Brighton & Hove City Council

Strategy, Finance & City Regeneration Committee — Agenda Item 64

Subject:		**Targeted Budget Management (TBM) 2023/24: Month 9 (December)**	
Date of Meeting:		**8 February 2024**	
Report of:		**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 an indication of forecast risks as at Month 9 (December) on the council's revenue and capital budgets for the financial year 2023/24.

1.2 The forecast risk for 2023/24 at month 9 (December) is a virtual break-even forecast of a £0.021m overspend on the net General Fund revenue budget of almost £249m. This includes a forecast underspend of £0.159m on the council's share of NHS managed Section 75 services. The forecast is an improvement of £2.849m since Month 7 due to ongoing vacancy and spending controls introduced in July, further improvements in Waste PFI energy sales, and continued improvements in treasury management investment incomes. Importantly, all directorates are seeing improvements in underlying forecast spend, including Governance, People & Resources where an improved headline forecast is only suppressed by the late confirmation of the new External Audit contract fees which has added an in-year cost of over £0.290m.

1.3 The graph at paragraph 4.2 shows a steady and sustained improvement since the high point of Month 3. As before, there remain a number of ongoing impacts in relation to economic conditions which are currently suppressing incomes such as planning fees and parking revenues as well as sustained higher Council Tax Reduction claimant numbers, although the latter has seen a small decline in recent months. A significant level of savings is also shown to be at risk with the report indicating that £4.402m (31%) of the substantial savings package in 2023/24 of £14.173m is potentially at risk. The earlier introduction of recruitment and spending controls this year, alongside other one-off measures, has enabled the council to mitigate this risk, a significant element of which is also considered to be due to short-term economic conditions and high inflation. With inflation improving, this should enable savings to be achieved in full during 2024/25 and beyond to support a more sustainable position.

1.4 As always, the month 9 forecast is important because it underpins the setting of the budget for next year. A forecast overspend would need to be provided for by identifying one-off resources in the 2024/25 budget, whilst a forecast underspend can provide available resources to support next year's budget. The near break-even position reported here means that no one-off resources need to be identified to mitigate the 2023/24 position. Further, the expectation is that the position will continue to improve as recruitment and spending controls will remain in place until the end of the financial year. However, this is dependent on fees & charges incomes holding steady during January, February and March and no other unexpected costs arising during the period.

2 RECOMMENDATIONS:

2.1 That the Committee note the forecast risk position for the General Fund, which indicates a near break-even position of a £0.021m overspend. This includes an underspend of £0.159m 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 also a break-even position.

2.3 That the Committee note the forecast position for the Dedicated Schools Grant which is currently an overspend of £0.098m.

2.4 That the Committee note the forecast outturn position on the capital programme which is a forecast underspend of £2.151m and approve the variations and slippage in Appendix 6 and new schemes as set out in Appendix 7.

2.5 That the Committee note the Treasury Management Update as set out in Appendix 8.

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 & 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)

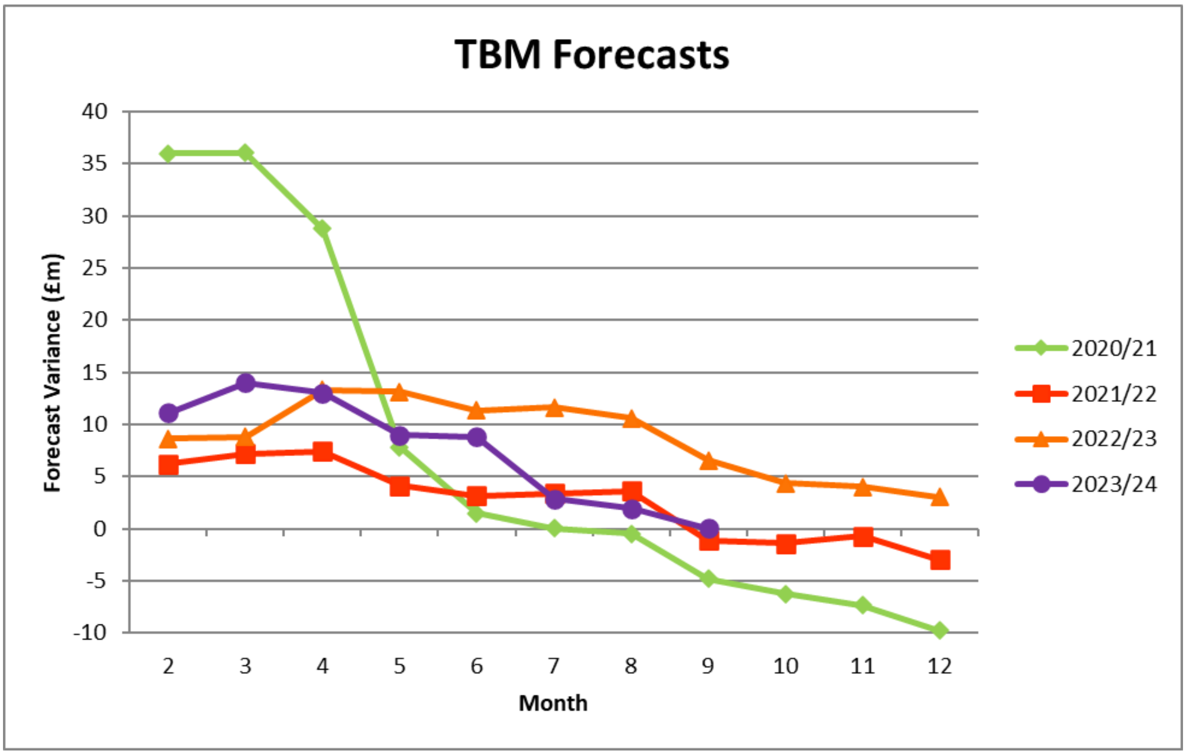
3.3 The report may also include a Treasury Management update from time to time. This is required to comply with the updated Treasury Management Code which requires a minimum of quarterly reporting. The committee already receives mid-year and end-of-year reviews and therefore two additional interim reports will be provided via an appropriate TBM report to ensure compliance with the new reporting requirements. In this respect, a Treasury Management update is provided in this report at Appendix 8.

4 General Fund Revenue Budget Performance (Appendix 4)

4.1 The table below shows the provisional outturn for Council controlled revenue budgets within the General Fund. These are budgets under the direct control and management of the Executive Leadership Team. More detailed explanation of the variances can be found in Appendix 4.

Forecast Variance Month 7 £'000	Directorate	2023/24 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
(1,331)	Families, Children & Learning	64,470	62,906	(1,564)	-2.4%
928	Health & Adult Social Care	107,404	107,773	369	0.3%
2,659	Economy, Environment & Culture	41,320	42,899	1,579	3.8%
913	Housing, Neighbourhoods & Communities	23,062	23,856	794	3.4%
(307)	Governance, People & Resources	32,376	32,149	(227)	-0.7%
2,862	Sub Total	268,632	269,583	951	0.4%
8	Corporately-held Budgets	(19,953)	(20,883)	(930)	-4.7%
2,870	Total General Fund	248,679	248,700	21	0.0%

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.

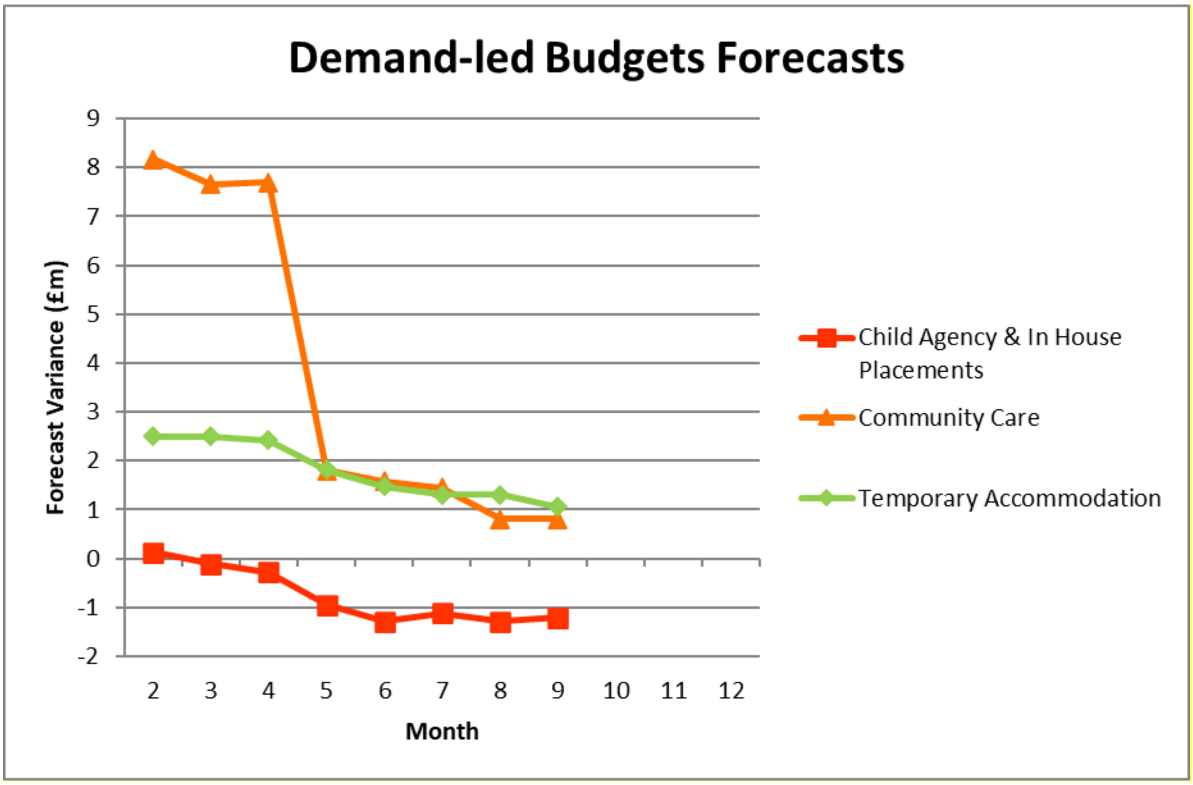


Demand-led Budgets

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.

Forecast Variance Month 7 £'000	Demand-led Budget	2023/24 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
(1,114)	Child Agency & In House Placements	26,329	25,121	(1,208)	-4.6%
1,453	Community Care	72,701	73,131	801	1.1%
1,310	Temporary Accommodation	4,865	5,914	1,049	21.6%
1,649	Total Demand-led Budget	103,895	104,166	642	0.6%

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



4.4 The large downward movement on Community Care (Adult Social Care) was due to the confirmation from the NHS of funding toward S117 Mental Health Care packages which had been under negotiation for some months.

<u>TBM Focus Areas</u>

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:

4.5 **Families, Children & Learning:** The current projected position identifies potentially significant cost pressures: £0.589m on Home to School transport and £0.373m on Schools' PFI. These, together with underspends on Children's Placements of (£1.208m), one-off Public Health funding for the development of Family Hubs (£1.316m) and other variances of (£0.002m) result in a forecast underspend of (£1.564m) as at Month 9. Key drivers of the projected position are as follows:

- **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. Home to School Transport price rises in September have been significant with the average cost per pupil increasing by 18%. There is increasingly less capacity in the local system to meet 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.

  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. These initiatives appear to be having some success in recent months and 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.

  By the end of the 2023/24 financial year the Schools' PFI contract is expected to be overbudget by £0.373m. This is largely down to the high level of inflation experienced in 2022/23 and the knock-on impact this had on our PFI contractor costs. The increased costs meant a higher amount was required to be drawn down on the reserve reducing it to a level that will not be sufficient to cover costs in 2023/24. Additionally, the rate of inflation used in our PFI model to forecast this year costs has increased significantly. Though inflation is falling and is expected to drop back to 4.8%, it is not expected to occur before the end of this financial year.

School Budgets

For the 2023/24 financial year there are 33 schools (out of a total of 61 maintained schools) that have licensed deficit budget arrangements. This represents 54% of all schools with the greatest pressure being in the primary phase, where 29 out of a total of 48 schools will be operating licensed deficits.

The total of the licensed deficits for 2023/24 is £4.393m. This is only slightly below the net school balances at the end of the 2022/23 financial year which was a surplus of £4.540m. It is anticipated that by the end of the 2023/24 financial year there will no longer be an overall surplus balance position and that the net position across all schools will be around the breakeven mark, however this assumes some improvement in school forecasts between now and the end of the financial year, and there is still risk that overall school balances will show a net deficit position at year-end.

The forecast for the 2023/24 central Dedicated Schools Grant is currently an overspend of £0.098m. More details are provided in Appendix 4.

Linked to the above, potential school organisational changes are anticipated to give rise to additional costs that would not be chargeable to the Dedicated Schools Grant. These are estimates at present and a prudential provision of £0.500m has been included under Corporately-held Budgets to reflect potential costs. However, costs are likely to exceed this provision and this is considered in the General Fund budget report also on this committee agenda.

4.6 **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 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 an unresolved national, 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), and;
- 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

4.7 **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. This demand on temporary accommodation is a national issue. The latest figure for households in TA reported by government is the highest it has ever been at 104,500. As a result of these pressures, the service is forecasting to overspend by £1.049m including £1.016m of savings which are unlikely to be met. All of the financial recovery measures are now included within the forecast. The overspend relates to the following elements:

Emergency nightly booked (Spot Purchased) accommodation is forecast to overspend by £1.163m. This is a slight improvement since Month 7 due to an increase to the income forecast for this service. However, the underlying trend is that number of households using nightly booked accommodation is increasing which will inevitably increase costs. The service has seen increasing numbers of applicants for emergency accommodation during 2023/24. This is partly driven 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 domestic abuse. The service is analysing each placement to identify any opportunities to better prevent homelessness and understand the reasons for this. As at 15/01/24 190 households were housed in nightly booked accommodation which is almost four times higher than budgets allow. To add to this pressure, the cost of accommodation has also been increasing and the service is focussed on reducing the average nightly cost wherever possible and has seen a reduction over the past few months. This forecast assumes that the number of households remains at this level for the remainder of the year. However, the service is continuing to look for measures to reduce the number of households accommodated as part of the Homelessness Transformation Programme and future budget strategy.

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 of block booked accommodation during 2023/24. However, due to the demands on the service, there has only been a reduction of 16 units as one block has recently been handed back to the provider. Additionally, the council is facing large increases to contract prices and therefore it is estimated that this budget will overspend by £1.785m. This forecast overspend has reduced since Month 7 due to the service improvements relating to void turnaround times of third party contracts and the recent hand backs.

Leased TA budget is forecast to underspend by (£0.188m). There is an improved forecast for the net costs of leased accommodation since Month 7, which is now forecast to underspend by (£0.170m). This is partly driven by lower numbers of leased properties being used for TA as landlords request them back. There are 32 fewer properties now than in April 2023. This is part of the reason for the increased numbers spot purchased accommodation. Linked to this, there is also an underspend on the cost of repairs (£0.105m) offset with the extra cost of the loss of Housing Benefit Subsidy £0.089m and other minor variances. The service has been working to improve empty property turnaround times and as a result has also seen an improvement in the void rent loss. Future forecasts will depend on the costs associated with any new contracts agreed with landlords as and when new contracts are agreed.

These variances have been offset by the use of one-off Grant funding of (£1.801m) and an overspend on temporary accommodation staffing costs of £0.090m.

Housing is continuing to seek cost reductions through the continuation of the Homelessness Transformation 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. (Note that although Local Housing Allowance (LHA) rates have been increased for 2024/25, the Housing Benefit rate for those in TA was not increased and remains at the 2011 level). Further efficiencies are being sought by reducing the use of expensive emergency accommodation and the average nightly charge and by seeking more cost-effective opportunities. Also, by (for example) continuing to improve the prevention of homelessness, looking for further move-on opportunities; 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.

4.8 **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 £3.188m net of pressures is achieved or anticipated to be achieved, with the remaining £1.539m at risk. Price increases have been applied in most areas, however some fees & charges increases particularly within Parking Services have been overturned resulting in pressures for the service. Some incomes are yet to be achieved as these areas are dependent on demand including tourism and visitor numbers. The most significant areas of shortfall are £1.091m for parking tariff and permit fees increases, £0.100m reduction of the lifeguard service which has been delayed to ensure a full summer season this year and £0.165m for new and increased commercial income activities.

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 likely to 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 holds 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 cost pressures to existing budgets The overall effect of these factors is a forecast risk of £1.579m for Month 9, albeit an improvement of £1.080m since Month 7 by actioning financial recovery measures and expenditure controls. The position has also been aided by improved income from energy sales of £1.4m to date arising through the Joint Waste PFI with East Sussex County Council. A further improvement in income is anticipated by year-end.

4.9 **Corporately-held Budgets** There is a forecast underspend of £0.930m on corporately-held budgets, however, this incorporates significant under and over-spends. The additional costs of the NJC Local Government 2023/24 pay award are held on this budget line. The additional unbudgeted cost is £3.535m which is based on the confirmed pay award 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 £0.920m on the Housing Benefit subsidy which reimburses councils for Housing Benefits paid to eligible residents. Within this £0.418m relates to a particular benefit type for vulnerable tenants which is not fully subsidised and which continues to grow. This continues to be investigated to fully understand the reasons for the ongoing and relatively recent growth in this area with potential solutions having been identified that may help mitigate some future losses. There is also a pressure of £0.526m on the net recovery of overpayments mainly due to a required increase in the bad debt provision based on the forecast increase in debt outstanding.

Other items include a provision of £0.500m relating school organisation costs as noted in paragraph 4.5 above and there is a pressure of £0.350m on Insurance budgets caused by an increase in premium costs and the value of claims paid.

In contrast, there is a forecast underspend of £2.284m on the Financing Costs budget due to improved investment income following increases in the Bank of England Base Rate and higher than budgeted cash balances. There are also reduced borrowing costs as a result of considered delays in undertaking new borrowing. However, these are offset by an under-payment by the i360 of £0.800m which the company states is due partly to challenging economic conditions and partly to the impact of transitioning to a new business model put in place earlier this year.

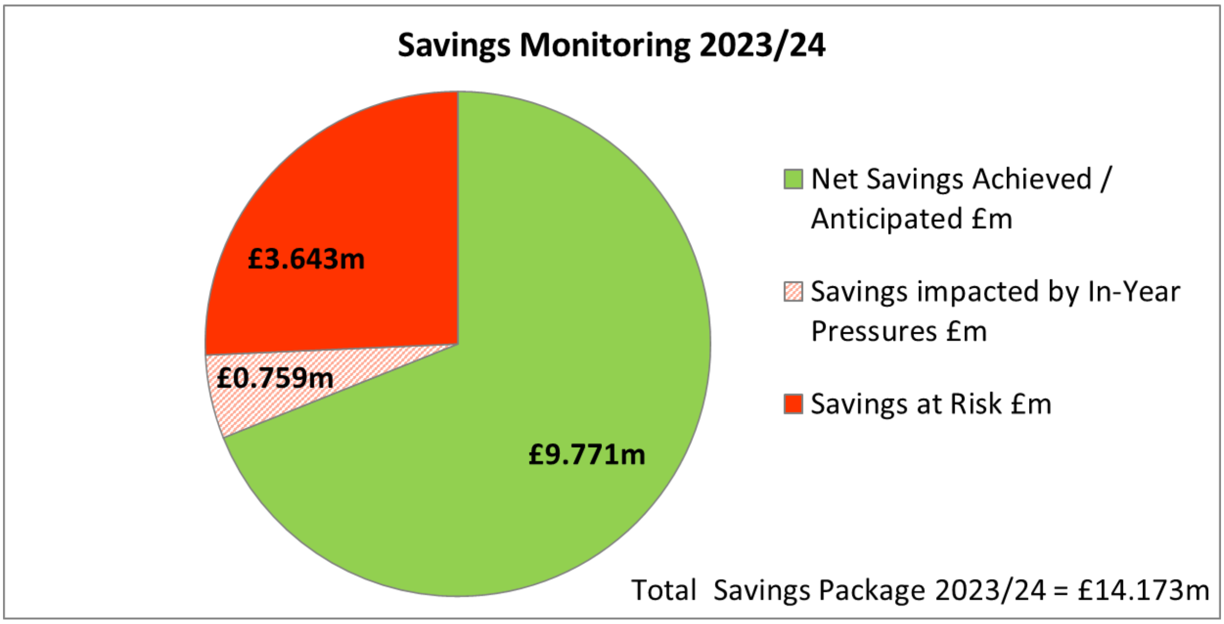
£0.426m of unrequired provisions have also been released following a review of the level of provisions held.

Significantly, the 50:50 profit-share from the Housing Joint Venture with Hyde Housing was confirmed earlier in the year following completion of a scheme and this has provided £3.500m one-off corporate resources to contribute to the management of the council’s overall financial position.

Monitoring Savings

4.10 The savings package approved by full Council to support the revenue budget position in 2023/24 was £14.173m 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 2010, and which have been necessary to enable cost and demand increases to be funded alongside managing the reductions in central government grant funding.

4.11 Appendix 4 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 5 summarises the position across all directorates and presents the entire savings programme. The graph below provides a summary of the position as at Month 9 and shows that gross savings of £10.530m have been achieved but that inflationary pressures (exceptional price increases) have reduced this by £0.759m leaving a total of £4.402m (31%) currently at risk. This includes £3.643m of unachievable or unachieved savings. However, as indicated by the overall forecast position, this has been mitigated through other financial management actions and one-off measures.



5 Housing Revenue Account Performance (Appendix 4)

5.1 The Housing Revenue Account (HRA) is a separate ring-fenced account which 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 benefit (rent rebates).

5.2 The forecast outturn is breakeven position with more details provided in the tables below. Within the breakeven position there are variances within specific service areas, the net overspend across services including financing costs related to new borrowing to fund the capital programme is £0.737m a £0.098m improvement from Month 7. The overspend is suggested to be funded by reducing the use of Direct Revenue Funding (DRF) against the HRA capital programme, making the HRA balance to zero overall. The impact of doing this results in an increase in borrowing for 2023/24 of £0.737m.

5.3 The 2023/24 budgets include an allowance for a pay award of 4% across all posts, this added £0.805m to the salary budgets for the financial year. Following confirmation of the NJC pay award, it is estimated that a further £0.418m will be incurred against 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 increase has been funded from Direct Revenue Funding during 2023/24 and forms part of the base budget for 2024/25. This has further increased the borrowing requirement for the HRA in 2023/24.

5.4 The investment made for the 2023/24 budgets went some way to address pressures, but inevitably additional pressures have surfaced since the budget was formally agreed at Full Council in February 2023, some of which are described below.

5.5 Financing costs have increased since TBM 7 following a change in assumption regarding the timing of interest being charged to the HRA resulting in an increase in interest costs of £0.488m offset by an increase in the interest on cash balances received of £0.128m. In addition to this the HRA is subject to an increase in insurance costs of £0.200m following the procurement of the council's insurer, this cannot be recharged to leaseholders and so is a cost that the HRA needs to account for.

5.6 Responsive repair costs and empty property costs are forecast to overspend by £0.110m relating to the empty properties work. Throughout the year the empty properties recovery working group has met to address the rent loss and other costs such as the cost temporary accommodation, council tax and repairs associated with those empty properties. Positive progress continues to be made against key performance indicators, including the number of empty council homes and average re-let times. 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, the net impact of the increase in rent and empty property homes is estimated to be £0.837m.

5.7 The forecast now includes an estimated overspend on the bad debt provision of £0.057m, this is a result of an increase in the arrears, up to the end of December there has been an average monthly increase in arrears of £0.120m for current and former tenants. The forecast collection rate for 2023/24 is 93.63% a slight reduction from TBM 7, which could be due to the Christmas period. This is still down from the collection rate of 94.01% at the end of March 2023. There are mitigations in place as part of a recovery plan to improve rent collection that will address this issue and look to increase the collection rate and reduce the monthly arrears. This position remains a significant risk for the HRA and will be reviewed over the coming months.

5.8 Legal, compensation and decant costs associated with disrepair claims remains a pressure for the HRA with an estimated £0.450m overspend forecast at this point. This overspend does not include the remedial works associated with those claims, which are included in the Repairs & Maintenance costs for the year. The number of claims being made will be continued to be monitored and analysis undertaken to inform our approach and planning to address this growing area of concern, with updates reported accordingly. It was agreed and is part of the HRA 2024/25 budget report to fund two new legal posts to support this review and try to stem the flow of claims being made.

5.9 A report was presented to Housing & New Homes Committee on 23rd June 2023 with an update on the Health & Safety action plan presented on 17th September 2023 outlining the implications of increased Health & Safety legislation and regulations on the HRA. The report updated Housing & New Homes 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 continue to be managed within the existing resources already approved. Implications for 2024/25 and beyond are included in the 2024/25 HRA budget report.

5.10 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 £1.293m a reduction of £0.390m from Month 7. This overspend was at Month 2 to be assumed to be mitigated through the use of earmarked reserves and underspends from within the service. However upon review this work did not relate to the backlog of works and as such will be met from DRF instead. Work continues to try where possible to reduce this overspend further, any variations will be reported at a future committee meeting. Housing & New Homes Committee on 17th September 2023 approved procurement of an additional specialist contractor resource to support the Housing

Repairs & Maintenance service repairs recovery plan which is assumed to be funded from the backlog reserve of £0.940m.

5.11 Offsetting a lot of these increased costs is a forecast underspend on staffing budgets particularly in Repairs & Maintenance. Recruitment is underway but is only having a part year impact for 2023/24.

5.12 The service will continue to review spend to try to reduce any forecast overspend during the year. If this cannot be managed within budget then the overspend will be met from other resources as outlined in the HRA budget report for 2023/24.

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 currently an overspend of £0.098m 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 in future years.

7 NHS Managed S75 Partnership Performance (Appendix 4)

7.1 The NHS Trust-managed Section 75 Services represent those services for which local NHS Trusts act as the Host Provider under Section 75 Agreements. Services are managed by Sussex Partnership Foundation Trust (SPFT) and include health and social care services for Adult Mental Health and Memory and Cognitive Support Services.

7.2 This partnership is subject to separate annual risk-sharing arrangements and the monitoring of financial performance is the responsibility of the respective host NHS Trust provider. Risk-sharing arrangements result in financial implications for the council where a partnership is underspent or overspent at year-end and hence the performance of the partnership is included within the forecast outturn for the Health & Adult Social Care directorate. An underspend of £0.159m 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 £2.151m at month 9. More details are provided in Appendix 6.

Directorate	Reported Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
Families, Children & Learning	17,869	17,834	(35)	-0.2%
Health & Adult Social Care	487	584	97	20.0%
Economy, Environment & Culture	58,538	58,538	0	0.0%
Housing, Neighbourhoods & Communities	2,835	2,835	0	0.0%
Housing Revenue Account	68,652	66,439	(2,213)	-3.2%

Governance, People & Resources	6,624	6,524	0	0.0%
Total Capital Budget	**154,905**	**152,753**	**(2,151)**	**-1.4%**

(Note: Summary may include minor rounding differences to Appendix 6)

8.2 Appendix 6 shows the changes to the capital budget and Appendix 7 provides details of a new scheme for 2023/24 to be added to the capital programme which are included in the budget figures above. Strategy, Finance & 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 Month 7.

Summary of Capital Budget Movement	**Reported Budget Month 7 £'000**
Budget approved as at Month 7	163,031
Changes reported at other committees and already approved	0
New schemes to be approved in this report (see Appendix 7)	75
Variations to budget (to be approved)	(3,048)
Reprofiling of budget (to be approved)	(3,824)
Slippage (to be approved)	(1,330)
Total Capital Budget 2023/24	**154,905**

8.3 Appendix 6 also details any slippage into next year. Project managers have forecast that £1.330m of the capital budget will slip into the next financial year at this 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 9 indicates a significant improvement and a near break-even position. However, there remain underlying pressures across services, notably suppressed incomes, and therefore spending and recruitment controls will remain in place until the year-end to ensure break-even or better is achieved and to place the authority in the most sustainable position possible going into 2024/25 which will need to address one of the largest budget shortfalls in the history of the authority.

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 9, is £2.165m which includes receipts expected for Kings Road and some larger lease re-gear payments on commercial sites. To date there have been receipts of £0.834m in relation to the sale of 8-9 Kings Road plus a lease payment at Stanmer house and some minor 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 these receipts 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 15 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 & 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 £1.388m by year-end. The main factor is lower in-year collection of council tax income than expected and the current forecast assumes there will be a shortfall in ultimate collection of £1.455m. This is linked to challenging economic conditions and cost of living pressures. More encouragingly, Council Tax Reduction (CTR) claimant numbers have been reducing in recent months and are now forecast to be in line with original budget assumptions. Elsewhere, there is a high level of upward banding changes although this is only helping to offset previous years' costs from backdated awards of exemptions and discounts. There remains a significant backlog of council tax changes which, once processed, may further impact on the forecast but as these can have both positive and negative impacts, the overall impact on the collection fund position is likely to be limited. The council's share of the overall deficit of £1.388m is £1.174m.

9.7 The business rates collection fund indicates a forecast deficit of £3.705m for the year-end position. After incorporating lower Section 31 compensation grant, the council's overall share of the deficit is £1.521m. The main reason for the deficit is higher than anticipated appeals being processed against the 2017 list, with many backdated to 1 April 2017. The appeals provision is insufficient to cover this unprecedented level of successful appeals which is therefore affecting the in-year position. So far in 2023/24 successful appeals have resulted in £5.197m being credited to accounts against a provision of £3.786m. Within the £5.197m there is £2.494m relating to just four properties where the rateable value has reduced by between 20% and 66% and was backdated to 1 April 2017.

9.8 In addition to the amounts settled to date, the council is also needing to provide for future successful appeals against the 2017 list. The empty relief awarded to date is slightly above the forecast made for the current year, however, there has been £0.400m awarded for previous financial years which also affects the in-year position. There are a range of risks that could change this forecast significantly with the main uncertain factors being further successful appeals, the level of business failures, delayed developments, and any step increase in empty properties.

Reserves, Budget Transfers and Commitments

9.9 The creation of reserves, the approval of budget transfers (virements) of over £0.250m, and agreement to new financial commitments of corporate financial significance that are not provided for in the 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 forecast on the General Fund is a minor overspend of £0.021m. This includes a forecast underspend of £0.159m 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 including the Working Balance while any underspend provides available resources to meet identified one-off liabilities or can be invested in one-off initiatives.

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)

The forecast outturn risk of £0.021m at Month 9 represents a virtual break-even position on the net General Fund budget of almost £249m. However, directorate forecasts indicate a number of significant demand and cost pressures alongside income pressures, some of which are driven by ongoing economic conditions and persistently high inflation. These are reflected in Service Pressure estimates for 2024/25 and incorporated within the General Fund budget report also on this committee agenda to ensure a sustainable budget is set for next year. However, this gives rises to a very large budget shortfall of over £30m which is also addressed in the budget report through savings and other measures.

12.1 The council's in-year financial situation has steadily improved over the year and is now virtually at break-even; a significant achievement given the pressures of increasing demands driven by the cost of living crisis, challenging economic conditions including high inflation and higher interest rates, and managing the impact of spending and recruitment controls. Further anticipated improvements in Waste PFI energy sales and the ongoing impact of recruitment and spending controls should ensure continued improvement of the forecast by year-end.

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 January 2024*

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: 25/01/24*

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 reduction measures.

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 aims to maintain a recommended minimum working balance of £9.000m to mitigate these risks. Should the Working Balance fall below this level, the council incorporates replenishment of the Working Balance within its Medium Term Financial Strategy. 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 Movement since Month 7
3. Revenue Budget RAG Rating
4. Revenue Budget Performance
5. Summary of 2023/24 Savings Progress
6. Capital Programme Performance
7. New Capital Schemes
8. Treasury Management Update