

Brighton & Hove City Council

Strategy, Finance & City Regeneration Committee

Agenda Item 25

Subject: Targeted Budget Management (TBM) 2023/24:
Month 2 (May)

Date of Meeting: 13 July 2023

Report of: Chief Finance Officer

Contact Officer: Name: Jeff Coates **Tel:** 29-2364

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 an early indication of forecast risks as at Month 2 on the council's revenue and capital budgets for the financial year 2023/24.
- 1.2 The forecast risk for 2023/24 at this early stage is a £11.101m overspend on the General Fund revenue budget. This includes a forecast overspend of £4.823m on the council's share of the NHS managed Section 75 services. Forecasts at this stage of the year are based on early trends and are more difficult to predict with high accuracy, particularly in relation to those areas subject to seasonal variation. There are also some ongoing impacts in relation to economic conditions which are currently suppressing incomes such as planning fees and commercial rents as well as continuing to drive higher Council Tax Reduction claimant numbers. A significant level of savings are also shown to be at risk with the report indicating that £2.947m (23%) of the substantial savings package in 2023/24 of £13.043m is potentially at risk.

2 RECOMMENDATIONS:

- 2.1 That the Committee note the forecast risk position for the General Fund, which indicates a potential forecast overspend risk of £11.101m. This includes an overspend of £4.823m on the council's share of the NHS managed Section 75 services.
- 2.2 That the Committee note the escalated recruitment and spending controls summarised in Section 12 that have been applied from 3 July to assist in mitigating the overspend forecast over the remaining months of the financial year.
- 2.3 That the Committee note the forecast for the Housing Revenue Account (HRA), which is currently an overspend of £0.160m.
- 2.4 That the Committee note the forecast position for the Dedicated Schools Grant which is currently an overspend of £1.155m.

- 2.5 That the Committee note the forecast outturn position on the capital programme which is a forecast underspend of £2.470m 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 Strategy, Finance and City Regeneration 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)

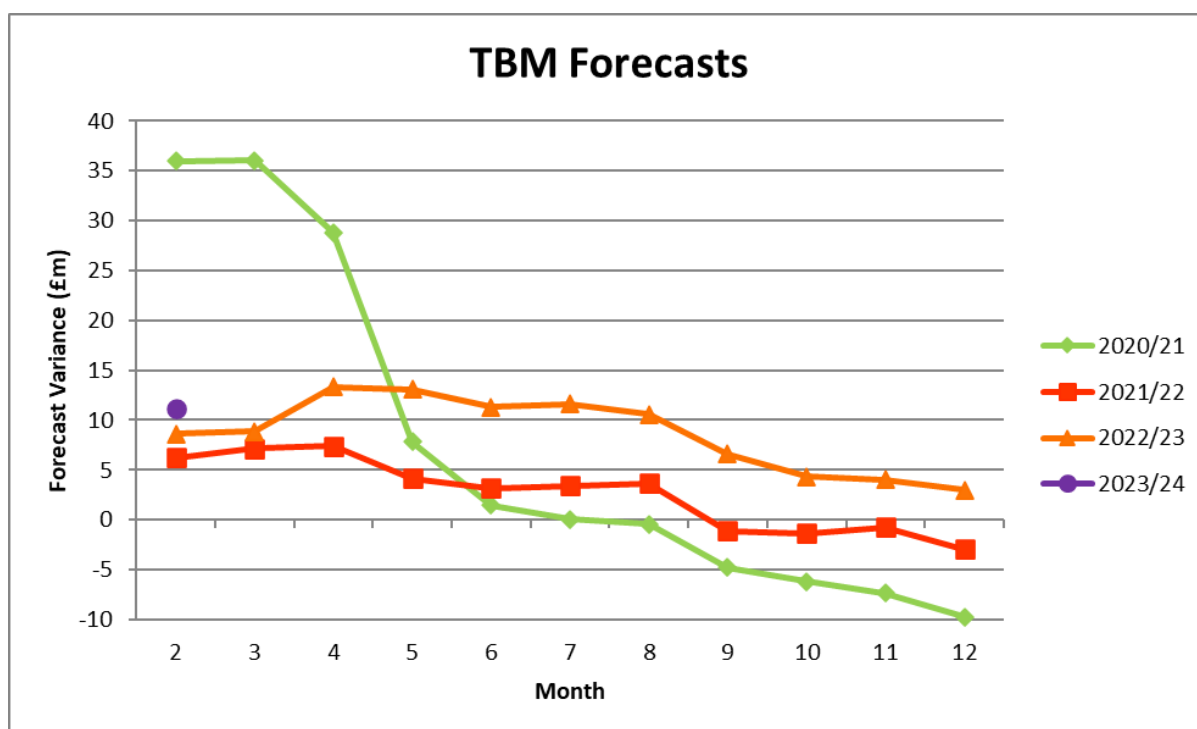
4 General Fund Revenue Budget Performance (Appendix 3)

- 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.

2022/23 Provisional Outturn £'000	Directorate	2023/24 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
2,837	Families, Children & Learning	63,514	64,545	1,031	1.6%
(2,138)	Health & Adult Social Care	106,516	109,213	2,697	2.5%
98	Economy, Environment & Culture	41,001	43,214	2,213	5.4%
(92)	Housing, Neighbourhoods & Communities	22,844	24,907	2,063	9.0%
(308)	Governance, People & Resources	31,803	31,803	0	0.0%
397	Sub Total	265,678	273,682	8,004	3.0%
2,623	Corporately-held Budgets	(19,811)	(16,714)	3,097	15.6%
3,020	Total General Fund	245,867	256,968	11,101	4.5%

- 4.2 The General Fund includes general council services, corporate budgets and central support services. Corporate Budgets include centrally held provisions and budgets

(e.g. insurance) as well as some cross-cutting value for money savings targets. Note that General Fund services are accounted for separately to the Housing Revenue Account (Council Housing). Note also that although part of the General Fund, financial information for the Dedicated Schools Grant is shown separately as this is ring-fenced to education provision (i.e. Schools). The chart below shows the monthly forecast variances for 2023/24 and the previous three years for comparative purposes.

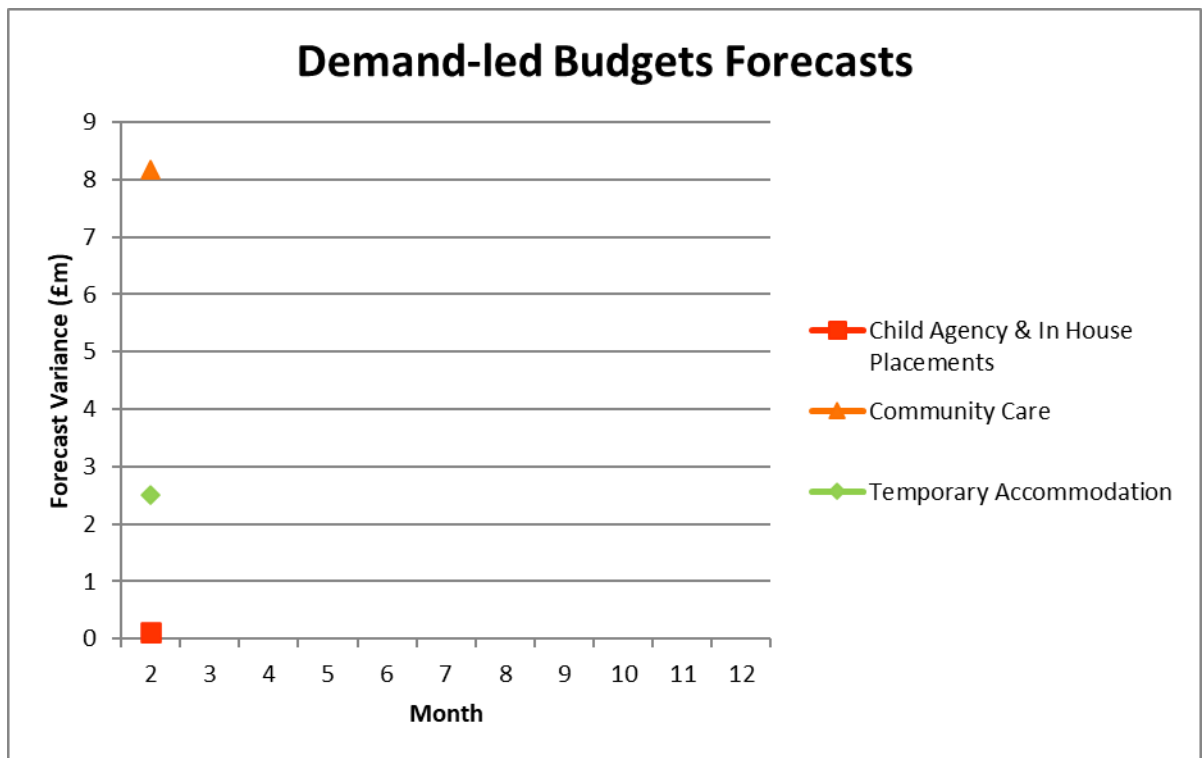


Demand-led Budgets

4.3 There are a number of budgets that carry potentially higher financial risks and therefore could have a material impact on the council's overall financial position. These are budgets of corporate significance where demand or activity is difficult to predict and where relatively small changes in demand can have significant implications for the council's budget strategy. These can include income related budgets. These therefore undergo more frequent and detailed analysis.

2022/23 Provisional Outturn £'000	Demand-led Budget	2023/24 Budget £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
943	Child Agency & In House Placements	26,906	27,027	121	0.4%
933	Community Care	71,746	79,915	8,169	11.4%
734	Temporary Accommodation	9,898	12,399	2,501	25.3%
2,610	Total Demand-led Budget	108,550	119,341	10,791	9.9%

The chart below shows the monthly forecast variances on the demand-led budgets for 2023/24.



TBM Focus Areas

There are clearly widespread pressures across most areas of the council, particularly front-line, demand-led areas which is a clear indicator of the inflationary and demand pressures driven by current economic conditions. Key areas of pressures are outlined below:

4.4 **Families, Children & Learning:** The current projected position identifies potentially significant cost pressures: £0.562m on Home to School transport, £0.373m on Schools' PFI, £0.140m on Children's Disability Payments, and £0.133m Commissioning and Brokerage. These, together with other variances of (£0.177m) result in a forecast overspend of £1.031m overspend as at Month 2.

- **Home to School Transport** There are several factors contributing to overspends in Home to School Transport. These include increased demand on the service (both at 5-16 ages, and 16 up until 19th birthday), increased numbers of children requiring single occupancy journeys, lack of local SEND school sufficiency, and increased numbers of routes required to accommodate individual post 16 learners' timetables. Market forces within SEND transport are also contributing to overspend in Home to School Transport. The service is being increasingly impacted by local driver, vehicle passenger assistant, vehicle shortages and increased running costs. There is also a lack of competition in the transport market, particularly minibus providers, which is pushing up contract prices still further. There is increasingly less capacity in the local system to meet increasing demand, not just in the numbers of children requiring transport but the nature of the transport requirements.
- **Children in Care and Care Leavers:** The post pandemic period has seen children with increasingly complex needs coming into care, as well as problems in foster care recruitment causing an acute sufficiency issue making placing children in families either in-house or with external providers very difficult. This

has inevitably led to increasing numbers of children being placed in residential homes or very expensive semi-independent placements. The impact of the increasing complexity of need has resulted in a small number of very high-cost placements with a combined cost of £1.821m at an average unit cost of £11,607 per week. The number of care leavers requiring financial support for accommodation has been steadily rising for some time.

As at 31st May 2023 there were 151 care leavers in receipt of financial support compared with 134 at the start of the 2022/23 financial year – a rise of 13%. The result is the forecast overspend for care leaver expenditure. There are currently a number of ongoing initiatives and alternative service offers, attempting to reverse the trend of reducing foster carer numbers and address the complex needs of the children being referred. Including a revised and enhanced foster carer allowance structure, new foster care recruitment and supervision practices, Early Help and alternative family support provision. Dependent on the relative success of these initiatives, it is anticipated that placements for children in care and care leavers will remain within budget in 2023/24.

- **Schools PFI:** The Schools' PFI (Private Finance Initiative) was set up in 2003 to improve the facilities at four schools within the city - Dorothy Stringer, COMART (now closed), Patcham High and Varndean – using private finance to fund the capital improvements. The scheme runs for 25 years and a Special Purpose Vehicle (a legal entity created to fulfil specific or temporary objectives) "Brighton & Hove City Schools Ltd" was set up as part of it. This is currently owned by SEMPERIAN. The scheme is funded partly by a DfE grant with schools paying an annual charge back to the council and partly via an annual drawdown of earmarked reserves. The annual charge is updated each March for the RPIX (RPI All Items Excluding Mortgage Interest) for the 12 months to February. Once the 25-year period is complete (~ 31st March 2028) the contract with SEMPERIAN ends and the assets will be transferred back to the council.

The forecast for the 2023/24 central Dedicated Schools Grant is currently an overspend of £1.155m. More details are provided in Appendix 3.

- 4.5 **Adults Services:** The service faces significant challenges in 2023/24 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. It is to be noted that this is after applying service pressure funding of £9.639m in 2023/24 which has been used to fund budget pressures resulting from the increased complexity and costs of care.

The 2023/24 savings plan for HASC totals £4.316m. There are continued actions focussing on attempting to manage demand on and costs of community care placements across Assessment Services and making the most efficient use of available funds.

The forecast does not include any additional funding from Health except those areas already identified in the Financial Recovery Plan. The additional temporary funding from Health in the last 2 financial years has averaged £0.753m per annum.

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 the system due to short-term grant monies and no long-term funding solution;
- Significant pressures on the acute hospital resulting in increased costs to support timely discharge into residential and nursing home care;
- Pressures on NHS outreach and other preventative services including community nursing (known as Integrated Primary Care Teams);
- Workforce capacity challenges across adult social care services;

The funding of all care packages is scrutinised for Value for Money, ensuring that eligible needs are met in the most cost-effective manner which will not always meet people's aspirations. Established safeguards are in place to provide assurance within this process.

4.6 **Temporary Accommodation:** The current forecast overspend in this service is driven by an increase in demand for temporary accommodation since January 2023 together with an increase in the rental costs of the accommodation. As a result of these pressures, the service is forecasting to overspend by £2.501m and £1.023m of the savings target for Homelessness will not be met. The overspend relates to the following elements:

Emergency nightly booked (spot Purchased) accommodation is forecast to overspend by £1.295m. The trend of increasing emergency accommodation numbers is continuing into 2023/24. Since April the council has housed an average of 153 households every night which is almost three times higher than budgets allow. This is driven largely by an increase in private property owners selling properties and evicting tenants as a result. There is also an increase in the number of households being placed who are fleeing from domestic abuse. The service is analysing each placement to identify any opportunities to better prevent homelessness and understand the reasons for this and whether this is a sign of a wider trend in increasing demand due to the hardship people are facing as a result of the higher cost of living. The average nightly rate has also increased as there are fewer, more affordable properties available.

The service is also facing further pressures on the overall costs of block booked emergency accommodation. The budget assumed that there would be a reduction of 125 units during 2023/24. However, this is now looking increasingly unlikely due to the demands on the service and the forecast assumes no reduction in the number of households supported during 2023/24. This impacts on the ability of the service to meet its savings targets, as mentioned above. Additionally, the council is facing large increases to contract costs and therefore the forecast is that this budget will overspend by £2.114m.

Leased TA is forecast to overspend by £0.151m, most of which relates to the extra cost from the loss of Housing Benefit Subsidy. There is also a forecast overspend on staffing costs associated with the Temporary Accommodation service of £0.041m.

These variances have been offset by further grant funding from DLUHC of (£1.100m) more than budgeted in 2023/24.

Housing is continuing to seek cost reductions through the continuation of the Homelessness Transformation Programme which is an 'end to end' improvement programme to help the service improve its processes to reduce the use and length of stay in Temporary Accommodation by improving homeless prevention and enabling move on to more sustainable accommodation. This is challenging in a city where private sector rents are very high, supply is limited, and benefit levels remain static. Further efficiencies will be sought as part of an urgent financial recovery plan which aims to reduce costs by £0.600m by reducing the use of expensive nightly booked accommodation and also the average nightly charge by seeking more cost-effective opportunities. Also, by (for example) continuing to improve the prevention of homelessness, endeavouring to get the best prices for all temporary and emergency accommodation; improving void turnaround times in emergency accommodation, and improving income collection thereby continuing to reduce costs in line with the budget strategy.

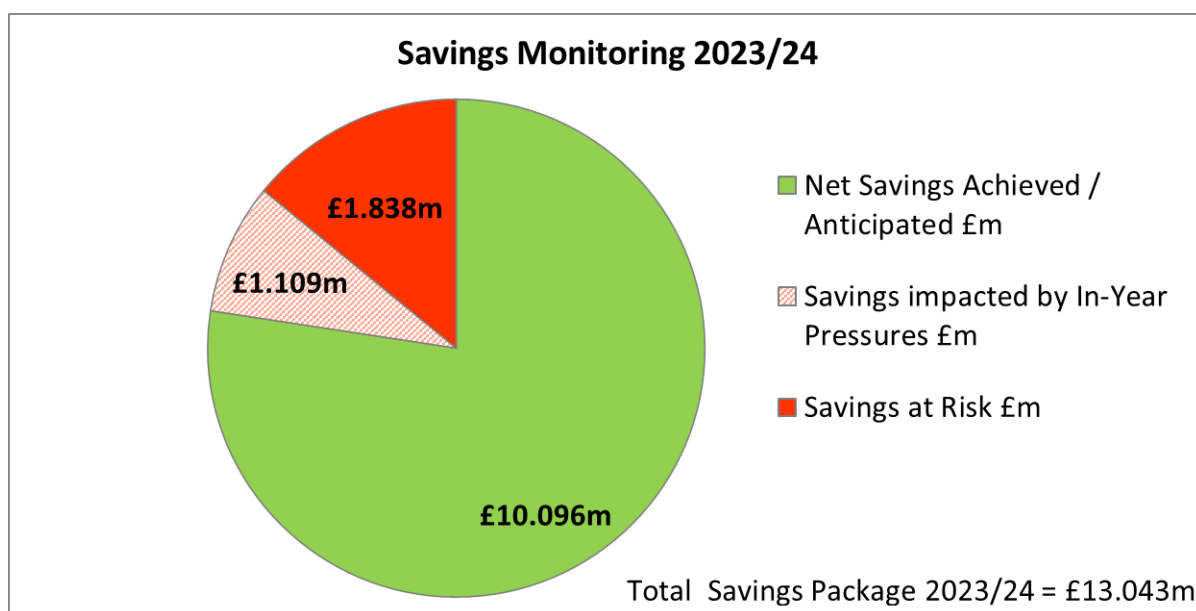
- 4.7 **Environment, Economy & Culture:** The Directorate has substantial income budgets for parking, planning and venues and for the council's commercial property portfolio, all of which are dependent on visitor numbers and commercial activity. There are also challenging savings in year of which most relate to additional income. Of the £4.727m savings proposed for the current financial year £3.338m net of pressures is achieved or anticipated to be achieved, with the remaining £1.389m at risk. Price increases have been applied in most areas, with other increases due to be implemented in the coming months, however the anticipated income has yet to be achieved as these areas are dependent on demand including tourism and visitor numbers. The most significant areas of shortfall are £0.941m for parking tariff and permit fees increases, £0.100m on the lifeguard service due to the delayed implementation of the budget saving to ensure a full summer season this year, and £0.165m pressure on new and increased commercial income targets.
- 4.8 These activities and services had been heavily impacted by COVID-19 in previous years and the services are starting to see recovery, but these targets will only be achieved if demand returns fully to pre covid levels including paid parking, tourism and venues incomes, commercial activities and Planning & Building Control fee incomes. The directorate also contains large budgets for the waste collection and street cleansing services which are forecasting greater than budgeted costs due to agency cover of vacant posts and greater uptake on the pension scheme over recent years adding staffing pressures to existing budgets. The overall effect of these factors is a forecast risk of £3.233m for Month 2. The Directorate is applying financial recovery measures of reviewing expenditure budgets and income potential throughout the year to address budget overspends. These financial recovery measures will seek to reduce the forecast risk to £2.213m.
- 4.9 **Corporately-held Budgets** There is a forecast overspend of £3.097m on corporately-held budgets, however, this is primarily because the projected additional costs of the NJC Local Government 2023/24 pay award are held on this budget line. The projected additional cost is £3.700m which is based on the employers' pay award offer of a £1,925 flat rate increase or 3.88%, whichever is greater, for all NJC salaries plus the agreed pay award of 3.50% for JNC Chief Officers. This is equivalent to a 6.0% increase on the payroll compared with the 3.75% increase included in the budget for 2023/24.

There is also an estimated pressure of £0.400m on Housing Benefit subsidy. There is insufficient data to make a detailed forecast but based on last year's outturn an overspend of at least £0.400m is expected. The forecast will be updated as soon as more data is available.

These pressures are partially offset by a forecast underspend of £0.930m on the Financing Costs budget. This is due to improved investment income following increases in the Bank of England Base Rate and cash balances.

Monitoring Savings

- 4.10 The savings package approved by full Council to support the revenue budget position in 2022/23 was £13.043m following directly on from a £10.509m savings package in 2022/23. This is very significant and follows 13 years of substantial packages totalling over £209m, since government grant reductions commenced in 2009/10, that have been necessary to enable cost and demand increases to be funded alongside managing the reductions in central government grant funding.
- 4.11 Appendix 3 provides a summary of savings in each directorate and indicates in total what is anticipated/achieved, what has been offset by in year pressures and the net position of savings 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 and shows that gross savings of £11.205m have been achieved but that inflationary pressures (exceptional price increases) have reduced this by £1.109m leaving a total of £2.947m (23%) currently at risk. This includes £1.838m of unachievable or unachieved savings.



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.
- 5.2 The forecast outturn is an overspend of £0.160m and more details are provided in Appendix 4. The investment made for the 2023/24 HRA budget went some way to

address these issues, but inevitably pressures have surfaced since the budget was formally agreed at Full Council in February 2023, some of which are described below.

- 5.3 The 2023/24 budgets include an allowance for a pay award of 4% across all posts, this added £0.804m to the salary budgets for the financial year. It is anticipated that the pay offer will exceed this with the latest estimates resulting in a further £0.418m being added to the 2023/24 base salary budgets. The total increase is equivalent to a 5.6% increase on payroll compared to the 4% already allowed for, this will be funded from Direct Revenue Funding during 2023/24 and will form part of the base budget for 2024/25.
- 5.4 The empty properties recovery working group continues during 2023/24 to address the rent loss and other costs such as the cost temporary accommodation, council tax and repairs associated with those empty properties. There is an expected overspend on void rent loss during 2023/24, this is in part due to a greater number of new affordable homes being delivered during the year than was anticipated at the time of setting the budget. This overspend has been offset by the increase in income from those new homes.
- 5.5 Legal costs associated with disrepair claims remains a pressure for the HRA with an estimated £0.200m overspend forecast at this point. This overspend does not include the remedial works associated with those claims, which will be included in the Repairs & Maintenance costs for the year. The service will continue to monitor the number of claims being made and will report updates accordingly.
- 5.6 A committee report was presented to Housing Committee on 23rd June 2023 outlining the high level implications of Health & Safety update on the HRA. The report updated Housing Committee on the key outcomes, actions to date, and resourcing plans arising from our Housing health & safety review against the following six areas of compliance and assurance: fire safety; asbestos; electrical safety; gas / fuel safety; lifts and lifting equipment; water safety. The timing of investment means the financial implications for 2023/24 are such that the costs can be managed within the existing resources already approved. Implications for 2024/25 and beyond will be included in the 2024/25 HRA budget report.
- 5.7 Repairs & maintenance costs continue to create a pressure for the HRA, this is related predominantly to the cost of inflation and the volume of jobs to be completed. The overspend for 2023/24 is estimated to be £0.729m. This overspend is mitigated through the use of earmarked reserves specifically for the use against clearing the backlog of repairs, £0.940m was carried forward from 2022/23 leaving £0.211m available for any other cost overruns.
- 5.8 The service will continue to review spend to try to reduce this forecast overspend during the year. If this cannot be managed within budget then the overspend will be met from other HRA resources including reviewing the revenue contribution to capital and reserves position, as outlined in the HRA budget report for 2023/24 the level of reserves continues to be monitored.

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 currently an

overspend of £1.155m and more details are provided in Appendix 3. Under the Schools Finance Regulations any underspend or overspend must be carried forward within 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 overspend of £4.823m 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 £2.470m at this early stage. More details are provided in Appendix 5.

Directorate	Reported Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
Families, Children & Learning	19,544	19,509	(35)	-0.2%
Health & Adult Social Care	2,300	2,384	84	3.7%
Economy, Environment & Culture	90,239	90,239	0	0.0%
Housing, Neighbourhoods & Communities	4,883	4,883	0	0.0%
Housing Revenue Account	96,594	94,075	(2,519)	-2.6%
Governance, People & Resources	5,736	5,736	0	0.0%
Total Capital	219,296	216,826	(2,470)	-1.1%

(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 2023/24 to be added to the capital programme which are included in the budget figures above. Strategy, Finance and City Regeneration 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 2 £'000
Original Budget	207,369
Changes reported at other committees and already approved	6,755
New schemes to be approved in this report (see Appendix 6)	2,654
Variations to budget (to be approved)	5,525

Reprofiling of budget (to be approved)	(3,007)
Slippage (to be approved)	0
Total Capital	219,296

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 Strategy, Finance and City Regeneration 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.

9.2 The forecast risk at month 2 indicates that a significant number of service areas are under pressure. Spending and recruitment controls, alongside continuing development of other financial recovery actions, will attempt to mitigate the in-year position but should also be undertaken so as to address underlying pressures wherever possible to alleviate ongoing pressures and improve longer term financial sustainability.

Capital Receipts Performance

9.3 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 2023/24, as at Month 2, is £8.840m which includes receipts expected for Patcham Court Farm, Kings Road, Montague Place, HRA land transfers and some large lease re-gear payments on commercial sites. To date there have been receipts of £0.047m in relation to some minor lease payments, lease extensions and loan repayments. The capital receipts performance will be monitored over the remainder of the year against capital commitments

9.4 The forecast for the 'right to buy sales' in 2023/24 (after allowable costs and repayment of housing debt) is that an estimated 40 homes will be sold and net retained receipt of up to £5.200m available to re-invest in replacement homes, this includes the element of the receipts that is paid to Central Government, the council is permitted to retain during 2023/24 through an amendment to the RTB retention policy. In addition to this net retained receipt the HRA will also retain circa £0.500m to fund investment in the HRA capital programme. To date 6 homes have been sold in 2023/24.

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 £1.233m for the financial year. The council tax reduction (CTR) claimant numbers are higher than assumed in the tax base calculation and basing the forecast on this continuing increase through to year end results in an increased cost of £1.254m. There are other areas such as probate exemptions and single person discounts (SPD) that are currently above forecast levels. The forecast to year end assumes for probate exemptions that the clearance of backlog items will bring this down to budgeted level. There is an SPD review exercise currently taking place and it is anticipated that this will bring the forecast spend down over the coming months. The council's share of the overall deficit of £1.233m is £1.042m.
- 9.7 The business rates collection fund is forecasting a break-even position for the financial year. There are a range of risks that could change this forecast significantly with the main uncertain factors being business failures and any step increase in empty properties.

Reserves, Budget Transfers and Commitments

- 9.8 The creation of reserves, the approval of budget transfers (virements) of over £0.250m, and agreement to new financial commitments of corporate financial significance that are not provided for in the approved budget and policy framework require Strategy, Finance and City Regeneration Committee approval in accordance with the council's Financial Regulations and Standard Financial Procedures. There are no items 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 £11.101m. This includes a forecast overspend of £4.823m on the council's share of the NHS managed Section 75 services. Any overspend at year-end would either need to be carried forward or potentially met from available one-off resources.

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 outturn risk of £11.101 million at Month 2 represents 4.5% of the net General Fund budget. This early forecast indicates a number of significant demand and cost pressures alongside income pressures, some of which are driven by ongoing economic conditions and persistently high inflation. Directorates and services will work on actions to mitigate the position, particularly in relation to savings plans at risk, and will develop recovery actions wherever possible.
- 12.2 The position is not dissimilar to 2022/23 where very high inflation led to significant pressures. The detailed forecasts in this report indicate that both demand and inflation are not subsiding in many areas and in some areas continue to grow at unprecedented rates, for example, Home-to-School Transport. The forecast overspend is of sufficient magnitude to be potentially destabilising to the authority's financial sustainability if it is not managed down and would impact on the Working Balance and reserves. Services will continue to develop Financial Recovery Plans as required by the TBM framework, but escalated, corporate recruitment and

spending controls are also required in this situation and have therefore been applied with effect from 3 July until further notice. The controls will be managed by Directorate Management Teams (DMTs) with oversight from the Executive Leadership Team (ELT) and members (via TBM reports). The controls are summarised as follows:

- A minimum 8-week automatic delay to all permanent, temporary, interim, agency or casual recruitments unless over-ridden by exception by the relevant DMT due to service delivery considerations, for example, to maintain staffing in services requiring statutory minimum staffing levels such as residential homes;
- DMT approval for any contract extensions;
- DMTs to consider the health and well-being impact of delayed recruitments on existing staff, particularly in teams or services where multiple or longstanding vacancies already exist and further delays may place undue pressure on existing members of staff;
- 2023/24 Approved Savings: development of alternative recovery or mitigation measures to address any forecast underachievement of approved savings;
- Identifying underspending opportunities: DMTs will review underspending or break-even services to explore whether greater underspending or moving into underspend can be achieved to assist the position;
- DMT-specific financial management actions including:
 - Imposing financial transaction limits above which senior management (head of service, Assistant Director or Director) approval will be required;
 - Similarly, reviewing any local schemes of delegation to managers for spending decisions, for example, authorisation of adult or children's social care packages, and considering whether or not to review the delegations;
 - Imposing a moratorium or limit on certain types of non-critical expenditure where possible;
 - Similarly, setting target reductions for certain types or categories of expenditure where this can be done without destabilising service delivery;
 - Curtailing or 'value-engineering' one-off or project spend or exploring alternative funding solutions;
 - Exploring alternative funding to relieve pressure on the revenue budget e.g. bids for grants, income generation, invest-to-save business cases, etc.
- Capital Schemes: Consideration should also be given to 'pausing' or curtailing capital schemes, particularly those that are supported by borrowing, however, any delay of capital spend increases cash balances which attracts investment income and is therefore financially beneficial. If borrowing is involved, an even greater saving may be possible although this will often not be realised until the following financial year. The council's Capital Programme will be reviewed as part of the budget setting process for next year but some schemes could immediately be paused. This may require committee approvals which will be advised by the Chief Finance Officer and Monitoring Officer as appropriate.

These escalated controls with ELT oversight will remain in place until the forecast position improves at which time it may be possible to relax measures in whole or in part.

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: 20th June 2023

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: 23rd June 2023

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 including Carbon Neutral priorities set out in the Corporate Plan.

Risk and Opportunity Management Implications:

- 13.5 The council's revenue budget and Medium Term Financial Strategy contain risk provisions to accommodate emergency spending, even out cash flow movements and/or meet exceptional items. The council maintains a recommended minimum working balance of £9.000m to mitigate these risks. The council also maintains other general and earmarked reserves and contingencies to cover specific project or contractual risks and commitments.

SUPPORTING DOCUMENTATION

Appendices:

1. Financial Dashboard Summary
2. Revenue Budget RAG Rating
3. Revenue Budget Performance
4. Summary of 2023/24 Savings Progress
5. Capital Programme Performance
6. New Capital Schemes