POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 42 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) 2019/20: Month 5**	
Date of Meeting:		**10 October 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 PURPOSE OF REPORT AND POLICY CONTEXT:

1.1 The Targeted Budget Monitoring (TBM) report is a key component of the council's overall performance monitoring and control framework. This report sets out an early indication of forecast risks as at Month 5 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 were expected to meet identified demand-led, cost and income pressures in 2019/20. However, excluding EU withdrawal funding, the council has set aside risk provisions of £0.855m 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 Month 5 has increased to a projected £4.100m overspend on the General Fund revenue budget. This includes a forecast overspend of £0.121m on the council's share of the NHS managed Section 75 services. As noted above, the council set aside a £0.855m one-off financial risk safety net to mitigate identified risks if absolutely necessary. After taking this into consideration, the council's financial position remains challenging although the accuracy of projections at this early stage of the financial year 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 deliverable with £11.861m either achieved or anticipated to be achieved. Savings at risk (£0.375m) 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 £4.100m. This includes an overspend of £0.121m 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 £0.855m 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 £0.080m.

2.4 That the Committee note the forecast risk position for the Dedicated Schools Grant which is an underspend of £0.145m.

2.5 That the Committee note the forecast outturn position on the capital programme and approve the variations and slippage in Appendix 6 and the new schemes as set out in Appendix 7.

2.6 That the committee approve the use of £0.158m Modernisation Fund resources to support implementation of the Community Infrastructure Levy charging scheme as endorsed by the Tourism, Economy, Communities & Culture Committee.

3 CONTEXT / BACKGROUND INFORMATION

Targeted Budget Management (TBM) Reporting Framework

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

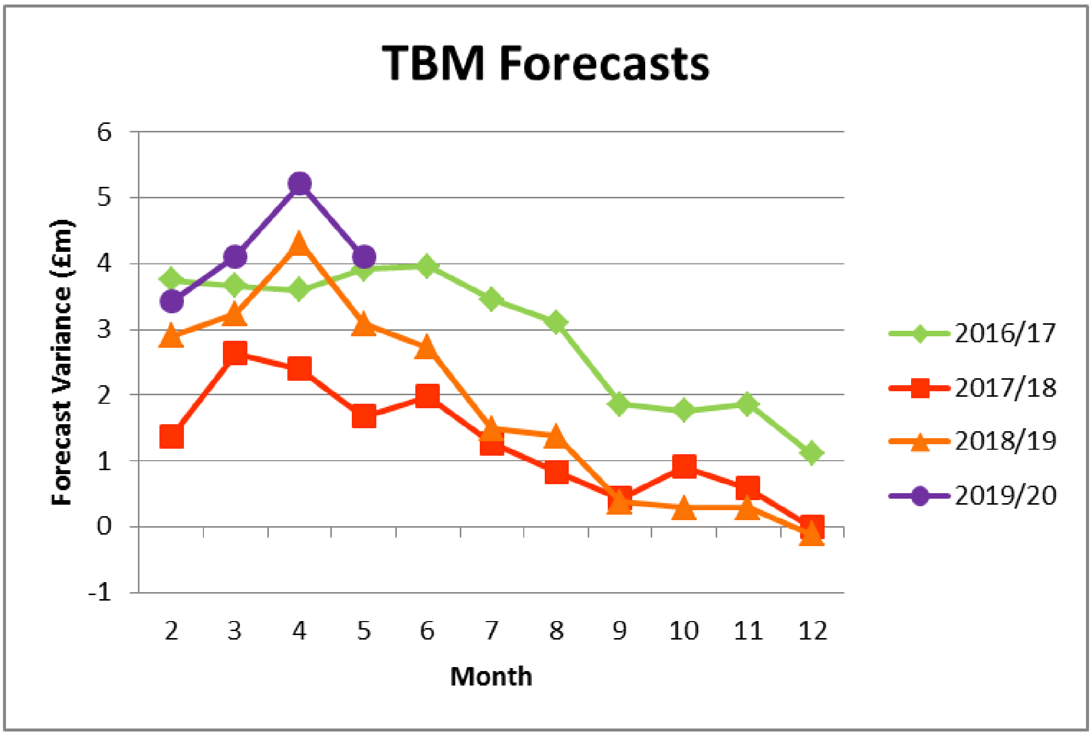
vi) Implications for the Medium Term Financial Strategy (MTFS)

4 GENERAL FUND REVENUE BUDGET PERFORMANCE (APPENDIX 4)

4.1 The table below shows the provisional outturn for Council controlled revenue budgets within the General Fund. These are budgets under the direct control and management of the Executive Leadership Team. More detailed explanation of the variances can be found in Appendix 4.

Forecast Variance Month 2 £'000	Directorate	2019/20 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
407	Families, Children & Learning	89,360	88,984	(376)	-0.4%
2,668	Health & Adult Social Care	58,770	62,555	3,785	6.4%
0	Economy, Environment & Culture	37,637	37,637	0	0.0%
0	Neighbourhood, Communities & Housing	15,380	15,350	(30)	-0.2%
(16)	Finance & Resources	20,690	21,060	370	1.8%
376	Strategy, Governance & Law	5,159	5,518	359	7.0%
3,435	Sub Total	226,996	231,104	4,108	1.8%
(8)	Corporately-held Budgets	(10,790)	(10,798)	(8)	-0.1%
3,427	Total General Fund	216,206	220,306	4,100	1.9%

4.2 The General Fund includes general council services, corporate budgets and central support services. Corporate Budgets include centrally held provisions and budgets (e.g. insurance) as well as some cross-cutting value for money savings targets. Note that General Fund services are accounted for separately to the Housing Revenue Account (Council Housing). Note also that although part of the General Fund, financial information for the Dedicated Schools Grant is shown separately as this is ring-fenced to education provision (i.e. Schools). The chart below shows the monthly forecast variances for 2019/20 and the previous three years for comparative purposes.

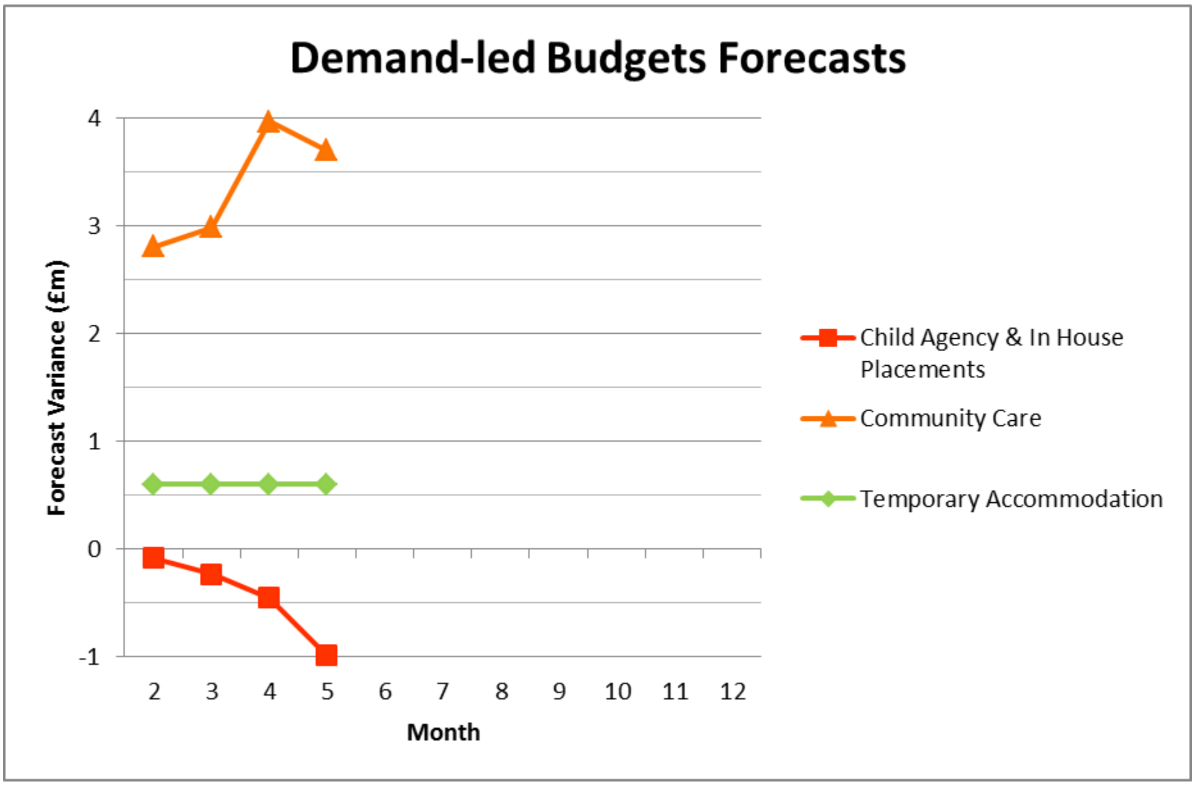


Demand-led Budgets

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

Forecast Variance Month 2 £'000	Demand-led Budget	2019/20 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
(87)	Child Agency & In House Placements	22,117	21,125	(992)	-4.5%
2,808	Community Care	64,863	68,563	3,700	5.7%
600	Temporary Accommodation	2,606	3,206	600	23.0%
3,321	Total Demand-led Budget	89,586	92,894	3,308	3.7%

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



Focus Areas

The main pressures identified at Month 5 are across Families, Children & Learning and Health & Adult Social Care while other pressures are also being contained as summarised below:

4.4 **Families, Children & Learning:** The current projected position identifies potentially significant cost pressures: £0.599m on Services for Children with Disabilities; £0.313m on Services for Adults with Learning Disabilities; and £0.416m on Home to School Transport. However, there are services with forecast underspends such as Children in Care (£1.309m); Preventive/s17 (£0.143m); together with other variances (£0.169m), this results in a forecast of (£0.293m) underspend as at Month 5. After taking into account the financial recovery measures of £0.083m the net position currently shows a projected underspend of (£0.376m).

4.5 **Adults Services:** The service is facing significant challenges in 2019/20 in mitigating the risks arising from increasing demands from client needs, supporting more people to be discharged from hospital when they are ready and maintaining a resilient local provider market. This is alongside delivering a significant budget savings programme and developing integration 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 increased demands and complexity in the city. However, £1.563m was needed to offset the reduction in iBCF funding, £0.383m to backfill 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 £3.750m reduction in CCG funding, this has all been borne by HASC although the CCG funds services in other Directorates.

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

- HASC is currently forecasting an overspend of £3.785m at Month 5 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:
    - Care home placements and home care packages for Older People relating to pressure from hospital discharge £1.950m;
    - CCG funding reductions £0.800m;
    - Physical Support shortfall in Section 117 funding of £0.595m;
    - 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

4.6 **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.

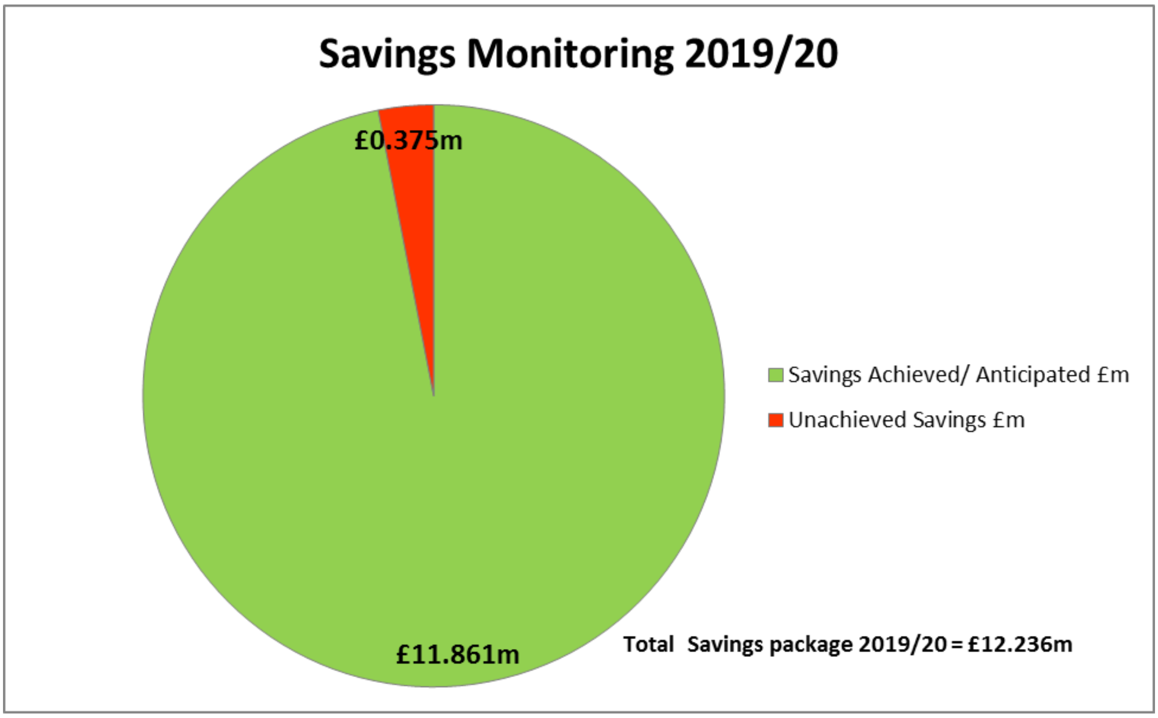
The aim is to both deliver a further reduction in the numbers of households in temporary accommodation and shift the accommodation provided away from higher cost units (such as spot purchase or emergency accommodation) by the end of 2019/20.

4.7 **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 (General Fund)

4.8 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.

4.9 Appendix 4 provides a summary of savings in each directorate and indicates in total what is anticipated/achieved or is at risk. Appendix 5 summarises the position across all directorates and presents the entire savings programme. The graph below provides a summary of the position as at Month 5 which is an early indication. This shows that a substantial element is on track with £0.375m (3%) currently at risk. Mitigation of these risks is included in the development of services' financial recovery actions.



5 HOUSING REVENUE ACCOUNT PERFORMANCE (APPENDIX 4)

5.1 The Housing Revenue Account is a separate ring-fenced account within the General Fund that covers income and expenditure related to the management and operation of the council's housing stock. Expenditure is generally funded by Council Tenants' rents and housing benefits. The forecast outturn is currently an underspend of £0.080m and more details are provided in Appendix 4.

6 DEDICATED SCHOOLS GRANT PERFORMANCE (APPENDIX 4)

6.1 The Dedicated Schools Grant (DSG) is a ring-fenced grant within the General Fund which can only be used to fund expenditure on the schools budget. The schools budget includes elements for a range of services provided on an authority-wide basis including Early Years education provided by the Private, Voluntary and Independent (PVI) sector, and the Individual Schools Budget (ISB) which is divided into a budget share for each maintained school. The forecast outturn is an underspend of £0.145m and more details are provided in Appendix 4. Under the Schools Finance Regulations any underspend or overspend must be carried forward to support the schools budget in future years.

7 NHS MANAGED S75 PARTNERSHIP PERFORMANCE (APPENDIX 4)

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

7.2 This partnership is subject to separate annual risk-sharing arrangements and the monitoring of financial performance is the responsibility of the respective host NHS Trust provider. Risk-sharing arrangements result in financial implications for the council where a partnership is underspent or overspent at year-end and hence the performance of the partnership is included within the forecast outturn for the Health & Adult Social Care directorate. An overspend of £0.121m is currently forecast and more details are provided in Appendix 4.

8 CAPITAL PROGRAMME PERFORMANCE AND CHANGES

8.1 The table below provides a summary of capital programme performance by Directorate and shows that there is a forecast underspend of £0.529m at this early stage. More details are provided in Appendix 6.

Forecast Variance Month 2 £'000	Capital Budgets	2019/20 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
0	Families, Children & Learning	37,574	37,574	0	0.0%
0	Health & Adult Social Care	605	605	0	0.0%
0	Economy, Environment & Culture	65,589	65,589	0	0.0%
0	Neighbourhood, Comms & Housing	4,786	4,786	0	0.0%
(167)	Housing Revenue Account	47,049	46,520	(529)	-1.1%
0	Finance & Resources	1,963	1,963	0	0.0%
0	Strategy, Governance & Law	1,813	1,813	0	0.0%
0	Corporate Budgets	0	0	0	0.0%
(167)	**Total Capital**	**159,379**	**158,850**	**(529)**	**-0.3%**

(Note: Summary may include minor rounding differences to Appendix 6)

8.2 Appendix 6 shows the changes to the capital budget and Appendix 7 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	160,249
Reported at other Policy, Resources & Growth Committees for inclusion into 2019/20 year	2,600
New schemes to be approved in this report (see Appendix 7)	500
Variations to Budget (to be approved)	(585)
Reprofiling of Budget (to be approved)	(3,120)
Slippage (to be approved)	(265)
Total Capital	**159,379**

8.3 Appendix 6 also details any slippage into next year. Budget managers have forecast that £0.265m of the capital budget will slip into the next financial year at this stage.

9 IMPLICATIONS FOR THE MEDIUM TERM FINANCIAL STRATEGY (MTFS)

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

Capital Receipts Performance

9.2 Capital receipts are used to support the capital programme. Any changes to the level of receipts during the year will impact on future years' capital programmes and may impact on the level of future investment for corporate funds and projects such as the Strategic Investment Fund, Modernisation Fund, Asset Management Fund and the Information, Technology and Digital Investment Fund. The planned profile of capital receipts for 2019/20, as at Month 5, is £17.180m. To date there have been receipts of £0.110m in relation to some minor lease extensions, small land sales and loan repayments. The capital receipts performance will be monitored over the coming months against capital commitments.

9.3 The forecast for the 'right to buy sales' in 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 11 homes have been sold in 2019/20.

Collection Fund Performance

9.4 The collection fund is a separate account for transactions in relation to council tax and business rates. Any deficit or surplus forecast on the collection fund relating to council tax is distributed between the council, Sussex Police & Crime Commissioner and East Sussex Fire Authority, whereas any forecast deficit or surplus relating to business rates is shared between the council, East Sussex Fire Authority and the government.

9.5 The Council Tax Collection Fund forecast deficit has increased significantly to £1.880m. There are four main areas contributing to the deficit which are lower level of properties being added to the property list than forecast, increased awards for student exemptions and discounts, lower reductions in Council Tax Reduction Scheme (CTRS) discounts than previously experienced and increasing awards of severely mentally impaired (SMI) exemptions which can be backdated over a number of years. The reduced properties are a timing issue with developments not completing in the timescales used in setting the current year's tax base and therefore shouldn't impact on future years' forecasts. However, the other areas of student discounts, CTRS discounts and SMI exemptions could have potential impacts going forward into future years as the levels of awards are higher than previously forecast in the tax base. The council's share of the overall forecast council tax deficit is £1.596m.There is no variance currently forecast on the business rates collection fund.

9.6 The council's share of the combined collection funds is a deficit of (£1.596m) and this will need to be included in the budget forecast as a one-off pressure for 2020/21.

Reserves, Budget Transfers and Commitments

9.7 The creation of reserves, the approval of budget transfers (virements) of over £0.250m, and agreement to new financial commitments of corporate financial significance that are not provided for in the approved budget and policy framework require Policy & Resources Committee approval in accordance with the council's Financial Regulations and Standard Financial Procedures.

9.8 The committee are advised that there are no budget transfers (virements) or new reserves requiring the committee's approval at this time.

9.9 However, a new one-off resource commitment has been identified to support implementation of the council's proposed Community Infrastructure Levy (CIL) charging scheme approved in principle and endorsed by the Tourism, Economy, Communities & Culture Committee (TECC) on 26 September, which is expected to be submitted to full Council in April 2020 for adoption. The scheme will incur set-up costs of approximately £0.158m as set out in the TECC report of which some costs will need to be incurred in advance of formal adoption in order to meet the agreed timescales for implementation.

9.10 As the CIL scheme will be revenue generating and is anticipated to pay back the investment sum within eight years, it is appropriate to fund these costs on an invest-to-save basis utilising the council's Modernisation Fund, the primary purpose of which is to provide funding to enable revenue generation or savings schemes to be undertaken to aid the council's medium term financial position.

As a revenue generating scheme, the scheme meets the government's criteria for capitalisation of revenue costs using capital receipt flexibilities and this investment can be accommodated within the existing 4-year Modernisation Fund. The full details of the proposed charging scheme can be found in the TECC Committee report, agenda item 12, 26 September 2019.

10 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

10.1 The provisional outturn position on the General Fund is an overspend of £4.100m. This includes a forecast overspend of £0.121m on the council's share of the NHS managed Section 75 services. There are one-off financial risk provisions of £0.855m 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.

11 COMMUNITY ENGAGEMENT & CONSULTATION

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

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

12.1 The Month 5 forecast indicates a number of underlying demand and cost pressures that need an immediate response to ensure that the position does not escalate to unmanageable levels. The Executive Leadership Team (ELT) will therefore need to consider all options open to them to manage the position at a corporate level which is expected to necessitate additional vacancy and spending controls until the position is in recovery or otherwise improves.

12.2 The forecast risk at Month 5 represents 1.9% of the net General Fund Budget (1.5% after taking into account risk provisions) and is therefore potentially recoverable at this stage of the year as there is sufficient time to plan and undertake financial recovery actions. However, the forecast also includes a number of financial recovery plans (exceeding £3.1m), some of which are higher risk than others, and the forecast assumes that the demand trends in Adult Social Care will not escalate further. This represents a high risk position in the context of a £69m savings requirement over the current 4-year planning period 2016/17 to 2019/20, including the requirement to deliver a £12m savings package in this financial year.

13 FINANCIAL AND OTHER IMPLICATIONS

<u>Financial Implications:</u>

13.1 The financial implications are covered in the main body of the report. Financial performance is kept under review on a monthly basis by the Executive Leadership Team and the management and treatment of forecast risks is considered by the Audit & Standards Committee as part of its review of strategic risks.

Finance Officer Consulted: Jeff Coates *Date: 16th September 2019*

Legal Implications:

13.2 Decisions taken in relation to the capital and revenue budget must enable the council to observe its legal duty to achieve best value by securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The council must also comply with its general fiduciary duties to its Council Tax payers by acting with financial prudence, and bear in mind the reserve powers of the Secretary of State under the Local Government Act 1999 to limit Council Tax & precepts.

Lawyer Consulted: Elizabeth Culbert *Date: 20 September 2019*

Equalities Implications:

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

Sustainability Implications:

13.4 Although there are no direct sustainability implications arising from this report, the council's financial position is an important aspect of its ability to meet council priorities. 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:

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

SUPPORTING DOCUMENTATION

Appendices:

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

Documents in Members' Rooms:

None.

Background Documents

None.