a £1.065m one-off financial risk safety net to mitigate identified risks if absolutely necessary. Taking this into consideration, the council's financial position is therefore in a manageable position at this point in the year where the accuracy of projections is inevitably more variable and where forecasts of potential underspending areas will be more prudent or unknown at this stage.

1.4 The report also indicates that a significant element of the substantial savings package in 2019/20 of £12.236m is expected to be on track with £11.884m either achieved or anticipated to be achieved. Savings at risk (£0.352m) are included in the overall service forecasts.

2 RECOMMENDATIONS:

2.1 That the Committee note the forecast risk position for the General Fund, which indicates a budget pressure of £3.427m. This includes an overspend of £0.099m on the council's share of the NHS managed Section 75 services.

2.2 That the Committee note that the one-off financial risk safety net of £1.065m is available to mitigate the forecast risk if the risks cannot be completely eliminated by year-end.

2.3 That the Committee note the forecast for the Housing Revenue Account (HRA), which is currently an underspend of £0.320m.

2.4 That the Committee note the forecast risk position for the Dedicated Schools Grant which is an overspend of £0.102m.

2.5 That the Committee note the forecast outturn position on the capital programme and approve the variations and slippage in Appendix 5 and the new schemes as set out in Appendix 6.

2.6 That the Committee agree the proposed funding of Schools and Non-Schools Term Time Only back pay as set out in paragraphs 6.3 to 6.5.

3 RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Targeted Budget Management (TBM) Reporting Framework

3.1 The TBM framework focuses on identifying and managing financial risks on a regular basis throughout the year. This is applied at all levels of the organisation from Budget Managers through to Policy, Resources & Growth 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:

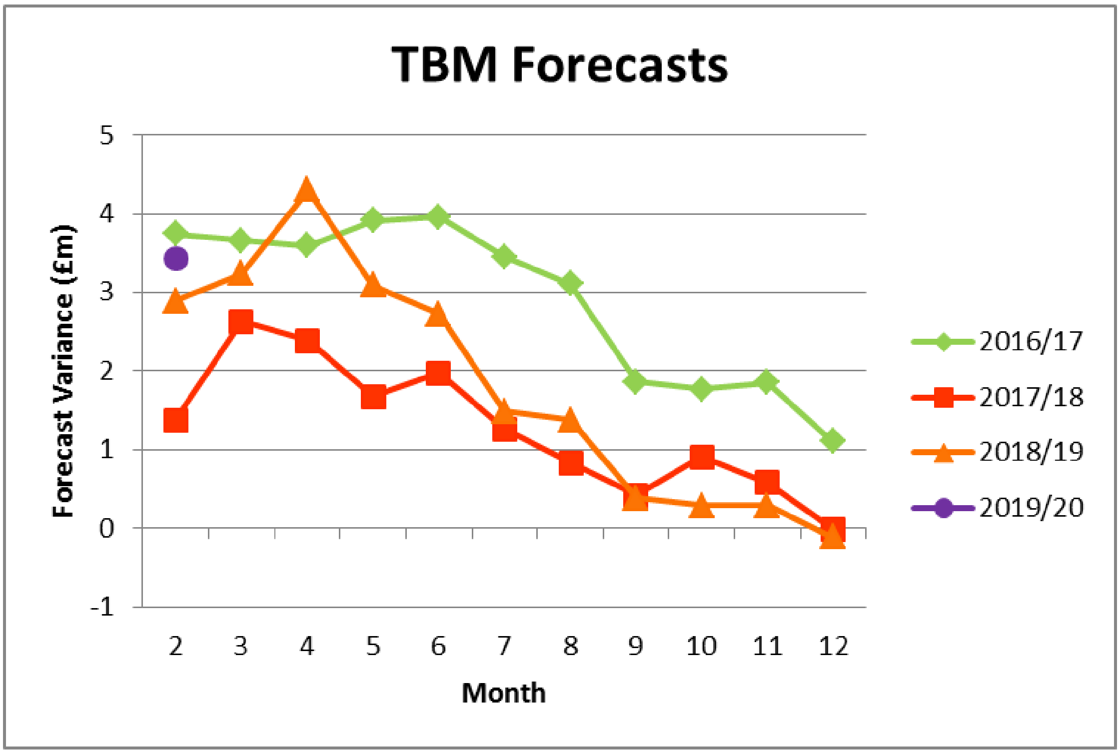
i) General Fund Revenue Budget Performance
ii) Housing Revenue Account (HRA) Performance
iii) Dedicated Schools Grant (DSG) Performance
iv) NHS Controlled S75 Partnership Performance
v) Capital Investment Programme Performance
vi) Capital Programme Changes
vii) Implications for the Medium Term Financial Strategy (MTFS)
viii) Comments of the Director of Finance & Resources (statutory S151 officer)

General Fund Revenue Budget Performance (Appendix 3)

3.3 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.

Forecast Outturn 2018/19 £'000	Directorate	2019/20 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
(801)	Families, Children & Learning	89,347	89,754	407	0.5%
2,754	Health & Adult Social Care	58,653	61,321	2,668	4.5%
(1,385)	Economy, Environment & Culture	37,293	37,293	0	0.0%
(370)	Neighbourhood, Communities & Housing	15,449	15,449	0	0.0%
(484)	Finance & Resources	19,982	19,966	(16)	-0.1%
(67)	Strategy, Governance & Law	4,992	5,368	376	7.5%
(353)	Sub Total	225,716	229,151	3,435	1.5%
242	Corporately-held Budgets	(10,780)	(10,788)	(8)	-0.1%
(111)	Total General Fund	214,936	218,363	3,427	1.6%

3.4 The General Fund includes general council services, corporate budgets and central support services. Corporate Budgets include centrally held provisions and budgets (e.g. insurance) 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 2019/20 and the previous three years for comparative purposes.

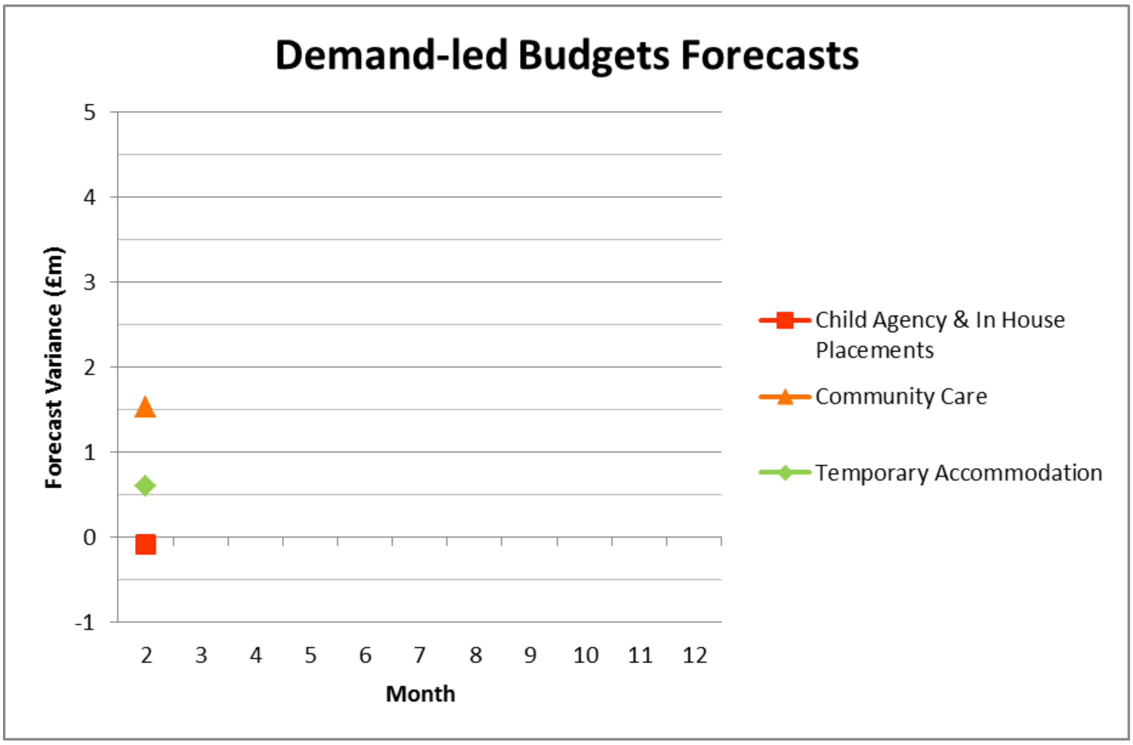


Demand-led Budgets

3.5 There are a number of budgets that carry potentially higher financial risks and therefore could have a material impact on the council's overall financial position. These are 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 Outturn 2018/19 £'000	Demand-led Budget	2019/20 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
(406)	Child Agency & In-House Placements	22,117	22,030	(87)	-0.4%
3,316	Community Care	64,863	66,386	1,523	2.3%
592	Temporary Accommodation	2,606	3,206	600	23.0%
3,502	Total Demand-led Budget	89,586	91,622	2,036	2.3%

The chart below shows the monthly forecast variances on the demand-led budgets for 2019/20.



TBM Focus Areas

The main pressures identified at Month 2 are across Families, Children & Learning and Health & Adult Social Care while other pressures are also being contained as summarised below:

3.6 **Families, Children & Learning:** The current projected position identifies potentially significant cost pressures: £0.491m on Services for Children with Disabilities; £0.254m on Services for Adults with Learning Disabilities; £0.332m on Home to School Transport and £0.140m on Early Years Services. However, there are services with forecast underspends such as Children in Care (£0.256m) and Preventive s17 payments (£0.152m) together with other variances (£0.099m); this results in a forecast of £0.710m overspend as at Month 2. After taking into account financial recovery measures of £0.303m the net position currently shows a projected overspend of £0.407m.

3.7 **Adults Services:** The service is facing significant challenges in 2019/20 in mitigating the risks arising from increasing demand 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 delivering a significant budget savings programme and developing collaboration plans through the Better Care Fund.

- Service pressure funding of over £9.000m, including Better Care and Winter Pressure funding, has been applied in 2019/20 and used to fund budget pressures resulting from the increasing demands and complexity of need across the city. However, £1.563m was needed to offset the reduction in one-off iBCF funding, £0.383m to cover a reduction of CCG funding contributions and £0.500m for the reduction in the Public Health grant. Over the last two years there has been an overall £3.750m reduction in CCG funding due to pressures on health budgets, which has primarily been borne by the HASC budget without matching cost reductions, which caused overspending in 2018/19. Although some service pressure funding has been provided within the council's budget, this has not matched the reductions in full. The CCG continues to fund services in other Directorates.

- Work is ongoing to deliver the total approved budget savings of £4.354m and mitigate an unfunded identified budget pressure of £1.702m in 2019/20.

- HASC is currently forecasting an overspend of £2.668m at Month 2 after the implementation of a number of initiatives to improve the financial stability of the directorate, which have helped to contain the forecast risk. The recovery measures focus 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 current forecast overspend is a result of:
    - Residential & Nursing home placements for Older People relating to pressure from hospital discharge £0.946m;
    - Further CCG funding reductions £0.800m;
    - Physical Support shortfall in Section 117 funding of £0.482m;
    - Unachieved savings from the Sustainable Social Care Programme of £0.440m.

- There is focus nationally on improving rates of hospital discharge in preparation for winter that leads to increasing financial pressure. This pressure is expected to increase over the winter months. There are also continued potential forecast risks concerning increased complexity of need and pressures on the in-house older people resource centres. Service pressure funding and improved Better Care funding have partly mitigated the risk for this financial year.

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.

3.8 **Housing Services and Temporary Accommodation:** The outturn position for 2018/19 was an overspend of £1.030m. This was made up of £0.592m on Temporary Accommodation, £0.388m on the Seaside Homes contract and £0.050m across the service and was met from the release of Flexible Homelessness Support Grant.

The Temporary Accommodation 2019/20 forecast overspend of £0.600m is driven by higher than budgeted volumes and costs of temporary accommodation due to the continuing local pressures and bedding in the statutory requirements of the Housing Reduction Act. The number of households in temporary accommodation was reduced by over 200 units by the end of 2019/20 but the forecast is that volumes and costs will not decrease to the levels expected when the budget was set.

The Seaside Homes contract forecast overspend of £0.250m (after service pressure funding of £0.150m) is due to lower income collection following the impact of Universal Credit and void losses due to higher churn as households are moved on from temporary accommodation. The service is focusing on how to improve income collection which may become more difficult as Universal Credit is rolled out (the benefit payment for rent is not always paid directly to the landlord).

The £1.300m trailblazer project delivered some reductions in accommodation volumes in 2018/19. This has been extended into 2019/20 and, combined with the funding the council has received from the government's Private Rented Sector Access Programme, should deliver more reductions in 2019/20 and beyond.

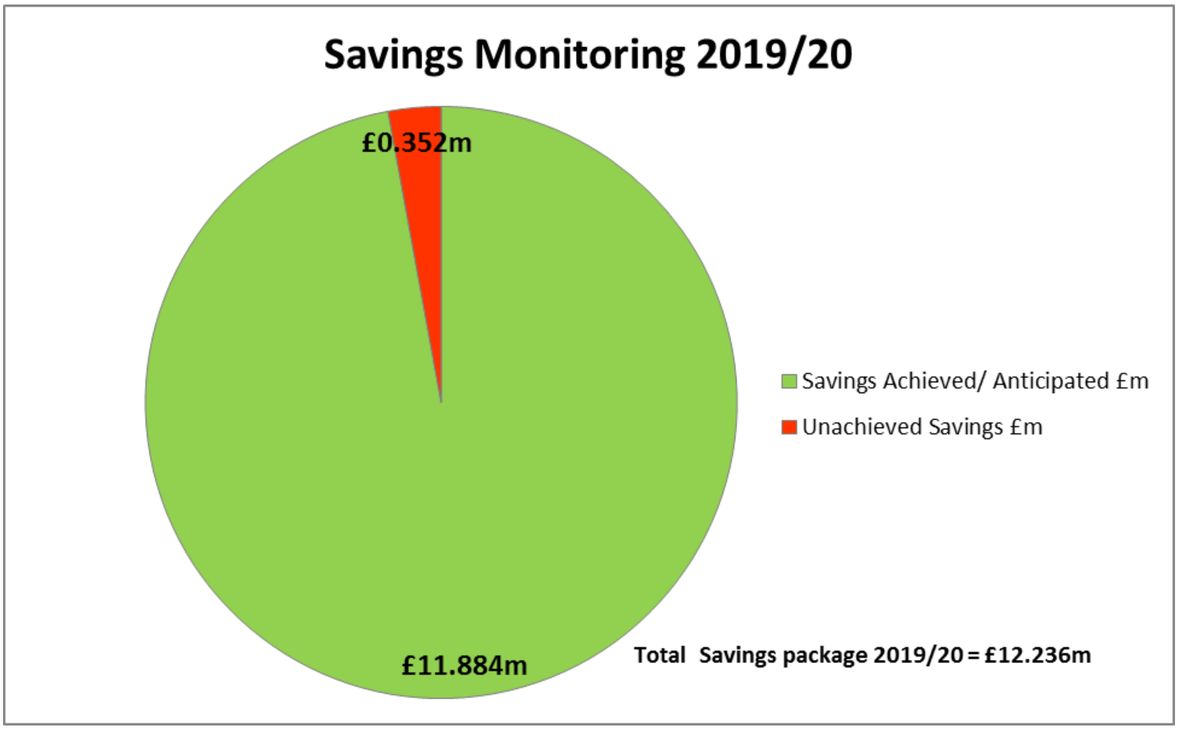
The aim is to both deliver a further reduction in the numbers of households in temporary accommodation and shift the accommodation provided away from higher cost units (such as spot purchase or emergency accommodation) by the end of 2019/20.

3.9 **Environment, Economy & Culture:** The directorate is experiencing a number of pressures, particularly in the CityClean service concerning increasing employee costs to meet service requirements, fleet related costs and income pressures relating to commercial activity. The directorate is developing a number of financial recovery measures to address the net overspend position. These include a comprehensive modernisation programme within the CityClean service and reviewing all significant income streams to develop robust forecasts.

Monitoring Savings

3.10 The savings package approved by full Council to support the revenue budget position in 2019/20 was £12.236m following directly on from a £12.678m savings package in 2018/19. This is very significant and follows 7 years of substantial packages totalling over £130m that have been necessary to enable cost and demand increases to be funded alongside managing reductions in central government grant funding.

3.11 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 a substantial element is on track with £0.352m (3%) currently at risk. Mitigation of these risks is included in the development of services' financial recovery actions.



Housing Revenue Account Performance (Appendix 3)

3.12 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 £0.320m and more details are provided in Appendix 3.

Dedicated Schools Grant Performance (Appendix 3)

3.13 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 £0.102m 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.

NHS Managed S75 Partnership Performance (Appendix 3)

3.14 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.

3.15 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 overspend of £0.716m is currently forecast and more details are provided in Appendix 3.

Capital Programme Performance and Changes

3.16 The table below provides a summary of capital programme performance by Directorate and shows that there is a forecast underspend of £0.167m at this early stage. More details are provided in Appendix 5.

2018/19 Outturn Variance £'000	Capital Budgets	2019/20 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
0	Families, Children & Learning	37,574	37,574	0	0.0%
0	Health & Adult Social Care	338	338	0	0.0%
0	Economy, Environment & Culture	60,622	60,622	0	0.0%
(190)	Neighbourhood, Comms & Housing	5,996	5,996	0	0.0%
(1,088)	Housing Revenue Account	48,992	48,825	(167)	-0.3%
0	Finance & Resources	335	335	0	0.0%
0	Strategy, Governance & Law	2,249	2,249	0	0.0%
0	Corporate Budgets	0	0	0	0.0%
(1,278)	**Total Capital**	**156,106**	**155,939**	**(167)**	**-0.1%**

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

3.17 Appendix 5 shows the changes to the capital budget and Appendix 6 provides details of new schemes for 2019/20 to be added to the capital programme which are included in the budget figures above. Policy, Resources & Growth 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.

Summary of Capital Budget Movement	2019/20 Budget £'000
Budget approved at Budget Council plus slippage and reprofiles approved in the Outturn report	158,973
Reported at other Policy, Resources & Growth Committees for inclusion into 2019/20 year	3,565
New schemes to be approved in this report (see Appendix 5)	646
Variations to Budget (to be approved)	1,582
Reprofiling of Budget (to be approved)	(8,660)
Slippage (to be approved)	0
Total Capital	**156,106**

3.18 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.

Implications for the Medium Term Financial Strategy (MTFS)

3.19 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 & Growth 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

3.20 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 2019/20, as at Month 2, is £17.180m. To date there have been receipts of £0.052m in relation to some minor lease extensions and loan repayments. The capital receipts performance will be monitored over the coming months against capital commitments.

3.21 The forecast for the 'right to buy sales' in 2019/20 (after allowable costs, repayment of housing debt and forecast receipt to central government) is that an estimated 55 homes will be sold with a maximum useable receipt of £0.510m to fund the corporate capital programme and net retained receipt of £6.600m available to re-invest in replacement homes. To date 5 homes have been sold in 2019/20.

Collection Fund Performance

3.22 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.

3.23 The council tax collection fund is forecast to be in deficit by £0.590m at year end. This is mainly from reductions to previous year's council tax income due to backdated entitlement to exemptions, particularly severely mentally impaired exemptions which can be backdated over a number of years. The council's share of the overall forecast council tax deficit is £0.501m.

3.24 There is no variance currently forecast on the business rates collection fund.

3.25 The council's share of the combined collection funds is a deficit of (£0.501m) and is included in the budget forecast as a one-off pressure for 2020/21.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The provisional outturn position on the General Fund is an overspend of £3.427m. This includes a forecast overspend of £0.099m on the council's share of the NHS managed Section 75 services. There are one-off financial risk provisions of £1.065m available to partially mitigate the position. Any overspend at the year-end would need to be funded from general reserves which would then need to be replenished to ensure that the working balance did not remain below the recommended level of £9.000m. Any underspend would release one off resources that can be used to aid budget planning for 2020/21.

5 COMMUNITY ENGAGEMENT & CONSULTATION

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

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

6.1 This early forecast indicates a number of underlying demand and cost pressures that need an immediate response to ensure that the position does not escalate. The Executive Leadership Team will therefore focus on identifying and confirming appropriate financial recovery measures including early consideration of potential underspending areas.

6.2 The forecast risk at Month 2 represents 1.6% of the net General Fund (1.1% after taking into account risk provisions) and is therefore expected to be manageable at this stage of the year as there is sufficient time to plan and undertake further financial recovery action if further risks emerge.

Term time only back pay

6.3 A case at the Employment Appeal Tribunal in 2018 (Brazel v The Harpur Trust) confirmed the correct treatment of pro rating annual leave for Term Time Only staff. This has resulted in an amendment to the calculated amount of leave these staff are entitled to. This change means that staff who work term time only are entitled to between 0.67 and 1 week's additional annual leave per year. Potential claims relating to back pay for this amendment are possible and the council is therefore negotiating settlement in this respect. If back pay were to be based on 6 years, as for equal pay claims, the estimated cost would be approximately £3.772m for schools' staff and £0.382m for non-school staff. The ongoing costs of this change are estimated to be £0.660m for schools and £0.070m for non-school staff.

6.4 The ongoing costs for schools will need to be met from the schools' funding block, funded by the Dedicated Schools Grant, which will inevitably have an impact on schools' financial positions. Any back pay liability would similarly fall to be funded by schools, however, this could have a destabilising effect due to the scale of the potential liability. To manage the back pay liability it is proposed to allow schools to spread the cost over 10 years by making available earmarked Waste PFI reserves which will not be required until later years of the PFI contract. It is further proposed to share the burden of back pay costs 50:50 with the council's General Fund to further support schools and the council's commitment to education. This necessarily will have implications for other council services due to government restrictions on taxation increases, the impact of reducing government grant funding since 2009 and severe cost pressures on social care and homelessness services. The costs and impact of this are summarised in the table below:

Term Time Only Cost Element	**Schools £'000**	**General Fund £'000**
Schools back pay annual cost (shared over 10 years)	188.6	188.6
Non-Schools back pay annual cost (over 10 years)	0.0	38.2
Ongoing annual cost of change to leave entitlements	660.0	70.0
Total Annual Cost	**848.6**	**296.8**

6.5 The total back pay costs are estimated at £4.154m and will be temporarily funded by utilising cash balances relating to the earmarked Waste PFI reserve where these resources are not required in the short term in line with the financial model for this PFI contract. Repayments will commence from 2020/21. The ongoing costs that impact in 2019/20 will be reflected in TBM monitoring reports and will be built into next year's budget estimates. For the General Fund, this will add £0.297m to the budget gap[1]. It should be noted that all funding for the back-pay liability will be returnable to the council by any school on ceasing to be maintained by the council.

7 FINANCIAL AND OTHER IMPLICATIONS

Financial Implications:

7.1 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

[1] The 'Budget Gap' is the difference between the anticipated Local Government Financial Settlement, potential taxation increases and the estimated increase in the cost of services including increased demands on statutory services such as social care.

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: 21st June 2019*

Legal Implications:

7.2 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. In relation to recommendation 2.6, the relevant case law is referred to in the report at paragraph 6.3. The Employment Rights Act 1996 Section 23 (1) (as amended) has the effect of capping the backdating of any potential claims for unlawful deduction of wages to two years from presentation of the claim, while under the Equality Act 2010 equal pay claims are limited to a maximum of 6 years.

Lawyer Consulted: Elizabeth Culbert *Date: 24th June 2019*

Equalities Implications:

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

Sustainability Implications:

7.4 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. The achievement of a break-even position or better is therefore important in the context of ensuring that there are no adverse impacts on future financial years arising from performance in 2019/20.

Risk and Opportunity Management Implications:

7.5 The council's revenue budget and Medium Term Financial Strategy contain risk provisions to accommodate emergency spending, even out cash flow movements and/or meet exceptional items. The council maintains a recommended minimum working balance of £9.000m to mitigate these risks. The council also maintains other general and earmarked reserves and contingencies to cover specific project or contractual risks and commitments.

SUPPORTING DOCUMENTATION

Appendices:

1. Financial Dashboard Summary
2. Revenue Budget RAG Rating
3. Revenue Budget Performance
4. Summary of 2019/20 Savings Progress
5. Capital Programme Performance
6. New Capital Schemes

Documents in Members' Rooms:

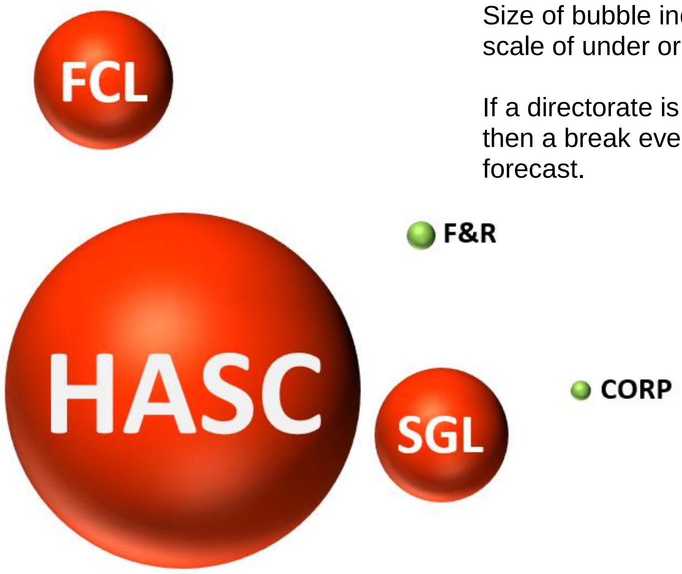
None.

Background Documents
None.

Appendix 1 - Financial Dashboard Summary

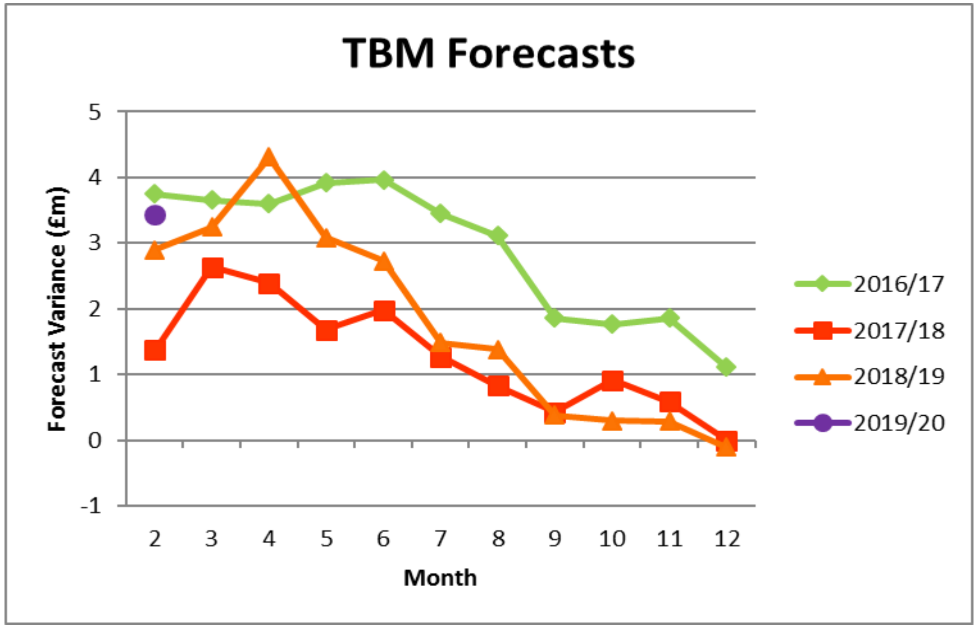
Red = overspent.
Green = Underspent.
Size of bubble indicates scale of under or overspend.

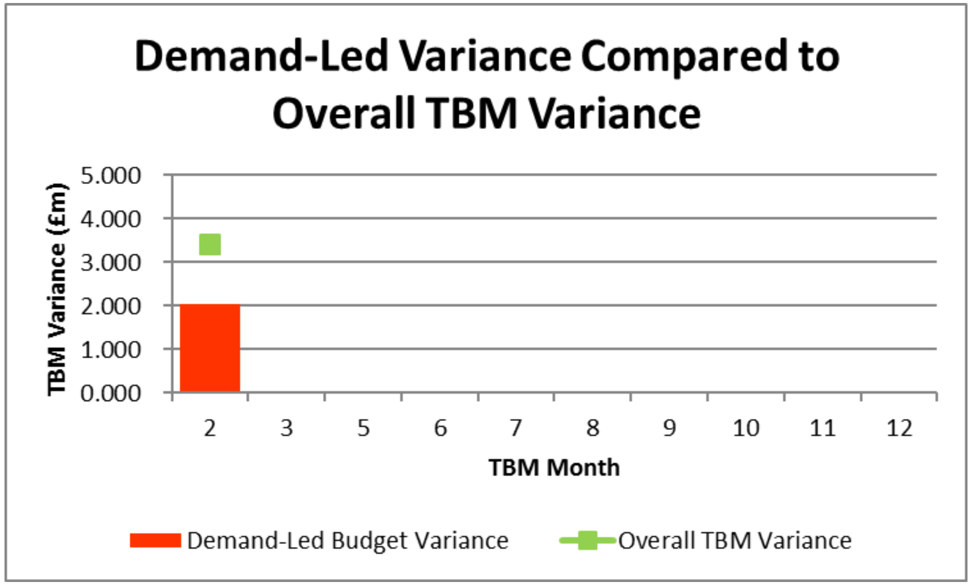
If a directorate is not shown then a break even position is forecast.

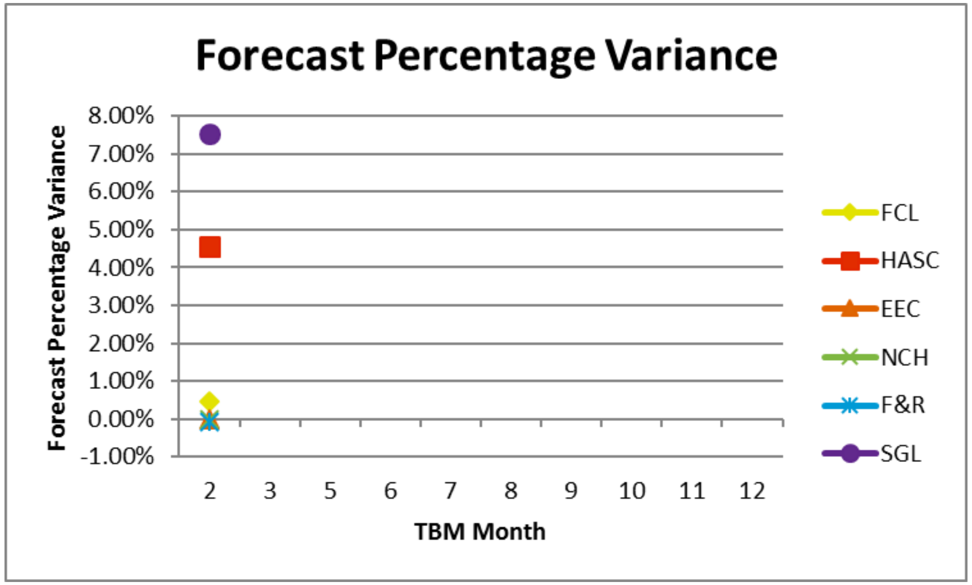


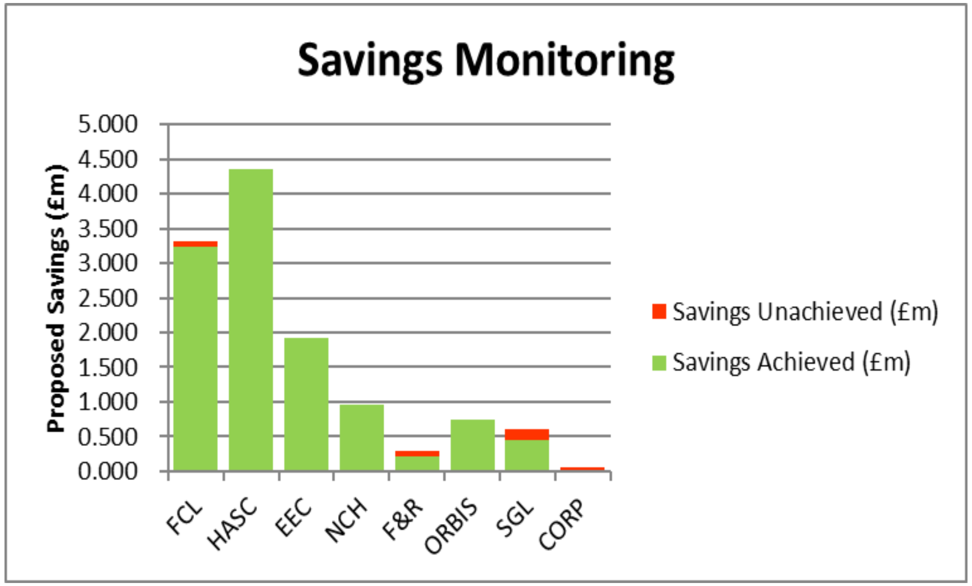
Direction of Travel

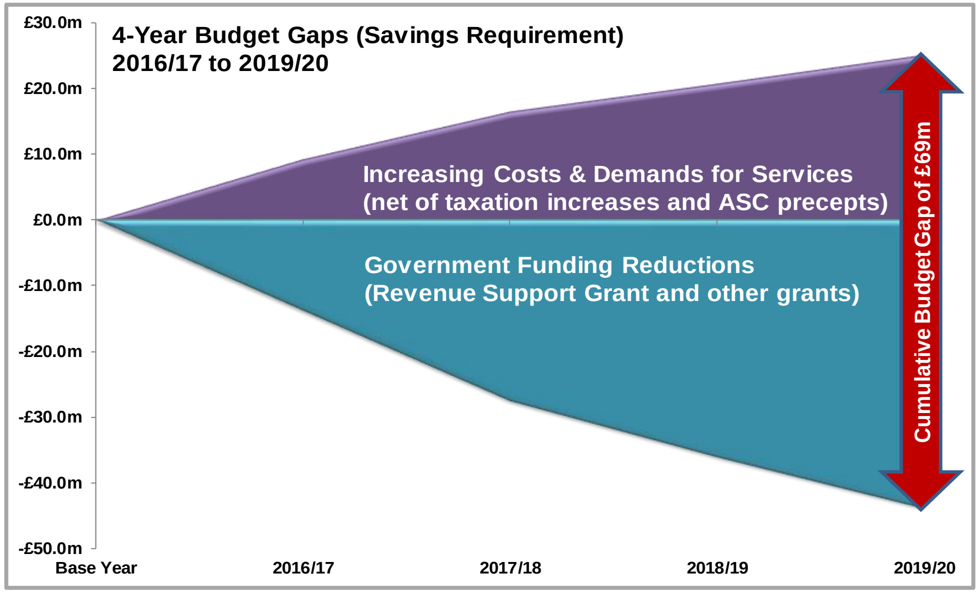
Directorate/Fund	Forecast Variance Month 2	Forecast Variance Month 2	RAG Rating Month 2
	£'000	%	
General Fund Services:			
Families, Children & Learning	407	0.5%	Red
Health & Adult Social Care	2,668	4.5%	Red
Economy, Environment & Culture	0	0.0%	Green
Neighbourhood, Communities & Housing	0	0.0%	Green
Finance & Resources	(16)	-0.1%	Green
Strategy, Governance & Law	376	7.5%	Red
Corporately-held Budgets	(8)	-0.1%	Green
Total General Fund	3,427	1.6%	Red
Dedicated Schools Grant (DSG)	102	12.7%	Red
Housing Revenue Account	(320)	0.0%	Green




Demand-Led Variance Compared to Overall TBM Variance
TBM Variance (£m)
5.000
4.000
3.000
2.000
1.000
0.000
2
3
5
6
7
8
9
10
11
12
TBM Month
Demand-Led Budget Variance
Overall TBM Variance


Forecast Percentage Variance
Forecast Percentage Variance
8.00%
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
-1.00%
2
3
5
6
7
8
9
10
11
12
TBM Month
FCL
HASC
EEC
NCH
F&R
SGL


Savings Monitoring
Proposed Savings (£m)
5.000
4.500
4.000
3.500
3.000
2.500
2.000
1.500
1.000
0.500
0.000
FCL
HASC
EEC
NCH
F&R
ORBIS
SGL
CORP
Savings Unachieved (£m)
Savings Achieved (£m)


4-Year Budget Gaps (Savings Requirement)
2016/17 to 2019/20
£30.0m
£20.0m
£10.0m
£0.0m
-£10.0m
-£20.0m
-£30.0m
-£40.0m
-£50.0m
Increasing Costs & Demands for Services
(net of taxation increases and ASC precepts)
Government Funding Reductions
(Revenue Support Grant and other grants)
Cumulative Budget Gap of £69m
Base Year
2016/17
2017/18
2018/19
2019/20

Appendix 2 – Revenue Budget RAG Ratings

RAG Rating Key:	RAG for Service Areas	RAG for Directorates[1]	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

Service	2019/20 Budget Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %	RAG Rating Month 2
Director of Families, Children & Learning	92	0	0.0%	Green
Health, SEN & Disability Services	39,971	736	1.8%	Red
Education & Skills	7,372	452	6.1%	Red
Children's Safeguarding & Care	40,470	(767)	-1.9%	Green
Quality Assurance & Performance	1,442	(14)	-1.0%	Green
Total Families, Children & Learning	89,347	407	0.5%	Red
Adult Social Care	33,405	1,871	5.6%	Red
Integrated Commissioning	8,509	858	10.1%	Red
S75 Sussex Partnership Foundation Trust (SPFT)	16,340	(61)	-0.4%	Green
Public Health	399	0	0.0%	Green
Total Health & Adult Social Care	58,653	2,668	4.5%	Red
Transport	1,013	(910)	-89.8%	Green
City Environmental Management	30,500	879	2.9%	Red
City Development & Regeneration	2,811	35	1.2%	Amber
Culture, Tourism & Sport	3,865	(4)	-0.1%	Green
Property	(896)	0	0.0%	Green
Total Economy, Environment & Culture	37,293	0	0.0%	Green
Housing General Fund	5,329	0	0.0%	Green
Libraries	4,650	0	0.0%	Green
Communities, Equalities & Third Sector	2,952	0	0.0%	Green
Safer Communities	2,518	0	0.0%	Green
Total Neighbourhood, Communities & Housing	15,449	0	0.0%	Green
Finance (Mobo)	(351)	0	0.0%	Green
Housing Benefit Subsidy	(901)	(325)	-36.1%	Green
HR & Organisational Development (Mobo)	647	0	0.0%	Green
IT&D (Mobo)	2,506	150	6.0%	Red
Revenues & Benefits (Mobo)	5,284	159	3.0%	Red
Business Operations (Mobo)	(188)	0	0.0%	Green
F&R Contribution to ORBIS	12,985	0	0.0%	Green
Total Finance & Resources	19,982	(16)	-0.1%	Green
Corporate Policy	674	38	5.6%	Red
Legal Services	1,331	0	0.0%	Green

Appendix 2 – Revenue Budget RAG Ratings

Service	2019/20 Budget Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %	RAG Rating Month 2
Democratic & Civic Office Services	1,680	0	0.0%	Green
Life Events	103	338	328.2%	Red
Performance, Improvement & Programmes	628	0	0.0%	Green
Communications	576	0	0.0%	Green
Total Strategy, Governance & Law	4,992	376	7.5%	Red
Sub Total	225,716	3,435	1.5%	
Bulk Insurance Premia	3,069	0	0.0%	Green
Capital Financing Costs	5,659	0	0.0%	Green
Levies & Precepts	207	0	0.0%	Green
Unallocated Contingency & Risk Provisions	532	0	0.0%	Green
Unringfenced Grants	(25,320)	(42)	-0.2%	Green
Other Corporate Items	5,073	34	0.7%	Amber
Total Corporate Budgets	(10,780)	(8)	-0.1%	Green
Total General Fund	214,936	3,427	1.6%	Red

Individual Schools Budget (ISB)	126,196	0	0.0%	Green
Early Years Block (incl delegated to Schools)	14,605	0	0.0%	Green
High Needs Block (excl delegated to Schools)	19,921	70	0.4%	Amber
Exceptions and Growth Fund	2,886	32	1.1%	Amber
Grant Income	(162,804)	0	0.0%	Green
Total Dedicated Schools Grant (DSG)	804	102	12.7%	Red

Capital Financing	31,335	(320)	-1.0%	Green
Housing Management & Support	4,596	0	0.0%	Green
Head of City Development & Regeneration	316	0	0.0%	Green
Income Involvement Improvement	(46,303)	0	0.0%	Green
Property & Investment	7,894	0	0.0%	Green
Tenancy Services	2,162	0	0.0%	Green
Total Housing Revenue Account	0	(320)	0.0%	Green

([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 Outturn 2018/19 £'000	Service	2019/20 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %	2019/20 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
(16)	Director of Families, Children & Learning	92	92	0	0.0%	116	116	0
550	Health, SEN & Disability Services	39,971	40,707	736	1.8%	1,007	955	52
163	Education & Skills	7,372	7,884	512	6.9%	318	278	40
(1,452)	Children's Safeguarding & Care	40,470	39,946	(524)	-1.3%	1,800	1,800	0
(46)	Quality Assurance & Performance	1,442	1,428	(14)	-1.0%	79	79	0
(801)	Total Families, Children & Learning	89,347	90,057	710	0.8%	3,320	3,228	92
0	Further Financial Recovery Measures (see below)	-	(303)	(303)	-	-	-	-
(801)	Residual Risk After Financial Recovery Measures	89,347	89,754	407	0.5%	3,320	3,228	92

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

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Further Directorate Financial Recovery Measures		
(303)	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:
		- Review of Home to School transport costs
		- In-House Foster Care - Move to 65% in-house carers by the end of the year.
		- Reduce the average unit cost of placements
		- Review of high cost placements
		- Review of council nurseries costs
Health, SEN & Disability Services		
169	Children's Disability Placements	The projected number of residential children's placements is 20% in excess of budgeted provision. This is due to the breakdown of several foster placements and the requirement to make 3 additional residential placements in 2019/20.

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
200	Adults LD - loss of continuing health care funding	The CCG is reviewing health needs of high cost clients and this is having an adverse impact of the Adults LD social care budget. Negotiations with CCG are ongoing.
396	In-house disability services	There are underlying pressures in both Children's and Adults in-house services. These particularly relate to Drove Road and Beach House where services are being required to provide exceptionally high levels of support and accommodate emergency placements.
(95)	Adults LD - community care	The main community care budget is forecast to show a small underspend. The average unit cost is 3% below budgeted levels however client numbers are 2.5% in excess of budget.
75	Direct Payments	There continues to be a pressure on the direct payments budget as there is an increase in both the numbers and unit costs.
(9)	Other	Minor Variances.
Education & Skills		
332	Home to School Transport	For 2019/20 an updated analysis has been undertaken by the budget holder and the latest position indicates a £0.332m overspend based on current information. The main area of overspending relates to hired transport and reflects the latest numbers of children (351) being transported. In addition, work is being undertaken by consultants led by the Senior Transformation Officer. The agreed savings profile for 2019/20 identifies net savings of £0.020m and this is shown in the Financial Recovery Plan. It is hoped however, that savings will significantly exceed this figure and progress will be monitored and reported through the Transport Project Governance Group and reflected in the TBM forecast. There remains an outstanding issue regarding the interpretation of price increases within the main Home to School Transport contract. Legal advice has been received but this is potentially being challenged by one provider and this may have an adverse impact on the final forecast variance.
140	Early Years	Overspend on council nurseries due to reducing numbers of children, particularly from the start of the new academic year in September 2019.
40	Other	This relates to PFI savings for the CIPFA work to be started in 2019/20 which are at risk in the short term due to the building of additional school places for September 2020 under the contract.
Children's Safeguarding & Care		
(438)	Demand-Led - Residential Agency Placements	The projected number of residential placements (31.76 FTE) is broken down as 27.76 FTE social care residential placements (children's homes) and 4.00 FTE schools placements. The budget allowed for 30.00 FTE social care residential care placements and 3.50 FTE schools placements. The average unit cost of residential placements is slightly lower than

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
		the budgeted level at £3,758.69 per week (£27.05 per week above budget). The combination of the number of children placed being 1.74 FTE below the budgeted level and the unit costs result in the underspend of £0.438m.
336	Demand-Led - Independent Foster Agency (IFA) Placements	The number of children placed in Independent Foster Agency placements has decreased in recent years. During 2018/19 there were 98.73 FTE (compared with 118.68 FTE for 2017/18). The current projected number of placements in 2019/20 is 96.31 FTE, a reduction of 2.5%. The budget for IFA placements included significant levels of savings and was set at 86.10 FTE. The numbers being higher than the budget by 10.21 FTE results in a projected overspend of £0.336m.
19	Demand-Led - Secure Accommodation	It is estimated that during 2019/20 there will be 1.00 FTE secure (welfare) placement and 1.50 FTE secure (justice) placements. The budget allowed for 1.30 FTE welfare and 1.00 FTE justice placements during the year. There is currently one child in a secure (welfare) placement and one in a secure (justice) placement resulting in a projected overspend of £0.019m.
341	Demand-Led - Semi-independent/Supported placements	The number of semi-independent and supported living placements is projected to be 28.44 FTE and this is 6.08 FTE above the budgeted level. The average unit cost of these placements is currently below the budget. The higher forecast number of placements results in the overspend of £0.341m.
(382)	Demand-Led - In-House Fostering	As at the 31 May 2019 there were 145 children placed with ‘in-house’ foster carers and 146.12 FTE for the year. The budget, based on an increasing trend over the last few years and the drive to increase recruitment of in-house carers, was set at 153.60 FTE placements. This has resulted in the current projected underspend of £0.382m.
124	Demand-Led - Family & Friends placements, Child Arrangement Orders and Special Guardianship Orders	The budget allows for 332.90 FTE placements of these types. It is currently anticipated that there will be 336.26 FTE children in these placements during 2019/20 and this results in the overspend of £0.124m.
18	Demand-Led - Care Leavers	The projected number of care leaver placements in 2019/20 is 147.12 FTE. The budget allows for 160.10 FTE placements. The average unit cost of placements is higher than budgeted and has resulted in the overspend of £0.018m.
(274)	Demand-Led Unaccompanied Asylum Seeking Children (UASC) Teams, Living Expenses and Grant	The numbers of unaccompanied asylum seeking children has increased considerably in the last couple of years. The increase in the number of asylum seekers has required additional staffing and also an increase in other, non-accommodation living costs. The costs of looking after these children is funded by a grant from the Home Office and this has increased in 2019/20 by 25% resulting in the underspend of £0.274m.

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
57	Social Work Pods	An overspend of £0.142m is reported against the Partners in Change initiative as the projected savings assumed in the business plan are yet to be identified. This is partially offset by underspends resulting from current vacancies, the recruitment of newly qualified social workers in September and assumed staff turnover
(152)	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 2019/20.
(63)	Adoptions	Based on current family finding activity and children looking for adoption the projected outturn on Interagency Adoptions is an underspend of £0.117m. Based on the current schedule of supported cases Adoption allowances are forecast to overspend by £0.054m.
(35)	Legal fees	The underspend predominantly relates to forecast spend on court fees for the remainder of the year based on previous years' trends.
(75)	Other	
Quality Assurance & Performance		
(14)	Other	

Appendix 3 – Revenue Budget Performance

Health & Adult Social Care (HASC)

Revenue Budget Summary

Provisional Outturn 2018/19 £'000	Service	2019/20 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %	2019/20 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
1,548	Adult Social Care	33,405	37,156	3,751	11.2%	2,886	2,886	0
149	Integrated Commissioning	8,509	9,472	963	11.3%	455	455	0
1,057	S75 Sussex Partnership Foundation Trust (SPFT)	16,340	16,439	99	0.6%	699	699	0
0	Public Health	399	399	0	0.0%	314	314	0
2,754	Total Health & Adult Social Care	58,653	63,466	4,813	8.2%	4,354	4,354	0
0	Further Financial Recovery Measures (see below)	-	(2,145)	(2,145)	-	-	-	-
2,754	Residual Risk After Financial Recovery Measures	58,653	61,321	2,668	4.5%	4,354	4,354	0

Explanation of Key Variances

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Further Directorate Financial Recovery Measures		
(2,145)	Further Financial Recovery Measures projection	The directorate has developed an over-arching Financial Recovery Plan (FRP) to begin to address the above pressures. The Recovery Plan includes the following measures:
		- Targeted Reviews project
		- In house Services review
		- Implementation of the Care Brokerage service
Adult Social Care		
2,721	Demand-Led Community Care - Physical & Sensory Support	There are increasing numbers of older people being discharged from hospital requiring social care services for the first time, as well as increased community demand. This additional financial pressure is being partly met by the Adult Care Support Grant and Improved Better Care Fund (iBCF) for 2019/20. The forecast number of placements/packages is 2,270 WTE, which is above the budgeted

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
		level of 2,210 WTE placements. The average unit cost of a placements/package is also higher than the budgeted level at £175 per week (£10 per week above budget per client). The combination of the number of adults placed being 60 WTE above the budgeted level and the increased unit costs result in the overspend of £2.721m. There has been a significant reduction in Continuing Health Care (CHC) contributions over the last 3 financial years where in 2016/17 £0.602m was achieved (26 clients at £564 per week on average) but this reduced to £0.174m in 2017/18, £0.316m in 2018/19 and £0.041m in 2019/20 (1 client at £815 per week).
66	Demand-Led Community Care - Substance Misuse	There are relatively small numbers of clients within this service and this is in line with the expected demand. The average unit cost is higher than the budgeted unit cost resulting in the overspend of £0.066m.
679	In house provision	The saving of £0.614m set against in house provision (home care and residential) is reflected within the FRP and is subject to consultation.
(172)	Assessment teams	This is due to a number of temporary vacancies across the Assessment teams.
440	Sustainable Social Care	£0.440m of the overall £1.000m Sustainable Social Care savings target has been allocated to HASC in lieu of CCG funding reductions being funded corporately. Mitigating actions are being identified.
17	Other	
Integrated Commissioning		
800	External Funding	Brighton & Hove CCG made a recurrent reduction of £1.100m to Council services in 2018/19. Council reinvestment funding of £0.300m was allocated which then results in a net pressure of £0.800m.
128	Commissioning	Due to temporary staffing pressures relating to project work including General Data Protection Regulation (GDPR) work.
35	Other	
S75 Sussex Partnership Foundation Trust (SPFT)		
86	Demand-Led - Memory Cognition Support	The unit costs are higher than had been anticipated resulting in the overspend projection of £0.086m. This is due to a current lack of affordable residential and nursing home placements within the city. The forecast number of placements/packages is 407 WTE which is above the budgeted level of 399 WTE placements. However, the average unit cost of residential placements is lower than the budgeted level at £303 per week (£5 per week below budget). The combination of the number of adults placed being 8 WTE less than the budgeted level and the unit costs variance result in the overspend of £0.086m (before applying the agreed risk-

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
		share with Sussex Partnership Foundation Trust).
13	Demand-Led - Mental Health Support	The average unit costs are higher than budgeted and this results in the overspend projection of £0.013m. There is an increasing need and complexity within this client group and the forecast number of placements/packages is 408 WTE, which is within the budgeted level of 418 WTE placements. The average unit cost of a placements/package is higher than the budgeted level at £312 per week (£4 per week above budget per client). The combination of the number of adults placed being 10 WTE less than the budgeted level and the increased unit costs result in the overspend of £0.013m (before applying the agreed risk-share with Sussex Partnership Foundation Trust).

Economy, Environment & Culture

Revenue Budget Summary

Provisional Outturn 2018/19 £'000	Service	2019/20 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %	2019/20 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
(2,807)	Transport	1,013	462	(551)	-54.4%	1,167	1,167	0
1,856	City Environmental Management	30,500	31,379	879	2.9%	96	96	0
(175)	City Development & Regeneration	2,811	2,846	35	1.2%	224	224	0
(115)	Culture, Tourism & Sport	3,865	3,861	(4)	-0.1%	316	316	0
(144)	Property	(896)	(896)	0	0.0%	120	120	0
(1,385)	Total Economy, Environment & Culture	37,293	37,652	359	1.0%	1,923	1,923	0
0	Further Financial Recovery Measures (see below)	-	(359)	(359)	-	-	-	-
(1,385)	Residual Risk After Financial Recovery Measures	37,293	37,293	0	0.0%	1,923	1,923	0

Explanation of Key Variances

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Further Directorate Financial Recovery Measures		
(359)	Directorate Wide	All significant income streams, including parking income, will be forecast alongside finance officers to ensure that robust forecasts are presented as part of the budget monitoring process. There is ongoing identification of additional income and reduced spend to offset pressures on a recurrent basis.
	City Environmental Management	A comprehensive modernisation programme is being undertaken across the City Environment Management service to reduce existing pressures. The existing fleet of vehicles is currently under review; the service is also undertaking a review of processes and contracts to seek efficiencies.
Transport		
(530)	Parking Services	High level forecasts based on previous years' data and one-off requirements during the year suggest a net overachievement position within the service. Parking income is a

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
		demand led activity which can be difficult to predict. Minor variations in demand can result in significant financial implications. Forecasts will therefore be monitored on a regular basis with finance officers.
(21)	Other minor variances	
City Environmental Management		
340	City Clean	Employee related costs due to additional communal bin rounds and additional collection drivers and operatives to meet service requirements have resulted in an expected additional cost of £0.240m. Anticipated commercial waste pressure of £0.100m expected whilst a review of service, price structure and customer base as part of a service modernisaiton programme is undertaken.
470	Fleet & Maintenance	£0.370m variance forecast to meet service requirements including fuel, parts, tyres and staff costs. There is a £0.100m pressure forecast in respect of vehicle maintenance income due to the delayed implementation of the service.
69	Stategegy & Projects	Temporary overspend forecast on public conveniences cleaning contract costs and income from charging in public conveniences subject to completion of capital works. Unachievable textiles income target.
City Development & Regeneration		
35	Minor variances	
Culture, Tourism & Sport		
(4)	Minor variances	

Neighbourhood, Communities & Housing

Revenue Budget Summary

Provisional Outturn 2018/19 £'000	Service	2019/20 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %	2019/20 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
0	Housing General Fund	5,329	6,429	1,100	20.6%	143	143	0
(77)	Libraries	4,650	4,650	0	0.0%	231	231	0
(83)	Communities, Equalities & Third Sector	2,952	2,952	0	0.0%	121	121	0
(210)	Safer Communities	2,518	2,518	0	0.0%	458	458	0
(370)	Total Neighbourhood, Communities & Housing	15,449	16,549	1,100	20.6%	953	953	0
0	Further Financial Recovery Measures (see below)	-	(1,100)	(1,100)	-	-	-	-
(370)	Residual Risk After Financial Recovery Measures	15,449	15,449	0	0.0%	953	953	0

Explanation of Key Variances

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Further Directorate Financial Recovery Measures		
(1,100)	Further Financial Recovery Measures projection	Housing General Fund services have a challenging savings target which is only partly met and a forecast overspend in Temporary Accommodation. There are a range of measures being put in place in Temporary Accommodation to deliver a balanced budget. If these measures are unsuccessful, the Flexible Homelessness Support Grant (FHSG) can be used, as a last resort, to mitigate any final in-year overspend.
Housing General Fund		
250	Housing General Fund savings	There are £0.250m of savings required of the Housing General Fund (some from 2017/18) still to be identified. There is further work underway to deliver more savings in-year.
600	Temporary Accommodation	The forecast overspend is the result of higher than budgeted volumes and costs of temporary accommodation due to the continuing local pressures and bedding in the challenging statutory requirements of the Housing Reduction Act. The number of households in temporary accommodation reduced by 208 to 1,495 by the end of 2018/19

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
		but it has not decreased to the expected levels. The service continues to work to reduce the volume of households in temporary accommodation by focusing resources on earlier prevention of homelessness and using the grant funding to transform the service.
250	Seaside Homes	The forecast overspend is substantially the result of lower income collection following the impact of Universal Credit and tenancy or turnover. The service is focusing on improving income collection, which may be more difficult as Universal Credit is rolled out, and improving void turnaround times. The council has agreed in principle with Seaside Homes to make changes to the agreement to offer fixed term tenancies and thereby discharge the Housing duty, enabling households to remain longer term (reducing churn or turnover). However, this will take a little more time to deliver as Seaside's lender needs to provide consent and the change requires a variation to the Overarching Agreement.

Finance & Resources

Revenue Budget Summary

Provisional Outturn 2018/19 £'000	Service	2019/20 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %	2019/20 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
(26)	Finance (Mobo)	(351)	(351)	0	0.0%	30	30	0
(444)	Housing Benefit Subsidy	(901)	(1,226)	(325)	-36.1%	0	0	0
7	HR & Organisational Development (Mobo)	647	647	0	0.0%	0	0	0
642	IT&D (Mobo)	2,506	2,656	150	6.0%	65	0	65
(73)	Revenues & Benefits (Mobo)	5,284	5,443	159	3.0%	192	192	0
(30)	Business Operations (Mobo)	(188)	(188)	0	0.0%	0	0	0
(560)	Contribution to Orbis	12,985	12,985	0	0.0%	735	735	0
(484)	Total Finance & Resources	19,982	19,966	(16)	-0.1%	1,022	957	65

Mobo = Budgets held by Orbis and **M**anaged **o**n **b**ehalf **o**f the relevant partner i.e. they are sovereign, non-partnership budgets.

Explanation of Key Variances

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Housing Benefit Subsidy		
(325)	HB Subsidy	There is a forecast surplus of £0.125m on the recovery of overpaid Council Tax Benefit based on the final outturn in 2018/19. There is insufficient data to make a detailed forecast on the main subsidy budget but at this stage a surplus of £0.200m is forecast. This is a prudent estimate compared to the 2018/19 actual surplus of £0.329m.
IT&D (Mobo)		
150	IT&D	At Month 2, IT&D are expecting a net pressure of £1.300m due to budget pressures in some areas, particularly ICT contracts and savings targets. Although there has been some individual contract savings, the pressure in the contracts budget has increased due to an increase in Microsoft licencing costs. The service is working to identify funding alternatives

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
		to minimise these pressures including appropriate use of ICT Reserve and capitalisation of legitimate costs. To manage this in 2019/20 there has been a re-examination of funding within the Modernisation Fund including the substantial allocation agreed in February 2019 at CMDB. These allocations include two years contracts costs for Mendix and Dell Boomi, and also resources brought forward to support the Digital Organisation programme (DOP). Overall this will offset the overspend by £1.150m, bringing the pressure down to £0.150m.
Revenues & Benefits (Mobo)		
159	Revenues and Benefits	Forecast underachievement in court costs income of £0.127m and bank charges forecast to overspend by £0.039m.

Strategy, Governance & Law

Revenue Budget Summary

Provisional Outturn 2018/19 £'000	Service	2019/20 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %	2019/20 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
(37)	Corporate Policy	674	712	38	5.6%	24	24	0
(52)	Legal Services	1,331	1,331	0	0.0%	93	93	0
(58)	Democratic & Civic Office Services	1,680	1,680	0	0.0%	78	78	0
96	Life Events	103	441	338	328.2%	316	155	161
(10)	Performance, Improvement & Programmes	628	628	0	0.0%	46	46	0
(6)	Communications	576	576	0	0.0%	51	51	0
(67)	Total Strategy, Governance & Law	4,992	5,368	376	7.5%	608	447	161
0	Further Financial Recovery Measures (see below)	-		0	-	-	-	-
(67)	Residual Risk After Financial Recovery Measures	4,992	5,368	376	7.5%	608	447	161

Explanation of Key Variances

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Corporate Policy		
38	Policy, Partnerships & Scrutiny	The service has a £0.060m funding shortfall this year due to funding from the organisation Better which will not now occur. Underspends elsewhere within the service reduce the overall pressure down to £0.038m.
Life Events		
338	Life Events	There is a forecast pressure at Month 2 of £0.338m. The Registrars Service has a £0.200m savings target to deliver against statutory fees for certificates but is forecasting to be short of this income by £0.146m due to a higher than expected drop in demand as a result of the cost increase from £4 to £11. In light of this pressure from the saving, it is expected that the shortfall will be partly offset by corporate

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
		funding of £0.050m and this is reflected in the forecast. The service, liaising with Finance, will be re-examining this forecast regularly. Elsewhere in Registrars, the termination of services, in particular of nationality checking services, has led to a further pressure of £0.070m. Bereavement Services have identified likely commitments for cemetery works, covering urgent repairs and maintenance for roadways and trees costing an estimated £0.100m. The service is also declaring an expected overspend of £0.053m, consisting of an income pressure of £0.031m (especially in the Mortuary), and other costs of £0.022m. In Local Land Charges, an increase in (cheaper) Private Searches has led to an expected income shortfall of £0.019m.

Corporate Budgets

Revenue Budget Summary

Provisional Outturn 2018/19 £'000	Service	2019/20 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %	2019/20 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
0	Bulk Insurance Premia	3,069	3,069	0	0.0%	0	0	0
(344)	Capital Financing Costs	5,659	5,659	0	0.0%	0	0	0
(1)	Levies & Precepts	207	207	0	0.0%	0	0	0
(157)	Unallocated Contingency & Risk Provisions	532	532	0	0.0%	0	0	0
(253)	Unringfenced Grants	(25,320)	(25,362)	(42)	-0.2%	0	0	0
997	Other Corporate Items	5,073	5,107	34	0.7%	56	22	34
242	Total Corporately-held Budgets	(10,780)	(10,788)	(8)	-0.1%	56	22	34

Explanation of Key Variances

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Unringfenced Grants		
(42)	Releasing grant pressure funding	Releasing residual grant pressure funding for specific grants as only one grant remains unannounced (Department for Health - Local Reform and Community Voices Grant)
Other Corporate Items		
34	Pension Costs	Costs for 2019/20 not known at time of setting budget and are higher than anticipated.

Housing Revenue Account (HRA)

Revenue Budget Summary

Provisional Outturn 2018/19 £'000	Service	2019/20 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %	2019/20 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
(253)	Capital Financing	31,335	31,015	(320)	-1.0%	0	0	0
(209)	Housing Management & Support	4,596	4,596	0	0.0%	80	80	0
(99)	Head of City Development & Regeneration	316	316	0	0.0%	0	0	0
(299)	Income, Involvement & Improvement	(46,303)	(46,303)	0	0.0%	50	50	0
(183)	Property & Investment	7,894	7,894	0	0.0%	100	100	0
12	Tenancy Services	2,162	2,162	0	0.0%	50	50	0
(1,031)	Total Housing Revenue Account	0	(320)	(320)	0.0%	280	280	0

Explanation of Key Variances

Key Variances £'000	Service Area	Variance Description
Capital Financing		
(320)	Financing costs	Significant reprofiling of HRA capital expenditure from 2018/19 into 2019/20 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 2019/20 compared to the original budget forecast.

Dedicated Schools Grant (DSG)

Revenue Budget Summary

Provisional Outturn 2018/19 £'000	Service	2019/20 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
0	Individual Schools Budget (ISB)	126,196	126,196	0	0.0%
(287)	Early Years Block (including 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)*	14,605	14,605	0	0.0%
(596)	High Needs Block (including delegated to Special Schools)	19,921	19,991	70	0.4%
79	Exceptions and Growth Fund	2,886	2,918	32	1.1%
0	Grant Income	(162,804)	(162,804)	0	0.0%
(804)	Total Dedicated Schools Grant (DSG)	804	906	102	12.7%

Explanation of Key Variances

Key Variances £'000	Service Area	Variance Description
High Needs Block (excluding delegated to Schools)		
100	Inclusion Support Service	Impact of school traded service element for the Brighton & Hove Inclusion support Service (BHISS) £0.065m and pressure on the Literacy Support Service £0.035m.
(30)	Other external high needs provision	Small underspend on FE college and post-19 specialist provision.
Exceptions and Growth Fund		
30	Historic Pension costs	Pressure on Historic pension liabilities.
2	Other	Minor variances.

Savings Monitoring 2019/20

General Fund

Directorate	2019/20 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
Families, Children & Learning	3,320	3,228	92
Health & Adult Social Care	4,354	4,354	0
Economy, Environment & Culture	1,923	1,923	0
Neighbourhood, Communities & Housing	953	953	0
Finance & Resources	287	222	65
ORBIS	735	735	0
Strategy, Governance & Law	608	447	161
Corporate Budgets	56	22	34
Total Directorate Savings	**12,236**	**11,884**	**352**

Housing Revenue Account

Directorate	2019/20 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
Housing Revenue Account	280	280	0
Total HRA Savings	**280**	**280**	**0**

Families, Children & Learning – Capital Budget Summary

2018/19 Provisional Variance £'000	Service	2019/20 Budget Month 1 £'000	Reported At Other Committees £'000	New Schemes (App. 6) £'000	Variation, Slippage/ Reprofile £'000	2019/20 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 12 %
0	Health, SEN & Disability Services	43	0	0	0	43	43	0	0%
0	Education & Skills	37,374	0	0	0	37,374	37,374	0	0%
0	Children's Safeguarding & Care	35	0	0	0	35	35	0	0%
0	Schools	122	0	0	0	122	122	0	0%
0	**Total Families, Children & Learning**	**37,574**	**0**	**0**	**0**	**37,574**	**37,574**	**0**	**0%**

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

Detail Type	£'000	Project	Description
Health, SEN & Disability Services			
None Reported			
Education and Skills			
None Reported			
Children's Safeguarding & Care			
None Reported			
Schools			
None Reported			

Health & Adult Social Care – Capital Budget Summary

2018/19 Provisional Variance £'000	Service	2019/20 Budget Month 1 £'000	Reported At Other Committees £'000	New Schemes (App. 6) £'000	Variation, Slippage/ Reprofile £'000	2019/20 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 12 %
0	Adult Social Care	0	0	0	338	338	338	0	0%
0	**Total Health & Adult Social Care**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0%**

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

Detail Type	£'000	Project	Description
Adult Social Care			
Variation	338	Disabled Facilities Grant	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 £2.038 million has been allocated to the council by the Ministry of Housing, Communities & Local Government. This funding is part of the Better Care Fund and is provisionally split between Housing (£1.700m) and Adult Social Care (£0.338m). A variation is requested to reflect the level of available funding.

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

2018/19 Provisional Variance £'000	Service	2019/20 Budget Month 1 £'000	Reported At Other Committees £'000	New Schemes (App. 6) £'000	Variation, Slippage/ Reprofile £'000	2019/20 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 12 %
0	Transport	27,579	0	0	0	27,579	27,579	0	0%
0	City Environmental Management	3,460	0	646	525	4,631	4,631	0	0%
0	City Development & Regen	12,593	0	0	(3,533)	9,060	9,060	0	0%
0	Culture, Tourism & Sport	10,070	3,000	0	0	13,070	13,070	0	0%
0	Property	5,717	565	0	0	6,282	6,282	0	0%
0	**Total Economy, Environment & Culture**	**59,419**	**3,565**	**646**	**(3,008)**	**60,622**	**60,622**	**0**	**0%**

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

Detail Type	£'000	Project	Description
City Environmental Management			
Variation	525	Stanmer Park Depot	As part of the Stanmer Park Restoration project a variation to the budget is requested to develop the CityParks depot and associated landscape works at Stanmer Park as opposed to the Hangleton Bottom location which is unviable.
City Development & Regeneration			
Variation	110	Strategic Investment Fund	The annual Strategic Investment Fund (SIF) supports the delivery of the major projects throughout the city. Funding of £0.110m is required from the 2019/20 allocation to support the following projects: Falmer Released Land (£0.020), New England House (£0.032), Circus Street Development (£0.020) and Madeira Terraces Regeneration (£0.038).
Variation	7	New England House	A variation from the Open Market budget (see below) is required to support the development of the New England House project that will continue this financial year.
Variation	(7)	Open Market	The Open Market project is not expected to require any financial support this financial year and the reprofiled budget from 2018/19 is requested to be allocated to support the New

Detail Type	£'000	Project	Description
			England House project as above.
Variation	550	Madeira Terrace Restoration	A total of £2.000m has been allocated to support the Madeira Terraces Restoration project. A sum of £0.550m is required from this allocation to support design work for the first 30 arches. This work will in turn support the crowdfunding budget already within the Capital Programme that will deliver 3 of those arches. This was reported to Tourism, Development & Culture Committee in June 2019.
Reprofile	(4,193)	Housing Joint Venture	Due to delays in obtaining planning permission for the first two sites under consideration by the Homes for the City of Brighton & Hove LLP (Joint Venture), the programme of delivery has had to be moved back by two months. Works are not expected to commence until later in the year, therefore the contribution required in 2019/20 is lower than previously estimated.
Culture, Tourism and Sport			
Reported at Other Committees	3,000	Royal Pavilion Estate	Subject to approval at this Committee - Policy, Resources & Growth July 2019 – see Appendix 6.
Property			
Reported at Other Committees	43	Provision of Drinking Water Fountains and Bottle Filling Points	Subject to approval at this Committee - Policy, Resources & Growth July 2019 – see Appendix 6.
Reported at Other Committees	(43)	Sustainability and Carbon Reduction Investment Fund	Subject to approval at this Committee - Policy, Resources & Growth July 2019 – see Appendix 6.
Reported at Other Committees	565	Solar Panels on Corporate Buildings	Subject to approval at this Committee - Policy, Resources & Growth July 2019 – see Appendix 6.
Variation	246	Wellington House	A variation from the Workstyles Phase 4 budget is required to support the development of the co-location of disability services to Wellington House as reported to Policy, Resources & Growth Committee on 24 January 2019.
Variation	(246)	Workstyles Phase 4	A variation is requested from this budget to support the Wellington House project as above.

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

2018/19 Provisional Variance £'000	Service	2019/20 Budget Month 1 £'000	Reported At Other Committees £'000	New Schemes (App. 6) £'000	Variation, Slippage/ Reprofile £'000	2019/20 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 12 %
(190)	Housing – General Fund	2,785	0	0	1,700	4,485	4,485	0	0%
0	Libraries	310	0	0	0	310	310	0	0%
0	Digital First	1,201	0	0	0	1,201	1,201	0	0%
(190)	**Total Neighbourhood, Communities & Housing**	**4,296**	**0**	**0**	**1,700**	**5,996**	**5,996**	**0**	**0%**

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

Detail Type	£'000	Project	Description
Housing General Fund			
Variation	1,700	Disabled Facilities Grant	The Disabled Facilities programme helps disabled people to live as comfortably and independently as possible in their own homes through the provision of adaptations. Entitlement to a Disabled Facilities Grant is mandatory for eligible disabled people and the grant provides financial assistance for the provision of a wide range of housing adaptations ranging from stair lifts, level access showers and home extensions. The programme is therefore key in delivering the Government's objective of providing increased levels of care and support to people in their own homes. Disabled Facilities Grant funding of £2.038 million has been allocated to the council by the Ministry of Housing, Communities & Local Government. This funding is part of the Better Care Fund and is provisionally split between Housing (£1.700m) and Adult Social Care (£0.338m). A variation is requested to reflect the level of available funding.

Housing Revenue Account (HRA) – Capital Budget Summary

2018/19 Provisional Variance £'000	Service	2019/20 Budget Month 1 £'000	Reported At Other Committees £'000	New Schemes (App. 6) £'000	Variation, Slippage/ Reprofile £'000	2019/20 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 12 %
(150)	Environment, Economy & Culture	10,399	0	0	(2,640)	7,759	7,945	186	2.4%
(938)	Neighbourhood, Communities & Housing	44,701	0	0	(3,468)	41,233	40,880	(353)	-0.8%
(1,088)	**Total Housing Revenue Account**	**55,100**	**0**	**0**	**(6,108)**	**48,992**	**48,825**	**(167)**	**-0.3%**

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

Detail Type	£'000	Project	Description
Economy Environment & Culture			
Reprofile	(2,080)	Selsfield Drive	The due diligence process undertaken to agree the Agreed Maximum Price resulted in a delay to the start of the main construction works. Construction works are expected to begin in July and due for completion in Autumn 2020. The reprofile is required to reflect this change in timescale.
Reprofile	(663)	Victoria Road	The demolition of the Housing Office is underway, with the construction of the new Sports Pavilion expected to be completed by March 2020. Once this has been completed the construction of the new homes will commence. The £0.663m capital budget is still required for the project but will not be incurred until further down the project timeline in future years.
Reprofile	(200)	Design Competition	Consultation with local residents at Rotherfield Crescent is ongoing, as a result it is anticipated that works will not commence on this project until 2020/21.
Reprofile	(124)	Buckley Close	The demolition of the existing garages is underway and due to be completed by the end of June when the main construction of the homes will commence. Completion of the project is due in the summer of 2020. The reprofile reflects the updated project delivery timeline.

Detail Type	£'000	Project	Description
Variation	(598)	Site Pipeline	This is the underspend from the project at Lynchet Close. This is required to be transferred to the Selsfield Drive project as part of the increase in Agreed Maximum Price as detailed below.
Variation	1,025	Selsfield Drive	An increase in budget is required for Selsfield Drive following an extensive due diligence process of the proposed Agreed Maximum price. Value Engineering was undertaken to ensure that the agreed cost provided Value for money whilst still delivering the project.
Variance	22	Wellsbourne Development	Variance less than £0.100m.
Variance	164	Redevelopment of HRA Vacant Garage Sites	The development at Kensington Street was subject to a large number of party wall agreements, which were unforeseen at the commencement of the project; £0.164m is the overspend in relation to these.
Neighbourhood, Communities & Housing			
Reprofile	(1,400)	Fire Safety	Further detailed engagement has been undertaken with residents at two blocks in the city to develop proposals for sprinkler installation that have the support of residents. Following this, changes have been made to the specification for sprinklers and a further procurement will be undertaken. This has resulted in a delay to the programme requiring reprofiling of the budget.
Variation	(1,248)	Fire Safety	Further to an update to Housing & New Homes Committee in September 2018, the manufacture of fire doors has been restricted. A British Standard testing method for fire doors has now been agreed however there are currently a lack of manufacturers that have compliant products. The council is managing the replacement doors in line with fire risk assessments and developing a replacement programme which is expected to commence in 2020.
Variation	(820)	Structural Repairs	A budget variation is necessary following a review of projects that can be delivered this financial year within the existing partnership contract.
Variance	(250)	Doors	Further to an update to Housing & New Homes Committee

Detail Type	£'000	Project	Description
			in September 2018, the manufacture of fire doors has been restricted. A British Standard testing method for fire doors has now been agreed however there are currently a lack of manufacturers that have compliant products. The council is managing the replacement doors in line with fire risk assessments and developing a replacement programme which is expected to commence in 2020.
Variance	(75)	Other M&E services	Variance less than £0.100m.
Variance	(28)	Empty Properties	Variance less than £0.100m.

Finance & Resources - Capital Budget Summary

2018/19 Provisional Variance £'000	Service	2019/20 Budget Month 1 £'000	Reported At Other Committees £'000	New Schemes (App. 6) £'000	Variation, Slippage/ Reprofile £'000	2019/20 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 12 %
0	IT & D	335	0	0	0	335	335	0	0%
0	**Total Finance & Resources**	**335**	**0**	**0**	**0**	**335**	**335**	**0**	**0%**

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

Detail Type	£'000	Project	Description
Finance & Resources			
No budget changes to Report for Month 2			

Strategy Governance & Law - Capital Budget Summary

2018/19 Provisional Variance £'000	Service	2019/20 Budget Month 1 £'000	Reported At Other Committees £'000	New Schemes (App. 6) £’000	Variation, Slippage/ Reprofile £'000	2019/20 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 12 %
0	Life Events	6	0	0	0	6	6	0	0%
0	Perf Improvement & Programmes	2,243	0	0	0	2,243	2,243	0	0%
0	**Total Strategy Governance & Law**	**2,249**	**0**	**0**	**0**	**2,249**	**2,249**	**0**	**0%**

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

Detail Type	£'000	Project	Description
Strategy, Governance & Law			
No budget changes to report for Month 2			

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

New schemes to be added to the Capital Programme for 2019/20 to be approved

New Capital Project Approval Request	
Unit:	City Environment Management
Project title:	Whitehawk improved sports provision
Total Project Cost (All Years):	£36,000

Purpose, benefits and risks:

Contribution from development of social housing as below provides funding for improvements to the Whitehawk enclosed sports pitches making the space more useable for youth sports activities including coaching by provision of floodlighting and improved surfaces.

Capital expenditure profile (£'000):

Year	This Year	Next Year	Year After	TOTAL
External contributions including S106	36			36
Total estimated costs and fees	36			36

Financial implications:

Capital funding provided by Section 106 funds from social housing developments - Land adjacent to Wellesbourne Health Centre, 179 Whitehawk Road, Brighton and former Whitehawk Library, and Findon/Whitehawk Road.
The site will be manged by Cityparks with funding from the Housing Revenue Account.

New Capital Project Approval Request	
Unit:	City Environmental Management
Project title:	Purchase of New Fuel Tanks at CityClean
Total Project Cost (All Years):	£60,000

Purpose, benefits and risks:

The underground fuel tanks were installed more than 40 years ago and are in such poor condition that one has water ingress which severely affects the diesel and may damage vehicle engines. In the event that the other tank fails, vehicles will be required to fill at commercial garages at a greater cost to the council.

Capital expenditure profile (£'000):

Year	This Year	Next Year	Year After	TOTAL
Unsupported Borrowing	60			60
Total estimated costs and fees	60			60

Financial implications:

Borrowing of up to £60,000 will be required for the procurement and fit of new tanks. The cost of borrowing can be met from existing revenue budgets.

New Capital Project Approval Request				
Unit:	City Environmental Management			
Project title:	Graffiti Removal Equipment			
Total Project Cost (All Years):	£100,000			

Purpose, benefits and risks:

Investment in equipment to improve and enhance the delivery of graffiti removal in order to support the graffiti strategy. The Budget Report approved in February 2019 included additional borrowing to support the Local Transport Plan and thus the release of Local Transport Capital Grant to support 'Investment in City Environmental Management' strategies.

Capital expenditure profile (£'000):

Year	This Year	Next Year	Year After	TOTAL
Capital Grant (Local Transport Plan)	100			100
Total estimated costs and fees	100			100

Financial implications:

The capital expenditure will be met from government Capital Grant for 2019/20. The council has received £0.050m from MHCLG High Street Community Clean Up Fund monies in March 2019 which has been transferred to reserve and will be used to support the spend associated with this strategy.

New Capital Project Approval Request	
Unit:	City Environmental Management
Project title:	Fly Tipping and Littering Prevention Equipment
Total Project Cost (All Years):	£100,000

Purpose, benefits and risks:

Investment in equipment such as signage, CCTV and IT in order to support the prevention and enforcement of fly tipping and littering. The Budget Report approved in February 2019 included additional borrowing to support the Local Transport Plan and thus the release of Local Transport Capital Grant to support 'Investment in City Environmental Management' strategies.

Capital expenditure profile (£'000):

Year	This Year	Next Year	Year After	TOTAL
Capital Grant (Local Transport Plan)	100			100
Total estimated costs and fees	100			100

Financial implications:

The capital expenditure will be met from government Capital Grant for 2019/20.

New Capital Project Approval Request	
Unit:	City Environmental
Project title:	Investment in City Wide Improvements for City Parks
Total Project Cost (All Years):	£700,000

Purpose, benefits and risks:

Reported to Environmental, Transport and Sustainability Committee on 25 June 2019. The Budget Report approved in February 2019 included additional borrowing to support the Local Transport Plan and thus the release of Local Transport Capital Grant to support investment in City Wide improvements to support planned investment in City Parks. This investment will support the Open Space Strategy. The planned expenditure over a two year period will include £0.200m on improving play and sports facilities in the city for improving 10-12 play areas across the city. There will also be £0.500m on woodland management and tree planting including the planting of approximately 50 new trees, removal of up to 50 stumps, the removal of diseased trees and street tree management. The allocation of this funding will support an application to the Urban Tree Fund as match funding for £0.200m grant.

Capital expenditure profile (£'000):

Year	This Year	Next Year	Year After	TOTAL
Grant (Local Transport Fund)	350	350		700
Total estimated costs and fees	350	350		700

Financial implications:

The capital expenditure will be met from government Capital Grant allocated in 2019/20 to support both years expenditure. Some aspects of the investment, particularly pruning and maintenance of trees, do not meet the definition of capital expenditure. This expenditure can be classified as spend to save or supporting longer term efficiencies and can therefore can be capitalised through the government's 'flexibilities' rules as long as the expenditure is incurred before 31 March 2022.

POLICY RESOURCES & GRWOTH COMMITTEE	Agenda Item 28 Brighton & Hove City Council

Subject:	**Treasury Management Strategy Statement 2018/19 - End of Year Review**	
Date of Meeting:	**18 July 2019**	
Report of:	**Executive Director for Finance & Resources**	
Contact Officer:		
Name:	**James Hengeveld** **Haley Woollard**	**Tel: 01273 291242** **Tel: 01273 291246**
Email:	james.hengeveld@brighton-hove.gov.uk haley.woollard@brighton-hove.gov.uk	
Ward(s) affected:	**(All Wards);**	

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 The 2018/19 Treasury Management Strategy Statement (TMSS) and Treasury Management Practices (TMPs) were approved by the Policy, Resources & Growth Committee on 29 March 2018. 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 19 April 2018.

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 & Growth Committee (PR&G) notes the key actions taken during the second half of 2018/19 to meet the TMSS and practices (including the investment strategy) as set out in this report.

2.2 That PR&G notes the reported compliance with the AIS for the six month period up to the end of March 2019.

2.3 That PR&G 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.

2.4 That PR&G notes the offer of training for committee members in order to support strong democratic oversight over the performance of the council's treasury management function.

3. CONTEXT/ BACKGROUND INFORMATION

Introduction

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."

3.7 Revised reporting was introduced the 2019/20 reporting cycle due to revisions of the Ministry for Housing Communities & Local Government (MHCLG) Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a 'Capital Strategy', to provide a longer-term focus to the capital investment plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011.

3.8 The capital strategy report, should demonstrate that the authority:

- takes capital expenditure and investment decisions in line with service objectives;
- takes account of stewardship, value for money, prudence and affordability;
- sets out the long term context in which capital expenditure and investment decisions are made;
- gives due consideration to both risk and reward and the impact on the achievement of priority outcomes.

The aim of the Capital Strategy is to ensure that all members on the full Council understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. The first Capital Strategy for this authority was approved by full Council at its February 2019 meeting.

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

3.9 The council's treasury advisors, Link Asset Services, provide their assessment of the UK and global economic landscapes over 2018/19 (**Appendix 2**).

3.10 The expectation for interest rates within the treasury management strategy for 2018/19 was that Bank Rate would rise from 0.50% to 0.75% early in the financial year. UK GDP growth was weak in the first few months of 2018 resulting in the expectation for the timing of this increase being pushed back from May to August 2018. Investment interest rates were therefore on a gently rising trend in the first half of the year after April, in anticipation that the Monetary Policy Committee (MPC) would raise Bank Rate in August. This increase to 0.75% was confirmed at the MPC meeting on 1 August 2018.

3.11 It was not expected that the MPC would raise the Bank Rate again during 2018/19 in view of the fact that the UK was entering into a period of major uncertainty with Brexit due in March 2019. Value was therefore sought by placing longer term investments after 1 August where cash balances were sufficient to allow this.

3.12 Both Brexit uncertainty and trade negotiations between the US and China dominated economic and financial news in 2018/19, causing volatility across financial markets for much of the financial year.

Treasury Management Strategy

3.13 A summary of the action taken in the 6 months to March 2019 is provided in Appendix 1 to this report and further information on borrowing and investment performance is shown in the March 2019 Treasury Management statistics at **Appendix 3**. The main points are:

- The council repaid £30m of LOBO loans held with the Royal Bank of Scotland (RBS) during October 2018;
- The council entered into £26.0m of new borrowing March 2019 to replace the RBS borrowing:
  - £16.0m was to replace the Housing Revenue Account (HRA – the ring-fenced account that covers the council's housing stock) element of the RBS loans;
  - £10.0m was to replace the General Fund element of the RBS loans.
- The highest risk indicator during the period was 0.021% which is below the maximum benchmark of 0.050%;
- The return on investments has exceeded the target benchmark rates in two of the 6 months ;
- The two borrowing limits approved by full Council have not been exceeded.

3.14 Treasury management activity for the half-year has focused on a short-term horizon as summarised in the table below:

	Amount invested 1 Oct 2018 to 31 Mar 2019			
	Fixed deposits	Money market funds	Total	
Up to 1 week	-	£279.8m	£279.8m	83%
Between 1 week & 1 month	-	-	-	0%
Between 1 month & 3 months	£16.5m	-	£16.5m	5%
Over 3 months	£41.0m	-	£41.0m	12%
	£57.5m	**£279.8m**	**£337.3m**	**100%**

Budget versus Outturn 2018/19

3.15 The following table summarises the performance achieved on investments compared to the budgeted position and approved benchmark for the whole year.

	In-house Investments		Aberdeen Short dated fund (net of fees)	
	Average Balance	Average rate	Average Balance	Average rate
Budget 2018/19	£70.0m	0.90%	£25.7m	0.70%*
Actual 2018/19	£155.2m	0.81%	£10.0m	0.73%*
Benchmark Rate**		0.73%		0.66%

* *net of fees*
*** Aberdeen Short Dated Fund Benchmark rate is set at 105% of 7 Day LIBID, whereas in-house benchmark rate was set at 7 Day LIBID +0.10% for 2018/19*

3.16 The Financing Costs budget variance in 2018/19 was £0.534m underspent. The key variance is an over-achievement of investment income (£0.435m) as a result of higher balances which offsets a minor loss as a result of the average rate achieved on investments being lower than budgeted for. The higher investment balances were as a result of:

- delay and re-profiling of capital expenditure and major projects (so balances have not been drawn down as quickly as expected);
- capital receipts within the balances that have not yet been applied (such as Kings House & capital Education grant).

3.17 The remaining underspend was due to higher recharges to services for borrowing than anticipated (£0.065m), and a part year net saving as a result of the debt restructure outlined in paragraphs 3.17 & 3.18 (£0.034m). Of the total £0.534m under spend, £0.190m was taken to the earmarked financing costs reserve to smooth short term pressures expected as a result of the gap between investment rates and borrowing rates.

Summary of Treasury Activity October 2018 to March 2019

3.18 The following table summarises the treasury activity in the half year to March 2019 compared to the corresponding period in the previous year:

October to March	2016/17	2017/18	2018/19
Long-term borrowing raised (General Fund)	-	-	(£10.0m)
Long-term borrowing raised (HRA)	-	(£4.0m)	(£16.0m)
Long-term borrowing repaid (General Fund)	£0.5m	£1.0m	£14.9m
Long-term borrowing repaid (HRA)	-	£0.5m	£16.6m
Short-term borrowing (raised)/repaid	£1.0m	(£0.5m)	(£6.0m)
Investments made	£292.0m	£337.7m	£337.3m
Investments maturing	(£306.2m)	(£322.9m)	(£352.8m)

3.19 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	2016/17	2017/18	2018/19
Net cash flow (shortage)/surplus	**(£12.9m)**	**£12.1m**	**(£20.3m)**
Represented by:			
Increase/(reduction) in long-term borrowing	(£0.5m)	£2.5m	(£5.5m)
Increase/(reduction) in short-term borrowing*	(£1.0m)	£0.5m	£6.0m
Reduction/(increase) in investments	£14.2m	(£14.8m)	£15.5m
Reduction/(increase) in bank balance	£0.2m	(£0.3m)	£4.3m

*South Downs National Park external investments plus temporary borrowing

Security of Investments

3.20 A summary of investments made by the in-house team and outstanding as at 31 March 2019 in the table below shows that investments continue to be held in good quality, short term instruments.

'AAA' rated money market funds	£44.70m	29%
'AA' rated institutions	£36.00m	24%
'A' rated institutions	£70.50m	47%
'BBB' rated institutions	£0.00m	0%
Total	**£151.20m**	**100%**

Period – less than one week	£49.70m	34%
Period – between one week and one month	£15.00m	10%
Period – between one month and three months	£21.00m	14%
Period – between three months and 1 year	£60.50m	42%
Total	**£151.20m**	**100%**

Risk

3.21 As part of the investment strategy for 2018/19 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 0.015% and 0.021% between October 2018 and March 2019. It should be remembered however that the benchmark is an 'average risk of default' measure, and does not constitute an expectation of loss against a particular investment.

3.22 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 substantial level of assurance was provided during the most recent audit (October 2017).

Compliance with the Annual Investment Strategy

3.23 During the reporting period, the information in this report provides assurance that the Annual Investment Strategy has been complied with in full.

Borrowing Strategy

3.24 The General Fund has been maintaining an under-borrowed position in response to the current economic climate. This is a prudent strategy as investment returns are low and counterparty risk is still an issue that needs to be considered. The Council's investment balances have been increasing over 2017/18 & 2018/19, primarily as a result of receiving one off and unapplied capital funding. As a result, no new borrowing to support the General Fund capital programme was undertaken in 2018/19.

3.25 The HRA operates a fully funded Capital Financing Requirement. Over 2016/17 and 2017/18 the HRA has applied £16.3m of borrowing to fund its capital programme. Of this, it borrowed £14m externally from the PWLB and the remaining £2.3m was borrowed from the General Fund in order to reduce the HRA's interest rate and to minimise counterparty risk at a time when General Fund investment balances were increasing. The HRA's underlying borrowing need increased marginally in 2018/19 as a result of transferring land and properties from the General Fund. The internal short term loan to the HRA increased to £4.5m to support this transfer and replace the PWLB debt maturities in the year.

3.26 A restructuring opportunity arose in October 2018, with one of the council's market lenders (RBS) offering to allow the council to repay £30m Lender Option Borrower Option (LOBO) loans on more attractive terms. There has been an increase in the council's cash balances during the last two years and the loan repayment was therefore initially funded through using cash within the investment portfolio and some short term borrowing to support short term cash flow.

3.27 Replacements loans of £26m were undertaken during March 2019. Officers took advantage of a dip in interest rates which resulted from investor uncertainty in the lead up to 29 March 2019; the date that it was expected that the UK would withdraw from the European Union. The replacement loans were modelled to restructure and smooth the council's debt maturity profile and reduce the cost of borrowing to the council. The total savings achieved were £0.304m per annum. The below table summarised the annual full year impact on revenue for the HRA and General Fund on restructuring this debt.

	General Fund	**HRA**
Annual Interest from RBS Loans (Average Rate 4.26%)	(£0.593m)	(£0.684m)
Interest on replacement loans (Average Rate 2.09%)	£0.209m	£0.334m
Annual write down of Premium payable	£0.101m	£0.116m
Reduction in investment income	£0.154m	£0.059m
Total net cost/(saving)	**(£0.129m)**	**(£0.175m)**

3.28 The treasury management team, along with the its advisors, monitor interest rates and will seek to externalise 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.

3.29 A summary of the council's debt portfolio is included in **Appendix 4**.

Treasury Advisors

3.30 The council's contract with Link Asset Services has been extended for one year until December 2019 using a procurement framework.

3.31 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.

Capital Strategy

3.32 New requirements to produce a Capital Strategy were introduced within an update to the Ministry of Housing, Communities and Local Government's (MHCLG) Investment Guidance, and revisions to CIPFA's Treasury Management Code. The aim of the strategy is to ensure that all members understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

3.33 The 2019/20 Capital Strategy was presented to Budget Council as part of the Budget Report in February 2019. Officers have since met with representatives from MHCLG to discuss the impact and future direction of the council's Capital Strategy to ensure it delivers on its original aims.

Member Training

3.34 It is a requirement of CIPFA's Treasury Management code to ensure members that are responsible for decision making and scrutiny of the authority's TMSS are adequately trained to undertake their roles in this area.

3.35 Treasury Management training will be offered to all members, but will be particularly relevant for members of PRG and the Audit & Standards committee. This training will be offered before the 2020/21 TMSS & Annual Investment Strategy is presented to PRG and Council.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 This report sets out action taken in the 6 months to March 2019. Treasury management actions have been carried out within the parameters of the AIS, TMSS, and Prudential Indicators. Therefore no alternative options have been considered.

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 3.7.

Finance Officer Consulted: James Hengeveld Date: 16/06/19

Legal Implications:

7.2 The TMPS and associated actions are carried out using powers given to the council by Part 1 of the Local Government Act 2003. These include the power for a local authority to invest for the purposes of the prudent management of its financial affairs (section 12).

7.3 Regulations made under the 2003 Act (the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003/3146) require local authorities to have regard to specified guidance notes when exercising their functions under Chapter 1 of Part 1 of the 2003 Act.

7.4 The activities outlined in the report are considered to be compliant with the 2003 Act and with specified guidance.

Lawyer Consulted: *Victoria Simpson* *Date: 19/06/19*

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. March 2019 Treasury Management Statistics
4. A summary of the action taken in the period October 2018 to March 2019

Documents in Members' Rooms

None.

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 2018/19 approved by Policy & Resources on 29 March 2018.

3. The Annual Investment Strategy 2018/19 approved by full Council on 19 April 2018.

4. Treasury Management Policy Statement 2018/19 (including Annual Investment Strategy 2018/19) – Mid-Year Review approved by Policy & Resources Committee on 6 December 2018.

5. Papers held within Finance, Finance & Resources Directorate.

6. The Prudential Code for Capital Finance in Local Authorities published by CIPFA 2017.

Glossary of Treasury Management terms

Authorised Borrowing Limit: The limit at which the council's external borrowing cannot be breached. This limit is set by Council as part of the budget each year, and further approval by Council is required for any in-year amendment to the limit. The limit must be set in accordance with the Prudential Code for Capital Finance in Local Authorities.

Capital Financing Requirement (CFR): This is the council's cumulative need to borrow to support its capital programme. This increases each year by the amount of capital expenditure that cannot be financed from reserves, capital receipts, capital grants or direct revenue contributions and for which the council must therefore borrow. The council is required to 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 should 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. This reflects the council's low risk appetite as a public authority.

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.

HRA (Housing Revenue Account): This is a ring-fenced landlord account recording expenditure and income arising from the provision of housing accommodation by local housing authorities under Part II of the Housing Act 1985. The main items of expenditure included in the account are management and maintenance costs, major repairs, loan charges, and depreciation costs. The main sources of income are from tenants in the form of rents and service charges.

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 a key market rate against which the council benchmarks its investment return performance.

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 (the borrower) also has the right to repay the loans without penalty if the lender choses to increase the interest rate. The council's LOBO Loan portfolio has reduced from £70m to £25m currently which is held with three different lenders.

Minimum Revenue Provision (MRP): A statutory provision that the council sets aside from revenue to reduce its Capital Financing Requirement. 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 Borrowing Limit (see above) cannot be breached, the Operational Boundary is the expected level that external debt will reach, taking into account current levels of debt, maturing debt that may need replacing and capital expenditure plans for the forthcoming year. It is one of a suite of prudential indicators set in accordance with the Prudential Code for Capital Finance in Local Authorities.

PWLB Loans: Loans held with the Public Works Loans Board. This is the primary lender for Local Authorities and 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. In simple terms, where the council has not borrowed as much as it needs to. This can occur when council uses its own cash balances to temporarily fund capital expenditure.

PROVIDED BY LINK ASSETS SERVICES, DATED 11/04/19

UK. After weak **economic growth** of only 0.2% in quarter one of 2018, growth picked up to 0.4% in quarter 2 and to a particularly strong 0.7% in quarter 3, before cooling off to 0.2% in the final quarter. Given all the uncertainties over Brexit, this weak growth in the final quarter was as to be expected. However, some recovery in the rate of growth is expected going forward. The annual growth in Q4 came in at 1.4% y/y confirming that the UK was the third fastest growing country in the G7 in quarter 4.

After the Monetary Policy Committee raised **Bank Rate** from 0.5% to 0.75% in August 2018, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until the uncertainties over Brexit clear. If there were a disorderly exit, it is likely that Bank Rate would be cut to support growth. Nevertheless, the MPC has been having increasing concerns over the trend in **wage inflation** which peaked at a new post financial crisis high of 3.5%, (excluding bonuses), in the three months to December before falling only marginally to 3.4% in the three months to January. British employers ramped up their hiring at the fastest pace in more than three years in the three months to January as the country's labour market defied the broader weakness in the overall economy as Brexit approached. The number of people in work surged by 222,000, helping to push down the unemployment rate to 3.9 percent, its lowest rate since 1975. Correspondingly, the total level of vacancies has risen to new highs.

As for **CPI inflation** itself, this has been on a falling trend since peaking at 3.1% in November 2017, reaching a new low of 1.8% in January 2019 before rising marginally to 1.9% in February. However, in the February 2019 Bank of England Inflation Report, the latest forecast for inflation over both the two and three year time horizons remained marginally above the MPC's target of 2%.

The rise in wage inflation and fall in CPI inflation is good news for consumers as their spending power is improving in this scenario as the difference between the two figures is now around 1.5%, i.e. a real terms increase. Given the UK economy is very much services sector driven, an increase in **household spending power** is likely to feed through into providing some support to the overall rate of economic growth in the coming months.

Brexit. The Conservative minority government has so far, (8.4.19), been unable to muster a majority in the Commons over its Brexit deal. The EU has set a deadline of April 12 for the House of Commons to propose what form of Brexit it would support. If another form of Brexit, other than the proposed deal, does get a majority by April 12, then it is likely there will need to be a long delay to Brexit to allow time for negotiations with the EU. It appears unlikely that there would be a Commons majority which would support a disorderly Brexit or revoking article 50, (cancelling Brexit). There would also need to be a long delay if there is no majority for any form of Brexit. If that were to happen, then it increases the chances of a general election in 2019; this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a (temporary) boost in consumption in 2018 which generated an upturn in the strong rate of growth; this rose from 2.2%, (annualised rate) in quarter 1 of 2018 to 4.2% in quarter 2, 3.5% in quarter 3 and then back to 2.2% in quarter 4. The annual rate came in at 2.9% for 2018, just below President Trump's aim for 3% growth. The strong growth in employment numbers has fed through to an upturn in wage inflation which hit 3.4% in February, a decade high point. However, CPI inflation overall fell to 1.5% in February, a two and a half year low, and looks to be likely to stay around that number in 2019 i.e. below the Fed's target of 2%. The Fed increased rates another 0.25% in December to between 2.25% and 2.50%, this being the fourth increase in 2018 and the ninth in the upward swing cycle. However, the Fed now appears to be edging towards a change of direction and admitting there may be a need to switch to taking action to cut rates over the next two years. Financial markets are now predicting two cuts of 25 bps by the end of 2020.

EUROZONE. The European Central Bank (ECB) provided massive monetary stimulus in 2016 and 2017 to encourage growth in the EZ and that produced strong annual growth in 2017 of 2.3%. However, since then the ECB has been reducing its monetary stimulus measures and growth has been weakening - to 0.4% in quarters 1 and 2 of 2018, and then slowed further to 0.2% in quarters 3 and 4; it is likely to be only 0.1 - 0.2% in quarter 1 of 2019. The annual rate of growth for 2018 was 1.8% but is expected to fall to possibly around half that rate in 2019. The ECB completely ended its programme of quantitative easing purchases of debt in December 2018, which means that the central banks in the US, UK and EU have all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in growth, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), prompted the ECB to take new measures to stimulate growth. With its refinancing rate already at 0.0% and the deposit rate at -0.4%, it has probably reached the limit of cutting rates. At its March 2019 meeting it said that it expects to leave interest rates at their present levels "at least through the end of 2019", but that is of little help to boosting growth in the near term. Consequently, it also announced a third round of TLTROs; this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

JAPAN - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

WORLD GROWTH. Equity markets are currently concerned about the synchronised general weakening of growth in the major economies of the world: they fear there could even be a recession looming up in the US, though this fear is probably overdone.

TREASURY MANAGEMENT STATISTICS - MARCH 2019

The graphs below show the monthly averages of borrowing and investments outstanding, monthly cashflows and the average month ly cost/return on debt/investments, over a thirteen month period.

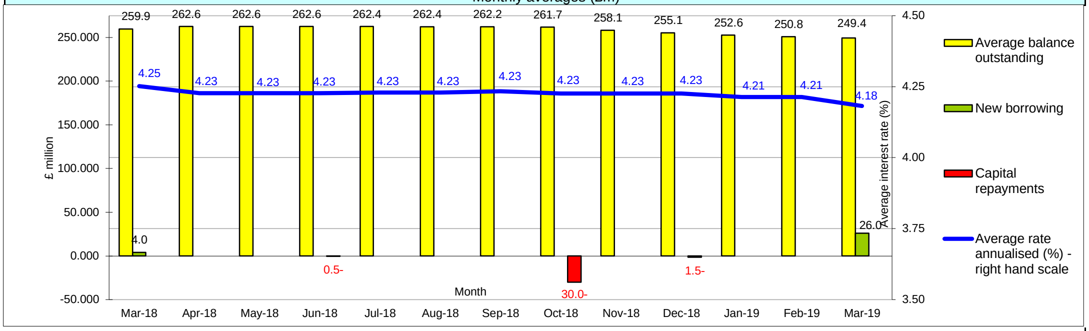
Graph 1

This graph shows the average monthly balance outstanding on long term debt, together with the average cost.

It also shows the amount of new long term debt raised and the repayment of long term borrowing.

Graph 1 Long Term Debt Outstanding

Monthly averages (£m)



Graph 2

This graph shows the average monthly balance outstanding for:

- short term debt

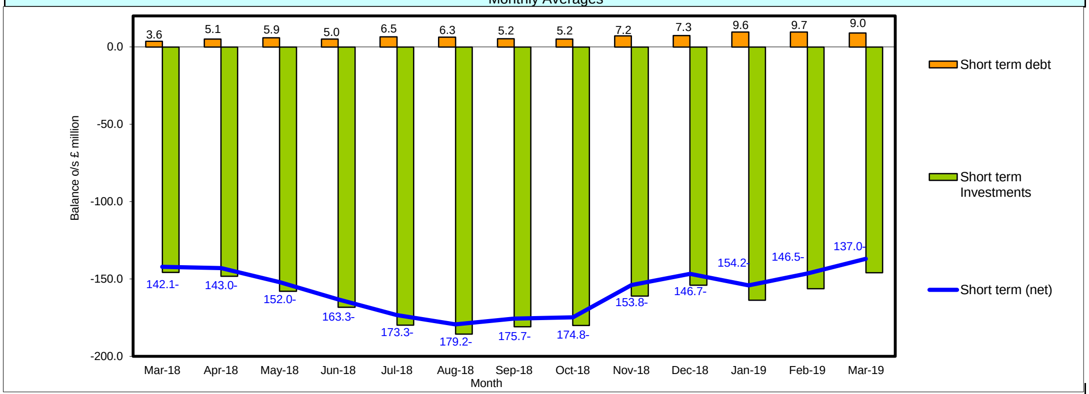
- short term investments

The graph also shows the net monthly cash position, excluding long term borrowing

Short term debt includes the monies held on behalf of South Downs National Park Authority.

Graph 2 - Short Term Borrowing / Investments (all)

Monthly Averages

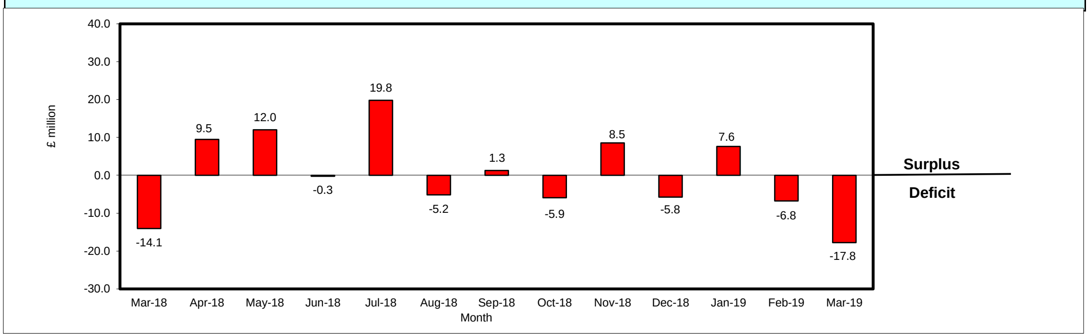


Graph 3

This graph shows the net monthly cash flow position, excluding movement in borrowing and investments.

Cashflow movements have resulted in a deficit for the month.

Graph 3 - Monthly Cash Flows



Graph 4a

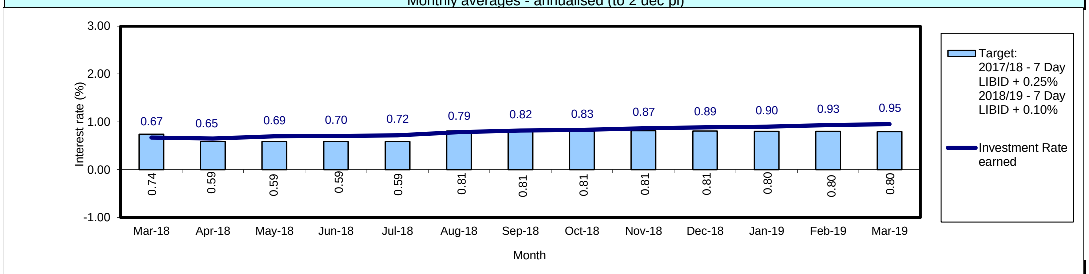
This graph compares the average return on short term investments with the internal benchmark rate for investments.

The target is for the return on short term investments to exceed the 7 Day LIBID by 0.10% in a 12 month period

In house investments continue to meet the benchmark target rate of return.

Graph 4a - Short Term Investments -v- Benchmark Rate (In house)

Monthly averages - annualised (to 2 dec pl)



Graph 4b

The cash manager performance fluctuates due to changes in the value of the investments.

Performance has been above benchmark target levels in 7 of the past 12 months.

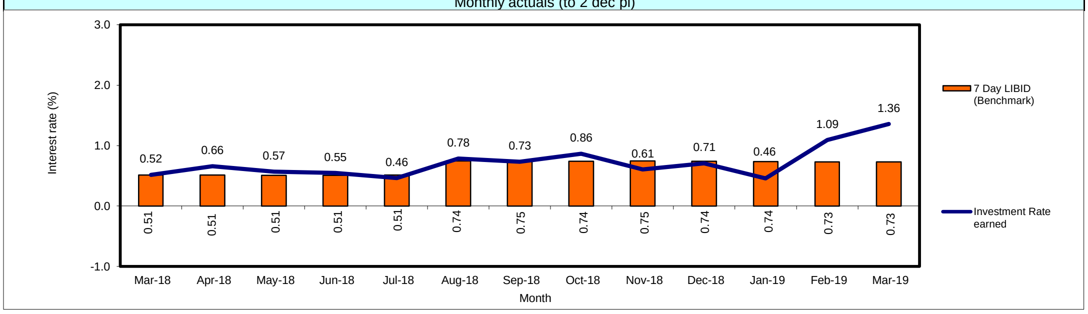
This graph compares the average return on the fund with a benchmark of 7 Day LIBID

The target is for the return on investment to achieve 115% of the benchmark rate within a 3 year rolling period

This graph shows the yield net of fees.

Graph 4b Short Term Investments -v- Benchmark Rate (Cash Managers)

Monthly actuals (to 2 dec pl)

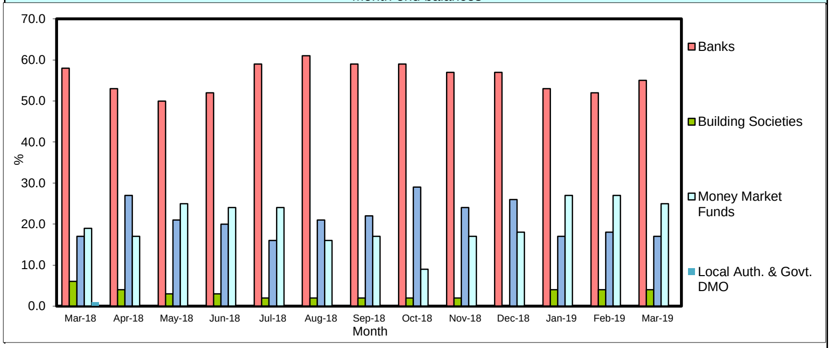


Investments by Sector

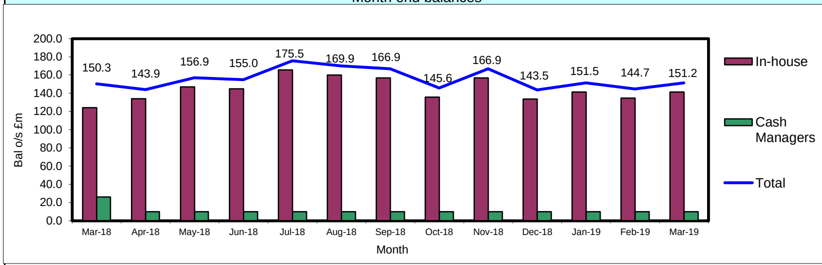
The 2018/19 Treasury Policy Statement states that with the exception of the banking sector and money market funds, no one sector shall have more than 75% of the investment portfolio at the time an investment is made.
As at end of March investments were held as follows:-

	£m	
Aberdeen External Managers	10.00	
In-house Investments - Banks		
Barclays Bank plc	6.000	
Close Brothers	13.000	
Lloyds Bank plc	20.000	
Ntwest Bank plc	11.500	
Santander UK Plc	10.000	
Commonwealth Bank of Australia	5.000	
Danske Bank	5.000	
Toronto Dominion Bank	7.000	
	77.500	**54.9 %**
Local Authority		
Cherwell District Council	3.000	
Lancashire County Council	5.000	
Northamptonshire County Council	5.000	
Monmouthshire County Council	3.000	
Surrey Heath Borough Council	3.000	
Thurrock Council	5.000	
	24.000	**17.0 %**
Money Market Funds		
Aberdeen Sterling Liquidity Fund	0.800	
BNP Paribas Insticash Sterling Fund	4.000	
CCLA - Public Sector Deposit Fund	0.204	
Insight Sterling Liquidity Fund	9.900	
Federated Short Term Sterling Prime Fund	9.900	
Goldman Sachs Sterling Liquidity Reserves	9.900	
	34.704	**24.6 %**
In-house Investments - Building Societies		
Nationwide Building Society	5.000	
	5.000	**3.5 %**
TOTAL - In-house Investments	**141.204**	**100.0 %**

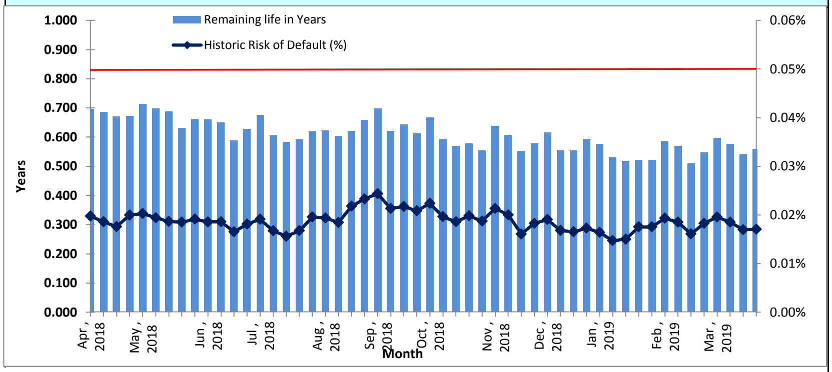
Graph 5a - Investments by Sector (In-house)
Month end balances



Graph 5b - Investments In-house -v- Cash Manager
Month end balances



Graph 6 - Security & Liquidity of Investments



Graph 6
Members agreed, as part of the 2018/19 Treasury Policy Statement, to set a maximum indicator for risk at 0.05%. Table 6 shows the risk factor experience to be below the maximum set.
The red line shows the agreed maximum benchmark for historic risk of defauly (0.05%), which is plotted to the right axis.

Prudential Indicators (Treasury Management)

The Council sets each year a number of prudential indicators for treasury management. The following tables show that these indicators have not been exceeded in the month of March 2019

Gross Outstanding Debt (£millions)	Debt	PFI
Authorised limit	386	50
Operational boundary	373	50
Minimum o/s	232	-
Maximum o/s	262	-

Variable Rate Debt (%age)	
Maximum limit	40.0
Maximum amount o/s	0.0

(NB. The maximum limit for fixed rate debt is 100% and cannot therefore be breached.)

Debt Maturity Profile (%ages)	<12 mths	1-2 yrs	2-5 yrs	5-10 yrs	>10 yrs
Maximum limit	40.0	30.0	40.0	75.0	100.0
Minimum limit	0.0	0.0	0.0	0.0	50.0
Maximum o/s debt	0.9	0.9	11.3	11.9	75.0

This summary was produced by Corporate Finance & Resources, Financial Services

Summary of action taken in the period October 2018 to March 2019

New borrowing

The council undertook £26.0 of new long term debt in the second half of 2018/19 to replace borrowing repaid in October 2018 as detailed below. Of this new borrowing, £16.0m was undertaken to replace HRA element of the repaid debt and £10.0m was undertaken to replace the General fund element.

Debt maturity

PWLB Annuity repayments of £0.488m and PWLB Maturity repayments of £1.023m were repaid on 31 December 2018, and PWLB Maturity repayment of £0.682m was moved to short term creditors on 29 March 2019 (due for repayment 31 March 2019, repaid on 1 April 2019)

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 reduced from 28.9 years to 27.6 years. This is the result of a combination of a natural decrease of the maturity by six months and the replacement of RBS loans (41.4 year maturity), with the new PWLB loans which have an average maturity of 31.0 years.

Debt rescheduling

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

LOBO debt of £30.000m held with the Royal Bank of Scotland was repaid early on 28 October 2018 (original repayment date for this debt was 16th and 28th February 2060). This was repaid with a premium of £9.127m. This repayment was replaced by £26.000m of PWLB debt undertaken on 27 March 2019. Paragraph 3.18 in the main report details the revenue savings achieved by this restructure.

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 2018	31 March 2019	Movement in period
Capital financing requirement (CFR) Less PFI element	£356.3m (£49.5m)		
Net CFR	£306.8m	£310.2m	+£3.4m
Long-term debt	£262.6m	£255.9m	-£6.7m
O/s debt to CFR (%)	85.6%	82.5%	-3.1%

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 82.5% of the capital financing requirement. The reduction from 85.6% on the previous year is a result of the combination of the net increase in the CFR resulting from using borrowing to fund parts of the capital programme, and the reduction in debt.

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 2nd half of the year of £20.3 million. Usually, the annual standard pattern of cash flow shows higher levels of income in the earlier part of the year and higher levels of spending in the latter. The cash flow deficit was increased as a result of the £9.1m premium payable on the RBS loans.

Table 2 – Cash flow October 2018 to March 2019

	October 18 to March 19			Apr 18 to Mar 19
	Payments	Receipts	Net cash	Net cash
Total cash for period	-£467.2m	£447.0m	-£20.3m	£16.9m
Represented by:				
(Increase)/Decrease in in-house investments			£15.5m	-£17.0m
Decrease in long-term borrowing			-£5.5m	-£6.0m
Increase in Short term borrowing (including SDNPA[1])			£6.0m	£6.0m
Movement in balance at bank			£4.3m	£0.1m
			£20.3m	£16.9m

Overall, the cash position for the financial year is therefore a net surplus of £16.9 million.

Prudential indicators

Budget Council approved a series of prudential indicators for 2018/19 at its meeting in February 2018. 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 second half year.

[1] SDNPA (South Downs National Park Authority) cash/investments are managed on their behalf under contract with Brighton & Hove City Council.

Table 3 – Comparison of outstanding debt with Authorised Limit and Operational Boundary 2018/19

	Authorised limit	Operational boundary
Indicator set	£436.0m	£423.0m
Less PFI element	-£50.0m	-£50.0m
Indicator less PFI element	£386.0m	£373.0m
Maximum amount o/s in second half of year	£262.1m	£262.1m
Variance	(*)£123.9m	£110.9m

(*) cannot be less than zero

Performance

Details of the performance of both the in-house and the Aberdeen short term fund are shown in graphs 4a and 4b in Appendix 2. The actual investment rates achieved have exceeded the benchmark rates.

Approved organisations – investments

No new organisations were added to the list approved in the Annual Investment Strategy (AIS) 2018/19.

Debt Portfolio as at 31 March 2019

Table 4 shows the debt portfolio as at 31 March 2019, analysed by fund.

Table 4 – Debt External Portfolio as at 31 March 2019 by fund

Fund	Debt Outstanding
General Fund – General	£102.905m
General Fund – i360	£30.683m
Total General Fund	£133.589m
HRA	£122.293m
Total Debt	**£255.881m**

The total debt portfolio is made up of borrowing from the Public Works Loans Board (PWLB), and market lenders. Table 5 illustrates the amount outstanding and average rate of borrowing of each of these parts of the portfolio as at 31 March 2019.

Table 5 – amount outstanding as at 31 March 2019 and average rate by loan type

Lender	Loan Type	Amount Outstanding at 31 March 2019	Average rate
PWLB	Fixed Maturity	£180.198m	4.09%
PWLB	Annuity	£30.683m	2.78%
Market Lenders	LOBOs	£25.000m	4.43%
Market Lenders	Fixed Maturity	£20.000m	4.49%
Total Borrowing		**£255.881m**	**4.00%**

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 & GROWTH COMMITTEE	Agenda Item 29 Brighton & Hove City Council

Subject:		**Revenue & Capital Budget Planning and Resource Update 2020/21 to 2023/24**		
Date of Meeting:		**18 July 2019**		
Report of:		**Executive Director for Finance & Resources**		
Contact Officer:	**Name:**	**Nigel Manvell** **James Hengeveld**	**Tel:**	**01273 293104** **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 for the 2020/21 annual budget process together with an updated Medium Term Financial Strategy (MTFS) covering the period 2020/21 to 2023/24, based on latest information and resource projections.

1.2 The government's 4-year settlement offer in 2015 confirmed the continuation of deficit reduction measures up to 2019/20 and indicated that Revenue Support Grant (RSG) would reduce in total by £39.574 million over the 4-year period 2016/17 to 2019/20. This has resulted in the grant reducing to its current level of £6.523 million. At this time, it is not clear what will happen to the remaining RSG in relation to the next government Comprehensive Spending Review but for the purposes of financial planning for 2020/21 it is assumed to remain at this level.

1.3 The report also includes an assessment of the pressures facing priority services in terms of above-inflation increases in costs and growth in demands, particularly in relation to services for vulnerable people such as social care. Alongside government grant reductions, limitations on the level of council tax increases and normal inflationary pressures, these cost and demand pressures explain the cause of the 'budget gaps' that the council has been experiencing over the last 10 years. Unless local government funding increases significantly, this is expected to continue.

1.4 Predicting local government funding for the next 4 years is difficult in the absence of any firm information, resulting from the government's ongoing focus on EU withdrawal. Although not confirmed, it now appears unlikely that the government will be able to do anything other than 'roll-forward' the current Local Government Financial Settlement to 2020/21. It also seems that the sector will therefore have to wait until late 2020 to learn the outcome and impact of the Comprehensive Spending Review (CSR) for future years. This will include decisions on:

- The Fair Funding Review of the methodology used to derive the national distribution of local government funding and any damping or transitional arrangements to accommodate this;

- The proposed move to 75% Business Rate Retention which would increase retention of business rates locally from 50% to 75%. However, as this is intended to be fiscally neutral, it is not clear what existing funding this would replace; the Public Health grant and Revenue Support Grant are likely candidates. A critical element of this policy will be the treatment of any business rate growth in terms of whether or not councils will be able to retain any element of this;
- The Social Care Green Paper and the long term funding of social care where government are reviewing a number of options but it remains to be seen if any will be taken up;
- The New Homes Bonus and the determination of thresholds for new house building that must be reached in order to attract the bonus, assuming that the scheme will continue in some shape or form.

1.5 The local government finance settlement is not normally made available until December each year, which provides little time to alter financial planning assumptions. As a result, the budget setting process should allow flexibility to manage any adverse fluctuation in the level of announced resources. This necessarily requires a prudent approach in order to:

a) keep risks at an acceptable level and maintain financial resilience;

b) avoid last minute, arbitrary cuts to services to balance the budget; and

c) avoid using up the authority's limited reserves (one-off resources).

1.6 The council is in the final year of its current 4-Year Integrated Service & Financial Plans (ISFPs) which have helped it to identify and address budget gaps by developing savings plans required to close the gaps over the period. This started in 2016/17 with predicted budget gaps of £68 million over the 4-year period. The final position in 2019/20 shows that the budget gaps actually totalled £69 million over the period indicating that the 4-year process has been broadly successful in identifying the financial challenges facing the authority, thereby ensuring it remains sustainable.

1.7 Looking forward, this report recommends that a 4-year planning approach is repeated to ensure that options for addressing future years' financial challenges are considered and understood as early as possible.

2. RECOMMENDATIONS:

That the Policy, Resources & Growth Committee:

2.1 Note the resource and net expenditure projections for 2020/21 and the Medium Term Financial Strategy (MTFS) projections set out in the body of the report and Appendices 1, 2 and 3 based on a 1.99% Council Tax increase.

2.2 Note the predicted budget gaps for 2020/21 to 2023/24 to be adopted for budget setting purposes as detailed at paragraph 4.20.

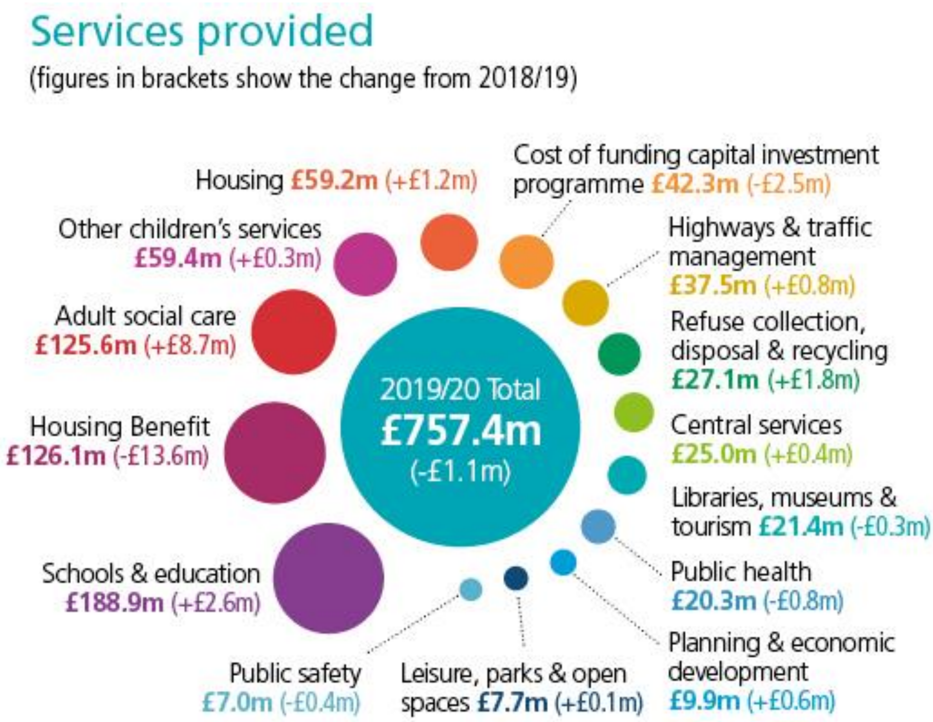
2.3 Instruct the Executive Leadership Team (ELT) to develop 4-Year Budget Plans including investment and savings proposals to address the predicted budget gaps for the period 2020/21 to 2023/24 based on the assumptions in this report, and for consideration by Policy, Resources & Growth Committee.

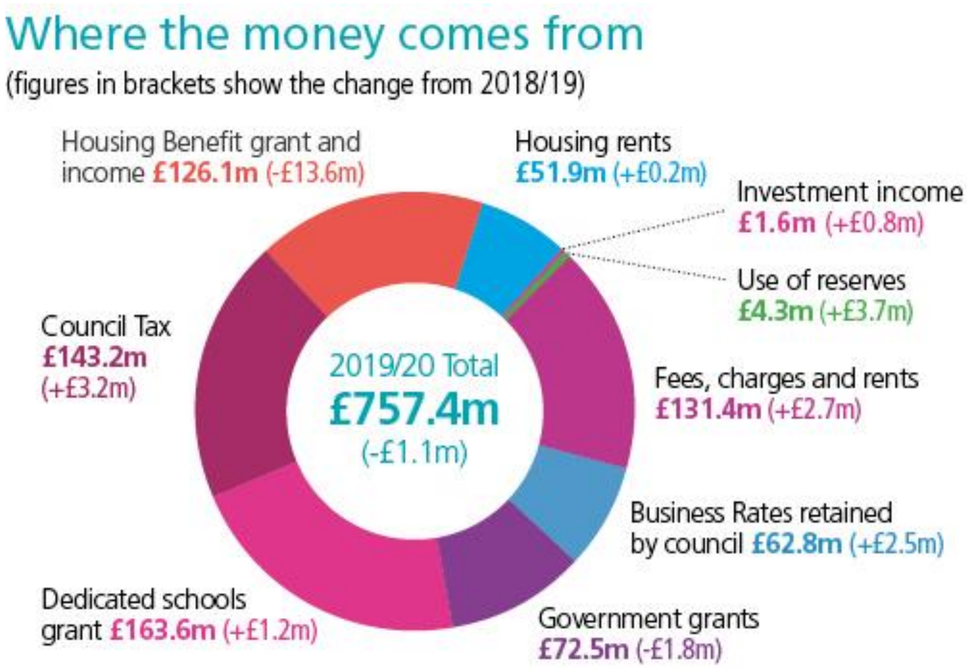
2.4 Agree the proposed approach to reviewing the Council Tax Reduction Scheme as set out in Appendix 2.

2.5 Note the resource projections for the 5-Year Capital Investment Programme as shown in Appendix 4.

3. CONTEXT/ BACKGROUND INFORMATION – UNDERSTANDING THE COUNCIL'S BUDGET

3.1 The council's budget is substantial and complex. To help members, residents and partners, the charts below provide a simplified presentation of how much money is planned to be spent on 'Services Provided' and 'Where the money comes from' (i.e. funding) for 2019/20.





3.2 There are many alternative ways to present this information. The following budgets are sub-sets of the above and are commonly referred to in budget reports:

General Fund Budget – covers the services over which the council, through its elected members, has full control. This budget covers all services except the Housing Revenue Account and the Dedicated Schools Grant. The council is statutorily required to set a balanced General Fund Budget each year and may not plan for a deficit or surplus. A key component of the funding of the General Fund Budget is local taxation income from the Council Tax and Business Rates. Business rates are set nationally by government while decisions about Council Tax increases are for local determination within parameters set by government. Currently, the council is allowed to retain 50% of business rates of which 1% is due to the East Sussex Fire Authority.

Housing Revenue Account (HRA) – this is a ring-fenced account within the General Fund which includes all the costs and income related to the management of the Council Housing Stock of approximately 11,500 homes. Members also determine the HRA Budget annually, including rent levels, but must ensure that it remains self-financing and must consult tenants' representatives. Local taxation does not apply to the HRA.

Schools Budget or Dedicated Schools Grant (DSG) – is a ring-fenced[1] grant within the General Fund that must be applied to the provision of schools. The allocation of the DSG is increasingly determined by a National Funding Formula and is considered by the Schools Forum including representatives from across all school phases. Local taxation does not apply to schools funding.

Housing Benefit Subsidy – is a grant within the General Fund that must be applied to meet assessed and agreed benefit claims. It is effectively a ring-fenced, transfer payment from central government administered by the local authority on behalf of government. It is therefore a net nil budget as grant income is received but then paid out in full as benefits. It is gradually being replaced by Universal Credit which is administered by the Department of Work & Pensions.

Generally, when referring to 'the council's budget', this is normally a reference to the 'General Fund Budget' which covers the vast majority of everyday services but excludes the HRA, DSG and Housing Benefit Subsidy.

3.3 **Gross or Net:** an added dimension is that all budget information can be presented as either 'Gross' or 'Net'. Gross simply means the total of all expenditure including, for example, staffing, premises, transport related costs or payments to third party suppliers or providers. To arrive at a Net budget, we simply take the Gross budget and net off any income from fees, charges, rents and service specific grants <u>but not</u> sources of funding such as unringfenced government grants or taxation incomes.

In the case of the General Fund Budget, the Gross spend/budget in 2019/20 is approximately £398 million, while the Net budget is £204 million. The Net General

[1] Ring-fencing simply means that the funding or income source must be used for a specified purpose or service. Unringfenced funding can therefore be used for any purpose or service but cannot normally be switched between revenue and capital.

Fund budget is also known as the 'Budget Requirement' and must be matched by the funding sources available to the council from taxation and unringfenced government grants. The General Fund Budget is the primary budget for consideration by Policy, Resources & Growth Committee and the full Council each year. However, the Housing Revenue Account budget is also considered separately by Housing & New Homes Committee, Policy, Resources & Growth Committee and the full Council each year while the schools budget (DSG) is a matter for the authority to determine in consultation with the Schools Forum.

3.4 **Revenue and Capital:** a further dimension is the distinction between revenue and capital. All of the above refers to different types of 'Revenue' budgets. However, the council can also have a wide range of capital programme budgets. These are budgets for investment in the construction or acquisition of long term assets such as land, new housing, or property, plant & equipment. They are funded differently to revenue budgets, usually from financing sources such as borrowing, capital receipts from the sale of capital assets, or from capital grants. However, there will be a link to revenue budgets in situations where borrowing is used as the annual loan repayments (known a financing costs) will be charged to the relevant revenue budget.

4. 4-YEAR BUDGET PLANNING

4.1 Effective financial planning has become increasingly important in the current financial climate. 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:

- Statutory Section 114 notices being issued by Chief Finance Officers (CFOs) to restrict all spending, bringing with it associated media and reputational impact;
- 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 have appointed commissioners to take over whole services;
- In the severest case, Northamptonshire, direct intervention by government will result in 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.

4.2 Medium term financial planning is not only good practice but is therefore an increasingly important discipline in an environment of growing financial challenges. The advantages of effective medium term planning are that:

- it promotes a culture of looking forward and developing a strong understanding of future costs, including those driven by local demographic changes or priorities;

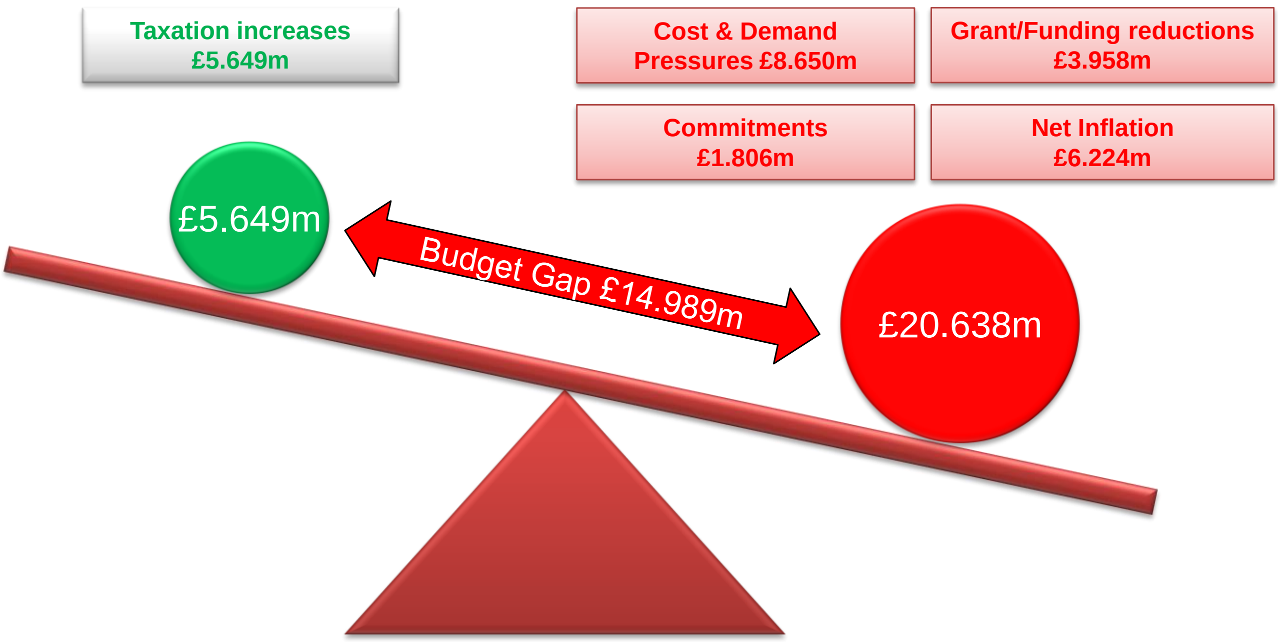
- it encourages longer term service planning to meet identified changes in demand and to deliver cost reductions and efficiencies through service redesign or technological investment, etc.;
- it enables early identification of any anticipated funding shortfalls (i.e. Budget Gaps) and therefore provides for advance planning for the delivery of savings, efficiencies and/or for the re-prioritisation of spending;
- it therefore helps the authority to minimise financial risks and volatility, maintain essential services and demonstrate financial resilience to key partners and to independent reviewers including inspectors or external auditors;
- it enables alignment of planning with a range of internal and external plans and timelines including the government's 4-year Comprehensive Spending Review or the NHS 5-year Plan for example.

A four year planning term is recommended because this aligns with the Administrative cycle of the council and the government's Comprehensive Spending Review period. The latter provides essential information for medium term financial planning in local government and therefore going beyond 4-years, although possible, becomes considerably less reliable.

Balancing the Budget

4.3 In respect of the General Fund Budget, the basic equation that the council has to address each year and over the medium term is demonstrated in the diagram below.

The Basic Equation (for 2020/21)



4.4 This shows that the council must have a good understanding of the component parts of the General Fund Budget if it is to avoid running into unplanned deficits and overspending. Each year the council experiences significant increases in costs as well as changes in grant funding support. The component parts are:

Cost & Demand Pressures – these are often referred to as 'Service Pressures' and relate to unavoidable increases in costs above normal inflationary rates or may relate to demographic changes in demand. For example, there is clear evidence that there is increasing complexity of need across adult social care services as people live longer but with an increasing number of limiting health conditions. Service Pressures may also refer to income pressures where an income target (i.e. income budget) can no longer be met in full due to a change in circumstances, for example, a fall in income from fees & charges in a service.

Grant / Funding Reductions – since 2009/10 central government has reduced government grant support to local authorities, principally through reductions to the Revenue Support Grant (RSG) but also through other administrative grants. There have also been some one-off grants awarded, which, while helpful, must also be catered for when these grants come to an end. An example of this is the one-off improved Better Care Fund for Health & Adult Social Care services which was allocated for 3 years and will end in 2019/20, reducing by a further £1.733 million in 2020/21. There have also been funding reductions from partners, particularly the Brighton & Hove Clinical Commissioning Group (the CCG) which jointly funds some social care & health related council services but which is also coming under increasing financial pressure, not least from patient demand at the Brighton & Sussex University Hospital (BSUH).

Net Inflation – the council experiences normal inflationary pressures from rising prices, nationally agreed pay awards for staff, and increasing employer contributions to its pension fund. These need to be provided for otherwise services would suffer 'real-terms' funding reductions which would be likely to impact adversely on service delivery.

Commitments – these include unavoidable commitments, for example increased insurance premiums, above-inflation contractual commitments (e.g. PFI contracts), and the impact of capital programme decisions on financing costs (i.e. the costs from borrowing).

Taking all of these together, it is currently estimated that the council will experience cost pressures totalling £20.638m in 2020/21. This estimate takes a low to medium view of potential cost pressures rather than a worst case scenario.

Taxation Increases: The above cost pressures can be partially offset by increases in taxation which can come from increases in the taxbase (e.g. more housing or more business premises) or direct increases in either Council Tax or Business Rates. Council Tax increases are determined by the members of the council but cannot exceed the government's 'excessive council tax increase' threshold without holding a local referendum. Business Rate increases are set nationally by government, usually based on the preceding September's Consumer Price Index (CPI) change.

Each 1% increase in Council Tax generates approximately £1.4m while each 1% increase in Business Rates generates approximately £0.6m (retained element). To match cost pressures of £20.638m would therefore require a very substantial increase in Council Tax given that Business Rates increases will usually follow the movement in the national Consumer Prices Index. Based on a threshold Council Tax increase of 1.99% and an assumed Business Rate increase of 2%, taxation incomes are estimated to provide £5.649m in 2020/21. This includes an assumption of a 1.0% increase in the Council Tax base (i.e. more housing coming on stream) based on current trends.

Addressing the Budget Gap

4.5 The difference between the estimated cost and funding pressures (£20.638m) and estimated increases in taxation incomes (£5.649m) is termed the Budget Gap (or savings requirement). For 2020/21 this is therefore estimated at £14.989m. The broad options or possibilities for closing the estimated budget gap are as follows:

i. Government may provide increased funding through the Local Government Financial Settlement. It may recognise the pressures on social care funding given the strength of lobbying from all quarters. It could do this by either providing additional specific grants, increasing the ‘excessive council tax increase threshold’, or by allowing additional Council Tax precepts. There are potentially competing lobbies for education funding;
ii. The council could elect to increase Council Tax above the current ‘excessive council tax increase threshold’ (i.e. above 1.99%). This would require a local referendum to be held with a successful outcome, and in itself creates a cost of approximately £0.370m 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 provide increased funding for joint operations e.g. CCG funding toward social care costs. However, the CCG has reduced funding support over the last 3 years because it is also under increasing financial pressure. Other partners are small by comparison;
iv. There may be improvements in the tax bases (Council Tax and Business Rates) beyond the current projections which would provide additional resources. This has been the case in some years but is not certain and will not normally exceed £1m at best;
v. There may be improvements in the projected level of cost, income and/or demand pressures (i.e. Service Pressures) assumed in the current estimates. This is not supported by the experience of the previous four years, where Service Pressures have invariably been higher than early projections.
vi. The council identifies a programme of savings measures to either reduce costs, manage down demands (e.g. through prevention or other strategies), generate greater incomes or reduce investment in lower priority services.

4.6 Options i to v above carry a high level of uncertainty and therefore the authority must have a ‘Plan B’ should any of these fail or if it is not elected to pursue them. In the case of a Council Tax Referendum, it is a legal requirement to have a substitute budget should a referendum not be successful. The council is therefore recommended to develop proposals to address a predicted Budget Gap of £14.989m in 2020/21 to ensure that it has a well-developed Plan B that it has consulted on with relevant staff, unions, stakeholders and residents, has assessed in terms of potential equality impacts, and can implement in good time if necessary.

4-Year Planning Approach

4.7 As outlined above, planning over a medium term period is preferable in order to provide greater financial resilience and stability. Therefore, as well as planning for 2020/21 it is recommended that plans for the next 4 years to 2023/24 are developed to encourage early planning for addressing future years’ predicted budget gaps. For many savings measures this is also important because, for example, service redesigns for very large service areas can take a number of years to fully embed and implement and therefore deliver the full benefits and savings. Some of these may also require one-off invest-to-save investments to support implementation.

4.8 Given the uncertainties over future local government funding and other funding or taxation options the council may elect to pursue, it is recommended that the 4-year planning approach includes savings measures that are built up from component parts, each of which can be assessed in terms of either priority and/or risk. If the funding situation did ultimately improve, this may help to inform which measures could be deferred to meet budget gaps in later years. The component parts are suggested as follows:

4-Year Budget Plan Components

4.9 **Priority Based Approach:** A primary component of the proposed approach will be to determine clear priorities. Higher priority areas are likely to attract greater investment through the allocation of Service Pressure funding but may also receive greater protection in terms of reduced savings targets. To some extent, this has been the approach of the council in recent years but there is an opportunity to provide added clarity and transparency to this process and further align the 4-year planning framework to the council's priorities and a new Corporate Strategy.

For example, analysis of the previous four years shows how funding (budgets) has changed across the council's 6 service directorates. The table shows that the council's net budget for services has increased by just 0.2% over 4 years clearly demonstrating the scale of challenge it has faced to balance the budget. However, it also shows that Families, Children & learning and Health & Adult Social Care services attracted additional resources while all other directorates' budgets were reduced. This was a deliberate strategy designed to protect services for vulnerable people and ensure the council was able to meet its statutory duties.

Service Directorate	**Service Budgets Approved by Council**					**4-Year**
	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**Change**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**%**
Families, Children & Learning	82,374	81,877	83,196	86,736	88,918	7.9%
Health & Adult Social Care	51,365	49,988	49,590	51,398	57,804	12.5%
Economy, Environment & Culture	43,854	40,927	36,319	34,543	36,048	-17.8%
Neighbourhood, Communities & Housing	15,437	15,110	14,243	14,857	14,994	-2.9%
Finance & Resources	22,441	22,381	20,133	19,927	19,394	-13.6%
Strategy Governance & Law	6,087	5,308	4,694	4,924	4,898	-19.5%
Total	**221,558**	**215,591**	**208,175**	**212,385**	**222,056**	**0.2%**

Service Pressure Funding

4.10 A key component of a Priority Based Approach is to identify critical levels of reinvestment needed for priority services or demand-led services where there are unequivocal statutory duties. The Executive Leadership Team and Finance have examined current demand and expenditure trends for these priority areas which indicates that the following minimum Service Pressure funding will be required to safeguard the provision of services and enable the council to meet its duties. It should be noted that these are not 'worst case scenario' estimates and are set at a low to medium funding level. This necessarily requires these services to manage and mitigate pressures as far as practicably possible to ensure that the worst case scenario does not become reality. Service Pressure funding also provides replacement corporate funding where there is a known reduction in specific grant for an ongoing service or other reductions in unringfenced funding.

4.11 The table below indicates the proposed allocation of Service Pressure funding for 2020/21 by type and service. These assumptions will be monitored throughout the budget process and will be revisited and confirmed in the December and February Budget Reports to this committee, taking into account latest available 2019/20 financial performance and demand trends, the Local Government Finance Settlement and any impact of funding negotiations with key partners such as Health.

Table: Service Pressure Funding – Proposed Prioritisation

Service	Demo-graphic/ Demand Pressure	Costs above inflation	Income Pressure	Grant/ Funding Loss	Total 2020/21
Service Pressures:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Community Care services for Mental health and Physical Support	3,400	500	100		4,000
Learning Disability Services	450	550			1,000
Reduction of B&H Clinical Commissioning Group funding			1,000		1,000
Children in Care and Care Leavers	600	150			750
Income Pressures			1,000		1,000
IT&D Contractual Commitments	500				500
Pressures – all other priority services		400			400
Sub-total Service Pressures	***4,950***	***1,600***	***2,100***	***0***	***8,650***
Grant/Funding Pressures:					
Reduction of one-off improved Better Care Fund grant				1,733	1,733
Reduction of Unringfenced grants				155	155
Loss of Business Rate Levy funding				893	893
New Homes Bonus Changes				1,177	1,177
Total Grant/Funding Pressures:	**0**	**0**	**0**	**3,958**	**3,958**
Total	**4,950**	**1,600**	**2,100**	**3,958**	**12,608**

Development and Allocation of the Savings Requirement

4.12 A priority based approach can also help to determine where the allocation of savings requirement is most effectively targeted in order to address the predicted Budget Gap, for which total savings of £14.989m will need to be developed. However, savings can be achieved in a number of different ways, some of which may be achievable across all services, while others may only be applicable to specific areas e.g. income generation. The suggested approach for the 4-Year Budget Plans is to define the component parts of the savings targets and to task services to develop savings against each of these components as follow:

Efficiency/VFM Programmes: The best type of saving and one that all organisations, large or small, should be looking for is to continually seek better value for money (VFM). This can be done by improving any combination of efficiency, economy (i.e. costs) and effectiveness (i.e. better service outcomes and/or improved social value). At the least, improved VFM means that services can do more with the same money, but ideally they will be able to do the same or more with less money, thereby generating a saving toward closing the budget gap.

Consideration needs to be given to supporting council-wide VFM programmes that could include a wide range of initiatives including:

- Supporting redesign of services to maximise efficiency and effectiveness through improved process design, technology, digital service development, and customer and client journey mapping;
- Driving economy and social value through Procurement and Contract Management processes and practice;
- Continually reviewing management and administration levels, administrative processes, costs and structures;
- Maximising the use of administrative buildings and office space (Workstyles);
- Considering the method of delivering services to test VFM and also consider opportunities for increasing social value & community wealth building, or environmental sustainability.

Savings targets relating to efficiency could be determined per initiative or alternatively all services could be set a minimum efficiency target of between 1% and 3% on the basis that all of the above measures will apply to a greater or lesser degree to all service directorates. This would have the advantage of incentivising services to contribute to these initiatives rather than leaving them as corporate targets.

Taxation & Taxbase Strategies: This heading covers the whole sphere of taxation and is more concerned with maximising the tax bases rather than taxation increases which are a matter for the full Council. However, with respect to the latter there are options for members including consideration of higher council tax increases through a local referendum. Maximising taxation by ensuring that people and businesses pay their correct liabilities is essential for protecting the provision of council services. There are many ways to maximise taxation incomes including:

- Ensuring people are receiving all of the welfare benefits they are entitled to, thereby potentially reducing the need to use Council Tax discounts, discretionary or hardship funds, or the Council Tax Reduction Scheme;
- Investing in effective fraud and corruption strategies to ensure that only people and businesses entitled to discounts and reliefs are awarded them;
- Ensuring that the Planning, Housing and Property & Design services are fully aligned with taxation strategies to minimise delays in bringing developments on stream for taxation purposes (as well as other obvious benefits);
- Ensuring that in-house inspection teams are set clear priorities for reviewing changes to business rate premises to ensure that valuations and/or zero-rate premises are continually reviewed and challenged.

Income Optimisation and Enterprise Strategy: Many services provided by the council do not carry statutory duties but play an important role in supporting the economic, cultural, neighbourhood and community well-being of the city. Fees and charges apply to many of these services to ensure that they recover costs and do not further impact on the limited resources available to provide critical services or meet statutory duties such as those for social care or homelessness. Similarly, fees and charges can be set to support policy objectives such as in the case of on-street parking tariffs which are designed to support sustainable transport strategies.

The council's Corporate Fees & Charges Policy requires that all fees and charges are reviewed at least annually and should normally be increased by either the standard rate of inflation, statutory increases, or actual increases in the costs of providing the service as applicable. Non-statutory increases above the standard rate of inflation and/or changes to concessions or subsidies are reported to and considered at the relevant service committee. The Enterprise Strategy aims to take this approach further and provides services with tools, training, support and guidance with the objective of helping them "To be efficient and optimise income in order to support delivery of the council's priorities." All services should therefore be tasked with optimising incomes wherever possible by:

- Reviewing whether or not current charges recover full costs including corporate and service overheads;
- Benchmarking fees & charges to comparator and/or competitor services and other local authorities to ensure they are in keeping with market conditions;
- Considering the use of means testing or financial assessment to set differential charges for discretionary services;
- Considering the use of differential charging for different levels of service provision or standard for discretionary services;
- Considering charging for services that are not currently charged for or offering services that may be charged for but only where the income will contribute more to corporate overheads than the pure cost of service.
- Selling services to external partners or other organisations but, again, only where this contributes to corporate overheads and does not adversely impact on the provision of services to the council itself.

Changes to fees and charges will often need to be assessed in terms of equality impacts.

Collaborative Working:

Orbis and Other Collaborations: The Orbis Shared Service partnership between BHCC and Surrey and East Sussex County Councils is a public sector partnership aimed at delivering the savings that all three authorities require from Support Service Functions but doing so in a way that ensures services remain resilient and viable. The intention is to provide sufficient scale to enable Orbis to develop and implement improved processes and technologies to lever in efficiency savings and potentially market services to other public sector providers to generate income.

There are many other collaboration opportunities available to the council through either partnership working, joint procurement or commissioning exercises, linking with community & voluntary sector services, and working jointly with other service providers in the city. These opportunities will be increasingly explored to determine whether they provide value for money benefits as well as potential added social value and/or improved environmental sustainability.

Health & Social Care Collaboration: This is an important collaboration for the council and refers to the whole system of health and social care where the design of the care system and care pathways and the interaction between health services and council services can have fundamental impacts on the cost of the system and the effectiveness of managing the demands coming through it. The approach aims to meet those demands in the most efficient and effective way aimed at ensuring that assessed needs are met at the right time and in the right place before they escalate in the form of increasing need and complexity and therefore result in much greater costs. Public Health and preventative services also play a critical role in managing demands, particularly over a longer time frame, and the strategies of these services should be fully aligned with health and social care approaches.

Children's and Adult social care services will therefore keep under review their social work practice models and arrangements for commissioning care provision. This will include working closely with partner agencies, particularly the B&H Clinical Commissioning Group, to join up commissioning and/or provision where this can improve the care system. This will be supported by a number of identified initiatives under the Sustainable Social Care Programme which aims to improve the economy of procured services as well as improve the quality and analytical use of data to manage demands and care pathways.

Social Value & Community Wealth Building and Sustainability: these are important priorities for the council and therefore the 4-Year Budget Plan process will ensure that these are underpinning approaches that will be considered in the development of proposals. Guidelines will be developed for services to ensure that due consideration is given to these objectives and, where applicable, proposals will indicate the Social Value & Community Wealth Building and/or Sustainability implications to assist members' prioritisation and decision-making.

Modernisation & Enabling Investment

4.13 The previous 4-year planning approach was supported by a Modernisation Programme and Fund which utilised the government's capital receipt flexibilities enabling the council to use capital resources to support one-off revenue expenditure provided that this supported the achievement of ongoing revenue savings. Over the 4 years approximately £26m was invested in a range of programmes and support teams including:

- Funds to support spend-to-save investment proposals and business cases from a wide range of services;
- The Digital First programme to improve on-line services and enable more efficient processing and data management;
- Funds to manage changes in staffing levels by supporting voluntary severance arrangements;
- Investment in additional Procurement & Contract Management staffing to support achievement of savings across the council;
- Investment in staff development programmes and the 'People Promise' initiative to embed improved HR policies and support the health and well-being of staff as the council works through a wide programme of change;
- Investment in project and programme management support staffing to provide capacity to implement change and the achievement of savings across services.

4.14 Over the 4-year period total savings of £69m per annum were achieved with a cumulative cash saving of nearly £193m. The return on investment (ROI) for the Modernisation Fund is therefore over 7 to 1 which represents a reasonable return. It is unlikely that this level of saving could have been achieved without this investment.

4.15 Government have extended the use of capital receipt flexibilities to 2023 however the council does not currently have a significant pipeline of capital receipts in order to support a substantial Modernisation Fund over the next 4 years. A key challenge will therefore be to identify further potential capital receipts as part of an over-arching Property Strategy but it may also be necessary to consider the use of unsupported borrowing where the council is confident that this is necessary to support the achievement of savings. However, the use of borrowing will impact on the level of savings because there will be an annual financing cost to be accommodated over the period of repayment.

4.16 Early consideration of Modernisation Funding for the next 4 years has been given and is set out in the table below. The scale of funding reflects the previous investment as adjusted for the lower level of budget gaps, predicted to total £38m over the next 4 years compared to £69m over the previous 4 years. This would suggest a Modernisation fund of around £15m to provide a comparable level of investment and provide continued investment in Digital development and IT infrastructure to enable services to continue to achieve efficiencies and better value for money.

The indicative Modernisation Fund will be kept under review as budget plans develop and spend-to-save opportunities and investment needs to implement savings proposals emerge in more detail.

Indicative Modernisation Fund	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Total**
	£'000	£'000	£'000	£'000	**£'000**
Customer Digital	1,000	1,000	750	750	**3,500**
Modernisation enablers	1,507	921	932	940	**4,300**
Invest to Save (4-Year Plans)	650	550	450	350	**2,000**
Managing staffing changes	700	500	400	400	**2,000**
IT Modernisation Investment	800	800	800	800	**3,200**
Total	**4,657**	**3,771**	**3,332**	**3,240**	**15,000**

4.17 The indicative Modernisation Fund currently includes the following anticipated investment requirements:

Customer Digital: Over the past four years the Digital First programme has concentrated on developing the digital infrastructure, web design and content management applications and tools necessary to provide digital services. There has also been development of a small number of digital services and ‘apps’ but the infrastructure is now in place to increase the pace of development. Digital forms, apps and services enable enhanced data management and a better customer experience, and should support service redesign efficiencies. The investment is set at a lower level than in the previous four years as the underpinning work to develop the necessary technology platforms has been completed.

Modernisation Enablers: This investment covers project teams and staff necessary to support service directorates in the delivery of large savings 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 investment will be scaled down to reflect the lower level of predicted budget gaps for the next 4 years.

Invest-to-Save (4-Year Plans): This is an estimate based on the experience of the previous 4 years. These investments cover direct investment by services to enable them to achieve planned savings. 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 chaired by the Chief Executive.

Managing Staffing Changes: 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. The assumed level of investment for Restructure & Redundancy has been scaled down to reflect the lower level of predicted budget gaps for the next 4 years.

IT Modernisation Investment: Investment in IT equipment, software, systems and services (e.g. voice and data) is important to enable the organisation to remain secure, resilient and efficient. Historically, the organisation has suffered from long periods of under-investment which has had to be addressed over the last 4 years through approval of large IT Capital Schemes including Windows 10 roll-out, replacement of the Housing and Social Care systems, General Data Protection Regulation upgrades, etc. The IT Modernisation Investment included here is an attempt to avoid a similar build-up of IT 'investment backlog' by supplementing existing budgets and enabling the council to keep up with necessary infrastructure changes.

4.18 The Modernisation Fund is currently provided with member oversight through the Member Oversight Group (MOG) and is also managed by the Corporate Modernisation Delivery Board (CMDB) chaired by the Chief Executive and including Executive Directors and the CFO. The overall Modernisation Fund is approved by members as part of the council's Capital Investment Programme, while decisions about the detailed use of the Modernisation Fund are governed according to Financial Regulations, and Committee and Officer delegations. Larger investment decisions above £0.500m will be reported to Policy, Resources & Growth Committee as these are outside of officer delegations. Decisions leading to investment in capital assets will also be reported to Policy, Resources & Growth Committee either as a separate report or through the capital appendices of Targeted Budget Management (TBM) reports.

Medium Term Financial Strategy Update 2020/21 to 2023/24

4.19 The key assumptions for the Medium Term Financial Strategy (MTFS) have been updated since the Budget Report presented to Policy, Resources & Growth

Committee in February 2019. These are included in Appendix 3 and, as noted earlier, assume a roll-forward Local Government Financial Settlement and that the Fair Funding Review and move to 75% locally retained business rates, if implemented, will be fiscally neutral for this council.

4.20 The table below summarises the MTFS estimates and predicted budget gaps for the next 4 years based on 1.99% Council Tax increases.

Summary MTFS and Budget Gaps	**2020/21**	**2021/22**	**2022/23**	**2023/24**
	£m	**£m**	**£m**	**£m**
Commitments	1.806	0.452	0.612	0.195
Net Inflation (on Pay, Prices, Income, Pensions)	6.224	6.237	6.390	6.557
Service Pressure Funding: for above-inflation costs and demographic demand increases	8.650	5.900	5.900	5.900
Provisions for Grant / Funding reductions to ongoing services	3.958	0.767	0.152	0.397
Net Taxation increases	-5.649	-5.339	-5.474	-5.630
Predicted Budget Gaps (Savings Requirement)	**14.989**	**8.017**	**7.580**	**7.419**

5. CAPITAL STRATEGY AND CAPITAL INVESTMENT PROGRAMME

General Fund

5 Year Capital Investment Programme

5.1 The Capital Strategy 2019/20 – 2023/24 was approved at Budget Council in February 2019 along with the capital programme estimates that were incorporated into the council's Budget Book. The aim of the 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 projects.

Rolling programmes

5.2 The majority of the council's capital investment is within rolling programmes. The key programmes are as follows:

- Investment in Housing Stock (HRA). The Housing Capital Programme seeks to provide substantial investment in the council's housing stock and improve the quality of the homes. It aims to maximise investment in homes and support reductions in responsive repairs needs whilst providing safe, good quality housing and support services. Importantly, it also supports new housing supply. Planned expenditure of £48.0m is included for 2020/21 including approximately £17.9m for delivery of new council housing.

- The Education Capital programme provides investment from central government which includes Basic Need (New Pupil Places) funding of £2.879m in 2020/21, Education Capital Maintenance (estimated at £5.0m pa), Devolved Formula Capital (for community and Voluntary Aided schools) and Locally Coordinated Voluntary Aided (VA) Programme for maintenance in VA schools.

- The council also receives capital grant via the Better Care Fund which is expected to be split between Housing (circa £1.7m) and Adult Social Care (circa £0.300m) to support Disabled Facilities Grants and other eligible investment, subject to confirmation.

- The Local Transport Plan (LTP) maintains, manages and improves the city's transport and highway infrastructure. The LTP supports investment in street lighting, bus networks, schools safety, air quality, and pedestrian, cycle and motorcycle networks. The programme also provides for the necessary reactive repairs to the city's transport network. A total of £5.169m indicative funding is awarded from the LTP Integrated Transport and Maintenance Block Allocation in 2020/21, with a further £0.198m and £0.440m from the Pothole Action Fund and Highways Maintenance Incentive Fund respectively.

- The Information, Technology & Digital Investment Fund provides a minimum of £0.500m investment each year to continually maintain the council's IT structure, networks, security and equipment. This will be supplemented by investment from the proposed in Modernisation Fund set out in paragraph 4.16 and subject to appropriate business cases.

- The Asset Management Fund (AMF) of £1m provides expenditure on a range of corporate properties covering fire safety, health and safety, general improvements, Equalities Act 2010 responsibilities, as well as supporting Workstyles Phase 4 programmes.

- Corporate Planned Maintenance – this programme compliments the revenue provision for planned maintenance with £1 million investment into operational buildings aligned to the council's Asset Management Plan. It is funded through borrowing and includes operational social care buildings.

- The Strategic Investment Fund (SIF) of £0.250m supports the council's ongoing commitment to major projects that require financial support to enable their progression and to potentially lever in external funding and grants. This support takes the form of project management, legal and specialist advisors for finance, design, architectural, transport, engineering and other specialist advice.

- Vehicle and plant replacement is an ongoing annual programme funded from borrowing. The programme replaces Cityclean's waste collection, waste recycling, waste disposal vehicles and equipment and the Cityparks vehicles and equipment.

5.3 The 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 Brighton Waterfront, 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.

5.4 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 underway include Preston Barracks Central Research Laboratory, Circus Street Redevelopment and Valley Gardens Phases 1 & 2. Much needed investment from the Highways Infrastructure Fund has been invested into the development of the Shelter Hall and has also been incorporated into the strategy. Longer term investment for coast protection is also incorporated into the 5 year strategy which includes potential government match-funding.

5.5 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.

HRA Capital Programme

5.6 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. The HRA capital programme is incorporated within the overall capital programme projections at Appendix 4. The programme will require further updating for 2020/21.

6. TIMETABLE

6.1 The Timetable for development and approval of the budget is given below. This timetable does not include detailed plans for ongoing consultation with stakeholders as this will be determined in conjunction with the services involved.

Date	**Meeting**	**Reports/Decisions**
10 Oct 2019	Policy, Resources & Growth	TBM Month 5
5 Dec 2019	Policy, Resources & Growth	Budget Update including Draft Service & Financial Plans TBM Month 7 Council Tax Reduction Scheme 2020/21
19 Dec 2019	Council	Council Tax Reduction Scheme 2020/21
23 Jan 2020	Policy, Resources & Growth	Council tax base Business Rates tax base
13 Feb 2020	Policy, Resources & Growth	TBM Month 9 General Fund and HRA budget reports

27 Feb 2020	Budget Council	General Fund and HRA budget reports

7. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

7.1 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 27 February 2020. Budget Council has the opportunity to debate the proposals put forward by the Policy, Resources & Growth Committee at the same time as any viable alternative proposals.

8. COMMUNITY ENGAGEMENT AND CONSULTATION

General Fund

8.1 Local government finance is not only very complex but there are also a very wide range of services (over 700 individual services). Many residents will be unaware that of the council's £757 million expenditure in 2019/20, only around £143 million (19%) is funded by Council Tax and about £63 million by retained Business Rates (8%). Many services are funded by fees, charges or rents while others can be supported by government grants (e.g. Public Health, schools and Housing Benefits). There is also a distinction between capital and revenue spending that can be confusing. The sheer scale of business and the wide array of funding and financing arrangements make it very difficult for residents to understand who or what is directly paying for or funding services or developments.

8.2 This makes meaningful consultation and engagement very challenging and therefore the council continues to provide information on its web site to attempt to convey information in a digestible format, including through this report, but even this requires considerable time and effort to understand and digest fully.

8.3 The council has also provided simple 'budget animations' to help explain why our costs are growing and therefore why our budget gap (savings requirement) has been growing in the context of reducing government grant funding. The council will also widely publicise the budget process through its online social media inviting residents and stakeholders to give us their views and ideas via the web site (email) and on Twitter via **#BHBudget**.

8.4 Generally, engagement and consultation on specific proposals is more meaningful and this will always be undertaken separately for any significant proposal to change, redesign or recommission a service. The Council's decisions regarding budget (savings) proposals are therefore primarily a 'resource decision' in the first instance and are subject to all appropriate consultation processes before they can be implemented. Detailed consultation will normally be undertaken alongside, or following, decisions of the Council and, where appropriate, reported back to a committee before any final decision is taken.

8.5 In previous years, various consultation and engagement processes have been put in place and these are proposed to continue, including:

- development of a communication campaign to encourage participation in the budget setting process through the media, social media and with staff;

- engagement at all stages with key stakeholders such as Community Works, Older People's Council, young people representatives, representatives from the Economic Partnership and business sector on matters or themes that are of specific interest to them;
- ongoing engagement with staff and Trades Unions, including through the Staff Consultation Forum, Departmental Consultative Groups, team briefings and specific meetings;
- cross party involvement in reviewing key financial and performance information to help inform discussions about prioritising expenditure and options for savings;
- refreshing the short 'budget animation' which many people find to be a useful and simple aid to understanding the council's services and financial situation;
- engagement with statutory partners in the city through the City Management Board, Health & Well-being Board and the B&H Clinical Commissioning Group;
- separate consultation with tenants' representative and other groups in relation to the Housing Revenue Account (Council Housing) services.

8.6 The cross-party member Budget Review Group will keep under review the consultation and engagement process and receive updates from the various strands of engagement. Costs of updating communications (e.g. charts and animation) and maintaining the web site are expected to be well within the current budget provision (£5,000).

Schools Consultation

8.7 There is a statutory requirement on the local authority to consult with the Schools Forum on certain financial aspects of the schools budget including formula changes and the associated impact on budget distribution. The Schools Forum is a public meeting whose membership is made up of schools representation from across all phases and on which the Education Funding Agency has optional observer status.

8.8 Information is provided throughout the year to meetings of the Schools Forum concerning the development and/or changes to elements of the schools budget and the schools formula, now principally based on a national formula. There is a Formula Working sub-group that works with Education and Skills and Finance colleagues to ensure involvement and engagement of schools representatives in considering the options as proposals are developed.

8.9 Annual budget shares are usually presented to the January meeting of the Schools Forum for consultation and in recent years the Council's Executive Director of Finance & Resources has also attended this meeting and presented a report on the potential direct or indirect impacts of the Council's General Fund budget proposals on schools.

9. CONCLUSION

9.1 The council is under a statutory duty to set its budget and council tax before 11 March each year. This report sets out the latest budget assumptions, a suggested approach to the 2020/21 budget process and medium term planning, and a timetable to meet the statutory duty.

10. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

Finance Officer Consulted: James Hengeveld *Date: 28/06/19*

Legal Implications:

10.2 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 & Growth Committee. The recommendations at paragraph 2 above are therefore proper to be considered and, if appropriate, approved by it.

10.3 This report complies with the council's process for developing the budget framework, in accordance with part 7.2 of the Constitution.

Lawyer Consulted: Date:

Equalities Implications:

10.4 It is proposed to continue the screening process undertaken in previous years and continue to improve the quality and consistency of 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

10.5 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 a low carbon economy.

Risk and Opportunity Management Implications:

10.6 There are a range of risks relating to the council's short and medium term budget strategy including the impact of the economic conditions and changes in the national budget, spending exceeding budgets, pressures on existing budgets, further reductions in grant, legislative change or demands for new spending. The budget process will include recognition of these risks (and options for their mitigation) in determining the 2020/21 budget.

10.7 Key factors (risks) for projecting the savings requirements for 2020/21 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 and changing needs;
- The accuracy of taxbase growth and other assumptions, particularly the level of business rate appeals;

- The continuing impact of Welfare Reform changes such as Universal Credit e.g. on Temporary Accommodation (homelessness), in particular, the ongoing impact of the reduction to the Benefit Cap;
- The impact of economic conditions e.g. property price rises impact 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 as ‘Brexit’ progresses, although the full impact of this 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:
1. Budget estimates for 2020/21
2. Resource Updates and Estimates 2020/21
3. Medium Term Financial Strategy Assumptions and Projections
4. Projected Capital Investment Programme
5. Council Reserves
6. Glossary

Documents in Members’ Rooms
1. None

Background Documents
1. Budget files held within Finance

Draft Budget changes from 2019/20 to 2020/21 **Appendix 1**

DRAFT 2020/21 BUDGET - Budget changes from 2019/20 to 2020/21	2019/20 Revised Base £'000	Reversal of one-off allocations £'000	2019/20 Adjusted Base £'000	Inflation £'000	Service Pressures (Unallocated) £'000	Commitments & Reserves £'000	Savings Package (Unallocated) £'000	2020/21 Original Budget £'000	Change over adjusted base £'000	Summary Changes %
Families, Children & Learning	**88,938**	(73)	**88,865**	1,893	-	40	-	**90,798**	1,933	
Health & Adult Social Care	**57,927**	(242)	**57,685**	1,500	-	-	-	**59,185**	1,500	
Economy, Environment & Culture	**36,468**	(420)	**36,048**	868	-	83	-	**36,999**	951	
Neighbourhoods, Communities & Housing	**15,269**	(260)	**15,009**	588	-	-	-	**15,597**	588	
Finance & Resources	**19,864**	(396)	**19,468**	400	-	(100)	-	**19,768**	300	
Strategy, Governance & Law	**4,928**	(370)	**4,558**	92	-	60	-	**4,710**	152	
Total Directorate Spending	**223,394**	**(1,761)**	**221,633**	**5,341**	**-**	**83**	**-**	**227,057**	**5,424**	**2.45**
Insurance	**3,069**	-	**3,069**	38	-	100	-	**3,207**	138	
Financing Costs	**5,659**	-	**5,659**	-	-	1,105	-	**6,764**	1,105	
Corporate VFM Savings	**(1,000)**	-	**(1,000)**	(20)	-	240	-	**(780)**	220	
Contingency and Risk Provisions	**539**	-	**539**	345	-	360	-	**1,244**	705	
Unringfenced grants income	**(26,318)**	210	**(26,108)**	-	2,225	(182)	-	**(24,065)**	2,043	
Levies to External Bodies	**207**	-	**207**	4	-	-	-	**211**	4	
Other Corporate Budgets	**2,324**	19	**2,343**	(54)	-	670	-	**2,959**	616	
BUDGET GAP	**-**	-	**-**	-	10,383	-	(14,989)	**(4,606)**	(4,606)	
NET REVENUE EXPENDITURE	**207,874**	**(1,532)**	**206,342**	**5,654**	**12,608**	**2,376**	**(14,989)**	**211,991**	**5,649**	**2.74**
Contributions to/ from(-) reserves	**(4,291)**	4,093	**(198)**	-	**-**	-	-	**(198)**	-	
BUDGET REQUIREMENT	**203,583**	**2,561**	**206,144**	**5,654**	**12,608**	**2,376**	**(14,989)**	**211,793**	**5,649**	**2.74**
Funded By:										
Revenue Support Grant	**6,523**		**6,523**					**6,523**	-	-
Business Rates Local Share	**57,244**		**57,244**					**58,593**	1,349	2.36
Tariff Payment	**(1,165)**		**(1,165)**					**(1,188)**	(23)	2.00
Business Rates Levy payment	**(137)**		**(137)**					**(140)**	(3)	2.00
Business Rates Collection Fund surplus/(deficit)	**(2,084)**	2,084	**-**					**-**	-	-
Council Tax Collection Fund surplus/(deficit)	**(477)**	477	**-**					**-**	-	-
Council Tax	**143,679**		**143,679**					**148,005**	4,326	3.01
Total	**203,583**	**2,561**	**206,144**					**211,793**	**5,649**	**2.74**

Resources Updates and Assumptions 2020/21

General Fund Budget

Financial Settlement offer

1.1 The provisional Local Government Finance Settlement for 2020/21 is expected in December 2019 including confirmation of the council tax ‘excessive increase’ threshold above which a referendum would be required. Previously the government had announced a 4 year settlement in 2015 for 2016/17 through to 2019/20. The government has been planning for major changes to local government finance through the Fair Funding Review and increasing locally retained Business Rates from 50% to 75%, informed by the next Comprehensive Spending Review as well as providing multi-year settlements to aid financial planning.

1.2 As government is absorbed with Brexit and Leadership changes, the introduction of the planned changes appears unlikely and therefore financial planning assumptions are based on a roll forward of the 2019/20 settlement with short term (one-off) grants assumed to end. It is expected that greater clarity will be provided from government by the Autumn to improve financial planning assumptions including the response to the national funding issues for social care but detailed information is unlikely to be available until mid to late December. The budget report to this committee in early December 2019 will include updated assumptions as far as possible, albeit without the detail of the provisional settlement.

Government Grants and Precepts

Revenue Support Grant (RSG)

1.3 With the assumption of a roll forward of the 2019/20 local government settlement the RSG would remain unchanged at £6.523 million. RSG has been reducing significantly over the past 4 year planning period with a total reduction of £39.574 million over that period. RSG was one of the grants expected to be rolled in to the 75% locally retained business rates proposal and was effectively assumed to be protected from 2020/21. There is a risk the government rolls forward the 2019/20 settlement but with further reductions to this grant. Any reduction that isn’t offset by new grant allocations will add to the council’s predicted budget gap.

Adult Social Care precepts and Better Care Funding

1.4 The local government settlement for 2016/17 included flexibility for authorities with social care responsibilities to raise council tax by up to 2% per annum above the referendum threshold. The local government settlement for 2017/18 included further flexibility of bringing forward the precept increase to a maximum of 3% but maintaining an overall precept of 6% over the remaining three year period to 2019/20. The council took up this flexibility and included a 3% adult social care precept for both 2017/18 and 2018/19. Therefore there was no ability to include a further adult social care precept in 2019/20. At this time there is no indication that further precepting for social care costs will be allowable in 2020/21.

1.5 Better Care funding provided via the NHS through the Brighton & Hove Clinical Commissioning Group (the CCG) is assumed to continue into 2020/21 at broadly the same level as 2019/20 at £21.5 million of which approximately £7 million will be for 'protecting adult social care'. However, the short term (one-off) improved Better Care Fund resources provided directly to councils over the last 3 years will end and, at this time, cannot be assumed to continue or be replaced. The Better Care Plan is reported to the Health & Wellbeing Board each year for review and approval.

1.6 The government confirmed within its previous 4 year settlement offer £1.5 billion additional funding for authorities to meet pressures on Adult Social Care through to 2019/20, to be included in the improved Better Care Fund (iBCF). This additional recurrent funding is passed directly to authorities through a separate unringfenced grant that takes into account each council's ability to raise resources through council tax. The allocation to this council was £6.220 million in 2019/20. This iBCF funding is separate from the original Better Care Fund that is pooled with local health partners; however both will support collaborative working in Brighton and Hove.

1.7 In March 2017, the government made a further Spring Budget announcement providing additional one-off improved Better Care Fund resources from 2017/18 to 2019/20. The funding was paid to local authorities and was required to be added to the Better Care Fund pool with its deployment being jointly agreed with the CCG. The final allocation to this council for 2019/20 was £1.733 million. This one-off funding has been used to meet pressures arising from hospital discharge and therefore its expiry will create a pressure in 2020/21 which has been taken account of and adds to the size of the council's predicted budget gap in 2020/21.

1.8 In late 2019/20 the government confirmed additional funding for winter pressures and also provided an additional Adults and Children's Social Care grant. No information is available regarding the continuation or otherwise of these grants beyond 2019/20, however, it is assumed that these will continue on a roll-forward basis given the national position on social care.

Table 3: Social Care Resources	**2017/18**	**2018/19**	**2019/20**	**2020/21 Assumption**
ASC Precepting	3% £3.650m	3% £3.901m	0% -	0% -
ASC Support Grant (one-off)	£1.234m	£0.768m	-	-
ASC Winter Pressures		£1.229m	£1.229m	£1.229m
Adults and Children's Social Care grant*			£2.100m	£2.100m
Improved BCF (ongoing)	-	£3.188m	£6.220m	£6.220m
Improved BCF (one-off)	£5.093m	£3.483m	£1.733m	-

** All of this funding was allocated to Adult Social Care in 2019/20*

1.9 Another important aspect of Adult Social Care funding concerns funding from the CCG for joint initiatives or to cover NHS statutory responsibilities. For example, the CCG is required to reimburse the council for the nursing cost element of social care placements in Nursing Homes. There are also a wide range of other services that are jointly funded and commissioned, including through the pooled Better Care Fund, where this benefits the overall health and social care system and enables both the council and the NHS to more effectively manage demands, particularly those arising from hospital discharge or over winter periods. However, both the council and the CCG are under increasing funding constraints which is inevitably placing pressure on the level of joint funding. This may have counter-productive impacts and therefore the council expects to work closely with the CCG to manage the financial position and where possible align financial planning on a medium term basis to reflect the council's 4-year planning approach and the NHS 5 Year Plan.

New Homes Bonus (NHB)

1.10 The government has only committed to the current New Homes Bonus Scheme until 2019/20. It is the government's intention to explore how to incentivise housing growth most effectively going forward from 2020/21, such as using the Housing Delivery Test, and consult before introducing any new incentive. With the uncertainty of local government finance changes for next financial year, a replacement system is not expected to be in place and the existing scheme is assumed to end. The new grant awarded each year was for a 4 year period and as each year ends, one year's grant falls away. The budget assumptions include the tapering of the remaining years up until 2022/23 when the final year's grant falls away. The council's cumulative award in 2019/20 is £2.102 million which reduces by £1.177 million in 2020/21.

Other grant changes

1.11 There is no update on grant allocations beyond 2019/20 as they are assumed to be announced alongside the provisional local government finance settlement.

1.12 In 2019/20 there was an allocation of £0.893 million for Business Rates Levy funding which was expected to be built into the revised business rates retention scheme from 2020/21 and therefore treated as recurrent funding. However, no further information has been forthcoming in respect of this levy and therefore it is prudent to treat this as one-off, which therefore creates a funding pressure in 2020/21.

1.13 The budget estimates assume continuation of 10% reductions in the centrally held unringfenced grants budget for 2020/21 in line with previous government funding reductions. This includes grants such as Housing Benefit Admin grant. Normal practice has been to set aside equivalent Service Pressure Funding within the budget estimates to protect service provision. This creates a funding pressure, adding to the council's predicted budget gap.

Business Rates

Business Rates estimate for 2020/21

1.14 The government's intention was for locally retained business rates to increase from 50% to 75% from 2020/21 however this now appears unlikely and therefore the planning assumption is a roll forward of the 50% scheme.

1.15 The projected business rates taxbase for 2020/21 includes estimated growth during the next financial year reflecting developments across the city, offset in part by increased voids. Business rates income needs to be considered alongside the Section 31 compensation grants where the government provides funding in lieu of Business Rates policy changes that reduce income such as small business rates reliefs. This totalled £9.1 million in 2019/20. The assumed inflationary increase in Business Rates of 2.1% reflects the Office of Budget Responsibilities (OBR) projections, however the actual increase will be based on the September Consumer Price index (CPI) which is published in October. The original basis was for annual increases is the Retail Price Index (RPI) but the government amended this from April 2018 to CPI and provided Section 31 grant to local authorities to compensate for this reduction in resources. This compensation is assumed to end for 2020/21 onwards. RPI is projected to be 3.0% and therefore the impact of this change to this council is estimated to be £0.6 million reduction in resources.

1.16 Business Rates forecasts continue to be an area of financial risk. The 2017 revaluation introduced a new wave of business rates appeals, the outcome of which are difficult to predict. In addition, the government has announced it will bring forward the next revaluation by a year to 2021 which will impact from 2021/22 and bring further appeals. The assumptions on overall income including monitoring the progress on developments within the city will continue to be reviewed and updates will be presented to this committee in December 2019 and January 2020.

Council Tax

Council Tax Reduction Scheme

1.17 The council's localised Council Tax Reduction Scheme (CTRS) for 2019/20 was agreed by full Council in December 2018. The scheme remained unchanged from 2018/19.

1.18 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 December 2019 and then to full Council to agree the final scheme for 2020/21 including consideration of the minimum liability level. The council also intends to continue to operate a discretionary fund. Council Tax payers 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.

1.19 The council has 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 increases the council taxbase. This reduction is currently slowing down although this may be short term. At this stage the assumption is for a

3% reduction in 2020/21 and this is included in the assumed overall council tax base growth of 1%. The number of CTRS claimants will fluctuate with economic conditions and the assumption of reducing numbers will therefore be kept under review.

Council Tax Estimate 2020/21

1.20 The council tax increase for 2020/21 is currently assumed at 1.99% for planning purposes. This assumes the government does not provide additional council tax increase flexibilities including Adult Social Care precepting. In addition, the underlying taxbase is estimated to grow by a net 1.0% in relation to new properties and changes to discounts and exemptions. The risks associated with this are that housing developments are not completed as expected, that council tax collection rates are not maintained and that Severely Mentally Impaired (SMI) exemptions continue to increase above national averages.

Reserves (One-off Resources)

1.21 The working balance is recommended to continue at a minimum of £9.000 million to meet general risks applicable to a large unitary authority. In 2019/20 this was increased to £10.065 million to incorporate one-off financial risk provisions of £1.065 million.

1.22 The following table identifies potential resources and liabilities that will need to be taken into account in setting the 2020/21 budget. This assumes that spending in 2019/20 is in line with the TBM Month 2 report projections included elsewhere on this agenda.

Table 4: One-off Resources and Liabilities	**£m**
2019/20 Forecast risk (overspend) reported for TBM month 2	-3.427
Estimated 2018/19 council tax collection fund deficit (TBM month 2)	-0.501
Estimated business rates retention collection fund 2019/20 surplus (TBM month 2)	0.000
Contribution to local elections reserve for 2023	-0.100
Projected one-off resource gap	**-4.028**

1.23 This position will be updated for the December draft budget report to this committee. A full review of reserves will also be completed and the outcome of the review will be reflected in the February budget report along with any changes to the TBM position at Month 9. Appendix 5 includes information on the reserves the council currently holds.

Corporate Inflation Provisions

Pay

1.24 At present there is no agreed pay offer for 2020/21 or subsequent years. The budget estimates assume a general 2% increase in pay with an additional 0.3% for any potential, targeted higher increase for lower pay scales including the Living Wage Foundation commitment .This assumption will be monitored closely as changes to pay represent a significant proportion of council expenditure and therefore financial risk.

1.25 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 2020/21 for increased costs beyond annual pay award costs.

Pensions

1.26 The last triennial review of the East Sussex Pension Scheme covered the period 2017/18 to 2019/20. The outcome of the next 3 year review is due to be published in December 2019 and will impact the 2020/21 budget. Increases to the employer's contribution to manage underlying shortfalls are limited to 0.5% a year and therefore this increase is assumed in budget projections and amounts to £0.570 million for the General Fund.

Prices

1.27 The provision for general price inflation ranges between 0% and 2% depending on the type of expenditure. Similarly, fees and charges are assumed to increase by a standard 2% with the exceptions identified in paragraph 1.28 below. However, the ongoing strategy for reviewing fees and charges set out in the main report could mean that additional resources are generated. Increases in costs above 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

1.28 Fees and charges budgets for 2020/21 are assumed to increase by a standard inflation rate of 2%. Exceptions to this include Penalty Charge Notices (parking fines) where the levels of fines are set by government and cannot be changed independently and Temporary Accommodation rental income which is constrained by Local Housing Allowance rates. The 2% general increase is to ensure that income keeps pace with increasing costs. Any increase above the standard rate can therefore contribute to savings.

1.29 In total, Corporate Inflation Provisions require net funding of £6.224m, including pension increases, in order to ensure that services do not incur real terms reductions.

Commitments & Risk Provisions

1.30 The budget projections for 2020/21 include a number of commitments; the most substantial include cost increases in financing costs (due to capital investment in IT&D and planned maintenance) and additional costs from employer pension contributions.

1.31 In 2019/20, financial risks are being mitigated through one-off financial risk provisions of £1.065 million which are held within the working balance as well as £0.500 million recurrent provision for reductions in funding from the CCG. The forecast risk on the revenue budget at month 2 indicates that this may be needed to mitigate the current overspend forecast. This assumption will be reviewed when the overall budget package is finalised and the risks within the in-year position become clearer.

Schools Funding and Balances

School Balances

1.32 The level of school balances as at 31/03/19 was £4.225m, an increase of £2.222m from £2.003m as at 31/03/18. The £4.225m balance is split across phases as follows:-

School Balances				
Phase	**2018/19 £'000**	**Percentage of budget 2018/19**	**2017/18 £'000**	**Percentage of budget 2017/18**
Nursery	64	8.25%	53	8.43%
Primary	3,812	5.15%	2,512	3.48%
Secondary	(11)	(0.02%)	(484)	(0.93%)
Special and Alternative Provision (AP)	360	4.24%	(78)	(0.71%)
Total	4,225	3.14%	2,003	1.47%

Note – Special includes the Connected Hub and Pupil Referral Unit (PRU)

1.33 There are a total of 11 schools (out of 64) with deficit balances, a decrease from 15 as at the end of 2017/18. The split of deficit balances across phases is 6 Primary, 4 Secondary and 1 Special. School budget plans for 2019/20 will incorporate these deficits and the Finance Team will work closely with schools to identify those who are likely to require licensed deficits in the coming year under the terms of the Scheme for Financing Schools.

National Funding Formula and Local Funding Arrangements 2019/20

1.34 While it remains the government's intention that a mainstream school's budget should be set on the basis of a single national formula, in 2019/20 and 2020/21 local authorities will continue to determine final funding allocations for schools through a local formula. The national funding formula will set notional allocations for each mainstream school, which will be aggregated and used to calculate the total schools block received by each local authority.

1.35 National data released by the Department for Education showed that in 2018/19 there was considerable movement in local formulae towards the proposed schools national funding formula. 73 local authorities moved 'factor values' in their local formulae closer to the national funding formula, with 41 mirroring the national funding formula values almost exactly.

1.36 The national data for 2019/20 has not yet been published but, in consultation with Schools Forum, Brighton & Hove made several adjustment to local funding formula arrangements. These changes are summarised below and follow the principle of moving towards the proposed national funding formula on a gradual basis:

- reduce the lump sum from £150,000 to £130,000 per school with the balance of funding being re-allocated through the deprivation and low attainment factors;
- change the factor being used to identify deprivation from solely free school meals to a combination of free school meals, ever-6 free school meals and the income deprivation affecting children index (IDACI). This will be applied on a gradual, stepped approach in line with earlier views of the Forum and Schools Block Working Group;
- remove the primary weighting for low attainment because all results have now been collated under the new assessment framework. This is a technical change and was not part of the consultation with all schools;
- ensure all secondary schools will attract minimum per-pupil core funding of £4,700, and all primary schools £3,400 (core funding excludes funding for premises and growth);
- apply a minimum funding guarantee (MFG) of minus 1.5% per pupil;
- seek to maintain the current funding ratio between primary and secondary schools as this is very close to the target ratio in the proposed national funding formula.

1.37 For 2019/20, the overall formula budget allocations to mainstream schools have increased by just under £2.5m and this is due to several factors:

- increase in overall Schools Block Dedicated Schools Grant (DSG) allocation (c. £1.2m);
- increase in delegation to schools as a result of the release of funding previously held centrally as exceptions:
  - Equal pay annual contribution £0.951m;
  - Brighton and Hove Inclusion Support Service £0.199m;
  - Broadband £0.134m.

1.38 In 2019/20 and beyond, schools are facing significant budget pressures as a consequence of teachers’ pay awards and an increase in employers’ pension contributions from September 2019. The Department for Education has implemented additional grant funding arrangements to mitigate the immediate cost of these pressures however it is not certain if these funding streams will continue beyond 2019/20.

High Needs Block

1.39 On 17 December 2018 the Government announced additional revenue funding allocations for high needs for 2018/19 and 2019/20. For Brighton & Hove, this announcement equates to an additional £0.540m in each financial year. The additional allocation is recognition of the increasing costs of supporting children and young people with SEN and will help the LA manage pressures in this area. It is not yet known whether this increase in funding will continue in 2020/21.

Housing Revenue Account (HRA)

1.40 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.

1.41 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.

1.42 A key area of focus for 2020/21 is the commencement of the new arrangements for the delivery of responsive repairs, empty property refurbishments, planned maintenance and major capital works to council homes when the current contract (with Mears) comes to an end in March 2020. The new service will include the in-house provision of responsive repairs and empty property refurbishment services which will see the transfer of some 150 staff from Mears. The budget will need to take account of any changes to costs associated with operating this service in-house and the costs of planned and major works including any changes to contract management arrangements.

1.43 Increasing the supply of affordable housing for rent in the City will continue to be a priority and the budget for 2020/21 will review the resources required to support this growth both in terms of capital resources for building and purchasing new homes and revenue resources to support this work.

1.44 The Welfare Reform and Work Act 2016, included legislation from April 2016 that social housing rents should be reduced by 1% per annum for 4 years (2016/17 to 2019/20). However, tenants will see rent increases again from April 2020. For five years rents will be increased by CPI (at September) plus 1% in accordance with government guidance which will increase dwellings rent income for the council by approximately £1.5m. However, the level of rent arrears for council tenants has increased during 2018/19 mainly due to the phasing in of Universal Credit. This is being closely monitored to ensure that this does not become a continuing trend which will endanger the long term resources of the HRA.

1.45 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.

HRA Capital Programme

1.46 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.

1.47 The capital programme for 2020/21 and beyond will be informed by the stock review and survey which is currently being procured and will take place in the summer. There is also some uncertainty about the amounts to be set aside to provide for further health and safety measures to be considered in light of the Grenfell Tower fire. The HRA capital programme is incorporated within the overall capital programme projections at Appendix 4. The programme will require further updating for 2020/21.

Appendix 3

Medium Term Financial Strategy 2020/21 to 2023/24

Core Planning Assumptions

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

	2020/21	2021/22	2022/23	2023/24
Pay inflation and pay related matters:				
- Provision for pay award	2.3%	2.2%	2.2%	2.0%
- Employers pension contribution rate increase	0.5%	0.5%	0.5%	0.5%
General inflation:				
- Inflation on non-pay expenditure	1.0% - 2.0%	1.0% - 2.0%	1.0% - 2.0%	1.0% - 2.0%
- Inflation on waste PFI	3.5%	3.5%	3.5%	2.0%
- Inflation on income	2.0%	2.0%	2.0%	2.0%
- Inflation on parking income	2.0%	2.0%	2.0%	2.0%
- Inflation on penalty charge notices	0.0%	0.0%	0.0%	0.0%
Resources:				
Change in Settlement Funding Assessment	0.0%	0.0%	0.0%	0.0%
Change to Revenue Support Grant (RSG)	0.0%	0.0%	0.0%	0.0%
Business rates poundage inflation uplift	2.1%	2.0%	2.0%	2.0%
Public Health grant	0.0%	0.0%	0.0%	0.0%
Assumed council tax threshold increase	1.99%	1.99%	1.99%	1.99%
Council Tax Base	1.0%	0.75%	0.75%	0.75%

Appendix 3

Summary of MTFS projections

The table below sets out the predicted Budget Gaps and consequent savings requirement to balance the budget for projected expenditure versus anticipated funding over the MTFS period:

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Net Budget Requirement B/Fwd	**206.144**	**211.793**	**217.132**	**222.606**
Pay and Price Inflation	5.654	5.647	5.780	5.927
Increase in employer pension contributions	0.570	0.590	0.610	0.630
Commitments – i.e. ongoing impact of previous decisions	1.988	0.638	0.801	0.388
Change in Section 31 Business Rates compensation grants	-0.182	-0.186	-0.189	-0.193
Provision for reduction in New Homes Bonus (4 year taper)	1.177	0.627	0.027	0.287
Provision for loss of remaining Spring 2017 iBCF funding (Adult Social Care)	1.733	0.000	0.000	0.000
Service Pressure Funding: Demographic and cost pressures in Adult Social Care and Adult Learning Disabilities	5.000	4.000	4.000	4.000
Service Pressure Funding: CCG/Health income pressures	1.000			
Service Pressure Funding: Demographic and cost pressures for Looked After Children and Care Leavers	0.750	0.750	0.750	0.750
Service Pressure Funding: Income Pressures (incl. transfer of Land Charges to Land Registry)	0.650	0.150	0.150	0.150
Service Pressure Funding: IT & D contractual commitments	0.500	0.500	0.500	0.500
Service Pressure Funding: Demographic and cost pressures for all other priority services	0.750	0.500	0.500	0.500
Provision for reduction in unringfenced grants	1.048	0.140	0.125	0.110
Budget Gap (Savings Requirement)	**-14.989**	**-8.017**	**-7.580**	**-7.419**
Budget Requirement C/Fwd	**211.793**	**217.132**	**222.606**	**228.236**
Funded by:				
Revenue Support Grant (RSG)	6.523	6.523	6.523	6.523
Tariff Payment	-1.188	-1.212	-1.236	-1.261
Locally retained Business Rates (BRR)	58.453	59.772	61.120	62.498
Council Tax (including planned and projected increases)	148.005	152.049	156.199	160.476
Total Funding	**211.793**	**217.132**	**222.606**	**228.236**

APPENDIX 4

Projected 5-Year Capital Investment Programme 2020/21 to 2024/25	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Approved Schemes					
Health & Adult Social Care	-	-	-	-	-
Families, Children & Learning	6.117	-	-	-	-
Economy, Environment & Culture	5.505	2.150	-	-	-
Neighbourhood, Communities & Housing - GF	28.717	13.244	15.679	5.207	0.800
Neighbourhood, Communities & Housing - HRA	15.592	2.119	-	-	-
Strategy, Governance & Law	-	-	-	-	-
Finance & Resources	-	-	-	-	-
New Schemes to be Approved					
Health & Adult Social Care	0.300	0.300	0.300	0.300	0.300
Families, Children & Learning	9.002	6.123	6.123	6.123	6.123
Economy, Environment & Culture	47.138	43.450	39.000	53.000	51.355
Neighbourhood, Communities & Housing - GF	1.700	1.700	1.700	1.700	1.700
Neighbourhood, Communities & Housing - HRA	32.433	45.073	43.082	43.831	41.350
Strategy, Governance & Law	-	-	-	-	-
Finance & Resources	2.862	1.062	0.750	0.750	0.750
Total Schemes	**149.366**	**115.221**	**106.634**	**110.911**	**102.378**
Funded by:					
Government Grants - Single Pot	18.515	10.000	10.000	10.000	10.000
Government Grants - Ringfenced	29.299	17.730	9.500	2.500	2.500
Capital Receipts	8.362	3.062	6.750	1.750	2.505
Capital Receipts HRA	5.321	6.454	5.565	5.884	5.371
Capital Reserves - HRA	0.648	0.580	1.630	0.580	0,580
Specific Reserves	5.862	0.741	0.770	0.801	0.800
External Contributions	-	1.500	-	4.000	-
Direct Revenue Funding	0.623	0.623	0.623	0.623	0.623
Revenue Contribution to Capital HRA	31.488	27.758	24.756	24.107	25.352
Council Borrowing	49.248	46.773	47.040	60.666	54.647
Total Funding	**149.366**	**115.221**	**106.634**	**110.911**	**102.378**

Reserves and Balances

In the interests of transparency, the table below categorises the council's reserves and the potential flexibility for any alternative use. All reserves are reviewed at least twice annually to ensure they are still appropriate at current levels. Reserves fall into the following broad categories:

i) **Risk Reserves**: for example the Insurance Fund or Working Balances. These types of reserves must last the lifetime of the authority and are set at recommended levels to cover a wide range of potential risks.

ii) **Capital Reserves:** A number of reserves are fully committed to approved capital programmes. Capital schemes often span more than one year and hence the use of reserves to manage timing differences across years. Reserves backed by capital resources cannot be used for revenue purposes.

iii) **Contractual or Partnership Reserves:** Many reserves are held in lieu of legal agreements, partnership arrangements, licensing arrangements, PFI contracts or other legally binding arrangements (e.g. S106 planning agreements). These are contractually and legally committed and cannot be re-purposed.

iv) **Ringfenced Reserves:** Reserves relating to the Housing Revenue Account (HRA) or Schools (DSG) are statutorily ringfenced to these services only.

v) **Project Reserves:** This covers a number of large reserves held for specific projects. These have been set up to support regeneration or other priority projects following consideration and approval by members. They are often created in respect of the council's agreed contribution to these schemes in order to lever in other resources, for example, Local Enterprise Partnership funds.

vi) **Other Reserves:** All other reserves are held to meet identified future, one-off commitments. All are approved by members at different times of the year.

Reserve	Balance as at 01/04/19 £'000	Flexibility (for alternative use)	Impact of using for alternative application
Working Balance	9,000	Should only be used in an emergency and must be replenished. Must last the lifetime of the authority.	Reputational impact on the council's 'financial resilience' assessment by the external auditor.
Risk Provisions	1,065	Reviewed and agreed as part of budget setting. Held in order to mitigate in-year forecast risks.	May need to be replenished in the following year. Can be released for the next budget round if not called upon in 2019/20.
Committed to support 2019/20 Budget	5,138	One-off resources committed as part of the 2019/20 budget as approved at Feb 2019 budget council.	Would create in year overspends that would need to be reflected in Targeted Budget Management Reports.
Capital Reserves	8,768	Committed to approved capital schemes. Certain reserves are from capital sources and cannot be used for revenue.	Would require member decision to overturn previous capital programme decisions.
Major Projects (e.g. Brighton Centre, New England House)	12,934	Committed to high priority, high profile regeneration projects.	Potential loss of capital grants, LEP funding, etc. Requires member approval to release for alternative use.

Appendix 5 - Summary of Reserves as at 1st April 2019

Reserve	Balance as at 01/04/19 £'000	Flexibility (for alternative use)	Impact of using for alternative application
PFI Reserves	6,340	Committed to future PFI scheme costs (3 contracts) but could be utilised temporarily.	Must be replenished before funds are required to meet PFI Unitary Payments.
Schools, Trusts and Partnership funds	4,245	Not usable. Controlled jointly with or by other parties.	n/a
(Self) Insurance Fund	5,455	Set by an independent actuary. This risk reserve underpins many risks for which the council self-insures or cannot procure insurance policies. Could be utilised temporarily but must be replenished quickly.	Such use would be likely to attract comment/criticism from the auditor as this is one of the authority's key risk reserves.
Restructure & Redundancy	210	Reviewed each year to provide the minimum level of funding required to meet estimated severance costs (as part of Modernisation Funding).	Removing this would be likely to add to the budget gap because services would need to fund severance directly, thereby reducing potential savings.
Planned & Winter Maintenance Reserves	2,415	Could be used in emergency but must be replenished.	May result in calls on the Working Balance, particularly for a bad winter etc.
HMO and other Licensing Reserves	1,475	Not usable – statutory reserve.	n/a
S106 Reserves	1,075	Not usable – earmarked under legal agreements.	n/a
Welfare Reform	29	Fully committed.	Could be released but is a current priority for members.
Carry Forwards	2,315	Use is approved by PR&G Committee as part of the TBM provisional outturn report.	Fully committed. Use of these reserves will simply cause an equivalent overspend in the 2019/20 TBM position.
DSG Carry Forward	804	Not usable, applicable to the schools budget only.	n/a
Modernisation Fund	1,137	Committed to modernisation programmes in 2019/20.	Would impact on delivery and future savings. Requires member approval and would be likely to cause an equivalent overspend in the 2019/20 TBM position.
Other Reserves	2,977	Includes items such as Trust Funds, Seaside Homes, earmarked Parking scheme surpluses, S31 reserves, BCF reserve – not generally useable.	Very limited potential to utilise as normally outside of council control or bound by statute or agreement.
HRA Reserves	10,429	Ring-fenced to the HRA.	n/a
Total	**75,811**		

Glossary of Terms

Best Value – The council is a Best Value authority under the Local Government Act 1999 and is under a general Duty of Best Value which requires it to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness." See also VFM.

Budget Allocation - This is the financial limit for each service unit's budget excluding charges for support services and capital financing.

Budget Gap - The Budget Gap is the difference between the anticipated Local Government Financial Settlement (LGFS), estimated or assumed taxation increases, and the estimated increase in the cost of services including increased demands on statutory services such as social care. The Budget Gap is also referred to as the 'savings requirement' as it determines the level of savings needed to close the gap.

Budget Requirement - Total expenditure (after deduction of income) that the Council can finance from Revenue Support Grant, Business Rates and Council Tax.

Business Rates - Business rates (also known as National Non-Domestic Rates) are taxes to help pay for local services. They're charged on most non-domestic properties including shops, pubs, offices and factories. Business Rates are set nationally by government.

Business Rates Local Share - Under the Business Rates Retention Scheme, the council is able to retain 49% of the business rates income it collects, with 50% being paid over to central government and 1% to East Sussex Fire Authority.

Business Rates Tariff Payment - A payment to Government to reflect the level of business rates retained locally that is above the baseline funding level calculated by a Government funding formula.

Capital Charges & Recharges - Includes depreciation (cost of fixed assets consumed during the year) and support services charges in respect of administrative and professional services and office accommodation charged to a particular service. These charges are outside of a service unit's budget allocation.

Capital (Investment Programme) - Spending (often called CAPEX) which produces an asset, enhances or improves an asset, or extends the useful life of an asset e.g. the cost of building a school or purchasing a vehicle.

Capital Receipts - Income received from the sale of capital assets.

Contingency - The council's contingency budget includes provision for costs which are likely to occur but for which the estimated cost cannot be adequately foreseen at the time of setting the budget.

Council Tax - The main source of local taxation to local authorities and is levied on households within its area by the billing authority.

Council Tax Reduction Scheme - The Council Tax Reduction scheme is a local scheme that replaced the national Council Tax Benefit on the 1st April 2013. Council Tax Reduction provides a discount on Council Tax for those on low incomes. If Council Tax payers are eligible for support their council tax bills are reduced.

Dedicated Schools Grant (DSG) - The Dedicated Schools Grant is payable to local authorities by the Department for Education. It is a ring fenced specific grant and must be used in support of the Schools Budget as defined in the School Finance (England) Regulations 2008. It can be used for no other purpose.

Direct Revenue Funding - Resources provided from a revenue budget to finance the cost of capital projects.

Financing Costs - Capital expenditure is financed by loans, Government grants, external contributions, direct revenue funding, and capital receipts. The revenue budget bears the cost of direct revenue

Glossary of Terms

funding, together with interest and the provision for repayments of these loans.

General Fund - This is the main revenue account and fund of the council. The day-to-day transactions are conducted through this fund, other than sums to be paid into the Collection Fund or a trust fund.

General Fund Budget – the General Fund Budget is the main council budget incorporating all General Fund expenditure and income except that relating to the Housing Revenue Account and Schools (Dedicated Schools Grant).

Government Grants - Contributions by central Government towards either the revenue or capital cost of services.

Housing Revenue Account (HRA) - The Local Government and Housing Act 1989 requires each local housing authority to keep a Housing Revenue Account within its General Fund to account for income and expenditure on council housing stock.

Levies - Other public bodies may levy the council by making a demand on the council tax requirement. The two organisations that levy the city council are the Environment Agency and Sussex Inshore Fisheries and & Conservation Area.

Medium Term Financial Strategy (MTFS) - This contains the council's financial projections and spending plans for future years for both capital and revenue budgets. The current MTFS provides financial projections to 2023/24.

New Homes Bonus - A government grant which is aimed at encouraging local authorities to increase the number of homes in their area.

One-off – This term refers to any funding, resource or budget that is provided on a short-term, one-off basis. All reserves are one-off resources. The terms 'non-recurrent', 'short-term' or 'temporary' are used synonymously.

Recurrent – The term recurrent means that the funding source and associated budget is both permanent and annually recurring. The term 'ongoing' is also used synonymously. Contrast this with one-off or short-term funding and budgets.

Reserves & Provisions - Reserves are set aside to finance approved future expenditure for purposes falling outside the definition of provisions. Provisions are made for liabilities of uncertain timing or amounts.

Revenue Expenditure - The day to day spending on running and providing services e.g. salaries and wages or the running costs of a building such as heating and lighting. It also includes payments to external suppliers and providers of services.

Revenue Support Grant – RSG is a general government grant to support the General Fund expenditure.

Ringfencing - This term refers to Government controls to prevent funding being used other than for a specified service or purpose. For example, transferring funding between the Housing Revenue Account and the General Fund Budget is generally prohibited. It is also used in relation to grants which are awarded to the council on the condition that they are spent on a particular service area or project, for example, the Dedicated Schools Grant (DSG).

Savings Requirement – see Budget Gap.

Service Pressure Funding (or Re-investment) – this refers to the setting aside of budget provision for priority or demand-led services to ensure that demographic trends, legislative changes or other above-inflation cost increases (i.e. Service Pressures) are provided for in the council's budget to ensure that essential services are maintained and the council can continue to meet its statutory duties. This typically covers adult and children's social care.

Section 75 – Partnership Agreements relating to the pooling of resources can be made under Section 75 of the Health Act 2006 between the council and National

Glossary of Terms

Health Service partners. The council has in place a Section 75 agreement for the provision of adult social care services.

Targeted Budget Management (TBM) – TBM is the council's budgetary control and financial performance reporting framework. TBM reports are produced monthly for the council's Executive Leadership Team (ELT) and are regularly presented to Policy, Resources & Growth Committee for member oversight.

Taxbase – the council has two taxbases. One for Council Tax and one for Business Rates. In the case of Council Tax, the taxbase relates to the number of chargeable dwellings (e.g. houses and flats) in Bands A to H in the city. The Council Tax taxbase is often quoted as the amount that a £1 tax would generate if all properties were scaled up or down to Band D. The Business Rate taxbase is similarly the rateable value (RV) of properties eligible for business rates multiplied by the relevant nationally-set 'multiplier'.

Third Sector - A collective term for charities, voluntary and community organisations, and some social enterprises.

Transfer Payments - Payments made to individuals for which no service or goods are exchanged – examples include housing benefit payments or carers' allowances.

Unringfenced – this term is the opposite of ringfenced. In other words, unringfenced grants or funding may be used for any purpose or service.

Unsupported Borrowing – this refers to borrowing undertaken by the council at its own risk without any government funding support. As such, unsupported borrowing is normally only undertaken where a business case can demonstrate that the associated investment will benefit the council and its residents and preferably will generate cost savings to enable repayment of the loan and interest.

Workstyles – this refers to the council's programme to reduce the amount of administrative building space it requires by adopting agile and flexible working practices supported by appropriately upgraded office spaces, technology and equipment.

Value for Money (VFM) – The council's arrangements for securing economy, efficiency and effectiveness in the use of its resources. VFM is reviewed and assessed by the external auditor annually.

POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 30 Brighton & Hove City Council

Subject:		**Update on the capital works undertaken as part of the SEND Review**	
Date of Meeting:		**PR&G 18 July 2019**	
Report of:		**Executive Director Families Children and Learning**	
Contact Officer:	**Name:**	**Richard Barker**	**Tel: 290732**
	Email:	**richard.barker@brighton-hove.gov.uk**	
Ward(s) affected:		**All**	

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 To update the committee on progress made in determining the broad strategy and plan for the central SEND hub.

1.2 To inform the committee on the pricing exercise for the Downsview and Hill Park projects.

1.3 To request approval from the committee to increase the budget for the Downsview and Hill Park projects from £8million to £9.4 million.

2. RECOMMENDATIONS:

2.1 That the committee notes the progress on work associated with the Central Hub.

2.2 That committee agree the increased budget allocation for the Downsview and Hill Park projects.

2.3 That Committee grants delegated authority to the Assistant Director of Property & Design to procure the capital projects and enter into contracts within these budgets, as required, in accordance with Contract Standing Orders in respect of the Downsview and Hill Park projects.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 At its meeting in March the PR&G committee considered the Education Capital Resources and Capital Investment Programme 2019/2020 report. This report contained details relating to the projects being taken forward as a result of the SEND review.

3.2 Amendments were proposed to the recommendations of that report which were accepted by the committee.

3.3 The amendments were that the committee agreed to a minimum budget of £12million for the three SEND projects and that officers would bring a further report to the PR&G committee setting out plans for any additional refurbishment required at Downsview School in order to ensure that the entire estate is fit for purpose. The report was to identify additional funding required and potential funding opportunities and options to meet this.

3.4 A further recommendation required that officers also report to this meeting a broad strategy and plan for the central hub setting out the likely allocation of the £4million funding identified.

3.5 This report addresses these two issues.

Downsview and Hill Park Projects

3.6 Officers have continued to work with both Hill Park and Downsview on the projects. Amendments have been made to the plans for Downsview which has resulted in a further area of the school being refurbished and providing the school with an additional 3 classrooms.

3.7 The school accepts that this is an increase in the level of work proposed and has said that they prefer the revised scheme. However the school remains concerned that the remainder of the existing school is not being refurbished.

3.8 The head teacher and governors of Hill Park School are happy that the scheme for their two sites will meet the needs of their pupils.

3.9 Planning consent has been granted for the two projects.

3.10 In addition to this work the projects have been being priced by the Strategic Partnerships cost consultants following the Agreed Maximum Price (AMP) submission from the constructor.

3.11 This work has identified that the cost of the two projects is greater than the budget estimate of £8million. This reflects costs from the additional design plans developed

3.12 The cost consultant has been able to issue a Best Value report in respect of both the Downsview and Hill Park projects with construction costs of £5,420,000 and £2,290,000 respectively.

3.13 When fees and the cost of furniture, fitting and equipment (FF&E) are added to these costs this would result of a total project cost of £6.6 million for Downsview and £2.8million for Hill Park.

3.14 It is now recommended that the budget for these two projects is increased to £9.4million. The necessary additional funding can be allocated from the unallocated Basic Need funding that is set aside for wider contingencies across the school estate (identified in Appendix 3 of the March PR&G report).

Central Hub

3.15 Since the March meeting of the PR&G committee, the Headteacher and Chair of Governors have been considering the curriculum offer they wish to have at the Central Hub. This is to include the offer for students at Homewood College as well as the Pupil Referral Unit. Once this is decided officers will work with the school to develop a proposal for the Central Hub.

3.16 To ensure due consideration is given to all aspects of achieving a successful implementation of the Central Hub as part of the SEND review, a site proposal paper has been drafted which suggests a possible change in location from Homewood College. This has been co-produced with the head teacher and Chair of Governors of Homewood College.

3.17 Until both the location and the curriculum have been decided upon it is not possible to refine the budget for the project

3.18 Consultation will be undertaken in the Autumn term with staff, parents, pupils and neighbours regarding the possible change in location. Once this has been completed it will be possible to prepare a definitive brief and obtain high level costings for the project.

3.19 Once this work is complete a further report will be taken to Children Young People and Skills Committee and if necessary Policy Resources and Growth Committee containing the strategy and high level costings.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 To provide the facilities the schools need to accommodate the change in pupil numbers and profiles of need it is necessary to undertake the building projects as currently designed.

4.2 It is not considered feasible to reduce the scope of the projects to keep them within the original budget as this would not provide the accommodation the school needs to meet the needs of the pupils. The Best Value reports provided by the cost consultants indicate that the cost of the works are considered best value and therefore re-tendering is unlikely to significantly reduce the costs.

4.3 As the project costs have increased beyond the budget it is not considered an acceptable option to further increase the scope of the works at Downsview School to address day to day maintenance issues and internal decorations that are the responsibility of the school.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 The schools have been involved in the development of the schemes at Downsview and Hill Park schools.

5.1 A consultation with governors, staff, pupils, parents, carers and local residents will be undertaken in the Autumn term regarding the location of Homewood College. The results of this consultation will be included in the report to CYP&S committee referred to in paragraph 3.19 above.

6. CONCLUSION

6.1 The proposed schemes for Downsview and Hill Park should continue, supported by the necessary increased budget from the Basic Need funding.

6.2 A further report on progress of the Central Hub will be taken to the CYP&S Committee once decisions have been made regarding the location of Homewood College and the curriculum to be offered at the school and Pupil Referral Unit.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 The report sets out the proposed increase in capital allocation for the Downsview and Hill Park projects. Basic Need Funding is incorporated into the Capital Investment Programme for 2019/20 and is met from central government capital grant. The 'Education Capital Resources and Capital Investment Programme 2019/20' report to Policy Resources and Growth Committee on 21 March 2019 reported unallocated Basic Need funding of circa £6.117m which will be used meet the increased costs for the Downsview and Hill Park projects.. The £4.0m funding identified for the Central Hub remains within the capital programme to support this scheme and a further update will be brought back to this committee in the event that the costs differ from those anticipated.

Finance Officer Consulted: Rob Allen Date: 25/06/19

Legal Implications:

7.2 There are no direct legal implications arising from this report.

Lawyer Consulted: Serena Kynaston Date: 18 06 2019

Equalities Implications:

7.3 There are no equalities implications arising from this programme which would impact disproportionately on any defined groups. New and refurbished buildings will conform with all relevant regulations and be fully accessible.

Sustainability Implications:

7.4 There are no direct environmental implications arising from this report.

SUPPORTING DOCUMENTATION

Appendices:

1. None

Documents in Members' Rooms

1. None

Background Documents

1. None

Crime & Disorder Implications:

1.1 The detailed planning of projects will take account of security issues

Risk and Opportunity Management Implications:

1.2 There are no risk issues in terms of resources or risks to children as a result of this proposal

Public Health Implications:

1.3 There are no public health implications arising from this report

Corporate / Citywide Implications:

1.4 The Capital Grant identified in this report is evidence of the government's continuing support for the Council's work as a Local Education Authority. The Basic Need funding is indicative that the DfE understands the issues of primary, secondary and special school places we face in the city.

POLICY RESOURCES & GROWTH COMMITTEE	Agenda Item 31 Brighton & Hove City Council

Subject:		**Coast Protection and Highway Structures Maintenance Framework Agreement**	
Date of Meeting:		**18th July 2019**	
Report of:		**Executive Director, Economy, Environment & Culture**	
Contact Officer:	**Name:**	**Alistair Booton**	**Tel: 01273 291733**
	Email:	**Alistair.booton@brighton-hove.gov.uk**	
Ward(s) affected:		**All**	

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1. This report seeks approval for the tendering and award of a new framework agreement to provide for the structural maintenance of the City's coast defences and highway structures.

2. RECOMMENDATIONS:

2.1. That Policy Resources & Growth Committee:

2.1.1. Approves the procurement of a new framework agreement for structural maintenance works to coast defences and highway structures with a term of four years and provision for an extension of the term by up to a further two years;

2.1.2. Grants delegated authority to the Executive Director of Economy, Environment & Culture to:

(i) Carry out the procurement and award of the framework agreement referred to in 2.1.1

(ii) Enter into call-off contracts under the framework agreement referred to in 2.1.1

(iii) Grant an extension of the term of the framework agreement for a period of up to two years, subject to satisfactory performance by the successful contractor

3. CONTEXT/ BACKGROUND INFORMATION

3.1 The Council is a coast protection authority and a highway authority.

Coast Protection

3.2 The powers under the Coastal Protection Act 1949 enable the Council to carry out works to defend its 14km of coastline from the impact of coastal erosion and flooding.

3.3 Current coastal defences consist of shingle beaches, timber and concrete groynes, seawalls and the Undercliff Walk. These defences provide protection to both residential and commercial properties, as well as strategically important infrastructure such as Shoreham Power Station, Shoreham Sewerage Works and the A259 coast road, which has recently been included within the Department for Transport's Major Road Network.

3.4 The coastal defences also provide protection to the City's beaches and promenades, which form a fundamental part of the attractiveness of Brighton & Hove as a leisure and tourist destination.

3.5 The on-going maintenance and improvement of the coastal defences is critical to ensure that the impact of climate change and the resultant rise in sea levels, does not negativity impact the draw of the seafront to the visitor economy.

Highway Structures

3.6 As a highway authority under the 1980 Highways Act the Council carries out a range of activities under a number of different contracts. 'Highways Structures' is the collective term given to the bridges, retaining walls, tunnels and subways that support or cross the public highway. Highway structures provide physical support to parts of the highway network and require regular maintenance and repair to ensure their effectiveness and safety. As a highway authority, the Council is required to maintain the public highway free from danger.

3.7 The Transport Projects and Engineering Team currently carries out repairs, reconstruction and general maintenance of our coast defences and highway structures under an Engineering and Construction contract that is due to expire on 30 September 2019.

3.8 It is therefore necessary to procure a new single supplier framework agreement to be in place following the expiry of the existing maintenance contract. The length of the agreement for 4 years with the provision for an extension of 2 years, will enable longer term programming of inspections and work. A single supplier agreement is preferred as typically the value of contract works is low, c.£300,000 per annum, which would not be attractive as a multi supplier framework.

3.9 The new framework agreement can be made available to Brighton Marina and Shoreham Port Authority so that they may also use the contractor and choose to call off contracts for works under the framework. This should increase the attractiveness of the contract to tenderers, increase competitiveness and result in better value for money for the Council.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The City Council's beaches, defences and promenades are strategic assets and a fundamental part of the attractiveness of Brighton & Hove and will continue to be maintained to an acceptable standard in accordance with our policy set out in the Coast Protection Strategy.

4.2 There are no other frameworks applicable for the Council to use, that are suitable for the type of small value works, typically undertaken as part of the current framework applicable for the Council to use.

Intention of Policy, Growth and Resource to develop new framework

4.3 A new framework agreement will enable the Council to carry out works of repair, reconstruction and maintenance to the city's coast defences and highway structures. The framework agreement will be between the Council and one contractor.. As it will be a framework agreement, it means that the appointed contractor has no guarantee of any work over the 4 year period of the agreement. The average value of any individual contract called-off under the framework is unlikely to exceed £90,000, calculated from the individual scheme costs over the length of the current contract. Given the work is often in response to extreme weather this can only be an estimate.

4.4 Shoreham Port Authority and Brighton Marina could be invited to join the Council in this framework. Both these organisations have requirements for coast defence work. The Council will be promoting collaboration with both organisations to enable closer working relationships and a more coherent strategy for the whole stretch of coastline, as well as potentially achieving greater economies of scale due to the amount of work being greater between the three organisations than just from the Council's own requirements. Over the 4 years of the framework agreement the combined value of works is likely to be approximately £2.6 million which puts the value of the framework arrangement under the EU procurement financial threshold for works. It will therefore not be necessary to advertise it in OJEU but officers will run a competitive procurement process in accordance with all the relevant public procurement legislation and Contract Standing Orders.

4.5 Various procurement options have been discussed with Financial Services and Procurement and this form of single supplier framework, procured through a rigorous tender process is considered most suitable. The use of a framework agreement with "call-off" arrangements and a Schedule of Rates, allows market tested competitive rates to be utilised for any civil engineering projects within the scope of the specification.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 Not applicable, as this framework only enables individual works and projects to be undertaken, each of which will undergo its own engagement and consultation process as required as per the councils Statement of Community Involvement (SCI).

6. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

6.1 The proposed procurement is subject to compliance with the council's Contract Standing Orders and Financial Regulations. The councils Contract Standing Orders state that contracts above the value of £500,000 require approval from the relevant Committee or executive decision-making body. The achievement of value for money when procuring goods and services is a key task to ensure that public money is well spent.

6.2 It is estimated that the combined value of works of the recommended framework agreement will be £2.6 million over the four year contract period. It is anticipated that expenditure related to the proposed tender will be funded from existing revenue budgets and approved capital budgets within the City Transport service. Any variation between contract costs and approved budgets will be reported as part of the monthly budget monitoring process.

Finance Officer Consulted: Steven Bedford Date: 14/02/2019

Legal Implications:

6.3 Under the Highways Act 1980, the Council has a duty to maintain the public highway and a general power to undertake improvements to the highway, including the maintenance of any structures on the highway.

6.4 The powers given to Coast Protection Authorities under the Act are permissive, i.e. the Council is not obliged to protect the coastline but chooses to do so in Brighton & Hove in accordance with its 'hold the line' Policy.

6.5 The Council has a duty to secure continuous improvement in the way in which its functions are exercised having regard to a combination of 'economy, efficiency and effectiveness' (known as the duty of best value)

6.6 In accordance with Part 4 of the Council's Constitution, Policy, Resources & Growth Committee is the appropriate decision-making body in respect of the recommendations set out in paragraph 2 above. In addition, in order to comply with CSO 3.1, authority to enter into contracts in excess of £500,000 must be obtained by the relevant committee.

6.7 Further, the Council's Contract Standing Orders require that authority to enter into a contract valued at £500,000 or more be obtained from the relevant committee, which in this instance is the Policy Resource and Growth Committee due to the total value involved of the proposed call-off contracts over the term of the framework agreement.

Lawyer Consulted: Wendy McRae-Smith Date: 3/07/2019

Equalities Implications:

6.8 The Council’s Code of Practice on Equalities and Workforce Matters is enforced in all procurement and incorporated within the framework agreement.

Sustainability Implications:

6.9 Sustainability is promoted in all highway engineering contract procurement. Specifications allow for recycling and development of sustainable processes. Contractors are required to have current ISO14001 certification or a recognised equivalent.

6.10 The contractor will be required to demonstrate the sustainable use of timber in line with Government requirements

6.11 Living wage: it is Council policy that the Outer London Living Wage (OLLW), set by the Living Wage Foundation, be paid as a minimum salary to the Contractor’s staff employed to carry out any call-off contracts under this framework.

6.12 OLLW increases will be implemented and paid immediately and recharged to the Council accordingly.

Crime & Disorder Implications:

6.13 There are no Crime & Disorder implications arising directly as a result of this report.

Risk and Opportunity Management Implications:

6.14 There are risks involved in failing to fulfil the Council’s statutory duty as Highway Authority to maintain the public highway in accordance with the Council’s approved Highway Maintenance Plan. Failure to maintain highway structures could adversely affect the highway asset leading to increasing rates of structural deterioration and associated risk of increasing claims in relation to health and safety, and other types of damage, such as damage to vehicles, which will mean increased insurance claims.

6.15 Failure to adequately manage coast defences may lead to coastal erosion, property damage, service disruption, risk to life and potential insurance claims against the Council. It will also harm the visual aspect and attractiveness of the city, together with the tourism value of the city’s beaches. The Council therefore wishes to continue to maintain its coast defences and to have control over the standards and appearance of its beaches and promenades.

Public Health Implications:

6.16 The maintenance of the City’s beaches and promenades for public access encourages outdoor activities such as walking, jogging, swimming etc. and addresses the negative issues outlined in 6.15 above.

Corporate / Citywide Implications:

6.17 Approval to procure and award this framework agreement and call off contracts from the framework agreement will enable coast protection and highways structure maintenance works to be undertaken throughout the city without the need to undertake further individual tendering procedures.

Any other significant implications

6.18 None

7. REASONS FOR REPORT RECOMMENDATIONS

7.1 In approving the procurement and award of this framework agreement, the Council and call off contracts from the framework agreement will have the means not only to fulfil its statutory duties but also help deliver corporate priorities.

SUPPORTING DOCUMENTATION

Appendices:

None

Documents in Members' Rooms

None

Background Documents

None

Policy Resources and Growth Committee	Agenda Item 32 Brighton & Hove City Council

Subject:		**Procurement of a Corporate Contract for the provision of Multi-Functional Devices (MFD's)**		
Date of Meeting:		**18th July 2019**		
Report of:		**Executive Director of Finance and Resources**		
Contact Officer:	**Name:**	**Adrian Palmer**	**Tel:**	**29-5046**
	E-mail:	**Adrian.palmer@brighton-hove.gov.uk**		
Key Decision:	**Yes/No**	**Forward Plan No. (7 Digit Ref):**		
Wards Affected:	**All**			

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

1.1 Brighton & Hove City Council currently has two contracts in place for the provision of a fully managed and rationalised printing, copying and scanning solution through the use of 158 multi-functional devices (MFDs) and 132 other devices. Each device is provided under a lease contract with Siemens and operates under a fully managed service contract with Alto Digital.

1.2 Both contracts are due to expire at the end of March 2020 but provide the council with the option to terminate prior to this.

1.3 The annual spend across both leasing and maintenance contracts is currently £382,375.00

1.3 The council is undertaking a joint procurement exercise in association with East Sussex County Council under the Orbis partnership to procure a new contract for the provision of print, copying and scanning services. It is expected that added efficiencies will be delivered as part of a cross partnership approach through a common adoption of best working practice & solutions and economies of scale. Although the number and type of devices under the current contracts has been actively reduced to deliver cost savings, a further review of the print service is intended to take place as part of the pre-tender stage to identify potential efficiencies and savings where ever possible.

1.4 This report seeks approval to procure and award a new single supplier contract for Brighton & Hove relating to the provision of a fully managed MFD services contract which will include the lease of all devices, maintenance, and support and associated services including ink, toner and other consumables excluding paper.

2. RECOMMENDATIONS:

That the Policy, Resources and Growth Committee:

2.1 Approves the procurement of a Corporate Contract for the leasing, supply and maintenance of MFD equipment through a compliant central purchasing body framework agreement

2.2 Grants delegated authority to the Executive Director of Finance and Resources to award a contract for the supply and maintenance of MFD equipment for an initial period of 5 years with the option to extend for two further periods of 12 months.

2.3 Grants delegated authority to the Executive Director of Finance and Resources to enter into a lease agreement for the leasing of MFD equipment for an initial period of 5 years with the option to extend for two further periods of 12 months.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

3.1 In 2008 a contract for a managed print, copy and scanning service was awarded to Alto digital for the supply of hardware, software, maintenance and support of MFDs following a comprehensive review of the provision of this service. Further optimisation following the Council's withdrawal from Kings House resulted in substantial financial and sustainability improvements. In 2011 ICT further reviewed the energy consumption required to deliver the MFD service and was able to reduce the number and size of devices installed resulting in in a £90K p.a. energy cost reduction. In late 2013 the services were re-procured and a new contract awarded to Alto Digital via mini-competition through the Crescent Purchasing Consortium. In 2015 at the recommendation of the Finance Department, the devices purchased under the new contract were sold to Siemens from whom the council now leases the equipment via a contract with Capita.

As part of the pre-tender activities, one of the framework suppliers will be asked to undertake a print audit across the organisation to ensure an optimised portfolio of devices and services are provided under the new contract. There will also be scope to identify new opportunities for reducing print volumes through the adoption of new technologies and energy sustainability possibilities. Frequent contract review meetings with the new supplier will provide the council with an opportunity to ensure that the council's evolving needs are managed appropriately and deliver ongoing leanness for the duration of the contract. It should be noted that the adoption of paper free digital working processes will likely use the MFD devices to be procured as an indispensable foundation since existing paper documents will need to be digitised using the devices' scanning function as will new paperwork received from partner organisations. It is not therefore anticipated that the devices will be made unnecessary during the lifetime of a new contract notwithstanding aggressive pursuit of sustainable paperless working.

3.2 With the current equipment lease and service contracts expiring at both BHCC and ESCC, the hardware and servicing requirements for both authorities were discussed in order to agree the level of alignment across both organisations. As a result of this, the intention is to procure a single supplier which meets the business needs of both BHCC and ESCC through a mini competition process, to be contracted under 2 separate call off contracts. This approach is expected to provide beneficial consistencies across the Orbis partners as well as economies of scale delivered by increased volume pricing discounts.

3.3 An analysis of a number of central purchasing body frameworks was undertaken and has been assessed based on the available technical solutions and indicative pricing. It is recommended to proceed with a procurement using a mini competition process via through the National procurement group (NPG) framework Lot 1 -Multifunctional/Reprographic Devices and Associated Print Services

The provisional procurement timetable is as follows:

Activity	Date
PAB	10th June
PR&G Committee	18th July
Mini competition opens	22nd July
Tender Returns	19th August 2019
Contract Award	1st October 2019
Contract Commencement	2nd November 2019

4. CONSULTATION

4.1 There has already been extensive consultation and input from the print management teams across BHCC and ESCC to define the future technical and service specifications of the service. Orbis Procurement have been engaged from the outset and have been responsible for supplier engagement and helping to define the requirements within both organisations. End user training and support are intended to be included as part of the project implementation to deliver ease of use and consistency of service. Regular council/supplier meetings will bring any exceptions to light and manage their resolution.

ESCC have been engaged since the outset and other potential partners have been given the opportunity to explore working in collaboration as part of this procurement exercise.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial implications:

5.1 The current contract costs for BHCC's MFD equipment is approximately £0.360m. The indicative pricing information, received from the Purchasing Frameworks consulted as part of the joint procurement exercise achieved through the Orbis partnership, suggests savings can be expected for both hardware lease and running click costs. With the intention to produce separate contracts for each authority, any resulting savings for BHCC would assist the authority's sovereign budget position for 2020/21.

Finance Officer Consulted: Peter Francis Date: 29.05.19

Legal Implications:

5.2 In accordance with Part 4 of the Council's Constitution, Policy, Resources and Growth Committee is the appropriate decision making body in respect of the recommendations set out in paragraph 2 above. In additional to comply with CSO3.1, authority to enter into contracts in excess of £500,000 must be obtained by the relevant committee.
Orbis Public Law officers will advise on the proposed framework agreement to be used, call off contracts and lease agreements for the MFD supply and services contract during the procurement process to ensure that they comply with the all relevant public procurement legislation as well as the council's Contract Standing Orders (CSO).

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Lawyer Consulted: Barbara Hurwood Date: 06.06.19

Equalities Implications:

5.3 An Equalities Impact assessment (EIA) will be conducted against any part of the procurement which results in a change to user functionality. Service of customer service impacts will be addressed by relevant services where identified.
This contract will supply devices, software, maintenance and support. This industry typically pays above the Living Wage. A Living Wage bid will therefore not be applicable.

Social Value:

5.4 As part of the procurement quality evaluation, Social Value will be evaluated in accordance with the Council's Social Value framework and suppliers will be expected to demonstrate their commitment and support to

Sustainability Implications:

5.5 Further reductions in energy consumption and carbon usage will be sought through the re-procurement. Reduction in use and considered management of single use plastics in device consumables will be evaluated and expected as an outcome of the Framework Mini competition. Overall the strategy is to drive down print and copy usage and to favour electronic document management and processing in preference. The new contract will build upon the substantial sustainability benefits that have already been achieved in previous efforts around this topic

Crime & Disorder Implications:

5.6 None

Risk & Opportunity Management Implications:

5.7 The proposed procurement offers the opportunity to:

- Re-examine and potentially improve service levels to end users
- Further consolidate print and copy contracts to deliver financial savings
- Further consolidate print and copy service offering to deliver energy usage and other sustainability benefits

Public Health implications:

5.8 There are no public health implications

Corporate / Citywide Implications:

5.9 This report sets out the recommended approach to ensure the council continues to provide functional print, copy and scan services to meet service requirements in an efficient and cost effective way. There are no known citywide implications.

SUPPORTING DOCUMENTATION

None

POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 33 Brighton & Hove City Council

Subject:		**Greater Brighton Economic Board – Admission of New Member to the Board**		
Date of Meeting:		**18 July 2019** Full Council: 25 July 2019		
Report of:		**Executive Director for Economy Environment and Culture**		
Contact Officer:	**Name:**	**Andy Hill**	**Tel:**	**01273 291873**
	Email:	**andy.hill@brighton-hove.gov.uk**		
Ward(s) affected:		**All**		

1. PURPOSE OF REPORT AND POLICY CONTEXT:

1.1 On 29 October 2018 Arun District Council wrote a letter to the Chair of the Greater Brighton Economic Board ("the Board") formally requesting to join the Board.

1.2 At the Greater Brighton Economic Board Meeting on 26 March 2019, a decision was made that Arun District Council should be invited to become a constituent member of the Board, joining the Greater Brighton Economic Joint Committee.

1.3 Extending the membership of the board triggers a variance in the Board's Heads of Terms that will require the formal ratification of all Joint Committee members; Adur District Council, Brighton & Hove City Council, Crawley Borough Council, Lewes District Council, Mid Sussex District Council and Worthing Borough Council. Each member will need to individually ratify the membership of proposed new members in accordance with their own internal committee processes.

1.4 In addition, at the Greater Brighton Economic Board Meeting on 26 March 2019, several other changes to the Board's Heads of Terms were agreed. As per the change of membership, these changes to the Heads of Terms will need to be ratified by each member of the Joint Committee.

1.5 This report seeks approval from the Policy, Resources & Growth Committee and Full Council to enable Arun District Council to become a member of the Board, and to agree the other changes to the Board's Heads of Terms. Each local authority member of the joint committee is seeking equivalent approvals from their decision-making bodies.

2. RECOMMENDATIONS:

That the Policy, Resources & Growth Committee:

2.1 Recommends to Full Council on 25 July 2019 that Arun District Council joins the Greater Brighton Economic Joint Committee, subject to formal agreement of Arun District Council.

2.2 Recommends to Full Council that it agrees to the other changes within the Greater Brighton Economic Board Heads of Terms as detailed in paragraph 3.9.

2.3 Notes that these changes to the membership and Heads of Terms are dependent on the decision of Full Council, all the local authorities represented on the Joint Committee agreeing that the new members be appointed, and the Board taking a formal decision that the new members are appointed.

2.4 Recommends to Full Council that it agrees to amend the Board's Heads of Terms and that it instructs the Monitoring Officer to amend the Council's constitution to reflect these amendments once they have been formally approved by all the constituent authorities and the Greater Brighton Economic Board.

That Full Council:

2.1 Agrees that Arun District Council joins the Greater Brighton Economic Joint Committee.

2.2 Agrees to the other changes within the Greater Brighton Economic Board Heads of Terms as detailed in paragraph 3.9.

2.3 Notes that these changes to the membership and Heads of Terms are dependent on the decision of all the local authorities represented on the Joint Committee agreeing that the new members be appointed, and the Board taking a formal decision that the new members are appointed.

2.4 Agrees to amend the Board's Heads of Terms and instructs the Monitoring Officer to amend the Council's constitution to reflect these amendments once they have been formally approved by all the constituent authorities and the Greater Brighton Economic Board.

3. CONTEXT/ BACKGROUND INFORMATION:

3.1 The Greater Brighton Economic Board was founded in April 2014 as part of the Greater Brighton City Region's City Deal with Government.

3.2 The Board comprises the Greater Brighton Economic Joint Committee ("GBEJC"), on which the local authorities are represented; and the Greater Brighton Business Partnership ("GBBP"), on which the Coast to Capital Local Enterprise Partnership, business, university and further education sectors are situated.

3.3 The following bodies are members of the Board:

i. Brighton & Hove City Council
ii. Adur District Council
iii. Worthing Borough Council
iv. Lewes District Council
v. Mid-Sussex District Council
vi. Crawley Borough Council

vii. University of Sussex
viii. University of Brighton
ix. Greater Brighton Metropolitan College
x. Coast to Capital Local Enterprise Partnership
xi. Brighton & Hove Economic Partnership
xii. Adur & Worthing Business Partnership
xiii. Coastal West Sussex Partnership
xiv. South Downs National Park Authority
xv. Gatwick Airport Ltd

3.4 GBEJC comprises the bodies specified in paragraphs 3.3(i) to (vi); and GBBP comprises the bodies specified in paragraphs 3.3(vii) to (xv).

3.5 The functions of the Board are as follows:

i. To make long term strategic decisions concerning regional economic development and growth;
ii. To be the external voice to Government and investors regarding the management of devolved powers and funds for regional economic growth;
iii. To work with national, sub-national (in particular the Coast to Capital Local Enterprise Partnership) and local bodies to support a co-ordinated approach to economic growth across the region;
iv. To secure funding and investment for the Region;
v. To ensure delivery of, and provide strategic direction for, major projects and work streams enabled by City Deal funding and devolution of powers;
vi. To enable those bodies to whom section 110 of the Localism Act 2011 applies to comply more effectively with their duty to co-operate in relation to planning of sustainable development.
vii. To incur expenditure on matters relating to economic development where funds have been allocated directly to the Board for economic development purposes.

3.6 Working in partnership, the Greater Brighton City Region has brought significant benefits to the partner Local Authorities and agencies. Together the partnership has secured around £160m of Growth Deal funding held by the Coast to Capital Local Enterprise Partnership.

3.7 The Board's success and growing reputation has gained interest across the region, and Crawley Borough Council and Gatwick Airport Ltd joined the partnership in February 2018. Arun District Council requested to join the Board in October 2018.

3.8 Some points for consideration are summarised below;

<u>Functional Economic Area</u>

3.8.1 Recent work undertaken by the West Sussex and Greater Brighton Strategic Planning Board has recognised that Arun lies within both the Housing Market area and Functional Economic Market Area of that part of the coast including all or parts of Adur, Worthing, Brighton & Hove, Lewes and Mid Sussex.

3.8.2 Arun is a net exporter of workers to the City Region, as well as forming part of its housing market. Based on 2011 Census data, Arun provides jobs for around 4,500 Greater Brighton residents, whilst 9,000 of Arun's residents were employed across Greater Brighton. Aligning strategy and investment activity would add value to the region as a whole.

3.8.3 Arun can add much to the critical mass and economic diversity of the Greater Brighton City Region economy. Arun's economy supports around 55,000 jobs, and the addition of Arun to Greater Brighton would take the City Region's job base (currently circa 475,000) to over half a million, which would be a significant milestone. The current Gross Value Added (GVA) of Greater Brighton is around £23.1bn. Arun's economy currently generates around £2.3bn GVA, which would represent a 10% uplift to the current Greater Brighton economy.

3.8.4 In terms of job growth, estimates from Experian indicate that Greater Brighton could grow by around 73,000 jobs over the next 20 years, with growth in Arun being around 5,300 new jobs over the same time period. If included in Greater Brighton, the projected job growth in Arun would provide an uplift of around 7% to the City Region total.

3.8.5 Arun has a broad-based economy including representation in a number of high-value sectors such as knowledge-based manufacturing and advanced engineering activities. The greatest uplift to Greater Brighton's current GVA would be seen in the agriculture, construction, accommodation and food services, and wholesale and retail sectors.

3.8.6 This reflects that Arun has local sector concentrations in construction, wholesale and retail, accommodation and food services, real estate, public administration and defence, human health and social work, and arts, entertainment and recreation. The key sector strength in Arun is accommodation and food service activities, in particular restaurants and mobile food service activities, and holiday and short stay accommodation.

3.8.7 In addition, Arun has a distinct local concentration of knowledge-based manufacturing and engineering activities. Supporting growth in specialised and highly-productive industries is a key objective of the Governnment's Industrial Strategy. There are a number of advanced engineering/manufacturing firms within Arun, hence Arun's businesses could be well placed to respond.

<u>Housing Delivery</u>

3.8.8 Arun provides a source of relatively affordable housing that contributes to the functioning of the Greater Brighton economy. ONS statistics show that in 2016 around 1,900 people moved out of Greater Brighton and into the Arun region, specifically from Worthing and Brighton & Hove. The District has significant potential to increase future capacity for housing and employment space in Greater Brighton. Current Local Plans for the six Greater Brighton local authorities give a combined figure of around 49,000 new homes to be built up to 2032. Arun's Local Plan, which was adopted in June 2018, makes provision to deliver 20,000 dwellings over the period. This would increase the City Region's housing delivery by 40%.

3.8.9 The Arun Local Plan proposes a wide range of housing allocations including several large-scale strategic sites which will provide sustained high levels of delivery over the medium and long term. When considered in the context of the housing trajectories published by the Greater Brighton local authorities to 2026, this indicates that Arun could be contributing about 32% of housing delivery in the City Region by 2022/23.

Employment Land Supply

3.8.10 In addition to housing, the Arun Local Plan makes provision for significant capacity for additional employment floor space, which could supplement the City Region's constrained supply. The Local Plan provides allocations for around 292,000m^2 of floor space capacity. The most significant allocation is Enterprise Bognor Regis and this space has started to come forward for development. These allocations would be the largest in Greater Brighton, with the next highest being the proposed 200,000m^2 of commercial space across strategic employment sites in Burgess Hill.

3.8.11 Commercial property market intelligence indicates that businesses from Greater Brighton, particularly along the coast, seeking new accommodation for expansion or upgrading would be likely to consider Arun if there was a lack of suitable floor-space in their districts, particularly as regards larger space requirements. This has recently been demonstrated by the Rolls Royce expansion in Bognor Regis, away from the company's Goodwood base at Chichester.

3.8.12 Arun is likely to play an increasingly important role in accommodating some of the commercial property needs of Greater Brighton and the A27 corridor in particular. This might apply both to occupiers relocating from more constrained locations, but importantly being retained within the City Region, or working to a "hub and spoke" model whereby they structure their operations and supply chains across a range of locations.

Skills

3.8.13 Chichester University (Bognor Regis Campus) has invested over £50m with direct assistance from Arun District Council for the new Learning and Resource Centre and the new Tech Park at the Bognor Regis Campus. The Learning Resource Centre will promote STEM courses and bring 1,500 new students to the town. The council has also developed Enterprise@Bognor Regis with a Local Development Order which has unlocked sites for development, resulting in attracting Rolls Royce to create a new logistics and finishing site.

Infrastructure & Other Priorities

3.8.14 The ambition and vision for housing outlined in 3.8.8-3.8.9 require significant infrastructure support. Arun's Infrastructure Delivery Plan sets out the requirements, which include the development of a new secondary school and nine primary schools on top of current educational expansion. The A27, A259 east-west corridor and north-south A23 corridor are both key priorities for Arun.

3.8.15 Arun can actively contribute to the Board's future work plan, particularly on housing, economic growth, strategic planning and adding new projects to the pipeline for future funding bids to Government and others.

3.8.16 Arun's membership would give additional capacity and capability to deliver sub-regional spatial priorities in a coordinated way, building on existing mechanisms such as the West Sussex and Greater Brighton Strategic Planning Board.

<u>Heads of Terms:</u>

3.9 There are a number of changes to the Heads of Terms that the Board agreed on 26 March 2019. These are as follows:

I. Change to 5.1 (Membership) to reflect the recommendation in paragraph 2.1 above that Arun District Council be formally invited to join the GBEJC.
II. Change to 6.4 (Chair) to reflect the agreed departure from a 1-year fixed-term Chair with the requirement to rotate annually, to allowing a sitting chair to stand for re-election.
III. Amendment to 11.1 (Time and Venue of Meetings) to reflect the current practice that Board meetings move around the City Region and do not always take place in the geographical area of the Lead Authority (currently Brighton & Hove City Council).

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS:

4.1 An alternative would be for the membership to remain as it is currently, but for the reasons outlined in paragraphs 3.8.1-3.8.16, the Greater Brighton Economic Board took the decision to extend the membership to Arun District Council.

4.2 The Board also agreed the governance changes outlined in points II and III in paragraph 3.9 above.

5. COMMUNITY ENGAGEMENT & CONSULTATION:

5.1 None required

6. CONCLUSION:

6.1 The Policy, Resources & Growth Committee is asked to recommend to Full Council that Arun District Council joins the GBEJC, and recommends to Full Council that it agrees the other changes to the Board's Heads of Terms. The Policy, Resources & Growth Committee is also asked to accept the other recommendations outlined in this report.

6.2 Full Council is asked to agree that Arun District Council joins the GBEJC, and agrees the other changes to the Board's Heads of Terms. Full Council is also asked to accept the other recommendations outlined in this report.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 Any financial commitments and benefits associated with membership of the Greater Brighton Economic Board in relation to Arun DC is dependent upon the decision of all the local authorities represented on the Joint Committee obtaining approval that Arun DC be appointed as a new member. As a constituent member of the Greater Brighton Economic Board Arun DC will make a financial contribution toward the operation costs associated with the Board. The operational arrangements for 2019/20 were approved at the Board on 29 March 2019 therefore Arun DC will make make a contribution in line with the funding calculation outlined in that report from 1 April 2020.

Finance Officer Consulted: Rob Allen, Principal Accountant *Date: 23/05/19*

Legal Implications:

7.2 The GBEJC is a joint committee established pursuant to section 102(1)(b) of the Local Government Act 1972. The Local Government Act 1972 and The Local Authorities (Arrangements for the Discharge of Functions (England) Regulations 2012 requires the constituent authorities of a joint committee to decide the membership of that committee and it is therefore necessary for the Council to take the decisions outlined in this report in order for Arun District Council to become a member of GBEJC.

7.3 This decision to alter the membership of the joint committee is one which must be taken by Full Council by virtue of section 102 of the Local Government Act 1972.

7.4 Policy, Resources and Growth have authority under Article 13 of our constitution to amend the terms of reference of a joint committee and they have therefore approved the proposed amendments to the Heads of Terms subject to the decision of all the constituent authorities and a decision by the Board to admit Arun District Council.

Lawyer Consulted: Joanne Dougnaglo, Senior Property Lawyer *Date: 28/05/19*

Equalities Implications:

7.5 None.

Sustainability Implications:

7.4 None.

Any Other Significant Implications:

7.5 None.

<u>**SUPPORTING DOCUMENTATION**</u>

Appendices:

1. Heads of Terms of the Greater Brighton Economic Board

Documents in Members' Rooms:

None

Background Documents:

None

Appendix 1: Heads of Terms for Greater Brighton Economic Board (26 March 2019)

1. Establishment, Purpose and Form

1.1. The Greater Brighton Economic Board ("The Board") shall be established from the Commencement Date.

1.2. The over-arching purpose of the board is to bring about sustainable economic development and growth across Greater Brighton ('the City Region'). To achieve this, the principal role of the Board is to co-ordinate economic development activities and investment at the regional level.

1.3. The Board comprises the Greater Brighton Economic Joint Committee ("GBEJC"), on which the local authorities will be represented; and the Greater Brighton Business Partnership ("GBBP"), on which the Coast to Capital Local Enterprise Partnership, business, university and further education sectors will be represented?

1.4. Meetings of the Board comprise concurrent meetings of GBEJC and GBBP.

1.5. GBEJC shall be a joint committee appointed by two or more local authorities represented on the Board, in accordance with section 120(1)(b) of the Local Government Act 1972.

1.6. The Board may appoint one or more sub-committees.

1.7. For the two years starting with the Commencement Date, the lead authority for the Board shall be Brighton & Hove City Council ("BHCC"), whose functions in that capacity shall include the provision of scrutiny (see paragraph 4.3), management of the call-in and review process (see paragraph 8), and the support detailed in paragraph 12.

1.8. Unless the Board resolves otherwise, before the start of the third year following the Commencement Date, and every two years thereafter, the Board shall review the lead authority arrangements and, subject to paragraph 1.9, invite each of the local authorities represented on the Board to submit an expression of interest in fulfilling the role of lead authority for the subsequent two year period. The Board shall then instigate a procurement exercise to select the most appropriate authority for that role.

1.9. Notwithstanding the appointment of a successor lead authority pursuant to paragraph 1.8, the incumbent lead authority may retain such of their Accountable Body functions as are necessary to enable that local authority to comply with its on-going commitments and liabilities associated with its Accountable Body status.

2. Interpretation

2.1. In these Heads of Terms –

i. 'Commencement Date' means 1st April 2014.

ii. ‘City Region’ means the area encompassing the administrative boundaries of BHCC, Adur District Council, Worthing Borough Council, Lewes District Council, Mid Sussex District Council and Crawley Borough Council as lie within the Coast to Capital Local Enterprise Partnership area; and ‘regional’ shall be construed accordingly;

iii. ‘economic development’ shall bear its natural meaning but with particular emphasis given to :
   - Employment and skills;
   - Infrastructure and transport
   - Housing;
   - Utilisation of property assets;
   - Strategic planning;
   - Economic growth.

iv. ‘Accountable Body’ means the local authority represented on the Board carrying out the function set out in paragraph 12.2.

3. Functions

3.1. The Functions of the Board are specified in paragraph 3.2 below and may be exercised only in respect of the Region.

3.2. The functions referred to in paragraph 3.1 are as follows:

i. To make long term strategic decisions concerning regional economic development and growth;

ii. To be the external voice to Government and investors regarding the management of devolved powers and funds for regional economic growth;

iii. To work with national, sub-national (in particular the Coast to Capital Local Enterprise Partnership) and local bodies to support a co-ordinated approach to economic growth across the region;

iv. To secure funding and investment for the Region;

v. To ensure delivery of, and provide strategic direction for, major projects and work stream enabled by City Deal funding and devolution of powers;

vi. To enable those bodies to whom section 110 of the Localism Act 2011 applies to comply more effectively with their duty to co-operate in relation to planning of sustainable development.

vii. To incur expenditure on matters relating to economic development where funds have been allocated directly to the Board for economic development purposes; and for the avoidance of doubt, no other expenditure shall be incurred unless due authority has been given by each body represented on the Board.

3.3. In discharging its function specified in paragraph 3.2 (Viii) above, the Board shall-

i. (save in exceptional circumstances) seek to invest funding on the basis of-

a Proportionality, by reference to the economically active demographic of each administrative area within the city Region;
b Deliverability;
c Value for money and return on investment / cost benefit ratio; and
d Economic impact to the City Region as a whole.

ii. Delegate implementation of that function to the lead authority, who shall also act as Accountable Body in relation to any matters failing within that function.

4. Reporting and Accountability

4.1. The Board shall submit an annual report to each of the bodies represented on the Board.

4.2. The Greater Brighton Officer Programme Board shall report to the Board and may refer matters to it for consideration and determination.

4.3. The work of the Board is subject to review by an ad hoc join local authority scrutiny panel set up and managed by the lead authority.

5. Membership

5.1. The following bodies shall be members of the Board:

i. Brighton & Hove City Council
ii. Adur District Council
iii. Worthing Borough Council
iv. Lewes District Council
v. Mid-Sussex District Council
vi. Crawley Borough Council
vii. [Arun District Council]* **subject to confirmation by a report later in the agenda*
viii. University of Sussex
ix. University of Brighton
x. Further Education Representative
xi. Coast to Capital Local Enterprise Partnership
xii. Brighton & Hove Economic Partnership
xiii. Adur & Worthing Business Partnership
xiv. Coastal West Sussex Partnership
xv. South Downs National Park Authority
xvi. Gatwick Airport Ltd

5.2. GBEJC shall comprise the bodies specified in paragraphs 5.1(i) to (vii); and GBBP shall comprise the bodies specified in paragraphs 5(viii) to (xvi).

5.3. Each of the bodies listed in paragraph 5.1 shall be represented at the Board by one person , save that BHCC shall, by reason of it being a unitary authority, be represented by two persons (as further specified in paragraph 5.4).

5.4. Each local authority member shall be represented at the Board by its elected Leader and, in the case of BHCC, by its elected Leader and the Leader of the Opposition.

5.5. Each business sector member shall be represented at the Board by the Chairman of that member or by a person nominated by the Board of that member.

5.6. Each university member shall be represented by a Vice Chancellor or Pro Vice-Chancellor of that university or by a person nominated by that university member.

5.7. Each further education member shall be represented by its Principal or the Chair of its Governing Body or by a person nominated by that further education member.

6. Chair

6.1. The Chair of GBEJC shall, by virtue of his/her democratic mandate, be Chair of the Board

6.2. If the Chair of GBEJC is unable to attend a Board meeting, the Board shall elect a substitute from its local authority member representatives provided that no such member representative attending in the capacity of a substitute shall be appointed as Chair of GBEJC / the Board.

6.3. The Chair of GBEJC for its first year of operation shall be the Leader of BHCC

6.4. The Chair will be elected annually by members of the GBEJC. Election of the Chair will be conducted through a formal process performed by the Democratic Services Team of the Lead Authority. The elected Chair will be appointed at the first meeting of the Board in the new municipal year. A Chair may be re-elected but shall not serve as Chair for more than 4 years.

7. Voting

7.1. Each person represents a member of GBEJC, and each person representing a member of the GBBP, shall be entitled to vote at their respective meetings.

7.2. Voting at each of the concurrent meetings of GBEJC and GBBP shall be by show of hands or, at the discretion of the chair, by any other means permitted by law, and voting outcomes reached at those meetings shall be on a simple majority of votes cast.

7.3. Where voting at a meeting of GBEJC results in an equal number of votes cast in favour and against, the Chair of GBEJC shall have a casting vote.

7.4. Where voting at a meeting of GBEJC results in an equal number of votes cast in favour and against, the motion/proposal/recommendation under consideration shall fall in relation of GBBP.

7.5. Where the respective voting outcomes of GBEJC and GBBC are the same, that shall be taken as the agreed Board decision and the Board may pass a resolution accordingly.

7.6. Where the respective voting outcomes of GBEJC and GBBP differ, the Board –

i. May not pass a resolution relating to that matter; and
ii. May refer the matter to the Chief Executive of the lead authority, who may consult with members of the Board or such other persons as are appropriate, with a view to achieving agreement on the matter between GBEJC and GBBP by discussion and negotiation.

7.7. Where, pursuant to paragraph 7.6(ii), agreement is reached the matter at issue shall be remitted to, and voted upon at, the next meeting of the Board.

7.8. Where, pursuant to paragraph 7.6(ii), no agreement is reached the motion/proposal/recommendation at issue shall fall.

8. Review of decision

8.1. Decisions of the Board will be subject to call-in and review in the following circumstances:

i. Where a local authority voted to agree a recommendation at a GBEJC meeting, but the decision of the Board was not to agree the recommendation.

ii. Where a local authority voted against a recommendation at a GBEJC meeting, but the decision of the Board considered that the interests of the body they represent had been significantly prejudiced; or

iii. Where any local authority represented on the Board considered that the interests of the body they represent had been significantly prejudiced; or

iv. Where any local authority represented on the Board considered that the Board had made a decision beyond its scope of authority.

8.2. The procedure for requesting, validation, and implementing a call-in and review is specified in Schedule 1.

8.3. Where a request for call-in is accepted, the Board decision to which it relates shall be stayed pending the outcome of the call-in.

8.4. Following call-in, the panel convened to review a Board decision may refer the decision back to the Board for re-consideration. Following referral, the Board shall, either at its next scheduled meeting or at a special meeting called for the purpose, consider the panel’s concerns over the original decision.

8.5. Having considered the panel's concerns, the Board may alter its original decision or re-affirm it. Paragraph 8.1 shall not apply to the Board's follow-up decision. In consequence, the latter decision may be implemented without further delay.

9. Substitution

9.1. Subject to paragraph 9.2, representatives are expected to attend all meetings however, where a representative of a member of the Board is unable to attend a Board meeting, a substitute representative of that member may attend, speak and vote, in their place for that meeting.

9.2. A substitute member must be appointed from a list of approved substitutes submitted by the respective member to the Board at the start of each municipal year.

10. Quorum

10.1 No business shall be transacted at any meeting of the Board unless at least one third of all member bodies are present, and both GBEJC and GPBBP are quorate.

10.2 Quorum for GBEJC meetings shall be three member bodies.

10.3. Quorum for GBBP meetings shall be three member bodies.

11. Time and Venue of Meetings

11.1 Ordinary meetings of the Board shall be convened by the lead authority and will rotate around the City Region.

11.2 The Chair of the Board may call a special meeting of the Board at any time, subject to providing members with minimum notice of two working days.

12. Administrative, financial and legal support

12.1 The lead authority shall provide the following support services to the Board:

i. Administrative, as more particularly specified in the Memorandum of Understanding pursuant to paragraph 13;
ii. Financial (including the Accountable body function specified in paragraph 12.2); and
iii. Legal, comprising Monitoring Officer and Proper Officer functions in relation to GBEJC meetings.

12.2 The function of the Accountable Body is to take responsibility for the financial management and administration of external grants and funds provided to the Board, and of financial contributions by each member of the Board, as more particularly specified in the Memorandum of Understanding Pursuant to paragraph 13. In fulfilling its role as Accountable Body, the lead authority shall remain independent of the Board.

12.3 Other members of the Board shall contribute to the reasonable costs incurred by the lead authority in connection with the activities described in paragraphs 12.1 and 12.2, at such time and manner as the Memorandum of Understanding shall specify.

13 Memorandum of Understanding

13.1 Members of the Board may enter into a memorandum of understanding setting out administrative and financial arrangements as between themselves relating to the functioning of the Board.

13.2 The memorandum may, in particular, provide for –

13.2.1 Arrangements as to the financial contributions by each member towards the work of the Board, including:
13.2.1.1 The process by which total financial contributions are calculated;
13.2.1.2 The process for determining the contribution to be paid by each member;
13.2.1.3 The dates on which contribution are payable;
13.2.1.4 How the Accountable Body shall administer and account for such contributions;

13.2.2 Functions of the Accountable Body; and

13.2.3 The terms of reference for the Greater Brighton Officer Programme Board.

14 Review and Variation of Heads of Terms

14.1 The Board shall keep these Heads of Terms under review to ensure that the Board's purpose is given full effect.

14.2 These Heads of Terms may be varied only on a resolution of the Board to that effect, and subject to the approval of each body represented on the Board

POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 34 Brighton & Hove City Council

Subject:		**Review of Members Allowances**	
Date of Meeting:		**18 July 2019** Council – 25 July 2019	
Report of:		**Executive Lead for Strategy, Governance & Law (Monitoring Officer)**	
Contact Officer:	**Name:**	**Mark Wall**	**Tel: 01273 291006**
	Email:	**mark.wall@brighton-hove.gov.uk**	
Ward(s) affected:			

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 The report details the recommendations of the Independent Remuneration Panel (IRP) following its review of the decision taken at the Budget Council meeting to "Remove the subsidy to Councillors' parking at car parks at Norton Road, Hove and The Lanes, Brighton, releasing £0.038m in recurrent funding."

1.2 The Panel were also minded to consider whether to make a recommendation in regard to the introduction of a maternity/paternity/adoption scheme for councillors taking into account the recommendations of the Local Government Commission's and Fawcett Society's report on Women in Local Government.

2. RECOMMENDATIONS:

Policy & Resources Committee recommend to Council

2.1 That the Members Allowances Scheme be amended to provide that for those councillors opting to take a car park pass for Norton Road and the Lanes car parks, a monthly contribution equivalent to that applied for councillors taking a bus pass (currently £23.09 for 2019/20), be deducted from their monthly Basic Allowance payment;

2.2 That the car park permit issued to councillors for Norton Road should be for Mondays–Fridays only, and

2.3 That the intention of the Independent Remuneration Panel to undertake a review on the establishment of maternity/paternity/adoption leave policy for councillors (in so far as it relates to allowances) and to report back in the autumn be noted.

3. CONTEXT/ BACKGROUND INFORMATION

Car Passes

3.1 At the Budget Council meeting in February it was agreed that car parking passes should not be provided to Councillors thereby providing recurrent funding of £38k per annum to be used to support the Community Safety Team and the establishment of Community Clean-up Fund. However, the provision of the passes formed part of the Members Allowances Scheme and as such any changes to the Scheme were subject to consultation with the Independent Remuneration Panel. As such, the IRP were asked to review the recommendations and consider the implications for the Scheme.

3.2 The IRP met in April and invited councillors to give their views on the proposed withdrawal of the car park passes and the provision of spaces to the rear of the Norton Road car park that had been allocated for councillors. Having received comments from councillors and taking into account the impact of implementing the proposed removal of the subsidy, the Panel were minded to recommend that provision of car park passes should remain within the Scheme. The Panel also felt that the spaces to the rear of the car park should continue to be designated spaces for councillors to park.

3.3 The Panel noted the comments of the Chief Finance Officer to the amendment that was approved at the Budget Council meeting and that the passes did not guarantee a space at either Norton Road or the Lanes.

"Both car parks are popular and often full and therefore the risk of the forecast income not being achieved is considered to be relatively low. Members currently allocated parking spaces or passes are entitled to an alternative subsidised annual bus pass. This cost has been taken into account in estimating the potential net income generated.

The impact on Members' ability to undertake council business is a matter for them to consider. However, the use of spaces and passes for councillors is kept under regular review to ensure that they are only issued according to reasonable business need. Spaces and passes save time for councillors, particularly when travelling between venues for different meetings. Removal of these facilities would generally mean the use of buses, cycling or other methods likely to add to travel time. Removing parking spaces and passes may ultimately cause upward pressure on allowances and expenses if alternative travel frustrates the efficient and timely operation of council meetings and other business, and/or increases councillors' expenses.

Should the amendment be carried there will be a need for the Independent Remuneration Panel to review the Members Allowances Scheme and make recommendations to the Council.

The other increased income and savings targets in this amendment are modest and considered low risk."

3.4 The Panel also noted that the car park passes were not restricted and did not guarantee a parking space hence the provision of the spaces at the rear of the Norton Road car park. As such, the Panel felt that restricting the passes to the working week, i.e. Mondays-Fridays for the Norton Road car park was justifiable as it was unlikely that councillors would be attending meetings at the Town Hall on weekends. The Panel also noted that it would be difficult to apply a similar restriction to the Lanes passes because of the different system used. However, a report on usage could be produced and included as part of the annual publication of allowances and expenses.

Maternity/Paternity/Adoption Leave

3.5 As part of its full review of the Members Allowances Scheme in 2018, the Panel was also mindful of the Local Government Commissions report which followed the Fawcett Society's paper on Women In Local Government; the Panel noted the need to consider the Commission's recommendation, and sought agreement to bring proposals back to the council in this regard:

"The Secretary of State for Communities and Local Government should introduce a statutory England-wide, comprehensive maternity, paternity, adoption and parental leave policy for councillors. This should be in line with leave available to employees, and ensure that cabinet members continue to receive their allowances."

3.6 The Panel have noted the change in the make-up of the Council following the elections in May and before making any recommendations for the adoption of a specific maternity/paternity/adoption policy for the council wish to consult with councillors. The Panel therefore intend to undertake a short review in September and report to full Council in October.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The Panel felt that removal of the car park passes was likely to lead to councillors being directly affected and unable to fulfil their duties as they would not be able to attend meetings. There were clear difficulties for those councillors in wards on the edge of the city to use public transport as an alternative to their car, in order to attend meetings without it impacting on their time. The majority of council meetings took place in Hove Town Hall and the majority of officers who councillors may need to meet with were also based at Hove Town Hall.

4.2 The Panel are aware that the council does not have a stated policy for maternity/paternity/adoption leave and therefore believe it should undertake a review so that the council can then determine a clear position.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 The Panel sought the views of councillors and met with a number of councillors prior to the May elections to ascertain their views on the proposed removal of the car park passes. Having received feedback from councillors, the Panel accepted that concerns around personal safety and the ability to undertake duties should be taken into consideration.

5.2 The Panel intend to consult all councillors on the possibility of establishing an agreed policy for maternity/paternity/adoption leave and to take into account existing schemes that may exist in other local authorities and how this relates to the Members Allowances Scheme.

6. CONCLUSION

6.1 The Panel concluded that the use of a car and the ability to park was an important factor that should be taken into account when seeking to enable councillors to undertake their role and responsibilities.

6.2 The need for councillors to utilise their time and attend meetings at the Town Hall meant that the use of a car was necessary, and the provision of a car park pass, whilst not guaranteeing a parking space, was justified and equitable to providing a bus pass.

6.3 In addition, the provision of the 12 spaces to the rear of the Norton Road car park should be maintained and further consideration given to ensuring the spaces remained available for use by councillors and/or visitors meeting with the Chief Executive and the Executive Leadership Team.

6.4 That a review of maternity/paternity/adoption leave arrangements for councillors should be undertaken with a report to committee in the autumn.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 The proposal to remove parking permits was part of the Green Amendment 2 agreed at Budget Council in February. If the recommendation to retain permits is approved, this will apply £38k income pressure to the Parking Service, which may need to be reflected in future TBM forecasts.

7.2 This pressure may be partly offset by £5k contributions from Members, dependent on the numbers choosing a car park pass. The budgets would need to be realigned as part of the 2020/21 budget setting process.

Finance Officer Consulted: James Hengeveld Date: 25/06/19

Legal Implications:

7.3 Changes to the Members Allowances Scheme have to be considered by the Independent Remuneration Panel and its recommendations taken in to consideration by the council in approving its Members Allowances Scheme.

Lawyer Consulted: Abraham Ghebre-Ghiorghis Date: 25/06/19

Equalities Implications:

7.4 The Panel felt that the introduction of a monthly contribution for a car park pass in line with that for a bus pass was a fair and equitable approach and may encourage more councillors to opt for a bus pass.

7.5 The Panel also believed that enabling the councillors to park their cars met their concerns for health and safety issues where they were having to leave meetings late at night and felt vulnerable in having to wait for buses and potentially have 2 or 3 changes in order to reach their homes.

Sustainability Implications:

7.6 Whilst the use of a car has recognised environmental implications, these need to be taken into consideration in enabling a councillor to fulfil their duties and responsibilities and that is a personal choice for each councillor.

Any Other Significant Implications:

7.7 There are no other implications.

SUPPORTING DOCUMENTATION

Appendices:

1. IRP's Terms of Reference

Background Documents

1. Members Allowances Scheme 2019-2023

Brighton & Hove City Council appointed the following to its Independent Remuneration Panel, namely:

Ken Childerhouse (Chair) (retired university lecturer);

Martin Andrews (civil servant);

John Bateman (teaches Corporate Governance in the Department of Business and Management at the University of Sussex);

Rachel Potter (JP, Journalist and Editor specialising in local government and the public sector).

1 Introduction: The Regulatory Context and Background to the Report

1.1 The Panel was convened under *The Local Authorities (Members' Allowances) (England) Regulations 2003 (SI 1021)*. These regulations, which arise out of the relevant provisions in the *Local Government Act 2000*, require all local authorities to set up and maintain an advisory Independent Remuneration Allowances Panel to review and provide advice on Members' allowances. All councils are required to convene their Allowances Panel and seek its advice before they make any changes or amendments to their allowances scheme, and they must 'pay regard' to the Panel's recommendations before setting a new or amended Members' Allowances Scheme.

1.2 The Panel was given general terms of reference to make recommendations to the City Council on the appropriate form and level of remuneration:

- For all councillors (i.e. the Basic Allowance);
- Special Responsibility Allowances;
- Childcare and Dependant's carers' allowances for councillors;
- Travel and Subsistence allowances;
- Allowances for co-optees;
- To recommend a scheme for the duration of the 4-year term of the council; subject to an annual and any other periodic reviews;
- To consider the recommendations of the Local Government Commission and report of the Fawcett Society – Does Local Government Work for Women.