POLICY & RESOURCES COMMITTEE	Agenda Item 69 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) 2020/21: Month 5**	
Date of Meeting:		**8 October 2020**	
Report of:		**Acting Chief Finance Officer**	
Contact Officer:	**Name:**	**Jeff Coates**	**Tel: 01273 292364**
	Email:	**Jeff.Coates@brighton-hove.gov.uk**	
Ward(s) affected:		**All**	

FOR GENERAL RELEASE

1 PURPOSE OF REPORT AND POLICY CONTEXT:

1.1 The Targeted Budget Monitoring (TBM) report is a key component of the council's overall performance monitoring and control framework. This report sets out the forecast risks as at Month 5 (August) on the council's revenue and capital budgets for the financial year 2020/21.

1.2 As set out in the General Fund Revenue Budget 2020/21 report to Budget Council, £7.825m was provided for in the budget for reinvestment in identified cost and demand pressures across social care and £7.220m for reinvestment in other priority service areas. These sums were expected to meet identified demand-led, cost and income pressures in 2020/21. The council also set aside a risk provision of £0.750m to mitigate potential demand risks and/or any difficulties in delivering savings targets. However, since setting the budget the Coronavirus outbreak has had a severe financial impact on the city and the council. This has been reported through financial update reports to Policy & Resources Committee in March, April, May, July and September. This report shows the latest forecast impact on budgets and includes memorandum information to indicate the element of the forecast attributable to the pandemic.

1.3 The forecast risk for 2020/21 as at month 5 is a £7.853m overspend on the General Fund revenue budget. This includes a forecast overspend of £0.366m on the council's share of the NHS managed Section 75 services. This is an improvement of £28.150m from Month 2, however, it should be noted that £17.523m of the improvement is due to additional government grant funding including a third tranche of Emergency Response funding and estimated grant funding relating to compensation for losses of sales, fees and charges. There are, however, underlying improvements in income and expenditure as shown in paragraph 4.4 below.

1.4 As noted above, the council set aside a £0.750m risk provision to mitigate risks identified at the time of setting the budget. However, £0.575m of this now needs to be held against the additional costs of the pay award, now confirmed at 2.75%, and the remaining £0.175m has already been released in the forecast outturn position above. Therefore, there is no further risk provision available to mitigate the forecast pressures identified in this report. This is clearly unprecedented and goes well beyond the ability of normal financial management measures to be able to manage the situation. The recommended approach for managing the forecast deficit is set out in the General Fund Financial Planning Update report also on this committee agenda.

1.5 The report also indicates that £3.826m (37%) of the substantial savings package in 2020/21 of £10.291m is at risk. Most of this (£3.097m) is due to pressures arising from COVID-19.

2 RECOMMENDATIONS:

2.1 That the Committee note the forecast risk position for the General Fund, which indicates a budget pressure of £7.853m. This includes an overspend of £0.366m on the council’s share of the NHS managed Section 75 services.

2.2 That the Committee note the forecast net Collection Fund deficit of £11.818m.

2.3 That the Committee note the forecast for the Housing Revenue Account (HRA), which is currently an underspend of £0.307m.

2.4 That the Committee note the forecast risk position for the Dedicated Schools Grant which is an overspend of £0.429m.

2.5 That the Committee note the forecast outturn position on the capital programme which is a forecast underspend of £0.270m.

2.6 That the Committee agree to “un-pause” the Brighton Research & Innovation Fibre Ring’ capital scheme as set out in Appendix 6 Capital Programme Performance’

2.7 That the Committee agree to establish a Sinking Fund for Royal Pavilion and Museums maintenance from any underspend on those budgets in 2020/21 (see 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 Committee. Services monitor their TBM position on a monthly or quarterly basis depending on the size, complexity or risks apparent within a budget area. TBM therefore operates on a risk-based approach, paying particular attention to mitigation of growing cost pressures, demands or overspending through effective financial recovery planning together with more regular monitoring of high risk demand-led areas as detailed below.

3.2 The TBM report is normally split into the following sections:

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

4 General Fund Revenue Budget Performance (Appendix 4)

4.1 The General Fund includes general council services, corporate budgets and central support services. Corporate Budgets include centrally held provisions and budgets (e.g. insurance). Note that General Fund services are accounted for separately to the Housing Revenue Account (Council Housing). Note also that although part of the

General Fund, financial information for the Dedicated Schools Grant is shown separately as this is ring-fenced to education provision (i.e. Schools).

4.2 The table below shows the forecast 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. Please note that the 'COVID Variance' column is a memorandum-only column identifying the extent of the 'Forecast Variance' attributable to the pandemic.

Forecast Variance Month 2 £'000	Directorate	2020/21 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	COVID Variance Month 5 £'000	Forecast Variance Month 5 %
3,101	Families, Children & Learning	92,476	94,225	1,749	2,376	1.9%
13,512	Health & Adult Social Care	64,666	75,426	10,760	17,121	16.6%
25,857	Economy, Environment & Culture	39,195	48,469	9,274	9,633	23.7%
3,526	Housing, Neighbourhoods & Communities	16,521	21,249	4,728	4,945	28.6%
1,336	Finance & Resources	20,877	21,716	839	312	4.0%
565	Strategy, Governance & Law	5,393	5,567	174	379	3.2%
47,897	Sub Total	239,128	266,652	27,524	34,766	11.5%
(239)	Corporately-held Budgets	(7,452)	(11,461)	(4,009)	(5,986)	-53.8%
4,250	Corporate PPE Costs	0	2,800	2,800	2,800	0.0%
(15,905)	COVID-19 Grant	0	(18,462)	(18,462)	(15,905)	0.0%
36,003	Total General Fund	231,676	239,529	7,853	15,675	3.4%
13,070	Collection Fund Deficit			11,818		
49,073	Total Forecast Deficit			19,671		

4.3 The position above shows an overall improvement over TBM Month 2 of £29.402m including the projected Collection Fund deficit. The improvement arises from a mixture of improved income forecasts, additional government grant funding received, and improving expenditure forecasts. This indicates a net reportable deficit of £19.671m in 2020/21.

4.4 The Budget Update report to the July committee meeting took the TBM Month 2 forecast and looked at possible scenarios for the remainder of the financial year. Officers' best estimate of the position was set out in the 'Moderate View' scenario which started with the TBM Month 2 forecast as the base position. The table below compares the 'Moderate View' scenario reported to committee in July with an updated position as at Month 5.

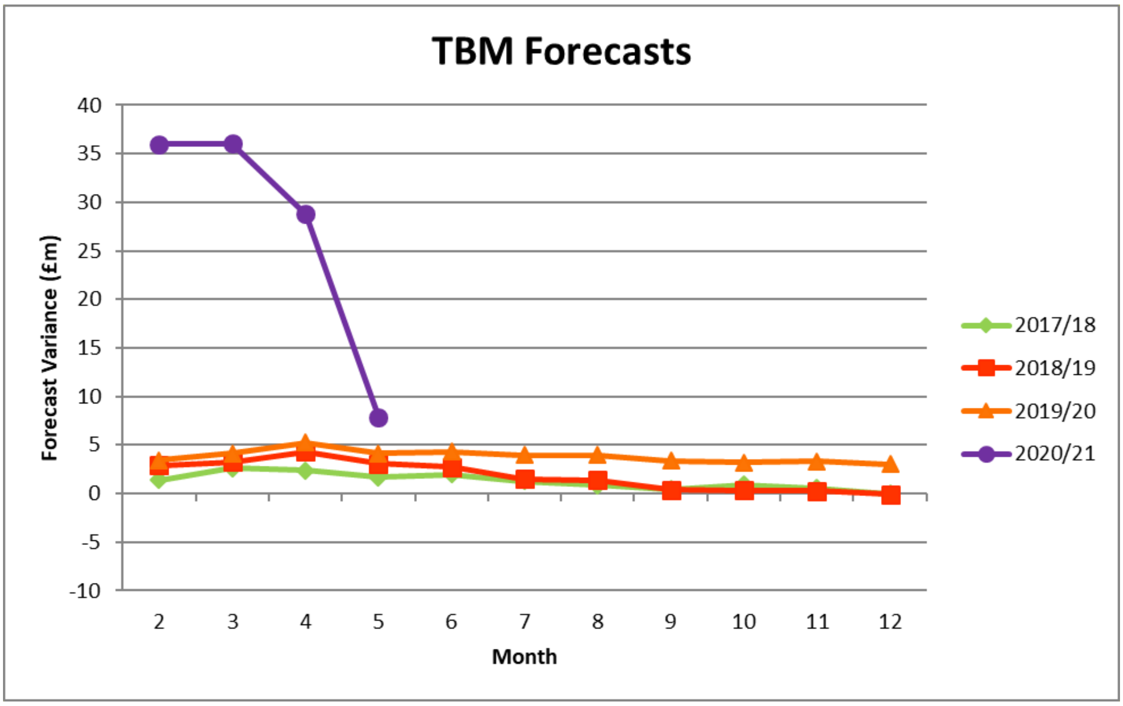
Updated Scenario (Moderate View)	Moderate View Forecast	TBM Month 5 Forecast	Difference Better (-) Worse (+)

	(July P&R)		
Base position: TBM Forecast Month 2 (May)	36.003	36.003	0
Improvement due to speed of recovery (Income)	-5.000	-4.081	+0.919
Further Mitigations (i.e. cost improvements)	-3.000	-6.054	-3.054
Continued Capital Programme pause *	-0.500	-0.492	+0.008
Further government COVID-19 funding	-10.000	-17.523	-7.523
Revised Outturn Overspend 2020/21	**17.503**	**7.853**	**-9.650**
Forecast Collection Fund Deficit 2020/21	10.000	11.818	1.818
Total Projected Deficit 2020/21	**27.503**	**19.671**	**-7.832**

***** Subject to Policy & Resources Committee approval to continue pausing capital schemes as recommended in the General Fund Financial Planning Update report on this committee agenda.

4.5 All things taken into consideration, by comparison to the Moderate View estimate reported to the July committee meeting, the position is currently £7.832m better with a projected deficit in 2020/21 of £19.671m. Although this is moving in the right direction, without very significant improvements in income and taxation revenues, and/or additional government grant, there clearly remains a substantial projected deficit for 2020/21.

4.6 The chart below shows the monthly forecast variances for 2020/21 and the previous three years for comparative purposes, however, the impact of the pandemic clearly makes comparisons difficult at this time.

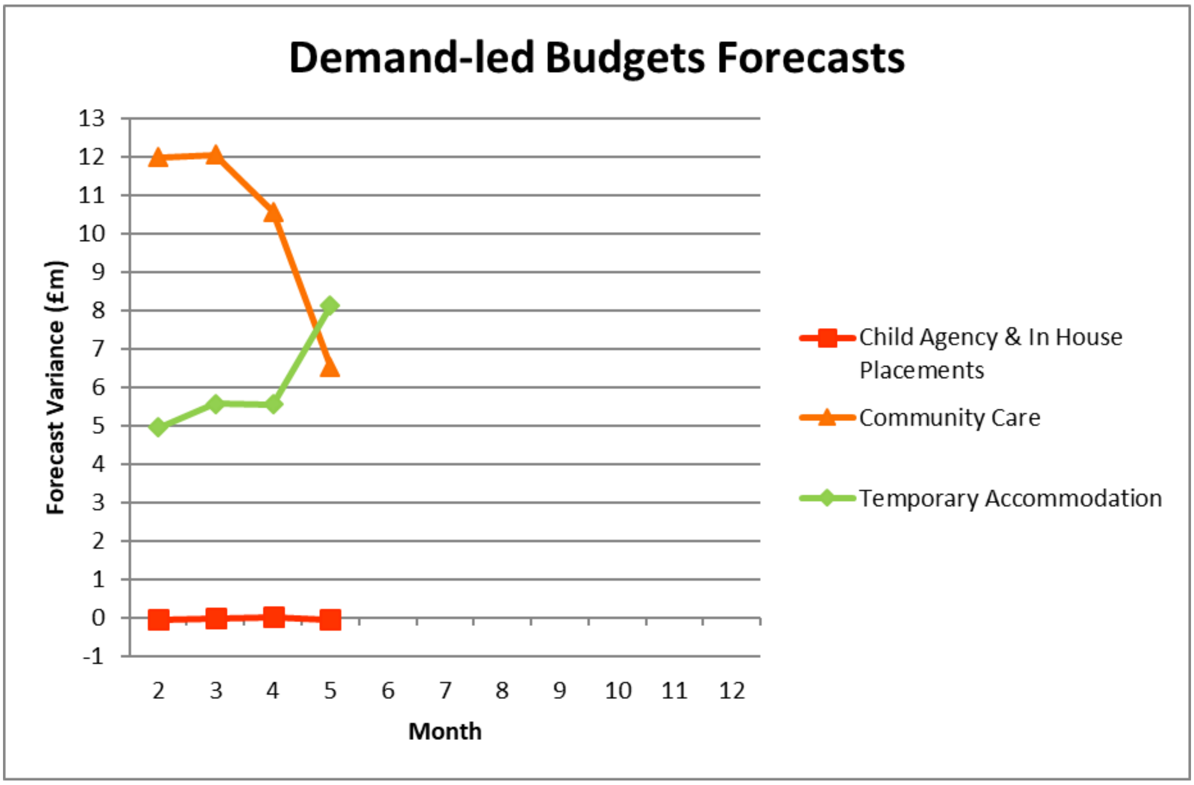


Demand-led Budgets

4.7 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	2020/21 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	COVID Variance Month 5 £'000	Forecast Variance Month 5 %
(45)	Child Agency & In House Placements	22,283	22,241	(42)	152	-0.2%
11,991	Community Care	70,755	77,294	6,539	10,235	9.2%
4,949	Temporary Accommodation	3,133	11,251	8,118	6,648	259.1%
16,895	Total Demand-led Budget	96,171	110,786	14,615	17,035	15.2%

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



TBM Focus Areas

The main pressures identified at Month 5 are across parts of Families, Children & Learning, Health & Adult Social Care, Homelessness, Transport and Culture, Tourism & Sport. Information about these pressures and measures to mitigate them are summarised below:

Families, Children & Learning: The current projected position identifies potentially significant cost pressures: £0.932m on Services for Children with Disabilities; £1.065m on Services for Adults with Learning Disabilities and £1.122m on Home to School Transport. However, there is a forecast underspend on Children in Care placements of

(£0.937m) together with other variances of (£0.433m), this results in a forecast of £1.749m overspend as at Month 5. £2.376m of the forecast spend relates to COVID-19 – this is a combination of loss of income, impact on savings targets and additional expenditure given the need to mitigate health risks posed by COVID-19. Work will continue in implementing financial recovery plans but it is anticipated that demand for statutory social care services could increase as families exit lockdown, which could put additional demands on budgets.

The projected position for the Dedicated Schools Grant is an overspend of £0.429m. This is largely due to some significant emerging overspends in the high needs block, most significantly mainstream schools top-up funding at £0.215m and education agency placements at £0.302m. These pressures are offset by forecast underspends elsewhere in the DSG.

4.8 **Adults Services:** The service is facing significant challenges in 2020/21 in mitigating the risks arising from increasing demands from client needs, supporting more people to be discharged from hospital when they are ready and maintaining a resilient local provider market. This is alongside supporting vulnerable clients during the coronavirus pandemic, delivering a significant financial recovery plan and developing integration plans through the Better Care Fund.

- Service pressure funding of £3.900m, including Better Care and Winter Pressure funding, has been applied in 2020/21 and used to fund budget pressures resulting from the increased demands and complexity in the city. However, £1.550m was needed to backfill the reduction in CCG funding contributions. Over the last two years there has been an overall £3.750m reduction in CCG funding due to pressures on local NHS budgets, however, this has all been borne by the HASC budget although CCG funding also relates to services in other directorates.
- At this stage, £3.498m of the total financial recovery plan of £4.387m are being forecast as unachievable in this financial year. This is predominantly due to Covid-19.
- Overall HASC is forecasting to overspend by £10.760m in 2020/21 which clearly indicates the scale of the current challenges. Actions are focused on attempting to manage demands on and costs of community care placements across Assessment Services and making the most efficient use of available funds. The majority of the forecast overspend is a result of:
  - COVID-19 related spend £17.119m;
  - Unfunded element of cumulative CCG funding reductions of £0.361m;
  - £0.500m 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 planning a development programme called ‘Better Lives, Stronger Communities’ which aims to implement a consistent strengths-based approach across key work streams, ensuring robust pathways are in place, developing a community reablement offer and re-designing the front door service. This programme of work was temporarily paused due to Covid-19 but is now moving ahead. 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

4.9 **Housing Services and Temporary Accommodation:** is now forecast to overspend by £3.818m with a further overspend of £4.300m for housing of rough sleepers to 31 March 2021, totalling £8.118m. However, the report details financial recovery measures using Flexible Homelessness Support Grant and collecting HB from rough sleepers to reduce this overspend to £4.276m. There are three main elements to this overspend as follows:

- a pressure of £1.695m arising from the continued higher volumes of temporary accommodation being required due to the continuing local pressures and bedding in the statutory requirements of the Housing Reduction Act. Also continued levels of overspending as in 2019/20 on other areas of TA such as repairs and income collection mean that £0.350m of savings are unlikely to be met. The numbers in spot purchase accommodation at the end of 2019/20 remained high at over 100 and so, due to the pandemic and the difficulties with moving people on from temporary accommodation, it is assumed that numbers will remain similarly high for the remainder of the year.
- the number presenting as homeless has then risen sharply between March and July as a result of the pandemic and housing those at risk of rough sleeping as part of the response to the 'everyone in' initiative from the Government. This has led to a forecast overspend of £2.348m. As at the end of August there were 217 units of spot purchase accommodation in use across the temporary accommodation service as all other forms of TA are full. This compares to the budget assumption of 36 units on average throughout the year and is the major reason for the overspend.
- A further pressure of £4.300m relating to the accommodation costs of housing rough sleepers in the City up to December 2020. The Council has bid for resources from the MHCLG under the Next Steps Accommodation Programme (NASP) and has just been awarded £3.429m to the end of March 2021. This grant is to cover costs of rough sleeping over both HNC and HASC directorates and therefore will not cover the significant cost pressures relating to rough sleepers across both directorates. The council is waiting for more clarification from MHCLG to identify which services can be funded going forward over the two Directorates of HNC and HASC.

Discussions between officers and the MHLG indicate that the council will be expected to move on a large proportion of the rough sleepers by December into more sustainable accommodation and potentially restrict the numbers housed going forward. Therefore, current forecasts assume no further growth in the numbers of households supported under the 'everyone in' initiative as budget resources have not been identified. A separate report will be brought to P&R Committee before Christmas which will discuss the full costs, the grant and future implications.

Housing will be undertaking an overarching Temporary Accommodation ‘end to end’ review once the support resource from Performance & Improvement team is in place. This work will include reducing the use and length of stay in Temporary Accommodation and be linked to improving homeless prevention and enabling move-on to more sustainable accommodation. The review will also include an assessment of void turnaround processes, and income collection and repairs. Further service transformation was due to be rolled out in March but has been delayed due to COVID-19. The service is also having to adapt to reflect the new approaches required under COVID-19 restrictions and how it can engage differently with people at risk of homelessness.

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

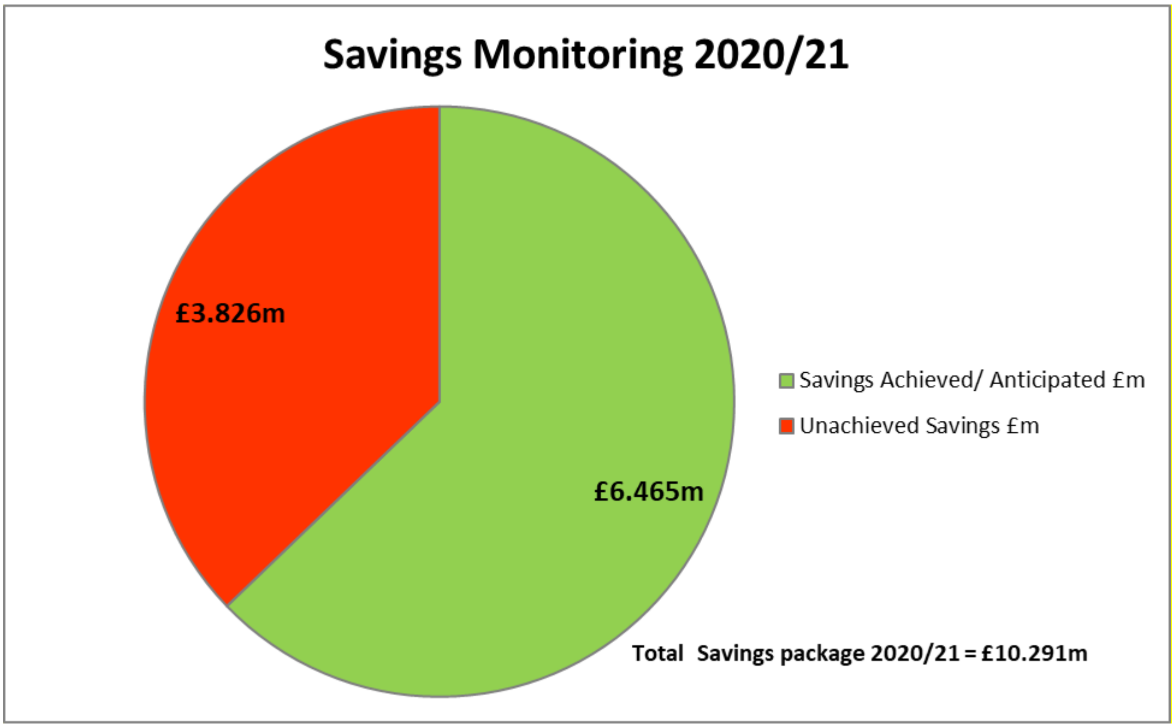
The directorate has, however, started to benefit financially from the release from lockdown. August has seen a substantial recovery of Parking Services income with income levels rising to close to budget in some areas. The Month 5 forecast for the whole year impact of unavoidable cost pressures (mainly agency staffing) related to maintaining core services, such as refuse collection & recycling and street cleansing, at pre-COVID-19 levels is also reduced but still substantial. The revised forecast assumes that parking income levels remain near to budget for the rest of the year which is potentially optimistic in the light of the latest Covid19 related announcements.

The parking income recovery and the estimated sales, fees and charges compensation grant from central government reduces the forecast overspend between Month 4 and Month 5 from £25.857m to £9.274m. Confirmation of the final claim amount will not be known until year end, and in the meantime the estimate for income losses for October to March is subject to the ongoing impact of Government control measures, so there may be some movement in the forecast as a result.

Monitoring Savings

4.11 The savings package approved by full Council to support the revenue budget position in 2020/21 was £10.291m following directly on from a £12.236m savings package in 2019/20. This is very significant and follows eight years of substantial packages totalling over £142m that have been necessary to enable cost and demand increases to be funded alongside managing reductions in central government grant funding.

4.12 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 latest position and indicates that £3.826m (37%) is currently at risk. Of this £3.097m is in respect of pressures relating to COVID-19. Mitigation of these risks will be included in the development of services’ financial recovery actions as far as possible.



5 Housing Revenue Account Performance (Appendix 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 £0.307m 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 overspend of £0.429m 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 £0.366m 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 £0.270m at this stage.

Forecast Variance Month 2 £'000	Directorate	Reported Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
0	Families, Children & Learning	33,611	33,611	0	0.0%
0	Health & Adult Social Care	693	693	0	0.0%
0	Economy, Environment & Culture	65,371	65,371	0	0.0%
0	Housing, Neighbourhoods & Communities	2,859	2,859	0	0.0%
(2,417)	Housing Revenue Account	48,196	48,148	(49)	-0.1%
0	Finance & Resources	3,305	3,083	(222)	-6.7%
0	Strategy, Governance & Law	1,347	1,347	0	0.0%
(2,417)	Total Capital	155,380	155,110	(270)	-0.2%

8.2 Appendix 6 shows the changes to the capital budget and Appendix 7 provides details of new schemes for 2020/21 to be added to the capital programme which are included in the budget figures above. Policy & Resources Committee's approval for these changes is required under the council's Financial Regulations. The following table shows the movement in the capital budget since approval at Budget Council.

Summary of Capital Budget Movement	Reported Budget Month 5 £'000
Budget approved as at July Policy & Resources Committee	160,042
Changes reported at other committees and already approved	100
New schemes to be approved in this report (see Appendix 5)	2,714
Variations to budget (to be approved)	(554)
Reprofiling of budget (to be approved)	(6,922)
Slippage (to be approved)	0
Total Capital	155,380

8.3 Appendix 6 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 in the expectation that there is time to address any initial delays experienced.

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 one-off or 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 may 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 & Digital Investment Fund. The planned profile of capital receipts for 2020/21, as at Month 5, is £10.962m which includes significant receipts expected from the land transferring to the Housing Joint Venture, a number of lease extensions, and property sales identified to support the Stanmer redevelopments. To date there have been receipts of £0.517m in relation to the disposal of Oxford Street Car Park, two small leases and some minor loan repayments. The capital receipts performance will be monitored over the coming months against capital commitments.

9.3 The forecast for the 'right to buy sales' in 2020/21 (after allowable costs, repayment of housing debt and forecast receipt to central government) is that an estimated 30 to 40 homes will be sold with a maximum useable receipt of £0.515m to fund the corporate capital programme and net retained receipt of up to £4.000m available to re-invest in replacement homes. To date 12 homes have been sold in 2020/21.

Collection Fund Performance

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

9.5 The council tax collection fund is forecast to be in deficit by £9.775m of which £9.805m relates to the current year equating to 5.2% of the budgeted income and £0.530m from the deficit brought forward. The forecast deficit has reduced from month 2 by £1.475m and the main reasons for this are an improved forecast for collection of council tax, lower growth in SMI (Severely Mentally Impaired) exemption awards, including a reduction in August, and reducing pensioner Council Tax Reduction (CTR) claimants. The impact of Covid-19 is significantly contributing to the deficit through reduced council tax receipts and increases in working age CTR claimants.

9.6 The main contributors to the deficit are forecast losses in collection of £4.730m relating to both the current year and the collection of arrears, increased CTR awards of £2.485m, continuing increase in SMI exemptions (including backdated elements) £0.495m and shortfalls in liability, in part due to less properties being added to the valuation list at £0.495m. In addition, there are higher than forecast awards of other discounts totalling £0.500m (includes Single Person Discounts and disregards for students and SMI claimants) and other exemptions totalling £0.540m, including probate and patient exemptions. The council's share of the overall forecast council tax deficit is £8.298m.

9.7 The business rates collection fund is forecast to be in deficit by £7.184m. This is based on the estimated impact of COVID-19 on reduced collection of business rates income and potential business failures equating to 5% of the original net rates payable and increased empty property relief. The council's 49% share of the deficit is £3.520m.

9.8 The combined collection fund deficit of £11.818m would need to be funded from one-off resources; normally this would be considered as part of the 2021/22 budget setting process.

Reserves, Budget Transfers and Commitments

9.9 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 council's approved Budget and Policy Framework require Policy & Resources Committee approval in accordance with the council's Financial Regulations and Standard Financial Procedures. There is one new item requiring approval at this time.

9.10 As agreed by this Committee, the Royal Pavilion & Museums Trust transfer took place on 1st October 2020. In year one the external planned maintenance budget is £0.598m. The planned maintenance budget will continue to be held by the council. In the event of any year-end underspend, the remaining balance needs to be protected and ring-fenced to ensure the upkeep of the transferred properties. To accommodate this, it is recommended that a Sinking Fund is created in a similar fashion to the Sinking Fund created when the Dome was established many years ago. It is very unlikely that any significant sum will build up within the fund but it could help to absorb any minor overspends without impacting on other revenue budgets.

10 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

10.1 The provisional outturn position on the General Fund is an overspend of £7.853m. This includes a forecast overspend of £0.366m on the council's share of the NHS managed Section 75 services. Together with a forecast deficit on the Collection Fund of £11.818m, this indicates a current deficit of £19.671m.

10.2 There are no further financial risk provisions available to mitigate the forecast position. Any overspend at the year-end would normally need to be funded from general reserves and balances which would then need to be replenished to ensure that the working balance did not remain below the recommended level of £9.000m. The management of the forecast deficit is considered further in the General Fund Financial Planning Update report also on this committee agenda.

11 COMMUNITY ENGAGEMENT & CONSULTATION

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

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

12.1 The forecast risk at Month 5 represents 3.4% of the net General Fund. The forecast indicates a number of demand and cost pressures alongside income and taxation losses, largely driven by the impact of the pandemic. Substantial government funding support, financial management action and some improvement in income have brought the deficit down from early estimates of over £50m to under £20m. However, this will still require all directorates and services to do everything possible to mitigate the position as far as they are able and maximise income as services continue to come out of lockdown. As noted above, consideration of the management of any deficit is given in the General Fund Financial Planning Update report.

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: 24th September 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 Taxpayers 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: 25th September 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. In addition, the council's response to managing the impact of the pandemic, in lieu of further government funding announcements, will be important to demonstrate that in a worst case scenario, it has plans to manage the financial impact and avoid financial collapse.

Risk and Opportunity Management Implications:

13.5 The council's revenue budget and Medium Term Financial Strategy contain risk provisions to accommodate emergency spending, even out cash flow movements and/or meet exceptional items. The council maintains a recommended minimum working balance of £9.000m to mitigate these risks. The council also maintains other general and earmarked reserves and contingencies to cover specific project or contractual risks and commitments. However, current reserves and balances were not set at a level to manage financial shocks of the scale of the pandemic and any depletion of reserves and balances to manage this position will normally require a plan for replenishment in future years.

SUPPORTING DOCUMENTATION

Appendices:

1. Financial Dashboard Summary
2. Revenue Budget Movement Since Month 2
3. Revenue Budget RAG Ratings
4. Revenue Budget Performance
5. Summary of 2020/21 Savings Progress
6. Capital Programme Performance
7. New Capital Schemes

Documents in Members' Rooms:
None.

Background Documents
None.