

<b>Subject:</b>	<b>Targeted Budget Management (TBM) 2021/22: Month 2 (May)</b>		
<b>Date of Meeting:</b>	<b>1 July 2021</b>		
<b>Report of:</b>	<b>Acting Chief Finance Officer</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Jeff Coates</b>	<b>Tel: 29-2364</b>
	<b>Email:</b>	<b>Jeff.Coates@brighton-hove.gov.uk</b>	
<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE**

**1 PURPOSE OF REPORT AND POLICY CONTEXT:**

- 1.1 The Targeted Budget Monitoring (TBM) report is a key component of the council's overall performance monitoring and control framework. This report sets out an early indication of forecast risks as at Month 2 on the council's revenue and capital budgets for the financial year 2021/22. As last year, the report includes memorandum information to indicate the element of the forecast attributable to the ongoing pandemic.
- 1.2 The forecast risk for 2021/22 at this early stage is a £6.205m overspend on the General Fund revenue budget. This includes a forecast underspend of £0.308m on the council's share of the NHS managed Section 75 services. Forecasts should be viewed with some caution at this time as it is difficult to assess the potential ongoing impact of the pandemic on the local economy, visitor activity and the associated demands this can place on services. Cessation or changes in eviction legislation, furlough, Universal Credit top-up's and other support later in the year could also have significant financial implications in terms of demands on services such as Homelessness or through increased Council Tax Reduction support.
- 1.3 The report indicates that £3.253m (30%) of the substantial savings package in 2021/22 of £10.687m is at risk. Of this, £0.890m 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 potential forecast overspend risk of £6.205m. This is net of an underspend of £0.308m on the council's share of the NHS managed Section 75 services.
- 2.2 That the Committee note the forecast for the Housing Revenue Account (HRA), which is currently an overspend of £0.034m.
- 2.3 That the Committee note the forecast risk position for the Dedicated Schools Grant which is an overspend of £0.138m.
- 2.4 That the Committee note the forecast outturn position on the capital programme which is a forecast underspend of £2.342m and approve the variations and slippage in Appendix 5 and new schemes as set out in Appendix 6.

### 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 3)

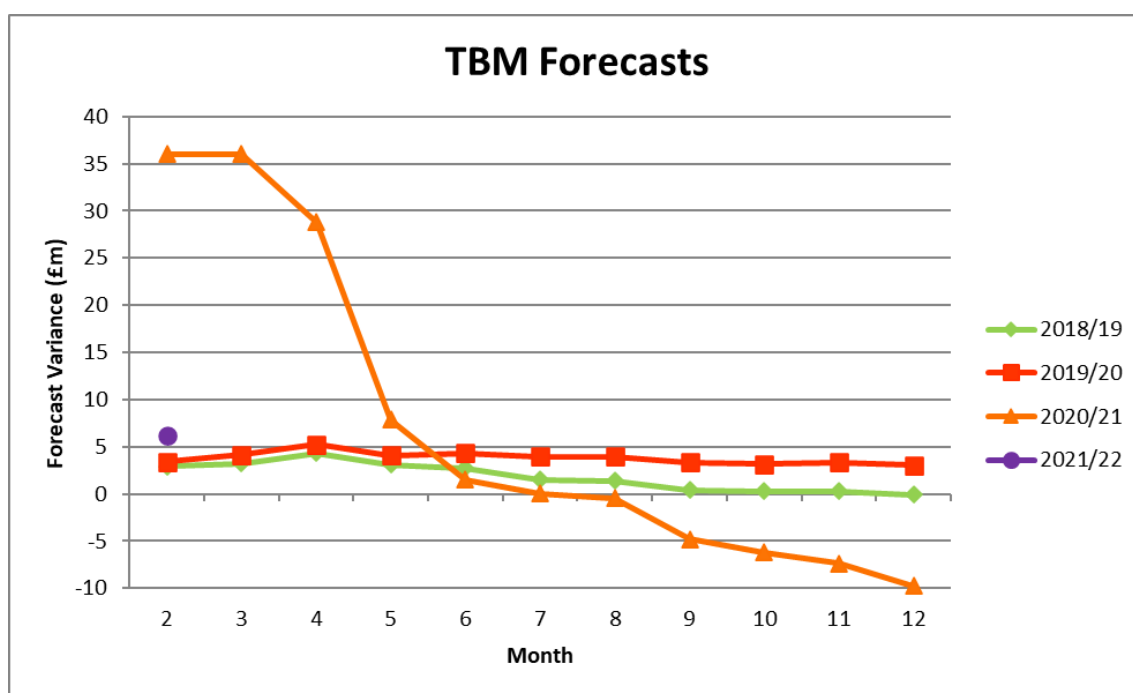
- 4.1 The table below shows the provisional outturn for Council controlled revenue budgets within the General Fund. These are budgets under the direct control and management of the Executive Leadership Team. More detailed explanation of the variances can be found in Appendix 3. Please note that the 'COVID Variance Month 2' column is a memorandum-only column identifying the extent of the 'Forecast Variance Month 2' attributable to the pandemic.

Provisional Variance 2020/21 £'000	Directorate	2021/22 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	COVID Variance Month 2 £'000	Forecast Variance Month 2 %
78	Families, Children & Learning	97,424	97,981	557	468	0.6%

3,832	Health & Adult Social Care	70,504	70,716	212	13	0.3%
5,936	Economy, Environment & Culture	41,923	46,150	4,227	4,168	10.1%
2,069	Housing, Neighbourhoods & Communities	24,986	25,877	891	945	3.6%
722	Finance & Resources	20,541	21,006	465	1	2.3%
(458)	Strategy, Governance & Law	6,184	6,184	0	9	0.0%
12,179	<b>Sub Total</b>	<b>261,562</b>	<b>267,914</b>	<b>6,352</b>	<b>5,604</b>	<b>2.4%</b>
(515)	Corporately-held Budgets	(67,760)	(67,907)	(147)	0	-0.2%
1,847	Corporate PPE Costs	0	0	0	0	0.0%
(23,244)	COVID-19 Grant *	0	0	0	0	0.0%
(9,733)	<b>Total General Fund</b>	<b>193,802</b>	<b>200,007</b>	<b>6,205</b>	<b>5,604</b>	<b>3.2%</b>

\* The Covid-19 Grant for 2021/22 is £8.023m but has been treated as recurrent funding to balance the 2021/22 budget and does not therefore show as a one-off grant above.

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 2021/22 and the previous three years for comparative purposes. The impact of the pandemic clearly makes comparisons difficult at this time.

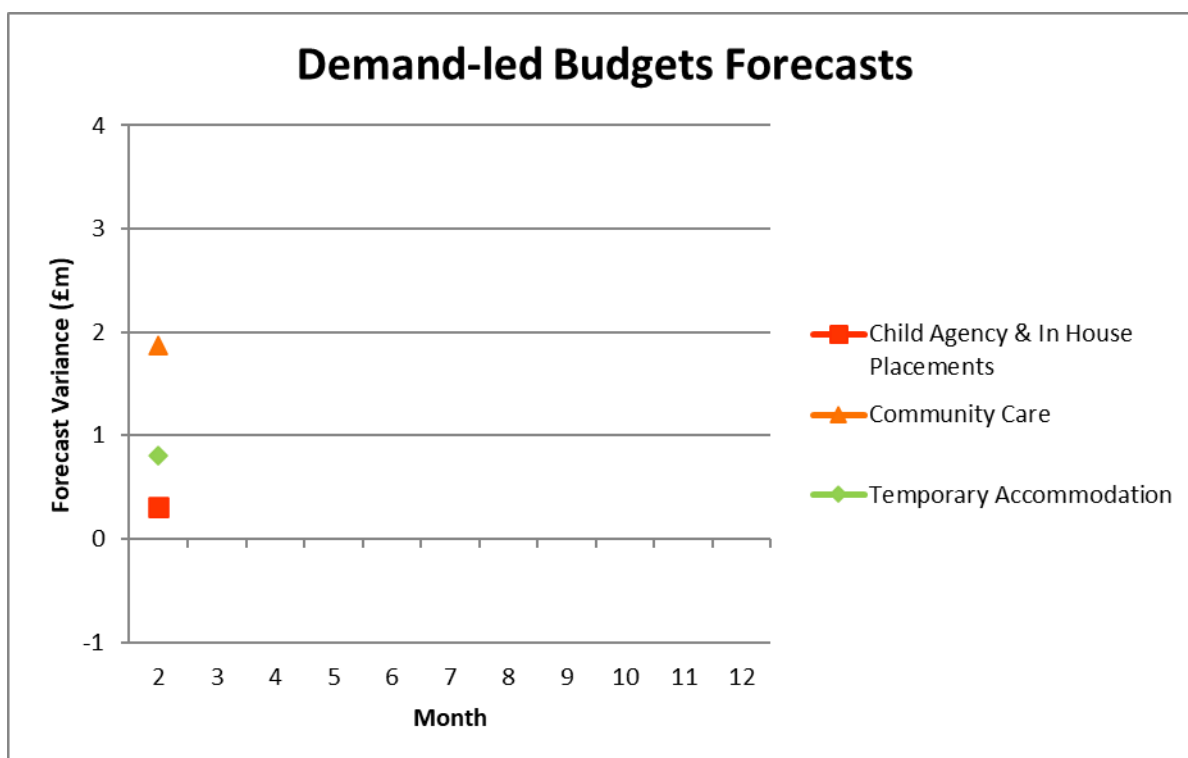


## Demand-led Budgets

- 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.

Provisional Variance 2020/21 £'000	Demand-led Budget	2021/22 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	COVID Variance Month 2 £'000	Forecast Variance Month 2 %
63	Child Agency & In House Placements	23,052	23,363	311	461	1.3%
1,383	Community Care	82,898	84,776	1,878	0	2.3%
4,720	Temporary Accommodation	8,219	9,026	807	5,391	9.8%
6,166	Total Demand-led Budget	114,169	117,165	2,996	5,852	2.6%

The chart below shows the monthly forecast variances on the demand-led budgets for 2021/22.



## TBM Focus Areas

The main pressures identified at Month 2 are across parts of Families, Children & Learning, Health & Adult Social Care, Homelessness, Transport, City Environmental Management and Culture, Tourism & Sport. Information about these pressures and measures to mitigate them are summarised below:

4.4 **Families, Children & Learning:** The current projected position identifies a number of cost pressures as follows: £0.350m on Services for Children with Disabilities; £0.267m on Services for Adults with Learning Disabilities, £0.130m on Home to School Transport, and Council Nurseries £0.150m. However, there is a forecast underspend on Children's Social Care Services of (£0.227m) and a Recovery Plan for Home to School transport of (£0.130m) together with other variances of £0.017m, this results in a forecast of £0.557m overspend as at Month 2. Of this, £0.468m 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 there is concern in the profession that demand for statutory social care services could increase as families exit lockdown.

The projected position for the Dedicated Schools Grant is an overspend of £0.138m. This is largely due to some significant overspends in the High Needs Block, most notably education agency placements £0.326m. These pressures are offset by the remaining balance of the central DSG carried forward from 2020/21.

4.5 **Adults Services:** The service is managing significant challenges in 2021/22 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 pandemic, delivering a significant financial recovery plan and developing integration plans through the Better Care Fund.

- Service pressure funding of £12.700m has been applied in 2021/22 and used to fund budget pressures resulting from the increased demands and complexity in the city. However, £0.361m was needed to backfill the reduction in CCG funding contributions. Over the last three years there has been an overall £3.750m reduction in CCG funding due to pressures on local NHS budgets.
- At this stage, £1.494m of the £4.515m cost management plan are being forecast as unachievable in this financial year.
- Overall HASC is forecasting to overspend by £0.212m in 2021/22. 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 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.

4.6 **Housing Services and Temporary Accommodation:** The budget for Temporary Accommodation is currently forecast to break even. This assumes use of all of the 2021/22 Homelessness Prevention Grant of £6.240m in year and takes account of the £2.382m of service pressure funding (net of savings) that was added to this budget for 2021/22, in recognition of the large increase in households using Temporary Accommodation during the pandemic. This forecast assumes that for 2021/22 the numbers in Emergency Accommodation (EA) increase slightly and then remain largely static (an average of 619 units of EA). Move-ons from EA will be challenging while the service prioritises moving on those housed in hotels under the 'Everyone In' initiative. There is a risk that if those moved on from hotels are moved into EA, this will result in overspends on TA budgets. There is also a risk that costs of TA will increase further if households become homeless as a result of the ending of the restrictions on private landlord evictions. The effects of this have yet to be factored into this forecast due to the high levels of uncertainty.

There is a forecast overspend of £0.807m for the cost of 'Everyone In' hotels. The forecast assumes that some hotels will be needed beyond 30th September as the number of move-ons required in the next three months will be very challenging to achieve. The overspend is also caused by lower than expected HB collection rates and higher damages/repairs costs and security costs than originally forecast. Some of this overspend is because Housing Benefit income is included in the forecast for TA above and cannot be easily disaggregated. This is because hotels are also being utilised for single emergency accommodation clients as well as those housed under 'Everyone In' to ensure efficient use of vacancies. This forecast assumes the use of £2.043m Containment Outbreak Management Fund (COMF) Grant as agreed at P&R (Recovery) Sub-Committee on 28 April 2021 and also the use of £0.500m grant from MHCLG for continued housing of rough sleepers in 2021/22 as included in the original budget assumptions.

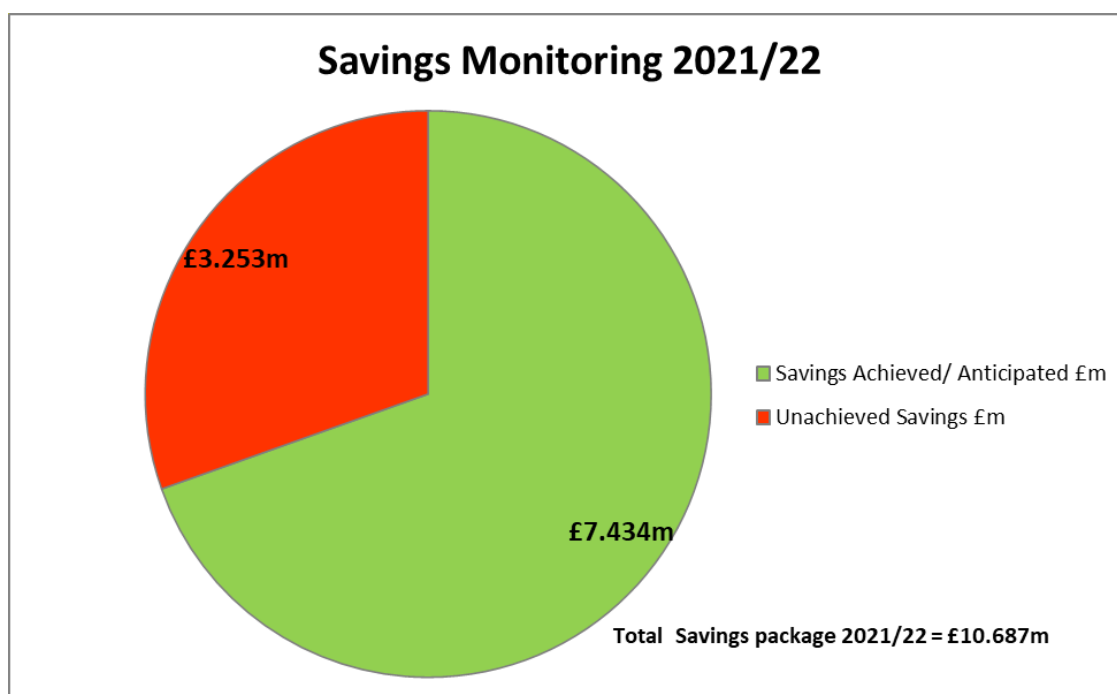
The service will be working to improve this overspend position as the year progresses. It has recently employed the services of a Housing Transformation Manager to head up an 'end-to-end' improvement programme to help the service improve its processes in order to reduce the use and length of stay in Temporary Accommodation by improving homeless prevention and enabling move on to more sustainable accommodation. This in turn should also lead to cost reductions by improving move on processes, void turnaround times in emergency accommodation and improving income collection for example. There are however staffing challenges including significant vacancies and recruitment challenges in this area.

4.7 **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 £1.750m for 2021/22. These activities and services have been heavily impacted by the COVID-19 restrictions and the forecast is for significant income shortfalls compared to budget for 2021/22 in most of these areas. The Sales, Fees & Charges Compensation Grant has reduced the impact of some of these lost incomes. The hope will be for significant recovery as restrictions continue to be lifted and local tourism improves which could improve later forecasts. However,

there are also unavoidable cost pressures (mainly agency staffing) related to maintaining core services, such as refuse collection & recycling and street cleansing. The overall effect of these factors is an early forecast risk of £4.340m for Month 2.

### Monitoring Savings

- 4.8 The savings package approved by full Council to support the revenue budget position in 2021/22 was £10.687m following directly on from a £10.291m savings package in 2020/21. This is very significant and follows 10 years of substantial packages totalling over £175m that have been necessary to enable cost and demand increases to be funded alongside managing reductions in central government grant funding.
- 4.9 Appendix 3 provides a summary of savings in each directorate and indicates in total what is anticipated/achieved or is at risk. Appendix 4 summarises the position across all directorates and presents the entire savings programme. The graph below provides a summary of the position as at Month 2 which is an early indication. This shows that £3.253m (30%) is currently at risk. Of this £0.890m 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 3)

- 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 £0.034m and more details are provided in Appendix 3.
- 5.2 This year is more challenging for the HRA and the relatively small overspend is mainly the result of the catching up on the backlog of repairs from 2020/21 together with a reduction in rent income caused by empty properties awaiting works. These costs are largely offset by other underspends across the service resulting in a

relatively small forecast overspend of £0.034m. However, if the HRA cannot manage this overspend through the year, this can be met from HRA reserves.

## 6 Dedicated Schools Grant Performance (Appendix 3)

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 £0.138m and more details are provided in Appendix 3. 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 3)

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 £0.308m is currently forecast and more details are provided in Appendix 3.

## 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 £2.342m at this early stage. More details are provided in Appendix 5.

	Reported Budget Month 2	Forecast Outturn Month 2	Forecast Variance Month 2	Forecast Variance Month 2
Directorate	£'000	£'000	£'000	%
Families, Children & Learning	25,025	25,025	0	0.0%
Health & Adult Social Care	715	715	0	0.0%
Economy, Environment & Culture	82,661	82,661	0	0.0%
Housing, Neighbourhoods & Communities	2,990	2,990	0	0.0%
Housing Revenue Account	90,464	88,122	(2,342)	-2.6%
Finance & Resources	2,799	2,799	0	0.0%
Strategy, Governance & Law	600	600	0	0.0%
<b>Total Capital</b>	<b>205,252</b>	<b>202,910</b>	<b>(2,342)</b>	<b>-1.1%</b>

(Note: Summary may include minor rounding differences to Appendix 5)

8.2 Appendix 5 shows the changes to the capital budget and Appendix 6 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.

<b>Summary of Capital Budget Movement</b>	<b>Reported Budget Month 2 £'000</b>
Budget approved as at Budget Council	206,658
Changes reported at other committees and already approved	10,639
New schemes to be approved in this report (see Appendix 6)	511
Variations to budget (to be approved)	2,671
Reprofiling of budget (to be approved)	(15,227)
Slippage (to be approved)	0
<b>Total Capital</b>	<b>205,252</b>

- 8.3 Appendix 5 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.

## **9 Implications for the Medium Term Financial Strategy (MTFS)**

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

### **Capital Receipts Performance**

- 9.2 Capital receipts are used to support the capital programme. Any changes to the level of receipts during the year will impact on future years' capital programmes and may impact on the level of future investment for corporate funds and projects such as the Strategic Investment Fund, Modernisation Fund, Asset Management Fund and the Information, Technology and Digital Investment Fund. The planned profile of capital receipts for 2021/22, as at Month 02, is £11.4m which includes receipts expected from the land transferring to the HRA for the Moulsecomb housing redevelopment, land disposals at the Cliff and Braypool Lane, disposal of properties at the Old Steine and a number of lease extensions. To date there have been receipts of £1.473m in relation to the lease re-gear for commercial premises in Western Road, Brighton 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 2021/22 (after allowable costs, repayment of housing debt and forecast receipt to central government) is that an estimated 30 homes will be sold and net retained receipt of up to £2.000m available to re-invest in replacement homes. In addition to this net retained receipt the HRA will also retain circa £0.520m to fund investment in the HRA capital programme. To date 3 homes have been sold in 2021/22.

## **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 At this stage of the financial year the council is forecasting that the collection funds will be in deficit for council tax by £0.743m and business rates by £0.335m. This relates solely to the brought forward deficit relating to changes between January 2021 and March 2021 as it is currently forecast that the in-year position will achieve break-even. The council's share of these combined deficits is £0.791m and may be subject to spreading over future financial years.

## **Reserves, Budget Transfers and Commitments**

- 9.6 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. There are no new reserves or budget transfers requiring approval at this stage.

## **10 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 10.1 The provisional outturn position on the General Fund is an overspend of £6.205m. This includes a forecast underspend of £0.308m on the council's share of the NHS managed Section 75 services. The accuracy of forecasts at this stage is not likely to be within high confidence limits, particularly given the very wide range of variables and factors driven by the ongoing pandemic. The recovery of Parking Incomes will clearly be an area to monitor closely alongside ongoing pressures on Homelessness services.
- 10.2 The committee are advised that there are no set aside financial risk provisions available to mitigate the position, however, the council does have 2021/22 Contain Outbreak Management Funding of £2.070m, part of which may be available to mitigate some costs, for example, Homelessness costs.

## **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 2 represents 3.2% of the net General Fund. This early forecast indicates a number of demand and cost pressures alongside income pressures, the majority of which are driven by the ongoing pandemic. All directorates and services will continue to do everything possible to mitigate the position as far as they are able through the development of financial recovery plans and actions.

## **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: 22nd June 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 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: 21st June 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, 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 RAG Rating
3. Revenue Budget Performance
4. Summary of 2021/22 Savings Progress
5. Capital Programme Performance
6. New Capital Schemes

### **Documents in Members' Rooms:**

None.

### **Background Documents**

None.

