Brighton & Hove City Council

Cabinet

Agenda Item 81

Subject: **Targeted Budget Management (TBM) 2024/25 Month 5 (August)**

Date of meeting: **Thursday, 17 October 2024**

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

Contact Officer: **Name: Nigel Manvell, 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 indication of forecast risks as at Month 5 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 stage is a £7.329m overspend on the General Fund revenue budget representing 2.8% of the net budget and approximately 1.4% of the gross budget. This includes a forecast overspend risk of £1.156m on the NHS managed Section 75 services.

1.3 A significant level of savings is also shown to be at risk with the report indicating that £4.555m (19%) of the substantial savings package in 2024/25 of £23.627m is potentially at risk.

1.4 The month 5 forecast is important as it gives a clearer indication of trends than earlier forecasts. The forecast indicates continued improvement and is £2.808m better than the early month 2 forecast but remains a significant overspend risk. Strengthened recruitment and spending controls have therefore been instigated to provide assurance that the position can be managed down over the remaining months of the year.

1.5 Strengthened controls can have impacts on service availability and responsiveness, and/or internal controls (e.g. too many vacancies could impact on the availability of appropriate staff or managers to safely process and/or authorise expenditure or contracts) which are important risks to understand and consider when addressing in-year financial pressures.

2 Recommendations

2.1 Cabinet notes the forecast risk position for the General Fund, which indicates a potential forecast overspend risk of £7.329m.

2.2 Cabinet notes the forecast outturn includes a forecast overspend risk of £1.156m 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 overspend of £0.682m.

2.4 Cabinet notes the forecast overspend risk for the ring-fenced Dedicated Schools Grant, which is an overspend of £1.358m.

2.5 Cabinet notes the forecast position on the Capital Programme which is an overspend variance of £2.370m.

2.6 Cabinet approves the capital budget variations and re-profiling requests set out in Appendix 6.

2.7 Cabinet approves the new capital schemes requested in Appendix 7.

2.8 Cabinet notes the strengthened spending and recruitment controls set out in Section 17.

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)

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 4.

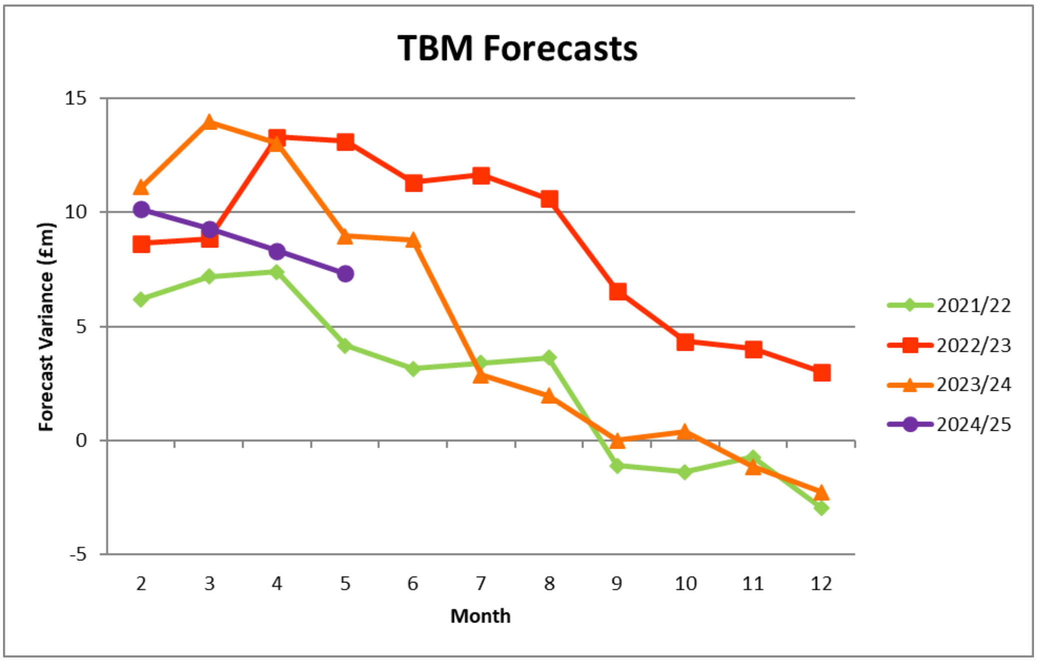
Forecast Variance Month 2 £'000	Directorate	2024/25 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
440	Families, Children & Learning	69,780	69,250	(530)	-0.8%
4,214	Housing, Care & Wellbeing	125,961	129,971	4,010	3.2%
3,638	City Services	47,419	49,151	1,732	3.7%
85	Corporate Services	34,703	34,746	43	0.1%
8,377	Sub Total	277,863	283,118	5,255	1.9%
1,760	Centrally-held Budgets	(19,574)	(17,500)	2,074	10.6%
10,137	Total General Fund	258,289	265,618	7,329	2.8%

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 and with greater delivery risks;
- Challenging 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.

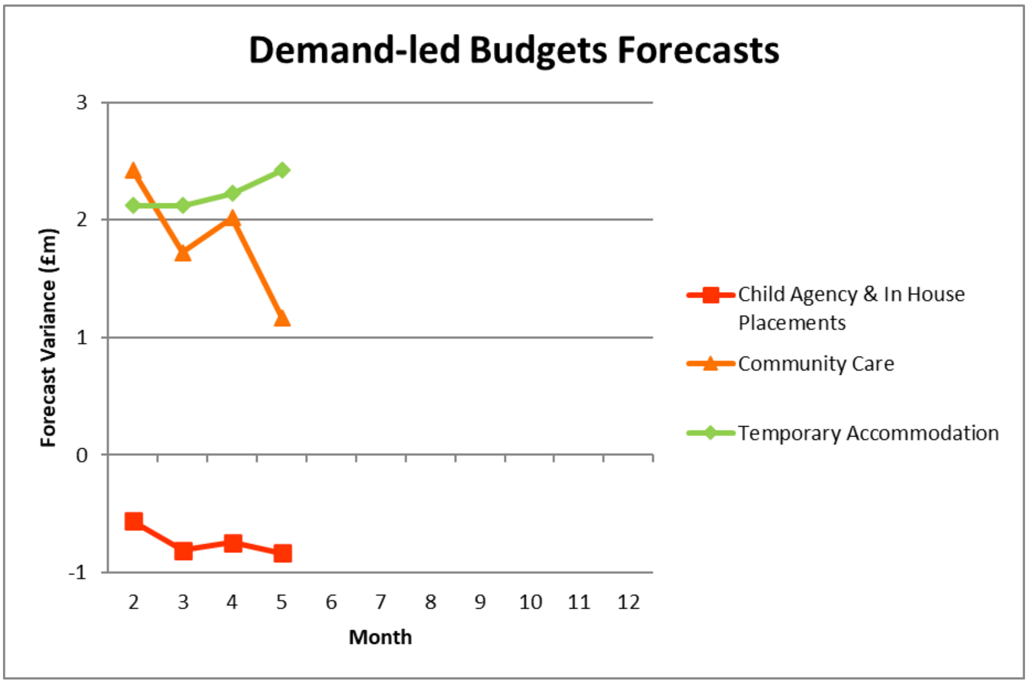


Demand-led Budgets

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.

Forecast Variance Month 2 £'000	Demand-led Budget	2024/25 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
(561)	Child Agency & In House Placements	27,527	26,696	(831)	-3.0%
2,421	Community Care	79,802	80,974	1,172	1.5%
2,122	Temporary Accommodation	6,398	8,822	2,424	37.9%
3,982	Total Demand-led Budget	113,727	116,492	2,765	2.4%

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



TBM Focus Areas

4.5 There are clearly ongoing pressures across many 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:** The current projected position identifies potentially significant cost pressures: £0.293m on Home to School transport and £0.149m on In House Childrens Disability Provision. These together with underspends on Children's Placements of (£0.831m), and other overspends of £0.172m and a recovery plan of (£0.313m) result in a forecast underspend of (£0.530m) as at Month 5. 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.

- **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 and full-time care for another young person aged over 18 which will be funded by Adult Social Care. It is anticipated that these factors will result in an underspend on the Drove Road budget of approximately £0.345m.

Schools' Budgets

For 2024/25 draft budget plans showed 46 schools requiring Licensed Deficits which totalled £10.8m. The latest position now shows 34 schools requiring Licensed Deficits totalling £7.1m. In July the Council's Chief Finance Officer (CFO) and the Corporate Director of Families, Children & Learning agreed compliant licensed deficits totalling £6.6m. There are 2 schools where recovery plan information to support deficit applications is still to be finalised and once completed, will take the overall 2024/25 deficit figure to £7.1m. 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 against until the relevant schools' budgets are rebalanced.

The forecast for the 2024/25 central Dedicated Schools Grant is an overspend of £1.358m. It is also important to note that the central DSG budget for 2024/25 includes 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 sad record that has been exceeded in each of the last three reporting quarters. Brighton & Hove has done incredibly well to keep numbers 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 temporary accommodation service is forecast to overspend by £2.424m and £1.146m of savings are at risk of not being met. The overspend is partially offset by financial recovery measures of £0.280m.

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 we are using. As a broad overview, these actions can be categorised as:

- Prevention:
  - i) Prevention
  - ii) Reconnections
  - iii) s198 Referrals
  - iv) Allocations Policy

- Move-On's:
  - i) TA into Private Rented Sector (PRS)
  - ii) Targeted action for specific cohorts
  - iii) Private Rented Sector Offers
  - iv) Conversions to Assured Shorthold Tenancies (AST)

- Reducing Costs:
  - i) Increasing council-owned TA
  - ii) Identifying new private providers
  - iii) Advertising for new landlords
  - iv) Converting 'Spot Purchased' to 'Block-Booked'
  - v) Separating property procurement from property management

- Increasing Income:
  i) Increasing rent collection rates
  ii) Increase collection of arrears
  iii) Reducing void turnaround times.

A dashboard has been developed, with weekly meetings involving Senior Managers within both Housing and Finance 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 £2.005m. As at 15 September, 321 households were housed in nightly booked accommodation which is 161 higher than budgets allow and the forecast assumes this will remain at the 320 level for the remainder of the year, given that the service is aiming to maximise the use of void council owned stock. 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 as the year progresses.

The underlying trend is that the number of households using nightly booked accommodation is increasing due to 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 Private Rented is the main reason for homeless, but in the last two reporting quarters, this has shot up 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 £0.715m. 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 has recently added a further 26 units in order to offset the loss of private sector leased accommodation. The forecast assumes this level will remain for the remainder 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 about to trial a pilot which would separate the leasing of the property from its management. It is anticipated this could result in annual savings of £250k, as well as improving the service to residents. The Financial Recovery Plan (FRP) includes £0.080m cost reduction for this initiative during 2024/25.

Private Sector Leased (PSL) TA budget is forecast to underspend by (£0.296m). 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 reduction of 24 properties (3.8%) with many property renewal contracts still in negotiation. This forecast assumes PSL TA properties will reduce by 62 properties this year. 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 and block booked 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. The service is also aiming to make greater use of empty council housing stock on a short term basis. This initiative is included in the service financial recovery plan and is estimated to reduce costs by £0.150m in 2024/25.

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. Following transition to this new operating model we are now seeing improvements in terms of a reducing rate of households coming into TA, less complaints and improved decision making.

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, £5.942m is achieved or anticipated to be achieved, with the remaining £1.097m 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 2019 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 directly affects service delivery and has a visible impact on the city. The overall position for City Services is a net £1.732m forecast overspend risk at Month 5, an improvement of £1.906m since Month 2 by continued actioning of financial recovery plans and measures.

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 are being explored to potentially mitigate income pressures as far as possible. This includes 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.

4.10 **Centrally-held Budgets:** There is a forecast overspend of £2.074m on centrally-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 £0.700m on Insurance budgets caused by an increase in the value of claims paid.

There is an estimated pressure of £0.589m on the Housing Benefit Subsidy budget. The main element of this is a pressure of £0.709m on a certain benefit type for vulnerable tenants which is not fully subsidised. This pressure has continued to rise since last year but is being investigated to assess what steps can be taken to reduce it. This pressure is partially offset by a forecast surplus of £0.120m on the net position of the recovery of overpayments.

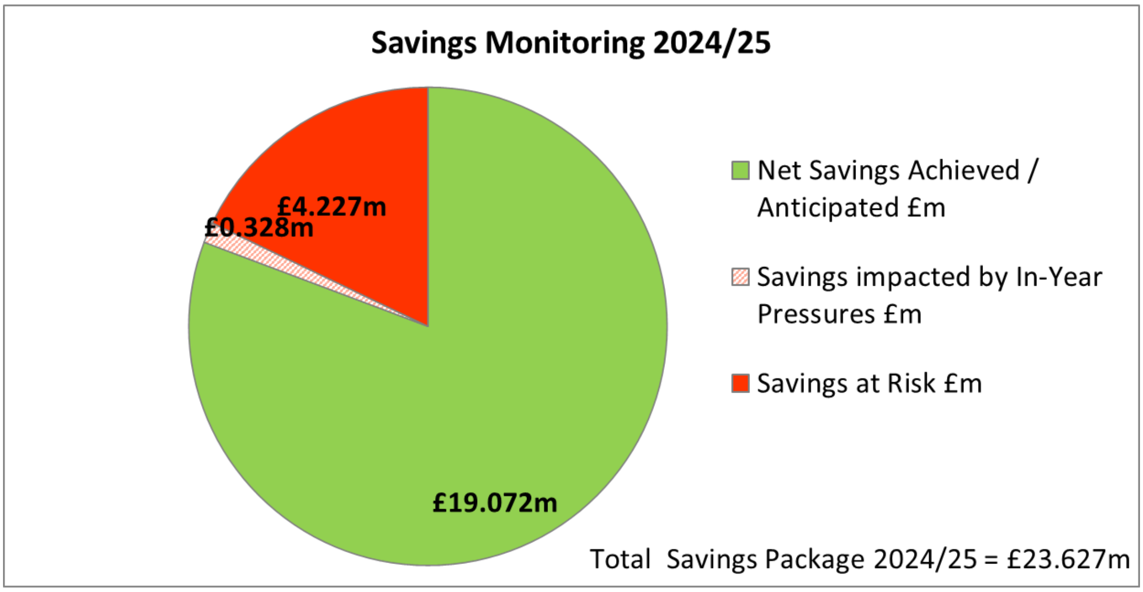
The corporate ‘Organisational Redesign’ saving of £2.475m is also held in this area. At present the saving is at risk although the lead-in time for delivery was always expected to take some months. In lieu of the lead-in time for delivery council-wide vacancy management and some spending controls will remain in place to mitigate the savings risk. The application of a 1% reduction in salary budgets has produced a one-off contribution of £1.271m towards this saving in 2024/25.

There is a forecast underspend of £0.425m on financing costs due to increased investment income as a result of higher balances than forecast.

Monitoring Savings

4.11 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.

4.12 Appendix 4 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 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 5 and shows that gross savings of £19.400m have been achieved but that inflationary pressures (exceptional price increases) have reduced this by £0.328m. Including other unachievable savings of £4.227m, this means that a total of £4.555m (19%) is forecast to be unachieved in 2024/25.



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. The majority of expenditure is funded by Council Tenants' rents and housing benefit (rent rebates). The forecast outturn is an overspend of £0.682m, this position includes variances within specific service areas, details of which are provided below. The latest forecast includes the latest estimates relating to the emergency response to the Large Panel System survey results, this totals £0.725m. It also includes the costs associated in responding to the water safety risks and the new additional contractors required to ensure compliance is met. 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 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 £1.358m 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. The provisional outturn is an overspend of £1.156m 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 an overall overspend of £2.370m which is detailed in Appendix 6.

Forecast Variance Month 2 £'000	Directorate	Reported Budget Month 5 £'000	Provisional Outturn Month 5 £'000	Provisional Variance Month 5 £'000	Provisional Variance Month 5 %
0	Families, Children & Learning	17,491	17,491	0	0.0%
0	Housing, Care & Wellbeing	6,955	7,245	290	4.2%
0	City Services	85,178	85,178	0	0.0%
(339)	Housing Revenue Account	85,809	87,889	2,080	2.4%
0	Corporate Services	9,165	9,165	0	0.0%
(339)	Total Capital	204,598	206,968	2,370	1.2%

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

8.2 Appendix 6 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 Month 2.

Summary of Capital Budget Movement	Reported Budget Month 5 £'000
Budget approved as at TBM month 2	196,555
Changes reported at other committees and already approved	27,828
New schemes (for approval – Appendix 7)	2,965
Variations to budget (for approval – Appendix 6)	6,019
Reprofiling of budget to later years (for approval – Appendix 6)	(27,989)
Slippage (for noting only)	(780)
Total Capital	**204,598**

8.3 Appendix 6 also details any slippage into next year. At this stage project managers have forecast that £0.780m of the capital budget will slip into the next financial year.

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 and one-off invest-to-save programmes. 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 IT&D Investment Fund. The planned profile of capital receipts for 2024/25, as at Month 5, is £15.693m 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 as well as the disposals approved by Cabinet on 27 June 2024.

9.3 To date there have been receipts of £0.956m in relation to the sale of land at Portland Road, 61 Park Street, 43 Shirley Street, 39a George Street 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 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 £1.000m 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, specifically the new supply of affordable housing. To date six homes have been sold in 2024/25.

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 forecasting an overall deficit position of £2.626m, of which the council's share is £2.221m. The main drivers for this deficit are an assumed reduction in the ultimate collection rate of 0.5% £1.005m, increased council tax reduction (CTR) claimant numbers £0.646m, increased Severely Mentally Impaired (SMI) backdated exemption forecast cost £0.619m and backdated student exemption cost £0.494m.

9.7 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. The council's share of this deficit position after allowing for section 31 compensation grants is £0.935m. There has been further clearance this financial year of outstanding appeals against the 2017 valuation list including some large value successful appeals backdated to 2017/18 with five supermarket assessments alone resulting in a reduction in business rates income of £1.830m. The forecast is currently assuming that these higher than anticipated levels of successful appeals against the 2017 list can be managed within the overall provision for both the 2017 and 2023 lists at 31 March 2025. In addition to the appeals provision there are a range of other 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 or re-designation 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 £7.329m including an overspend on NHS managed Section 75 services of £1.156m. Any overspend at year-end would either need to be carried forward or potentially met from available one-off resources including the Working Balance.

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 & General Purposes Committee.

Finance Officer consulted: Jeff Coates Date: 19/09/2024

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.

Lawyer consulted: Elizabeth Culbert Date: 20/09/2024

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 £7.329m at Month 5 represents 2.8% of the net General Fund budget. This forecast indicates continuing demand and cost pressures across homelessness, a pressure on the Section 75 Mental Health partnership, albeit reduced, 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 overspends or savings-at-risk but the extent of the forecast overspend indicates that escalated spending and recruitment controls are now necessary to ensure break-even or better can be achieved by year-end.

17.3 Acting now will help to create a more sustainable position going forward and support planning for the significant savings that will be needed over the next 4 years. The following actions have been instigated by officers and will remain in place until the forecast position improves to a satisfactory position:

- A review of all projects to consider what can be slowed, paused or stopped. This includes reviewing spend on consultancy and any discretionary spend. In addition, options for delaying potential essential spend until April 2025 will be considered where this may be possible.
- An external vacancy freeze is now in place with decisions on exceptions to be made monthly by an officer Spending Control Star Chamber that reports to CLT for sign-off. There will be a list of exemptions for critical areas where mandatory or essential staffing levels or cover is required.
- However, secondment opportunities, i.e. internal recruitment, for up to 12 months will continue to be advertised as needed. This will support One Council working and ensure secondments can continue to provide opportunities to support delivery of key priorities.
- Vacancies approved by CLT will go into redeployment for 8 weeks prior to external advert unless CLT has specified a shorter time in redeployment, following Star Chamber recommendation.
- A review of overtime spend to take place at Directorate Management Team (DMT) level.
- Existing agency working weeks to reduce to a maximum 35 hour working week, and any new assignments to be recruited on 35 hour working week with immediate effect. The limitation of agency hours does not apply to areas or roles on the list of exemptions.
- Delay capital programme spend and reprofile capital projects wherever possible to reduce cash outflow.
- Bring forward any savings opportunities for 2025/26 that could be made earlier than April 2025 (subject to all normal or required processes of consultation and decision-making).

If the situation does not improve by the month 6 interim forecast, an officer Star Chamber approach to review all spend over £1000 will be put in place.

Supporting Documentation

Appendices

1. Financial Dashboard Summary
2. Revenue Budget Movement Since Month 2
3. Revenue Budget Performance RAG Rating
4. Revenue Budget Performance
5. Summary of 2024/25 Savings Progress
6. Capital Programme Performance
7. New Capital Schemes