POLICY & RESOURCES COMMITTEE	Agenda Item 128 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) 2019/20: Month 9 (December)**	
Date of Meeting:		**13 February 2020**	
Report of:		**Acting Chief Finance Officer**	
Contact Officer:	**Name:**	**James Hengeveld**	**Tel: 29-1242**
	Email:	**James.Hengeveld@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 9 (December) on all of 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 investment 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 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. To date, £0.050m has been allocated which leaves £0.805m available.

1.3 The forecast risk for 2019/20 at Month 9 has reduced since Month 7 to a projected £3.355m overspend on the General Fund revenue budget. This includes a forecast underspend of £0.137m on the council's share of the NHS managed Section 75 services. As noted above, the council has an £0.805m one-off financial risk safety net available to mitigate the projected forecast risk. After taking this into consideration, the council's financial position remains challenging and therefore temporary spending and vacancy controls will remain in place across non-statutory services to aid financial recovery and ensure the position continues to improve 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 £11.223m either achieved or anticipated to be achieved. Savings at risk (£1.013m) 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 £3.355m. This includes an underspend of £0.137m 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 £0.805m is available to mitigate the forecast risk if the risks cannot be completely eliminated by year-end.

2.3 That the Committee note that further proposals for managing the current forecast overspend risk are set out in the General Fund budget report also on this committee agenda.

2.4 That the Committee approve the carry forward of £0.175m in respect of the Troubled Families grant as set out in Education & Skills section of Appendix 4.

2.5 That the Committee note the forecast for the Housing Revenue Account (HRA), which is currently an underspend of £0.295m.

2.6 That the Committee note the forecast risk position for the Dedicated Schools Grant which is an underspend of £0.384m.

2.7 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.

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:

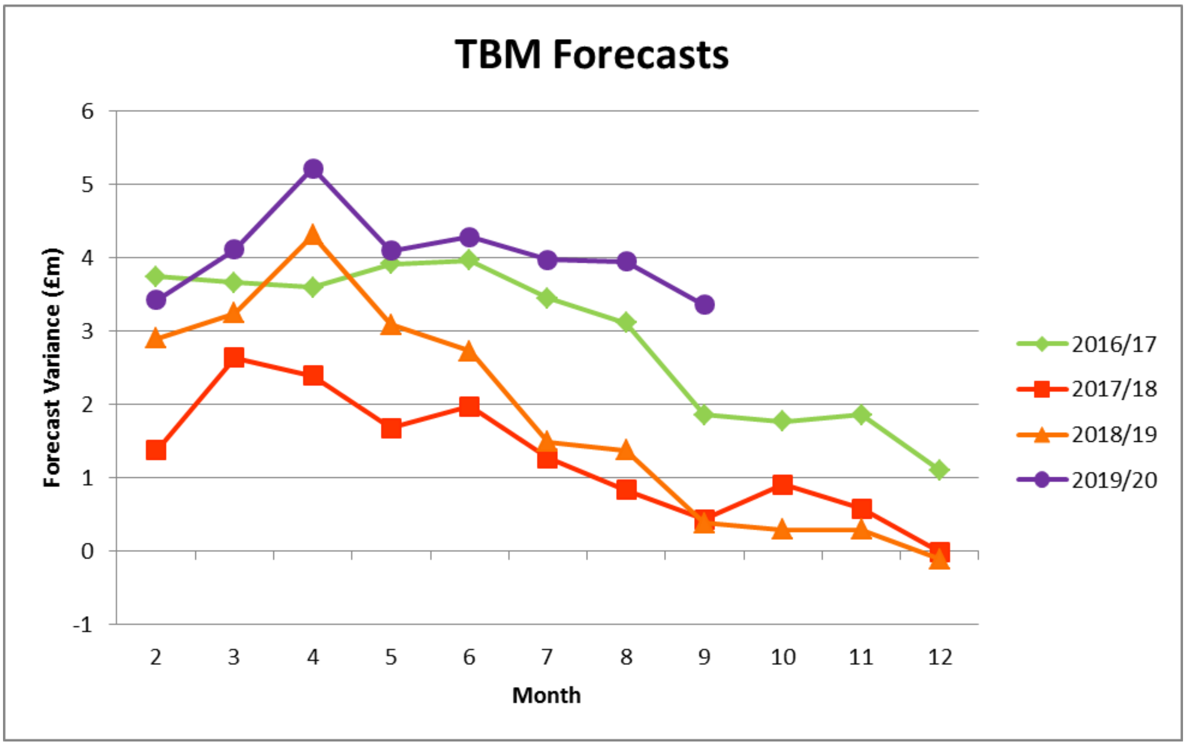
i) General Fund Revenue Budget Performance
ii) Housing Revenue Account (HRA) Performance
iii) Dedicated Schools Grant (DSG) Performance
iv) NHS Controlled S75 Partnership Performance
v) Capital Investment Programme Performance and Changes
vi) Implications for the Medium Term Financial Strategy (MTFS)

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 7 £'000	Directorate	2019/20 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
(756)	Families, Children & Learning	89,381	88,357	(1,024)	-1.1%
4,149	Health & Adult Social Care	58,960	63,484	4,524	7.7%
(15)	Economy, Environment & Culture	37,794	37,135	(659)	-1.7%
(30)	Housing, Neighbourhoods & Communities	15,390	15,207	(183)	-1.2%
215	Finance & Resources	24,036	24,065	29	0.1%
279	Strategy, Governance & Law	5,571	5,752	181	3.2%
3,842	Sub Total	231,132	234,000	2,868	1.2%
132	Corporately-held Budgets	(10,825)	(10,338)	487	4.5%
3,974	Total General Fund	220,307	223,662	3,355	1.5%

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.

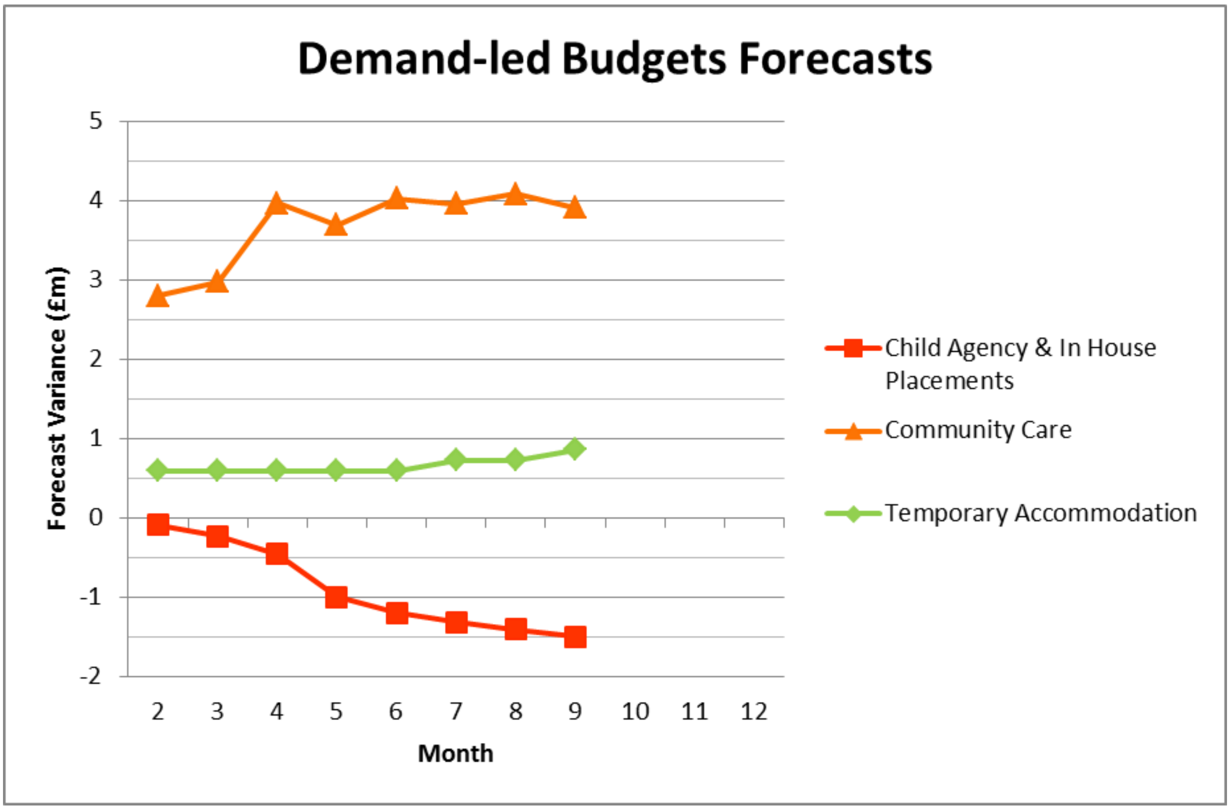


Demand-led Budgets

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 7 £'000	Demand-led Budget	2019/20 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
(1,314)	Child Agency & In House Placements	22,117	20,624	(1,493)	-6.8%
3,967	Community Care	64,885	68,800	3,915	6.0%
730	Temporary Accommodation	2,606	3,470	864	33.2%
3,383	Total Demand-led Budget	89,608	92,894	3,286	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 9 are across parts of Families, Children & Learning, Health & Adult Social Care, Homelessness and City Environment Management. Information about these pressures and measures to mitigate them are summarised below:

4.4 **Families, Children & Learning:** The current projected position identifies potentially significant cost pressures: £0.445m on Services for Children with Disabilities; £0.174m on Services for Adults with Learning Disabilities; and £969m on Home to School Transport. However, the directorate is able to manage these pressures as there are services with forecast underspends such as Children in Care (£1.729m), Adoption (£0.351m) and Preventive/s17 (£0.253m), which, together with other variances (£0.279m), results in a forecast underspend of (£1.024m) as at Month 9. This reflects the positive impact of preventive and proactive work with families and children through the revised model of social work and multi-agency teams.

4.5 **Adults Services:** The service is facing very 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 further 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 due to pressures on local NHS budgets, however, this has all been borne by the HASC budget although CCG funding also relates to services in other directorates.
- Work is ongoing to deliver the total approved budget savings of £4.354m and mitigate the additional budget pressures of £1.702m arising at the start of 2019/20.
- Overall, HASC is currently forecasting an overspend of £4.524m at Month 9 clearly indicating the scale of current challenges. Actions are focused on attempting to manage demands on and costs of community care placements across Assessment Services and making the most efficient use of available funds. The current forecast overspend is a result of:
    - Care home placements and home care packages for Older People relating to pressure from hospital discharge £1.762m;
    - Unfunded element of cumulative CCG funding reductions of £0.800m;
    - Physical Support shortfall in Section 117 funding of £0.589m;
    - Unachieved savings from the corporate Sustainable Social Care Programme of £0.440m;
    - Other unachievable budget savings of £0.633m;
    - £0.300m due to system control issues following the implementation of new software in April 2018, which have been identified and are being addressed.
- 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. However, the evidence at present indicates that the Health & Social Care system is under considerable pressure and this is generating additional costs for the council due to:

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

- 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. 864m is driven by higher than budgeted volumes and costs of temporary accommodation due to the continuing local pressures and bedding-in of the statutory requirements of the Housing Reduction Act. The number of households in temporary accommodation (TA) 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. 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. The service is on track to increase the number of households prevented from becoming homeless compared to last year and has also increased the number of households moving into private rented accommodation. Target numbers of moves to social housing are being achieved in relation to the Allocation Plan. However, numbers in temporary accommodation remain higher than anticipated. While leased accommodation was reduced in anticipation of a reduction in numbers of households requiring TA, the number of households did not reduce as quickly and the impact has been an increased use of spot purchase accommodation. Work is underway to increase leased accommodation to relieve pressure from the more expensive short term and emergency accommodation.

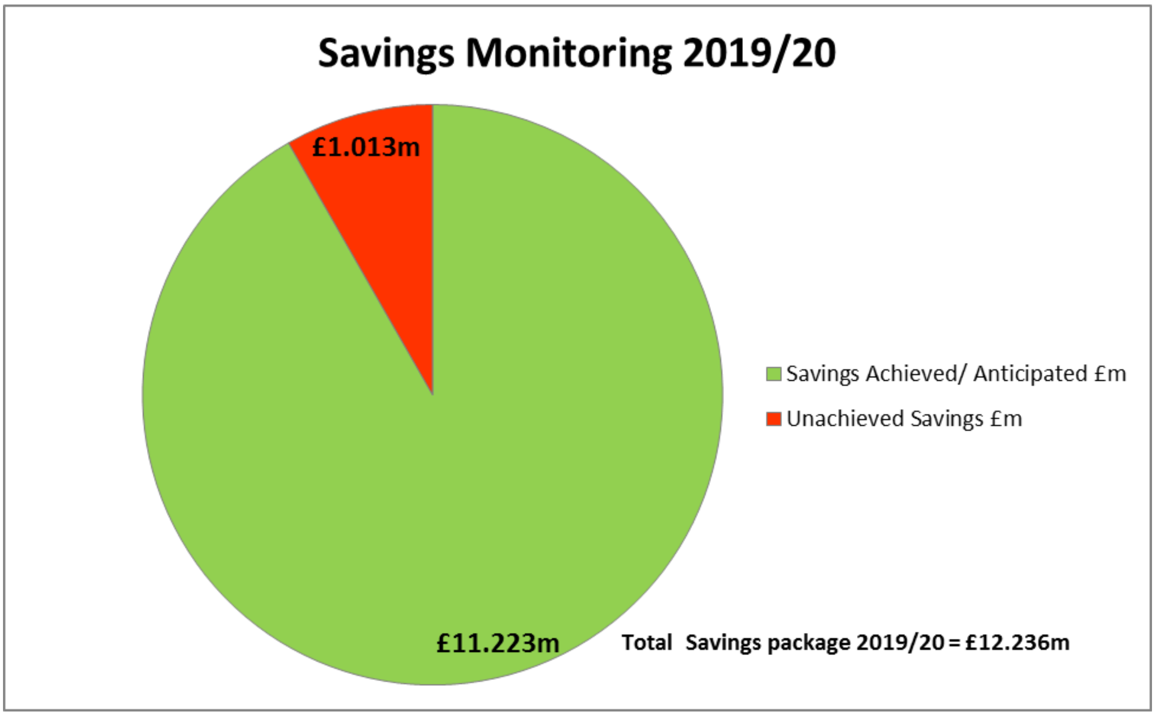
The Seaside Homes forecast overspend of £0.250m (after service pressure funding of £0.150m) is due to lower income collection following the impact of Universal Credit and void losses due to higher churn as households are moved on from temporary accommodation. The service is focusing on how to improve 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 CityClean service concerning employee and fleet related costs to meet service requirements and additional costs as a result of a fire at the Hollingdean Waste Transfer Station. Pressures are offset by overachievements of various income streams in other services, particularly parking income and commercial rents. Financial Recovery Plans and expenditure controls implemented across the directorate have also contributed to an improved forecast resulting in a net underspend position.

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 for statutory and priority services 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 9 which is an early indication. This shows that a substantial element is on track with £1.013m (8%) 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 £0.384m 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 NHS Trust-managed Section 75 Services represent those services for which local NHS Trusts act as the Host Provider under Section 75 Agreements. Services are managed by Sussex Partnership Foundation Trust (SPFT) and include health and social care services for Adult Mental Health, and Memory and Cognitive Support Services.

7.2 This partnership is subject to separate annual risk-sharing arrangements and the monitoring of financial performance is the responsibility of the respective host NHS Trust provider. Risk-sharing arrangements result in financial implications for the council where a partnership is underspent or overspent at year-end and hence the performance of the partnership is included within the forecast outturn for the Health & Adult Social Care directorate. An underspend of £0.137m 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 £0.889m at this early stage. More details are provided in Appendix 6.

Forecast Variance Month 7 £'000	Directorate	Reported Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
0	Families, Children & Learning	11,438	11,438	0	0.0%
0	Health & Adult Social Care	1,119	1,119	0	0.0%
0	Economy, Environment & Culture	46,500	46,330	(170)	-0.4%
0	Housing, Neighbourhoods & Communities	2,397	2,397	0	0.0%
(167)	Housing Revenue Account	55,215	54,496	(719)	-1.3%
0	Finance & Resources	3,826	3,826	0	0.0%
0	Strategy, Governance & Law	1,813	1,813	0	0.0%
(167)	Total Capital	122,309	121,420	(889)	-0.7%

(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 9 £'000
Budget approved as at Month 7	173,952
Changes reported at other committees and already approved	(735)
New schemes to be approved in this report (see Appendix 7)	235
Variations to budget (to be approved)	3,045
Reprofiling of budget (to be approved)	(53,568)
Slippage (to be approved)	(620)
Total Capital Budget (as at Month 9)	**122,309**

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 reported 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 9, 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.

9.3 To date there have been receipts of £8.802m in relation to the sale of 41-42 Park Wall Cottages, the lease extension at Longley House New England Street, 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.

9.4 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 28 homes have been sold in 2019/20.

Collection Fund Performance

9.5 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.

9.6 The Council Tax Collection Fund forecast deficit is £1.585m. There are four main areas contributing to the deficit which are:

- lower levels of properties being added to the property list than forecast;
- increased awards for student exemptions and discounts;
- lower reductions in CTR discounts than previously experienced; and
- increasing awards of severely mentally impaired (SMI) exemptions which can be backdated over a number of years.

9.7 The reduced properties are a timing issue with developments not completing in the timescales used in setting the current year's tax base and hasn't impacted on future years' forecasts. The council's share of the overall forecast council tax deficit is £1.346m.

9.8 The business rates collection fund has a forecast surplus of (£4.361m) which mainly relates to a reduced provision required for successful appeals against the 2017 rating list. The latest information from the Valuation Office Agency on the number of checks, challenges and appeals against the 2017 rating list indicates that lower levels are being raised. In light of this information the forecast provision needed at year-end can be reduced by (£5.202m). Other changes include higher than forecast empty reliefs awarded of £1.437m, additional business rates liabilities (£0.371m), and reduced awards for reliefs funded by s31 compensation grants (£0.278m). The council's share of the surplus is (£2.137m) and in addition (£0.156m) can be released from the business rates s31 adjustment reserve.

9.9 The council's share of the combined collection funds and s31 reserve is (£0.947m) additional one-off resources which is included in the budget proposals for 2020/21.

Reserves, Budget Transfers and Commitments

9.10 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.

9.11 A report on Winter Shelter Provision for Rough Sleepers is also on this committee agenda and identifies potential one-off resources of £0.035m needed in 2019/20 to support the recommended option (Option 1). This commitment is addressed in the General Fund budget report also on this committee agenda.

10 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

10.1 The provisional outturn position on the General Fund is an overspend of £3.355m. This includes a forecast underspend of £0.137m on the council's share of the NHS managed Section 75 services. There are one-off financial risk provisions of £0.805m available to partially mitigate the position. The overspend represents 1.5% of the net General Fund Budget (or 1.2% after taking into account the available risk provision). The General Fund budget report, also on this committee agenda, addresses the management of the residual forecast risk.

10.2 Taking into account the plans set out in the General Fund budget report to address the residual risk, any overspend at the year-end over and above this 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 further 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 9 forecast indicates that a number of underlying demand and cost pressures will need continued focus to ensure that the position does not escalate further and create higher risks in 2020/21. As it stands, the 2020/21 budget proposals identify investment to meet growing demands and above-inflation pressures on statutory and priority services and sets out how any residual risk can be mitigated and managed within the context of the overall budget available.

12.2 In the current year, 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 across non-statutory services until April 2020 to ensure continued improvement of the in-year position.

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: 20 January 2020

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: 23 January 2020

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 7
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.