# Brighton & Hove City Council

## Cabinet

## Agenda Item 34

**Subject:** **Targeted Budget Management (TBM) 2024/25 Month 2 (May) and Council Productivity Plan Response**

**Date of meeting:** **Thursday, 18 July 2024**

**Report of:** **Cabinet Member for Finance & Regeneration**


**Contact Officer:** **Name: Chief Finance Officer**

**Tel:** **01273 291233**
**Email:** **nigel.manvell@brighton-hove.gov.uk**


**Ward(s) affected: (All Wards)**

**Key Decision: Yes**

**Reason(s) Key: Expenditure which is, or the making of savings which are, significant having regard to the expenditure of the City Council's budget, namely above £1,000,000 and Is significant in terms of its effects on communities living or working in an area comprising two or more electoral divisions (wards).**

**For general release**

**1 Purpose of the 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 2024/25. Effective financial management is a core component of providing a well-run council, a key priority within the Council Plan that demonstrates that the council manages within its finite resources and optimizes the use of those resources.

1.2 The forecast outturn 'risk' for 2024/25 at this early stage is a £10.137m overspend on the General Fund revenue budget. This includes a forecast overspend risk of £1.600m on 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.

1.3 A significant level of savings is also shown to be at risk with the report indicating that £6.423m (27%) of the substantial savings package in 2024/25 of £23.627m is potentially at risk.

1.4 It is important to note that early projections in each financial year are likely to indicate higher forecast risks as there are significant underlying demand pressures to be managed down, pay awards currently tending to be above budget assumptions, and there are large annual savings targets required to balance the budget. Implementing and addressing these risks is often complex and can have varying lead-in times. There is also limited trend data available at this stage and very limited time to react to emerging information in order to develop recovery measures. While a high forecast risk may give cause for concern, it conveys important information to decision-makers, enhances accountability for managing risk, and ensures that the council is transparent and open about the level of potential risk it will need to manage down to enable:

- Councillors and residents to be aware of the financial challenge and that managing this can have impacts on some services as they develop recovery plans and actions;
- Councillors and officers to be given advance warning that consideration to more serious council-wide measures such as vacancy freezes or spending restrictions may need to be given if succeeding months do not show improvement;
- Councillors and officers to consider whether or not in-year budgetary reductions, i.e. further permanent savings measures, may be necessary if succeeding months do not show steady improvement, potentially requiring full Council approval subject to the scale and impact on the budget and policy framework.

1.5 The 'forecast risk' at Month 2 is significant and will require exploration of a wide range of options to manage this forecast risk. It is accepted that Budget Managers across the authority will tend toward prudence in forecasting until the data and trends provide more certainty which is a natural (and safer) tendency. However, making broad assumptions about any 'over-prudence' is not sensible or practicable. It is also the case that the council's annual budget is set in an increasingly volatile and uncertain environment, particularly concerning inflation, demands, economic conditions and funding certainty. However, without being transparent about the potential risk, based on current spending and activity levels, the council could give the impression that all budgets and savings plans are on track. This is not currently the case for a wide range of reasons and factors set out in the detail of the report and there is a lot of work to be done to address the forecast risk. Potential measures that will be explored to mitigate forecast risks will therefore include:

- Implementation and potential further tightening of normal financial management actions across all areas under pressure including vacancy controls and spending prioritisation;
- Continued development and firming up of alternative recovery plans and actions in areas where forecast risks have emerged or are emerging. This can be managed at individual service levels right up to directorate level, or even at a council-wide level;
- Consideration of (and potential consultation on) alternative options where an agreed saving is found to be undeliverable (in whole or in part) or is delayed for unavoidable reasons;
- Exploration of alternative funding sources or bids, or alternative use of ring-fenced funds where this is possible;
- Use of any available 'risk provisions' or unexpected one-off resources to mitigate the position in the short term. The latter cannot normally be estimated and is only known when and if it arises;

- Halting or slowing revenue and/or capital spend to alleviate in-year pressures in the short term (but will normally result in building up future pressures unless projects/services are ultimately stopped or reduced);
- As noted earlier, implementation of considerably more severe recruitment and spending controls including freezes.

All of the above can have impacts on service delivery, availability and responsiveness which is also an important risk to understand and consider when addressing in-year financial pressures.

1.6 Elsewhere, this report also includes the council's response to the government's request for local authorities to submit a Productivity Plan by 19 July 2024 issued by Simon Hoare MP and Minister for Local Government. The letter asks for evidence of how the council aims to improve productivity and includes four key areas of questioning as follows:

i) How have you transformed the way you design and deliver services to make better use of resources?

ii) How you plan to take advantage of technology and make better use of data to improve decision making, service design and use of resources?

iii) Your plans to reduce 'wasteful spend' within your organisation and systems.

iv) The barriers preventing progress that the Government can help reduce or remove.

1.7 The council's Productivity Plan response is at Appendix 8. The plan sets out the council's approach to improving value for money including its plans for further organisational redesign, its digital and data development strategy, and modernisation and improvement programmes across key areas of service delivery. The plan is in summarised form to meet the government's requirement to keep responses to 3 to 4 pages.

## *2* Recommendations

2.1 Cabinet notes the forecast risk position for the General Fund, which indicates a potential forecast overspend risk of £10.137m.

2.2 Cabinet notes the forecast outturn includes a forecast overspend risk of £1.600m on the NHS managed Section 75 services.

2.3 Cabinet notes the forecast overspend risk for the separate Housing Revenue Account (HRA), which is an underspend of £0.020m.

2.4 Cabinet notes the forecast overspend risk for the ring-fenced Dedicated Schools Grant, which is an overspend of £0.456m.

2.5 Cabinet notes the forecast position on the Capital Programme which is an underspend variance of £0.339m.

2.6 Cabinet approves the capital budget variations and re-profiling requests set out in Appendix 5.

2.7 Cabinet approves the new capital schemes requested in Appendix 6.

2.8 Cabinet notes the Treasury Management Update as set out in Appendix 7.

2.9 Cabinet notes the council's Productivity Plan response at Appendix 8.

## 3 Context and background information

### Targeted Budget Management (TBM) Reporting Framework

3.1 That 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 Cabinet. 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 7.

## 4 General Fund Revenue Budget Performance (Appendix 3)

4.1 The table below shows the forecast outturn for council-controlled revenue budgets within the General Fund. These are budgets under the direct control and management of the Corporate Leadership Team. More detailed explanation of the variances can be found in Appendix 3.

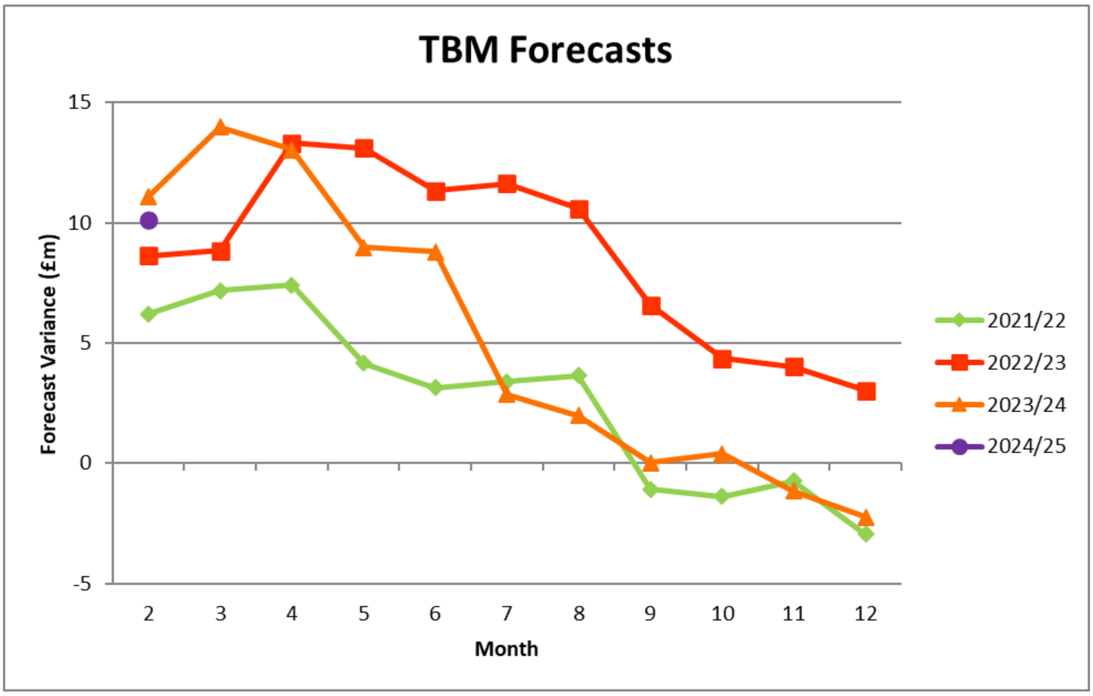
| Provisional Outturn 2023/24 £'000 | Directorate | 2024/25 Budget Month 2 £'000 | Forecast Outturn Month 2 £'000 | Forecast Variance Month 2 £'000 | Forecast Variance Month 2 % |
|---:|---|---:|---:|---:|---:|
| (1,564) | Families, Children & Learning | 69,727 | 70,167 | 440 | 0.6% |
| 937 | Housing, Care & Wellbeing | 125,847 | 130,061 | 4,214 | 3.3% |
| (258) | City Services | 47,227 | 50,865 | 3,638 | 7.7% |
| (729) | Corporate Services | 34,175 | 34,260 | 85 | 0.2% |
| (1,614) | Sub Total | 276,976 | 285,353 | 8,377 | 3.0% |
| (654) | Corporately-held Budgets | (18,861) | (17,101) | 1,760 | 9.3% |
| (2,268) | Total General Fund | 258,115 | 268,252 | 10,137 | 3.9% |

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).

4.3 The chart below shows the monthly forecast variances for 2024/25 and the previous three years for comparative purposes. This indicates that forecast risk early in the year has been higher in recent years. This is partly due to:

- Pay awards coming in higher than the budget assumptions due to persistent inflation;
- The requirement to deliver successive, large savings programmes which becomes increasingly challenging over time;
- Continuing economic conditions which are impacting external provider costs, many income sources (demand), and recruitment costs and which is difficult to predict with accuracy.

Last year, 2023/24, was also exceptional in terms of the availability of one-off resources of over £10m across the year, which significantly aided in addressing forecast risks.




Demand-led Budgets

4.4 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 Outturn 2023/24 £'000 | Demand-led Budget | 2024/25 Budget Month 2 £'000 | Forecast Outturn Month 2 £'000 | Forecast Variance Month 2 £'000 | Forecast Variance Month 2 % |
|---|---|---|---|---|---|
| (1,201) | Child Agency & In House Placements | 27,864 | 27,303 | (561) | -2.0% |
| 430 | Community Care | 79,719 | 82,140 | 2,421 | 3.0% |
| 1,001 | Temporary Accommodation | 10,655 | 12,777 | 2,122 | 19.9% |
| 230 | Total Demand-led Budget | 118,238 | 122,220 | 3,982 | 3.4% |

The chart below shows the monthly forecast variances on the demand-led budgets for 2024/25.

**<u>TBM Focus Areas</u>**

4.5 There are clearly ongoing 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:

4.6 **Children's Services:** as follows: The current projected position identifies potentially significant cost pressures: £0.322m on Home to School transport and £0.301m on In House Childrens Disability Provision. These together with underspends on Children's Placements of (£0.561m) and other overspends of £0.378m result in a forecast overspend of £0.440m as at Month 2. 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. 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. The escalation of Home to School Transport costs is a national and regional issue and options are being explored to change the delivery model to ensure the long term sustainability of the service in the context of the council's limited finances.

- **In-house Children's Disability Provision:** Part of the directorate's savings plan for 2024/25 was to re-commission Tudor House to facilitate savings from existing external residential disability placements. Due to the details with this scheme and complications regarding building adaptations this saving of £0.504m is now being identified as unachievable in 2024/25. However, Drove Road is providing full time residential provision for one young person which is being fully funded by Health. This arrangement is continuing into 2024 and it is anticipated that this will result in an underspend on the Drove Road budget of approximately (£0.200m). Recovery measures are being explored to mitigate the savings risk within the division including submission of a bid for funding to access alternative premises to relieve pressures.

**Schools Budgets**

For 2024/25 draft budget plans showed 46 schools requiring Licensed Deficits which totalled £10.800m. The latest position now shows 35 schools requiring Licensed Deficits totalling £7.600m; with net School Surplus Balances of only £0.281m there are insufficient balances to license these deficits within the scheme for financing schools. The CFO has advised that a reserve will need to be identified against which this potential deficit can be set. Work is ongoing with schools to help and advise them with regard to improving their financial position including the use of the School Resource Management Adviser (SRMA) service which provides peer reviews by sector-based experts.

The early forecast for the 2024/25 central Dedicated Schools Grant is an overspend of £0.456m. It is also important to note that the central DSG budget for 2024/25 includes the one-off funding from the underspend of £1.275m carried forward from 2023/24.

4.7 **Adults Services:** The service faces significant challenges in 2024/25 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 £10.302m in 2024/25 which has been used to fund budget pressures resulting from the increased complexity and costs of care.

The 2024/25 savings plan for HASC totals £4.712m. 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, nursing and 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.

In respect of financial recovery and the ongoing management of Community Care Budget pressures, a monthly savings and efficiencies meeting provides rigorous monitoring and oversight of the Adult Social Care & Health savings progress. Additionally, each month the top ten spends on placements and packages of care are reviewed to ensure immediate remedial action is undertaken to look at options and, wherever possible, reduce the cost of care whilst meeting assessed need. Negotiations are also underway with Sussex partnership NHS Foundation Trust regarding addressing the current high spending commitment within the Mental Health s75 arrangements.

4.8 **Housing Services and Temporary Accommodation (TA):** In England and Wales, there are now more households in Temporary Accommodation (112,660) than ever before; a record that has been exceeded in each of the last three reporting quarters. Brighton & Hove had succeeded in keeping numbers relatively stable, but since December 2023 there has been a steady increase. During 2023/24, this increase in Brighton & Hove was 3%, compared to 10% nationally.

As well as demand pressures there are also price pressures, with the average price of nightly accommodation increasing by 12% since 2023/24. As a result of these pressures, the service is forecast to overspend by £2.488m and £1.146m of savings are at risk of not being met. The overspend is off-set by financial recovery measures of £0.320m with further actions being explored.

A TA Reduction Plan has been developed, setting out a range of activities being undertaken to either reduce the number of households entering into TA; assist households to move on from TA, or reduce the cost of the TA in use. As a broad overview, these actions can be categorised as:

- Increasing the rate of 'reconnections';
- Increasing the rate of 'move-on's';
- Increasing new supply (including council owned supply);
- Conversion of licences to tenancies;
- Development of alternative housing options;
- Launching a campaign to attract more private landlords (including targeted incentives);
- Piloting a scheme separating leasing from management;
- Improvements to void turnaround;
- Improvement of rent collection.

Weekly meetings involving senior managers within both Housing and Finance have been established to track the effectiveness of these measures. The overspend relates to the following elements:

**Emergency nightly booked (Spot Purchased)** accommodation is forecast to overspend by £1.629m. As at 16/6/24, 263 households were housed in nightly booked accommodation which is 79 higher than budgets allow and the forecast assumes this will increase to 320 units of nighty booked accommodation by 31/3/25. Additionally, the price of nightly booked accommodation has seen a steep increase of around 12% compared to prices in 2023/24. The market prices do change with demand and seasons and this will be monitored closely to see if this average price improves throughout the year.

The underlying trend is that the number of households using nightly booked accommodation is increasing due to:

- Increased demand: There was a 20% increase in homelessness presentations during 2023/24, and so far in 2024/25 we have experienced a 30% increase for the same in the previous year. Although not all these households will end up in accommodation, around 55% do end up meeting the statutory threshold.

- Changes to the private rented sector: There has been a significant change in the private rented sector over the past year, with many landlords exiting the market. This market disruption has been caused by cumulative external events, which are outside the control of the local authority, such as: increases in landlord taxes, increase in mortgage rates; threat of impending legislation. This has a double impact on homelessness. End of a Private Rented tenancy is the main reason for homeless, but in the last two reporting quarters, this has markedly increased from 34% of all new cases to 58%. The Private Rented Sector is also the greatest means of preventing homelessness.

**Booked Accommodation:** This budget is forecast to overspend by £0.741m. The budget assumed that there would be an average of 261 units of block booked accommodation for the year 2024/25. The service currently uses 340 properties and this forecast assumes this will continue for the remainer of the year due to the current level of demand on the service and the limited opportunities for move-on to social housing and the private rented sector. The council is considering a pilot (subject to Cabinet approval) that would separate the leasing of the property from its management and result in potential annual savings of between £0.250m-£0.500m, as well as improving the service to residents.

**Private Sector Leased (PSL) TA** budget is forecast to underspend by (£0.289m). PSL's are the best form of TA, both in in terms of cost and quality. In 2023/24 the number of landlords exiting this market, contributed to a 7% reduction in PSL properties. So far in 2024/25, there has been a further 8% reduction. This forecast assumes PSL TA properties will reduce by 62 properties this year from a total of 617 to 555 homes. This is based on prior year trends but also the number of leases (over 50% of stock) coming to an end this financial year. The new leases are also commanding a higher rate and shorter terms. This is part of the reason for the increased numbers in nightly booked spot purchased accommodation identified above. Future forecasts will depend on the costs associated with any new contracts agreed with landlords as and when new contracts are agreed.

The service is continuing to look for measures to reduce the number of households accommodated, looking for innovative and different methods of provision and move-on options as part of the TA Reduction Action Plan, the broad themes of which have been set out above. A weekly Financial Recovery meeting is in place to keep all options under review.

The Housing Needs Service also completed a Service Redesign in May 2024. As well as achieving an annual saving of £0.285m, this now provides a far greater focus on homelessness prevention. The service is currently in a transitional period, where roles created through the Redesign are recruited to. It is anticipated this would complete by the end of July.

4.9 **City services:** 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, commercial activity, the property market and the general economy. There are challenging savings targets in-year of which most relate to efficiency savings by providing services in a different way as well as generating additional income. Of the £7.039m savings planned for the 2024/25 financial year, £5.972m is achieved or anticipated to be achieved, with the remaining £1.067m at risk. The most significant areas of shortfall are £0.417m for parking tariff and permit fees increases, £0.300m for increased planning fees and £0.320m for new and increased commercial income activities.

Directorate activities and services were heavily impacted by COVID-19 in previous years and the services are starting to see a steady return, in line with city recovery. The savings targets can only be achieved if demand exceeds pre-COVID levels for key income areas such as paid parking, commercial activities and Planning & Building Control fee incomes. In-year pressures are being mitigated by reductions in supplies & services and holding vacant posts to reduce staffing costs, but this does affect service delivery and has a visible impact on the city. The overall position for City Services is a net £3.638m forecast overspend risk at Month 2.

4.10 Data on income trends must continue to be carefully analysed with many income forecasts needing to be seasonally adjusted to reflect historic patterns and traditionally higher incomes over summer months (e.g. parking). Data for the early months of each financial year needs to be treated with particular caution and a key issue is that complete monthly data is often only available two to three weeks after each month-end. However, current trends are concerning and therefore financial recovery actions will be explored over coming weeks to potentially mitigate income pressures as far as possible. This can be through a combination of measures to try and boost income alongside measures to reduce the cost of services. However, the latter requires a balance to be struck in relation to income generating areas to ensure that a net financial benefit remains if income is likely to be further impacted by cost reduction measures, for example, holding vacancies.

4.11 **Corporately-held Budgets:** There is a forecast overspend of £1.760m on corporately-held budgets. Of this £1.300 m relates to the estimated additional cost of the 2024/25 pay award in excess of the amount provided in the budget.

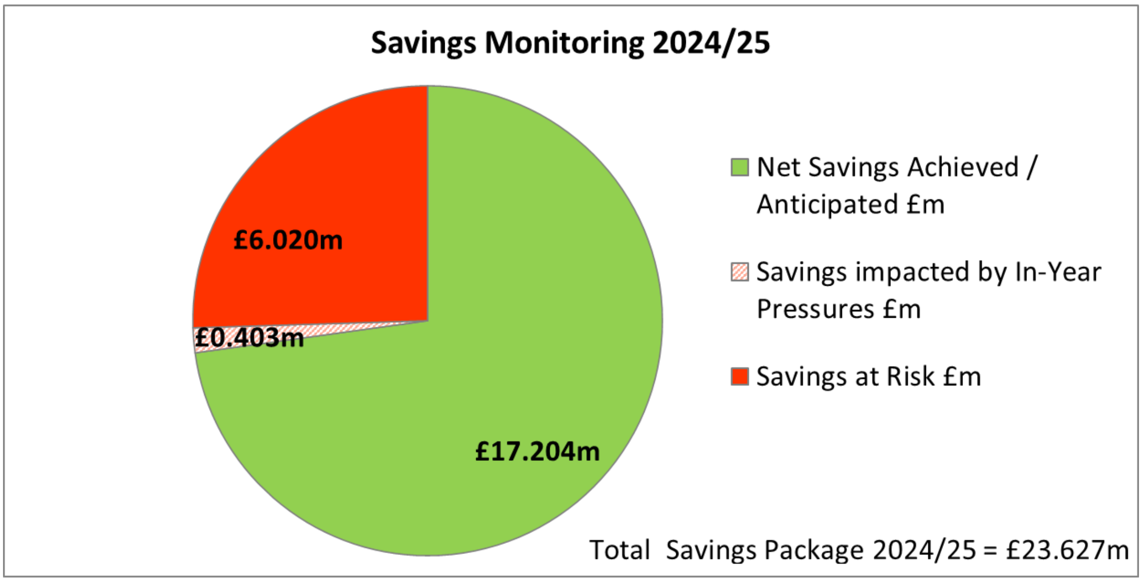
There is also a pressure of £0.350m on Insurance budgets caused by an increase in the value of claims paid.

The corporate 'Organisational Redesign' saving of £2.475m is also held in this area. At present the saving is at risk although the lead-in time for delivery was always expected to take some months. In lieu of the lead-in time for delivery council-wide vacancy management and some spending controls will remain in place to mitigate the savings risk.

**Monitoring Savings**

4.12 The savings package approved by full Council to support the revenue budget position in 2024/25 was £23.627m following directly on from a £14.173m savings package in 2023/24 and 14 years of substantial savings packages totalling over £232m 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.

4.13 Appendix 3 provides a summary of savings in each directorate and indicates in total what has been achieved, what has been offset by in year pressures and the net position of unachieved savings. 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 £17.607m have been achieved but that inflationary pressures (exceptional price increases) have reduced this by £0.403m. Including other unachievable savings of £6.020m, this means that a total of £6.423m (27%) is forecast to be unachieved in 2024/25.




## 5 Housing Revenue Account Performance (Appendix 3)

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. The majority of expenditure is funded by Council Tenants' rents and housing benefit (rent rebates). The forecast outturn is a minor underspend of £0.020m, this position includes variances within specific service areas, details of which are provided below. An underspend in the HRA will result in a contribution to general reserves at year end.

**HRA Risks**

5.2 The HRA is entering into a period of significant uncertainty regarding the financial position, there are major risks that need to be addressed and monitored to ensure that the position remains stable. These risks include but are not limited to:

- Health & Safety compliance
- Building Safety compliance
- Disrepair claims
- Rent arrears and collection rate
- Final pay award settlement

5.3 The HRA will continue to review spend to try to maintain the current financial position. Any variations will be reported to future Cabinet meetings.

## 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 £0.456m 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. The provisional outturn is an overspend of £1.600m 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 an overall underspend of £0.339m which is detailed in Appendix 5.

| Forecast Variance Month 0 £'000 | Directorate | Reported Budget Month 2 £'000 | Provisional Outturn Month 2 £'000 | Provisional Variance Month 2 £'000 | Provisional Variance Month 2 % |
|---|---|---|---|---|---|
| 0 | Families, Children & Learning | 17,005 | 17,005 | 0 | 0.0% |
| 0 | Housing, Care & Wellbeing | 9,306 | 9,306 | 0 | 0.0% |
| 0 | City Services | 81,972 | 81,972 | 0 | 0.0% |

| | | | | | |
|---|---|---|---|---|---|
| 0 | Housing Revenue Account | 79,172 | 78,833 | (339) | -0.4% |
| 0 | Corporate Services | 9,100 | 9,100 | 0 | 0.0% |
| 0 | Total Capital | 196,555 | 196,215 | (339) | -0.2% |

(Note: Summary may include minor rounding differences to Appendix 7)

8.2 Appendix 5 shows the changes to the 2024/25 capital budget. Cabinet'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 Approved Budget 2024/25 | 209,932 |
| Changes reported at other committees and already approved | 1,360 |
| New schemes (for approval – Appendix 6) | 1,285 |
| Variations to budget (for approval – Appendix 5) | 4,859 |
| Reprofiling of budget to later year/s (for approval – Appendix 5) | (20,881) |
| Slippage (for noting only) | 0 |
| **Total Capital** | **196,555** |

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 full Council. This section highlights any potential implications for the current MTFS arising from the 2024/25 financial year 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 2024/25, as at Month 2, is £15.503m which includes receipts expected for Montague Place, Land at Mile Oak, a major industrial lease extension and the land site disposals at Moulsecoomb relating to the housing project. There are also a number of residential and commercial properties identified for disposal as reported within the Residential Property Strategy report and Commercial Investment Property Strategy report to committee in December 2023. To date there have been receipts of £0.036m in relation to some minor lease extensions and loan repayments. The capital receipts performance will be monitored over the remainder of the year against capital commitments.

9.3 The forecast for the 'right to buy sales' in 2024/25 (after allowable costs and repayment of housing debt) is that an estimated 20 homes will be sold. It is anticipated that a net retained receipt of up to £2.300m available to re-invest in replacement homes, the flexibility that was allowed by an amendment to the RTB policy allowing the council to retain the treasury share for two years from 2022/23 for two years has now come to an end, reducing the net capital receipt available during 2024/25. In addition to this net retained receipt the HRA will also retain circa £0.540m to fund investment in the HRA capital programme. To date 2 homes have been sold in 2024/25.

**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 & Crime Commissioner and East Sussex Fire Authority, whereas any forecast deficit or surplus relating to business rates is shared between the council, East Sussex Fire Authority and the government.

9.5 The council tax collection fund is forecasting an overall deficit position of £2.606m, of which the council's share is £2.204m. The main drivers for this deficit are an assumed reduction in the ultimate collection rate of 0.25% £0.545m, increased council tax reduction (CTR) claimant numbers £0.766m, increased Severely Mentally Impaired (SMI) backdated exemption cost £0.513m and backdated student exemption cost £0.192m.

9.6 The business rates collection fund is forecasting an overall deficit position of £2.306m which relates entirely to the brought forward position arising from higher appeals costs. 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. The council share of this deficit position after allowing for section 31 compensation grants is £0.935m.

**Reserves, Budget Transfers and Commitments**

9.7 The creation or redesignation of reserves, the approval of budget transfers (virements) of over £1 million, and agreement to new financial commitments of corporate financial significance require Cabinet approval in accordance with the council's Financial Regulations and Standard Financial Procedures. There are no items requiring approval at this stage.

## 10 Analysis and consideration of alternative options

10.1 The forecast outturn position on council-controlled budgets is an overspend of £10.137m including an overspend on NHS managed Section 75 services of £1.600m. Any overspend at year-end would either need to be carried forward or potentially met from available one-off resources.

## 11 Community engagement and consultation

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

## 12 Financial implications

12.1 The financial implications are covered in the main body of the report. Financial performance is kept under review on a monthly basis by the Corporate Leadership Team and members and the management and treatment of strategic financial risks is considered by the Audit & Standards Committee.

Finance Officer consulted: *Jeff Coates* Date: 20/06/2024

## 13 Legal implications

13.1 Decisions taken in relation to the 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.

13.2 Appendix 8 sets out the detailed requirements of the Productivity Plan, which requires member oversight and endorsement.

Lawyer consulted: Elizabeth Culbert Date: 21/06/2024

## 14 Equalities implications

14.1 There are no direct equalities implications arising from this report.

## 15 Sustainability implications

15.1 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 Corporate Plan and Medium Term Financial Strategy priorities. The achievement of a break-even position or better is therefore important in the context of ensuring that there are no adverse impacts on future financial years from performance in 2023/24.

## 16 Health and Wellbeing Implications:

16.1 The council's budget includes many statutory and preventative services aimed at supporting vulnerable children and adults. The budget prioritises support to these core and critical services including management of any emerging in-year pressures to minimise impacts on statutory provision.

## 17 Conclusion and comments of the Chief Finance Officer (Section 151 Officer)

17.1 The forecast overspend risk of £10.137 million at Month 2 represents 3.9% of the net General Fund budget. This early forecast indicates a number of demand and cost pressures across homelessness, a pressure on the Section 75 Mental Health partnership and a number of significant income pressures across City Services. There is evidence of the continuing impacts of higher inflation and interest rates on social care and temporary accommodation costs (prices) which are coming in above budget assumptions. There are also continuing impacts on incomes such as commercial rents and planning fees due to a suppressed economy. These are also impacting the achievement of some savings programmes.

17.2 As set out earlier in the report, understanding the level of forecast risk is important to inform decision-making and recovery actions. A number of Financial Recovery Measures have already been identified to mitigate overspend or savings risks but at this early stage further work is being undertaken by Corporate Directors to corroborate cost, income and demand trends and to develop further actions to mitigate risks.

17.3 In the meantime, vacancy management and spending control processes remain in place across the council to contribute to in-year financial management and the option remains to tighten these further if interim monthly TBM reports do not indicate a downward trajectory of the forecast risk.

**Supporting Documentation**

**Appendices**

1. Financial Dashboard Summary
2. Revenue Budget Performance RAG Rating
3. Revenue Budget Performance
4. Summary of 2024/25 Savings Progress
5. Capital Programme Performance
6. New Capital Schemes
7. Treasury Management Update
8. BHCC Productivity Plan