

Subject:	Targeted Budget Management (TBM) 2020/21: Month 9		
Date of Meeting:	11 February 2021		
Report of:	Acting Chief Finance Officer		
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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 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 for which significant financial support from government has been required. The financial position has been reported through regular financial update reports to Policy & Resources Committee throughout the year. This report provides the latest forecast and includes memorandum information to indicate the element of the forecast attributable to the pandemic.
- 1.3 The latest forecast for 2020/21 as at Month 9 is a £4.812m underspend on the General Fund revenue budget. This includes a forecast underspend of £0.035m on the council's share of the NHS managed Section 75 services. This is a further substantial improvement of £4.842m from Month 7 reflecting underlying improvements in income and expenditure as shown in paragraph 4.4 below.

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.
- 1.4 The report also indicates that £3.195m (31%) of the substantial savings package in 2020/21 of £10.291m is at risk. Most of this (£2.555m) is due to pressures arising from Covid-19 for which grant support has been provided.

2 RECOMMENDATIONS:

That the Policy & Resources Committee:

- 2.1 Notes the forecast risk position for the General Fund, which indicates an underspend of £4.812m. This includes an underspend of £0.035m on the council's share of the NHS managed Section 75 services.
- 2.2 Notes the forecast net Collection Fund deficit of £8.530m.
- 2.3 Notes the forecast for the Housing Revenue Account (HRA), which is currently an underspend of £0.583m.
- 2.4 Notes the forecast risk position for the Dedicated Schools Grant which is an underspend of £0.267m.
- 2.5 Notes the forecast outturn position on the capital programme which is a forecast underspend of £5.340m.
- 2.6 Agrees to pause the disposal of non-core assets intended for the Stanmer Traditional Agricultural Buildings scheme pending the outcome of the City Downland Estate Plan (CDEP) as set out at paragraph 9.4

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, corporately-held 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 7 £'000	Directorate	2020/21 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	COVID Variance Month 9 £'000	Forecast Variance Month 9 %
1,367	Families, Children & Learning	92,812	93,577	765	2,705	0.8%
8,504	Health & Adult Social Care	64,820	70,935	6,115	7,526	9.4%
8,245	Economy, Environment & Culture	39,841	47,671	7,830	11,984	19.7%
5,151	Housing, Neighbourhoods & Communities	16,669	18,210	1,541	1,792	9.2%
1,264	Finance & Resources	20,970	22,022	1,052	236	5.0%
165	Strategy, Governance & Law	5,450	5,599	149	423	2.7%
24,696	Sub Total	240,562	258,014	17,452	24,666	7.3%
(4,222)	Corporately-held Budgets	(8,204)	(9,424)	(1,220)	319	-14.9%
2,800	Corporate PPE Costs	0	2,200	2,200	2,200	0.0%
(23,244)	Covid 19 Grant	0	(23,244)	(23,244)	(23,244)	0.0%
30	Total General Fund	232,358	227,546	(4,812)	3,941	-2.1%
11,818	Collection Fund Deficit *			8,530		
11,848	Total Forecast Deficit			3,718		

* The government will provide 75% grant funding support for the Collection Fund deficit and will allow the remaining deficit to be spread over 3 years.

- 4.3 The position above shows an overall improvement compared with TBM Month 7 of £4.842m together with an improvement of £3.288m in the Collection Fund deficit projection following a review of the tax bases. The TBM improvement arises from a mixture of improved expenditure forecasts and an improvement in the overall income forecasts including Sales, Fees & Charges compensation grant. This shows a net reportable deficit of £3.718m 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 9.

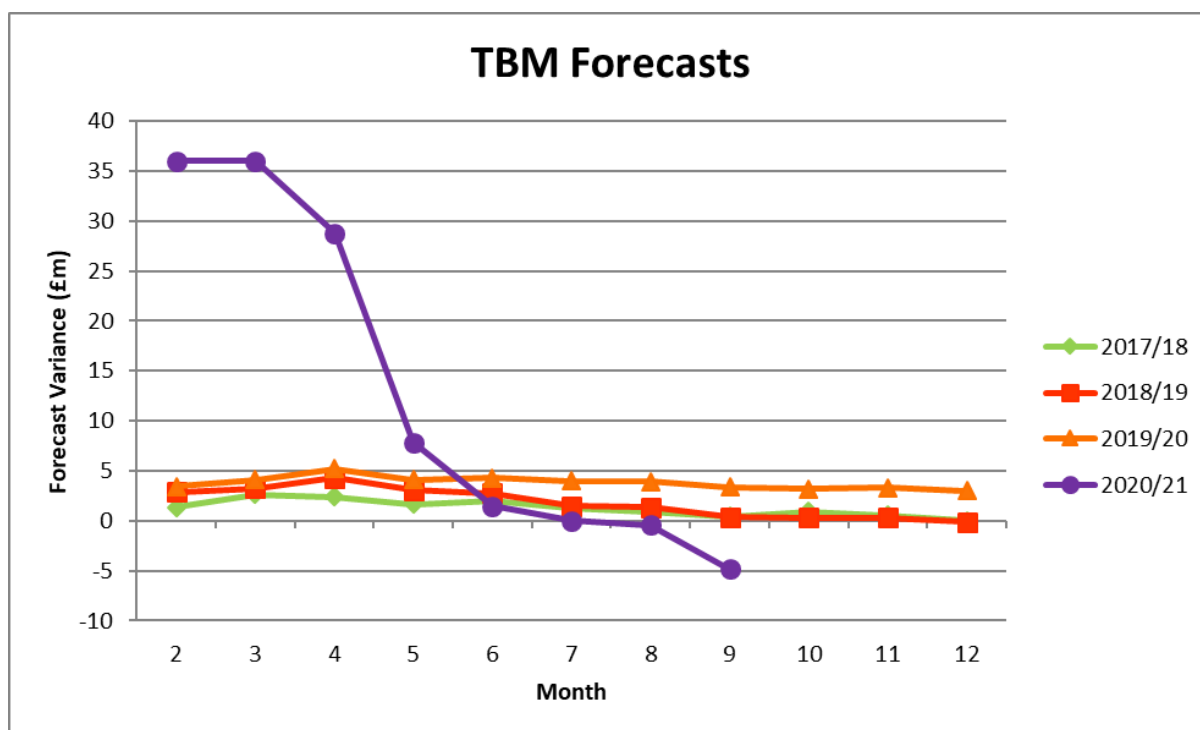
Updated Scenario (Moderate View)	Moderate View Forecast (July P&R) (£m)	TBM Month 9 Forecast (£m)	Difference Better (-) Worse (+) (£m)
Base position: TBM Forecast Month 2 (May)	36.003	36.003	0

Improvement due to speed of recovery (Income)	-5.000	-9.479	-4.479
Further Mitigations (i.e. cost improvements)	-3.000	-8.678	-5.678
Continued Capital Programme pause	-0.500	-0.492	+0.008
Further government COVID-19 funding	-10.000	-22.166	-12.166
Revised Outturn Overspend 2020/21	17.503	-4.812	-22.315
Forecast Collection Fund Deficit 2020/21	10.000	8.530	-1.470
Total Projected Deficit 2020/21	27.503	3.718	-23.785

This table is provided to aid understanding of movements since July. The final column shows that there have been improvements in income, costs and grant forecasts resulting from the following:

- Improved income performance due to the busier than expected summer together with the Sales, Fees & Charges compensation grant. Later lockdowns have also not had the same breadth of impact on economic activity;
- Significant additional NHS income for discharge-to-assess care placements which is reflected in the Health & Adult Social Care forecast;
- Improved costs through effective financial management across the board including, significantly, a reduced forecast of PPE costs of £0.561m, and a reduced capital financing forecast of £0.466m due to reported delays to capital scheme which therefore reduces the Minimum Revenue Provision requirement;
- Substantial additional funding support from government for Emergency Response costs (i.e. excluding income losses) and outbreak containment which was £12.166m higher than estimated in July;
- An improved Collection Fund forecast due to a stabilisation of Council Tax Reduction claimants and a lower than expected impact on in-year collection performance.

4.5 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 as this financial year has a very unusual forecast profile.

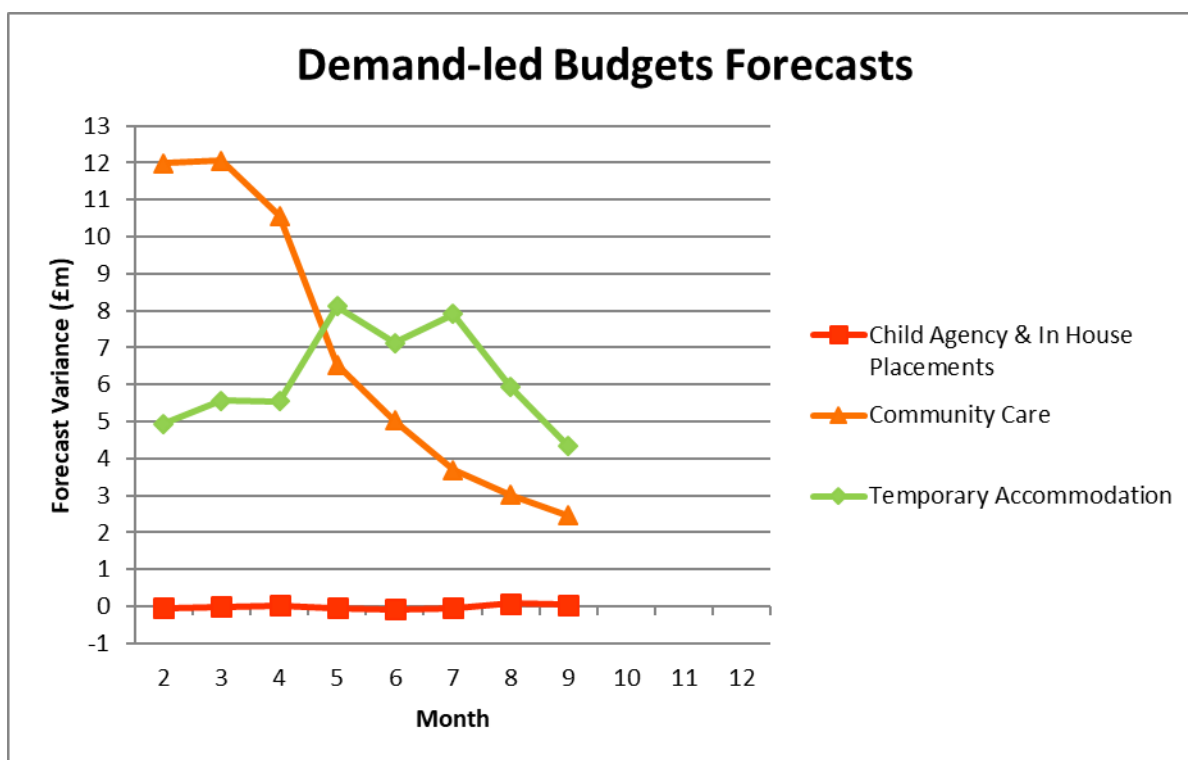


Demand-led Budgets

- 4.6 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	2020/21 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	COVID Variance Month 9 £'000	Forecast Variance Month 9 %
(48)	Child Agency & In House Placements	21,997	22,043	46	438	0.2%
3,694	Community Care	70,775	73,242	2,467	2,549	3.5%
7,904	Temporary Accommodation	3,253	7,586	4,333	5,391	133.2%
11,550	Total Demand-led Budget	96,025	102,871	6,846	8,378	7.1%

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



It should be noted that the Community Care trend is not a reflection of underlying trends in activity which have remained significantly higher than budgeted. The line has fallen primarily due to substantial NHS income being received during the year in respect of hospital Discharge-to-Assess placements of which approximately £8m is expected to be received in total.

TBM Focus Areas

The main pressures identified at Month 7 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:

- 4.7 **Families, Children & Learning:** The current projected position identifies potentially significant cost pressures: £1.558m on Services for Children with Disabilities; £0.429m on services for Adults with Learning Disabilities and £0.891m on Home to School Transport. However, there is a forecast underspend on Children in Care placements of (£1.175m) together with other favourable variances of (£0.938m) This results in a forecast £0.765m overspend as at Month 9. An estimated £2.705m 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 will increase as families exit lock down. This could put additional demand on budgets.

The projected position for the Dedicated Schools Grant is an underspend of £0.267m. This is largely due to some significant overspends in the high needs block, most significantly mainstream school's top-up funding £0.223m and education agency placements £0.392m. These pressures are offset by an underspend in the early years block mainly due to lower spring term free entitlement levels and one-off changes to the apportionment of costs between education and children's social care budgets.

- 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, £2.962m of the total financial recovery plan of £4.387m is forecast as unachievable in this financial year. This is predominantly due to Covid-19.
- Overall, HASC is forecasting to overspend by £6.115m in 2020/21 which clearly indicates the scale of the current challenges. This is net of £7.8m NHS funding. 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 £7.632m, largely funded by NHS contributions;
 - 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 has a Modernisation Programme 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. Currently 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 (TA):** is now forecast to overspend by £2.372m with a further overspend of £1.961m for housing of rough sleepers to 31 March 2021, totalling £4.333m. However, the report details financial recovery measures of £3.050m using Flexible Homelessness Support Grant (FHSG) and collecting Housing Benefit from rough sleepers to reduce this overspend to £1.283m. This is a reduced level of overspend when compared to a forecast

overspend of £4.954m at month 7, but the reduction is because this is now shown net of the HNC directorate's proportion of the Next Steps Accommodation Programme (NSAP) grant and that there has been a reduction in the forecast level of TA repairs costs, due to the pandemic and lockdown 3. The total overspend of £4.333m has four main elements as follows:

- a pressure of £0.761m arising from the continued higher volumes of TA being required for 'business as usual' (estimated 105 households) due to the continuing local pressures and impact of the Homelessness Reduction Act which introduced a relief duty of 56 days prior to concluding statutory duties that might be owed. The service has seen continued levels of overspending as in 2019/20 on other areas of TA such as income collection which means that £0.350m of savings are unlikely to be met. However, spend on repairs of the council's leased TA properties is now forecast to underspend due to Covid restrictions and this has reduced the forecast spend by £0.750m when compared to the forecast at month 7. This is good news for the spend in 2020/21 but it could represent a budget pressure for 2021/22. The numbers in spot purchase accommodation at the end of 2019/20 were 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 budget is set at an average of 36 units of accommodation throughout the year, hence the forecast overspend.
- the number presenting as homeless has then risen sharply between March and September as a result of the pandemic and housing those at risk of rough sleeping as part of the response to the 'everyone in' initiative. This has led to a further forecast overspend of £1.911m. As at the end of December an additional 114 clients were housed over and above the 105 units in spot purchase pushing total units to 219. The number of spot purchase units had reduced during December, however in the first 2 weeks of January the total units increased to 255. The forecast assumes this will continue to increase by a further 10 per month as there are limited move on options at this time.
- forecast underspend of £0.300m relating to the new investment funding for an enhanced level of service for emergency short term accommodation. This assumes the new contract is not in place during 2020/21.
- a further pressure of £1.961m net of grant for the cost of hotel and university accommodation and move on costs for housing rough sleepers to 31 March 2021 as part of the 'everyone in' initiative. The underlying forecast costs of £4.290m are higher by £0.390m compared to month 7 partly due to the recent agreement to continue to house those at risk of rough sleeping and the inability to decant hotels as originally planned. However, the Next Steps Accommodation Programme (NSAP) grant has now been allocated between the HASC and HNC directorates and this forecast now assumes grant of £2.329m for HNC, reducing the net overspend. The service is planning to move all those housed at 30th September in hotels and guest houses into more sustainable accommodation by 31 March 2021 which is a condition of the NSAP grant. However, given the volume of households requiring TA, and the amount of people in spot purchase accommodation and reflecting that the council is currently housing over 300 households outside the city, some hotels will still be required during 2021/22 and the Budget Report, elsewhere on this agenda, includes proposals for this.

Housing is undertaking an overarching Temporary Accommodation 'end to end' Improvement Programme with support resource from Performance & Improvement Team. This work will include considering how to reduce 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, income collection and repairs.

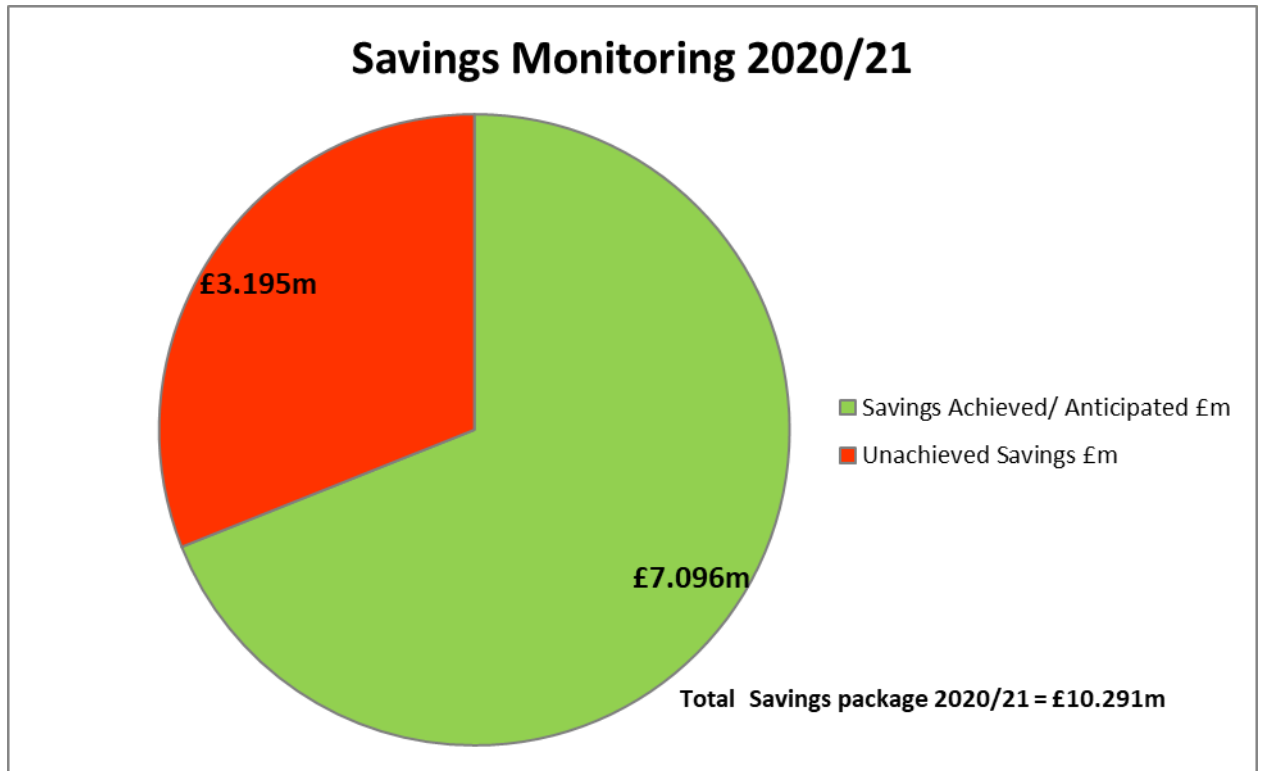
- 4.10 **Environment, Economy & Culture:** The Directorate has substantial income budgets for parking, planning and venues and for the council's commercial property portfolio, all of which are dependent on visitor numbers and commercial activity. There is also a challenging additional income target for 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.

Month 9 has seen a significant deterioration in the directorate's forecast outturn mainly the result of the impact of the latest lockdown on parking income forecasts. After forecast Sales, Fees and Charges grant, this loss is more than offset by new income for the Brighton Centre (rental for use as a vaccination centre).

The overall position (including the latest forecasts for Sales, Fees and Charges grant income) has seen the forecast overspend reduce by £0.415m between Month 7 and Month 9 (£8.245m to £7.830m).

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 8 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 £3.195m (31%) is currently at risk. Of this £2.555m 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 £0.583m and more details are provided in Appendix 4. Underspends are added to HRA reserves to support future HRA service and/or capital investment.

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 £0.267m and more details are provided in Appendix 4. Under the Schools Finance Regulations any underspend or overspend must be carried forward within the schools budget.

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 underspend of £0.035m 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 £5.340m at this stage.

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	11,453	11,453	0	0.0%
0	Health & Adult Social Care	693	693	0	0.0%
0	Economy, Environment & Culture	70,300	70,310	10	0.0%
0	Housing, Neighbourhoods & Communities	2,597	2,597	0	0.0%
(2,417)	Housing Revenue Account	51,222	46,094	(5,128)	-10.0%
0	Finance & Resources	3,395	3,173	(222)	-6.5%
0	Strategy, Governance & Law	1,347	1,347	0	0.0%
(2,417)	Total Capital	141,005	135,665	(5,340)	-3.8%

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 9 £'000
Budget approved as at previous TBM month 7	167,104
Changes reported at other committees and already approved	7,441
New schemes to be approved in this report (see Appendix 5)	528
Variations to budget (to be approved)	(148)
Reprofiling of budget (to be approved)	(33,920)
Slippage (to be approved)	0
Total Capital	141,005

8.3 Appendix 6 would also normally provide details of any slippage into next year. However, due to the impact of the pandemic programme managers have made estimates of necessary reprofiling of schemes which it would not be appropriate to describe as normal slippage. The level of reprofile requests is therefore much higher than normal and could increase further due to the current lockdown.

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 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 2020/21, as at Month 9, 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 Stanmer redevelopment (however, see paragraph 9.4 below). To date there have been receipts of £2.422m in relation to the disposal of Oxford Street Car Park, 8 Greenways Cottages at Ovingdean, the overage settlement for the Shoreham Airport, a deed of variation for Brighton Marina, some 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 17 homes have been sold in 2020/21.
- 9.4 In relation to disposals to support the Stanmer Traditional Agricultural Buildings project, further to consideration at the member Asset Management Board regarding the disposal of non-core agricultural assets to support the scheme, it is proposed to pause the disposal of non-core assets (including Bellview Cottages) pending:
- i) the outcome of the consultation on the future of the Downland estate and the plans for its future management (since some of these buildings may be needed to facilitate future plans) to be reported to Policy & Resources Committee; and
 - ii) should the receipts not be required in whole or in part, to give consideration of disposal of assets to the HRA or a social housing provider, recognising the acute housing need in the city.

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 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.
- 9.6 The council tax collection fund is forecast to be in deficit by £5.902m of which £5.372m relates to the current year equating to 3.0% of the budgeted income and £0.530m from the deficit brought forward.
- 9.7 The main contributors to the deficit are forecast losses in collection of £1.635m relating to both the current year and the collection of arrears, increased Council Tax Reduction (CTR) awards of £2.120m, continuing increases in Severely Mentally Ill (SMI) exemptions (including backdated elements) of £0.450m, and shortfalls in liability in part due to less properties being added to the valuation list at £0.690m. In addition, there are higher than forecast awards of other discounts totalling £0.520m (includes

Single Person Discounts and disregards for students and SMI claimants). The council's share of the overall forecast council tax deficit is £5.010m.

- 9.8 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.
- 9.9 The combined collection fund deficit of £8.530m will be spread over three years and partially offset partly by government funding (at 75%). The one-off resources to meet the first year of the residual deficit will form part of the consideration of one-off resources required in setting the 2021/22 budget, including consideration of internally borrowing from reserves to financially smooth any impact.

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 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 are no items requiring approval at this time.

10 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 10.1 The provisional outturn position on the General Fund is an underspend of £4.812m. This includes a forecast underspend of £0.035m on the council's share of the NHS managed Section 75 services. Together with a forecast deficit on the Collection Fund of £8.530m, this indicates a current net deficit of £3.718m. However, this is before applying the government's 75% funding for Collection Fund deficits.
- 10.2 The forecast underspend can be utilised to support any one-off resource requirements in 2021/22 including cover for any identified one-off costs (e.g. 2021/22 Covid-19 one-off costs) or proposed one-off investments as well as contributing to the residual Collection Fund deficit. One-off resource requirements will be set out in detail in the General Fund budget report to the February Policy & Resources Committee and will consider and requirement for internally borrowing from reserves (financial smoothing) to manage any outstanding one-off resource shortfall.
- 10.3 Any worsening of the forecast by the end of the financial year compared to that assumed in setting the 2021/22 budget 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.

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 underspend at Month 9 shows a significant improvement and now indicates a substantial underspend for 2020/21 on directorate services and an improved Collection Fund deficit. This is a favourable position given the very significant forecast deficits estimated early in the financial year following the first lockdown. The receipt of very significant government grant support is an important factor but the forecast underspend on services has also been contributed to through proactive action taken on costs and income during the year, including the pursuit of furlough claims wherever possible.

- 12.2 Financial management action started early in the year in response to potential financial risks as announcements of government funding were uncertain and only came through over a period of many months, often in tranches and often with uncertainty regarding grant conditions, particularly regarding the Sales, Fees & Charges compensation grant. This proactive action has stood the authority in good stead and means that it has now achieved an underspend that can help to support the 2021/22 budget, which can include support for one-off priority investments and contribute to meeting estimated one-off Covid-19 shortfalls, including the residual Collection Fund deficit.

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: 25th January 2021

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: 29th January 2021

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 will be important to demonstrate that in a worst case scenario, it has plans to manage the financial impact and maintain its longer term financial resilience and sustainability.

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 7
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.

