

Subject:	Targeted Budget Management (TBM) 2019/20: Month 7 (October)		
Date of Meeting:	5 December 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 the forecast risks as at Month 7 (October) 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 7 has reduced since Month 5 to a projected £3.974m overspend on the General Fund revenue budget. This includes a forecast overspend of £0.061m 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 and therefore temporary spending and vacancy controls are necessary to aid financial recovery and ensure the position improves over the remainder of the financial year.
- 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 £11.435m either achieved or anticipated to be achieved. Savings at risk (£0.801m) 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 £3.974m. This includes an overspend of £0.061m 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 £0.200m.
- 2.4 That the Committee note the forecast risk position for the Dedicated Schools Grant which is an underspend of £0.297m.
- 2.5 That the Committee note the forecast outturn position on the capital programme and approve the variations in Appendix 6 and the new schemes as set out in Appendix 7.
- 2.6 That the Committee approve the creation of a cemeteries maintenance reserve as set out in paragraph 9.9.

3 CONTEXT / BACKGROUND INFORMATION

Targeted Budget Management (TBM) Reporting Framework

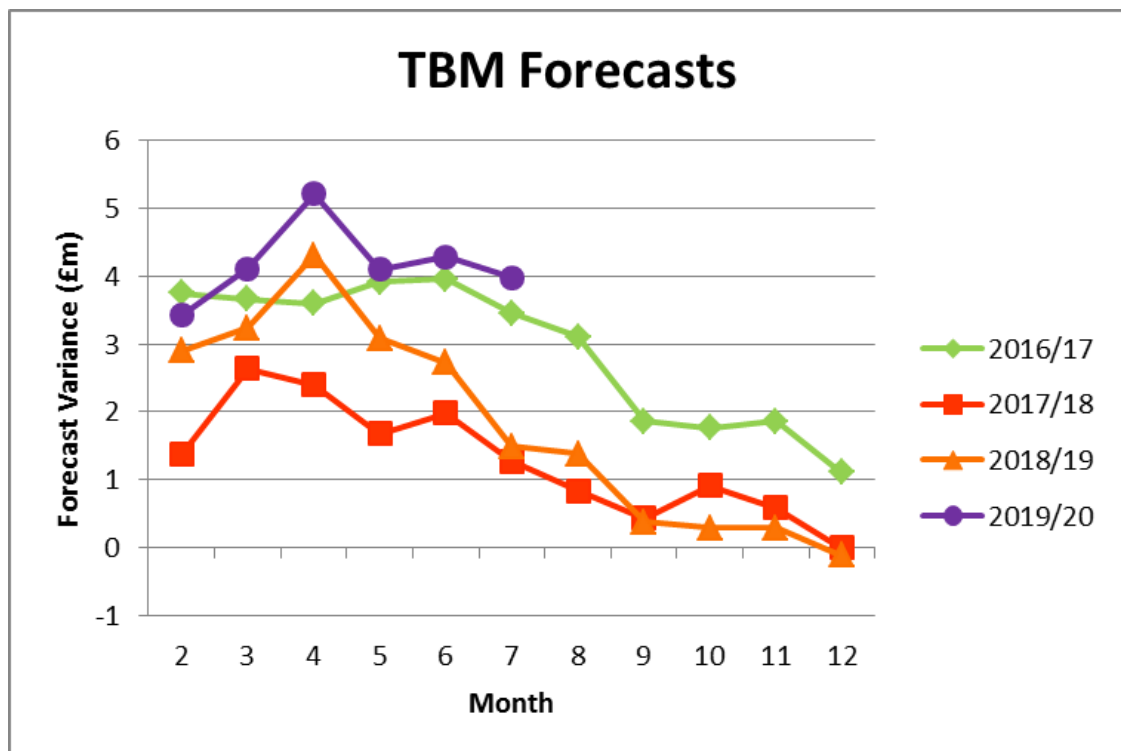
- 3.1 The TBM framework focuses on identifying and managing financial risks on a regular basis throughout the year. This is applied at all levels of the organisation from Budget Managers through to Policy, Resources & Growth Committee. Services monitor their TBM position on a monthly or quarterly basis 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 5 £'000	Directorate	2019/20 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
(376)	Families, Children & Learning	89,381	88,625	(756)	-0.8%
3,785	Health & Adult Social Care	58,467	62,616	4,149	7.1%
0	Economy, Environment & Culture	37,845	37,830	(15)	0.0%
(30)	Housing, Neighbourhoods & Communities	15,380	15,350	(30)	-0.2%
370	Finance & Resources	24,024	24,239	215	0.9%
359	Strategy, Governance & Law	5,625	5,904	279	5.0%
4,108	Sub Total	230,722	234,564	3,842	1.7%
(8)	Corporately-held Budgets	(10,347)	(10,215)	132	1.3%
4,100	Total General Fund	220,375	224,349	3,974	1.8%

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.

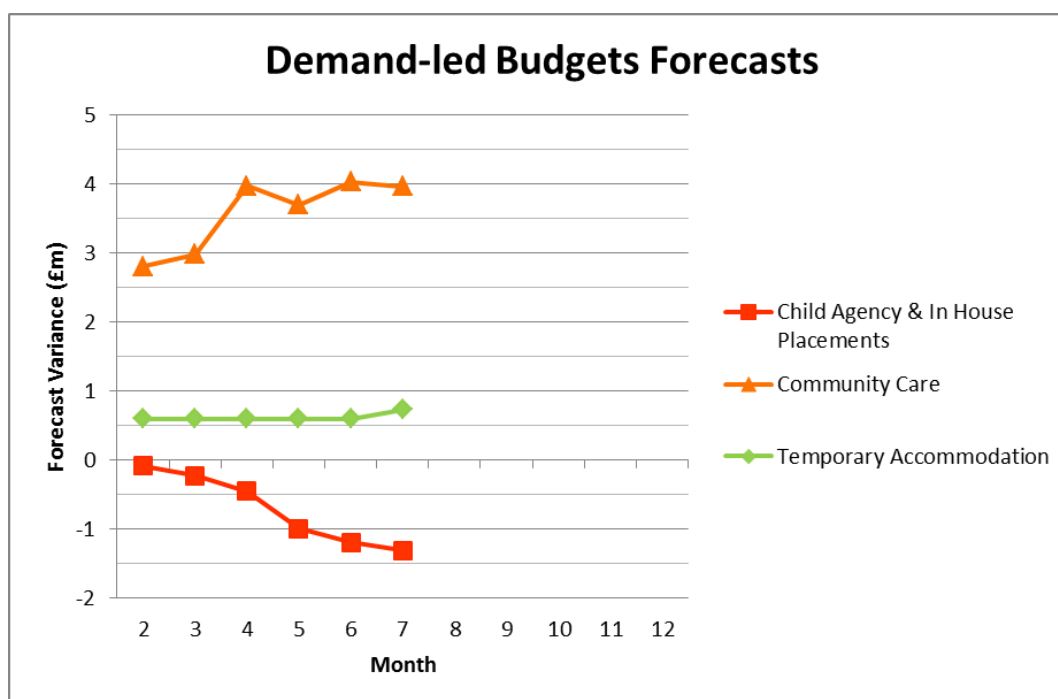


Demand-led Budgets

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 5 £'000	Demand-led Budget	2019/20 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
(1,191)	Child Agency & In House Placements	22,117	20,803	(1,314)	-5.9%
4,033	Community Care	64,885	68,852	3,967	6.1%
600	Temporary Accommodation	2,606	3,336	730	28.0%
3,442	Total Demand-led Budget	89,608	92,991	3,383	3.8%

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



Focus Areas

The main pressures identified at Month 7 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: £0.473m on Services for Children with

Disabilities; £0.303m on Services for Adults with Learning Disabilities; and £0.842m on Home to School Transport. However, there are services with forecast underspends such as Children in Care (£1.551m) and Preventive/s17 payments (£0.245m) together with other variances (£0.578m). This results in an overall forecast (£0.756m) underspend as at Month 7.

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 £4.149m at Month 7 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 £2.323m;
 - CCG funding reductions £0.800m;
 - Physical Support shortfall in Section 117 funding of £0.586m;
 - Unachieved savings from the Sustainable Social Care Programme of £0.440m.
- The HASC directorate is beginning a transformation programme called 'Better Lives, Stronger Communities' which aims to implement a consistent approach of adopting strengths based practice, ensuring robust pathways are in place, developing a community reablement offer and re-designing the front door service. This new way of working across the directorate will be reliant on a corporate and city-wide approach.
- 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. The 2018/19 overspend was made up of £0.592m on Temporary Accommodation, £0.388m on Seaside Homes and £0.050m across the service. This was met from the release of Flexible Support Homelessness Grant.

The Temporary Accommodation 2019/20 forecast overspend of £0.730m 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 reduced by over 200 units by the end of 2018/19 and the budget was set on the basis that this trend would continue but the forecast is indicating that volumes and costs will not decrease to the levels expected.

The £1.300m trailblazer project has delivered some reductions in accommodation volumes in 2018/19 as mentioned above. 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 once the new approach to preventing homelessness is embedded within the service. 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).

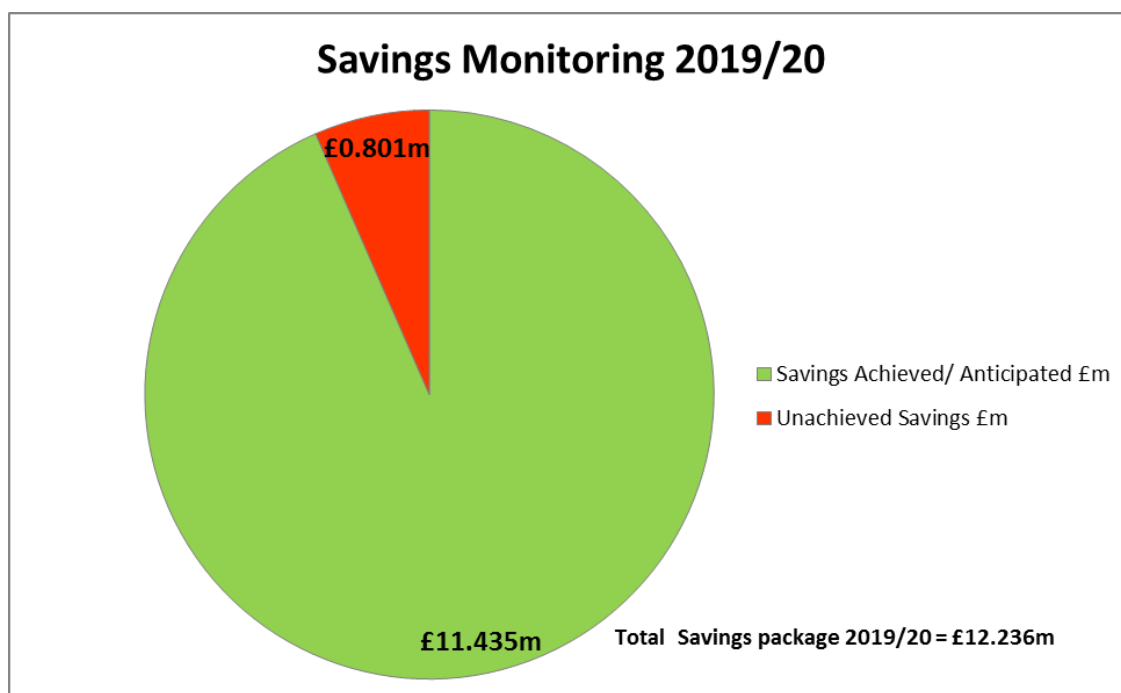
The Seaside Homes forecast overspend of £0.250m (after service pressure funding of £0.150m) is due to lower income collection following the impact of Universal Credit and void losses due to higher churn, as households are moved on from temporary accommodation. The service is focusing on how to improve 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).

- 4.7 **Environment, Economy & Culture:** The directorate is experiencing a number of pressures, particularly in the City Clean service concerning increasing employee costs and fleet related costs to meet service requirements, income pressures relating to commercial activity and additional costs as a result of a fire at the Hollingdean Waste Transfer Station. Pressures are partially offset by overachievement of various income streams, particularly within the Transport service. The directorate is undertaking a number Financial Recovery Plans to address the net overspend position, such as a comprehensive modernisation programme within the City Clean service, reviewing all significant income streams with finance officers to develop robust forecasts and a review of non-urgent expenditure.

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 7 which is an early indication. This shows that a substantial element is on track with £0.801m (6%) 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 £0.200m 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 £0.297m 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 £0.061m 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 £0.724m at this early stage. More details are provided in Appendix 6.

Forecast Variance Month 5 £'000	Directorate	Reported Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
0	Families, Children & Learning	37,611	37,611	0	0.0%
0	Health & Adult Social Care	1,119	1,119	0	0.0%
0	Economy, Environment & Culture	73,050	73,050	0	0.0%
0	Housing, Neighbourhoods & Communities	4,786	4,786	0	0.0%
(167)	Housing Revenue Account	51,748	51,024	(724)	-1.4%
0	Finance & Resources	3,826	3,826	0	0.0%
0	Strategy, Governance & Law	1,813	1,813	0	0.0%
(167)	Total Capital	173,953	173,229	(724)	-0.4%

(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. The approval of Policy & Resources Committee is required for these changes 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	Reported Budget Month 7 £'000
Budget approved as at TBM Month 5	159,379
Changes reported at other committees and already approved	14,760
New schemes to be approved in this report (see Appendix 5)	388
Variations to budget (to be approved)	482
Reprofiling of budget (to be approved)	(1,416)
Slippage (to be approved)	0
Total Capital	173,593

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 7, is £17.180m which includes significant receipts expected from the sale of Longley industrial estate, land transferring to the Housing Joint Venture, and property sales identified to support the Stanmer redevelopments. To date there have been receipts of £0.447m in relation to the transfer of 7-9 Frederick Street from the HRA to the General Fund plus some minor lease extensions, loan repayments and some small parcels of land sales. 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 21 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 is £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.
- 9.6 There is no overall variance currently forecast on the business rates collection fund. However the continued pressure on the retail sector is creating an increasing number of Company Voluntary Arrangements (CVA), in many cases resulting in reduced business rates liabilities and therefore restricting growth in business rates.
- 9.7 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

- 9.8 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.
- 9.9 A review of reserves and provisions has established that there are three separate provisions relating to cemetery maintenance that should be reclassified as reserves. The distinction is an accounting one relating to the degree of certainty of the timing and value of the expenditure. In this case the funds are being held for future cemetery maintenance works but as specific costs and timings are not known they should be classified as reserves and not provisions. Therefore, it is proposed to merge the three existing provisions into one reserve. This will have no impact on the forecast outturn as the funds have already been set aside.

10 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 10.1 The provisional outturn position on the General Fund is an overspend of £3.974m. This includes a forecast overspend of £0.061m 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 7 forecast indicates a number of underlying demand and cost pressures that need an urgent response to ensure that the position does not escalate further and to provide sufficient turnaround time. The Executive Leadership Team (ELT) have implemented a range of temporary expenditure and vacancy controls to support the improvement of the in-year budget position. These controls will remain in place until April 2020 unless the financial position improves sufficiently to allow them to be lifted.
- 12.2 The forecast risk at Month 7 represents 1.8% of the net General Fund Budget (1.4% 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 £2.4m), some of which are higher risk than others, and the forecast assumes that the demand trends in Adult Social Care will continue to stabilise.

13 FINANCIAL AND OTHER IMPLICATIONS

Financial Implications:

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

Finance Officer Consulted: Jeff Coates

Date: 18th November 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.

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 5
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.