

Brighton & Hove City Council

Cabinet

Agenda Item 12

Subject: Targeted Budget Management (TBM) Provisional Outturn 2024/25

Date of meeting: Thursday, 26 June 2025

Report of: Cabinet Member for Finance & City Regeneration

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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 the provisional outturn position (i.e. Month 12 year-end) on the council's revenue and capital budgets for the financial year 2024/25.
- 1.2 The final outturn position is subject to the annual external audit review of the council's accounts. The final position will be shown in the council's unaudited financial statements which are due for publication by 30th June 2025 and must be signed by the Chief Finance Officer (CFO) and will ultimately be reflected in the audited set approved by the Audit & Standards Committee, due to be published by 27th February 2026.
- 1.3 The provisional outturn is a £1.091m underspend on the General Fund revenue budget. This is an improvement of £4.401m from Month 9, mainly due to significant improvements in the City Operations outturn. An improvement of £1.985m (including £0.496m Business Rates Levy) from the Month 9 position was assumed when setting the 2025/26 budget and therefore the outturn position represents an additional improvement of £2.416m compared to the assumed outturn of resources available. Section 11 sets out proposals for the allocation of this additional resource.
- 1.4 The report outlines that the reported underspend has been achieved through several measures. This includes the implementation of strict vacancy and spending controls, and the receipt of some significant one-off resources which have supported the General Fund revenue outturn position. A

reported underspend represents a favourable position. However, this is not withstanding the significant financial challenges and risks that the authority faces, particularly in respect of temporary accommodation where increases in demand are significant and unsustainable. This is discussed further in sections 4 and 19.

- 1.5 The report also indicates that £4.760m (20%) of the substantial savings package in 2024/25 of £23.627m was not achievable largely due to exceptional inflationary pressures experienced during the year.

2 Recommendations

- 2.1 Cabinet notes that the provisional General Fund outturn position is an underspend of £1.091m and that this represents an improvement of £2.416m compared to the projected and planned resource position at Month 9 and taken into account when setting the 2025/26 budget.
- 2.2 Cabinet approves General Fund carry forward requests totalling £4.283m as detailed in Appendix 5 and assumed within the provisional outturn.
- 2.3 Cabinet approves the proposed allocation of additional resources as set out in paragraph 11.3.
- 2.4 Cabinet notes the provisional outturn for the separate Housing Revenue Account (HRA), which is a break-even position.
- 2.5 Cabinet notes the provisional outturn position for the ring-fenced Dedicated Schools Grant, which is an overspend of £0.680m.
- 2.6 Cabinet notes the provisional outturn position on the Capital Programme which is an underspend variance of £4.025m.
- 2.7 Cabinet approves the capital budget variations and re-profiling requests set out in Appendix 7.
- 2.8 Cabinet approves new capital schemes requested in Appendix 8.
- 2.9 Cabinet notes the Treasury Management end of year review 2024/25 as set out in Appendix 10.

3 Context and 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 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

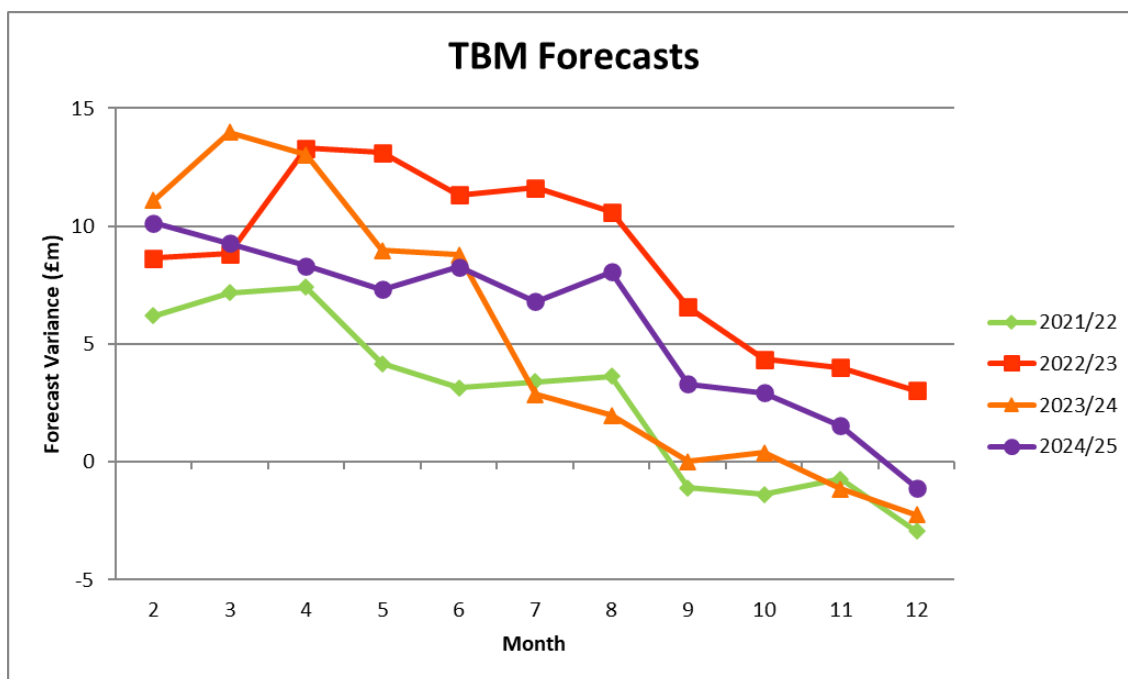
- iv) S75 Partnership Performance
- v) Capital Investment Programme Performance
- vi) Capital Programme Changes
- vii) Implications for the Medium Term Financial Strategy (MTFS)
- viii) Comments of the S151 Chief Financial Officer

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 Corporate Leadership Team. More detailed explanation of the variances can be found in Appendix 4.

Forecast Variance Month 9 £'000	Directorate	2024/25 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(973)	Families, Children & Wellbeing	72,692	71,630	(1,062)	-1.5%
2,357	Homes & Adult Social Care	118,117	120,548	2,431	2.1%
(977)	City Operations	40,814	37,017	(3,797)	-9.3%
735	Central Hub	30,513	30,470	(43)	-0.1%
1,142	Sub Total	262,136	259,665	(2,471)	-0.9%
2,168	Centrally-held Budgets	(56,753)	(55,373)	1,380	2.4%
3,310	Total General Fund	205,383	204,292	(1,091)	-0.5%

- 4.2 The General Fund includes general council services, corporate budgets and central support services. Corporate Budgets include centrally held provisions and budgets (e.g. insurance) as well as some cross-cutting value for money savings targets. Note that General Fund services are accounted for separately to the Housing Revenue Account (Council Housing). Note also that although part of the General Fund, financial information for the Dedicated Schools Grant is shown separately as this is ring-fenced to education provision (i.e. Schools).
- 4.3 The chart below shows the monthly forecast variances for 2024/25 and the previous three years for comparative purposes.



Overview: General Fund Revenue Budget Performance & Risks

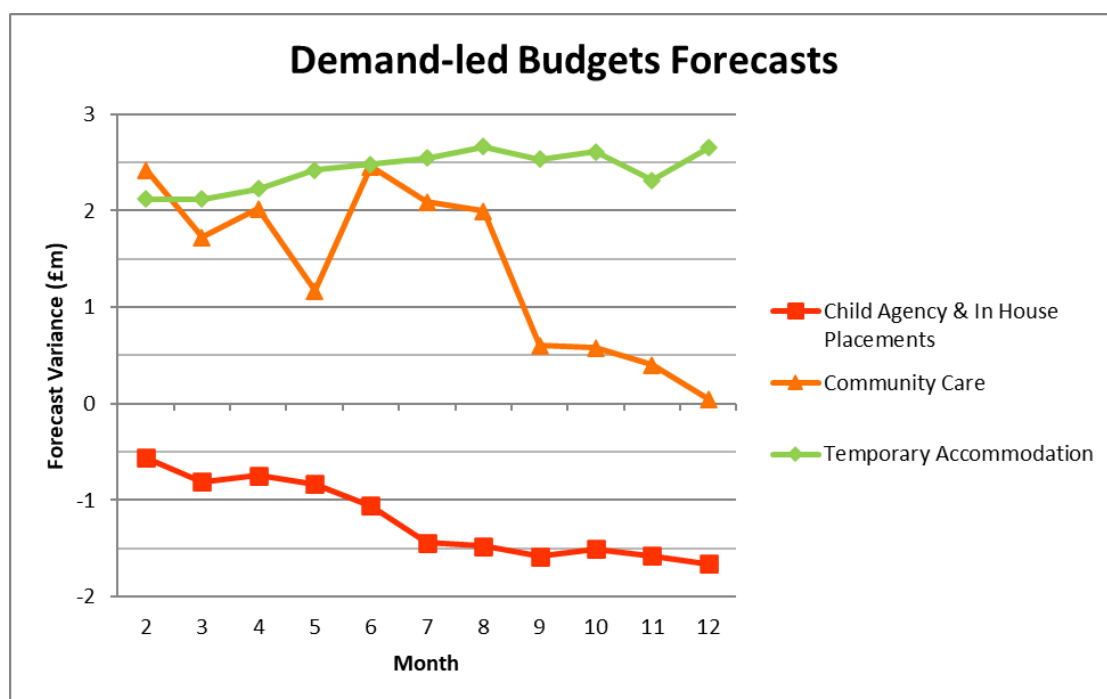
- 4.4 The above graph illustrates that the TBM forecast position during 2024/25 has varied from a peak of £10.137m at TBM2 (May) to the provisional outturn of a £1.091m underspend. The underspend has been achieved as a result of a number of measures, one of which has been strict vacancy and spending controls. These controls were implemented in November 2025, and further strengthened in January 2025 following the deterioration of the forecast at TBM8 (December). Whilst the spending controls have had a significant positive impact on the outturn position, the approach has an impact on service delivery across the council and is not a sustainable method for managing the financial challenges that the organisation faces in the long term.
- 4.5 Of the total 2024/25 savings package of £23.627m, a total of £4.760m (20%) were not achieved. This may add further pressure on 2025/26 revenue budget where there is already further significant savings of £15.799m to deliver during 2025/26.
- 4.6 Furthermore, the provisional outturn includes some considerable overspends in areas which carry high levels of future risk for the organisation. For example, as described in 4.9, Temporary Accommodation has incurred an overspend of £2.652m as a result of the high, and increasing, numbers of households in Temporary Accommodation. This trend is continuing into 2025/26 and therefore likely to be at risk of further overspend in the current financial year.
- 4.7 Therefore it's important to recognise that whilst an underspend is a positive position to have achieved, further work needs to be undertaken to ensure the council reaches a position where key financial challenges can be met in a sustainable way.

Demand-led Budgets

- 4.8 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 9 £'000	Demand-led Budget	2024/25 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(1,585)	Child Agency & In House Placements	27,575	25,914	(1,661)	-6.0%
604	Community Care	79,271	79,320	49	0.1%
2,535	Temporary Accommodation	6,526	9,178	2,652	40.6%
1,554	Total Demand-led Budget	113,372	114,412	1,040	0.9%

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



TBM Focus Areas

- 4.9 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:
- 4.10 **Children's Services:** The final outturn position showed significant cost pressures: £0.721m on Home to School transport, and a shortfall in Public Health Funding of £0.350m. This together with underspends on Children's

Placements of (£1.661m), and other underspends of (£0.472m) result in a year-end underspend of (£1.062m). Key drivers of the outturn position were as follows:

- **Home to School Transport:** There were several factors contributing to the overspend 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 contributed to the overspend in Home to School Transport. The service was increasingly impacted by local driver, vehicle passenger assistant, vehicle shortages and increased running costs. There was also a lack of competition in the transport market, particularly minibuss providers, which is pushed up contract prices still further.

There was 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. There was also an increase in solo routes being created, both to educational provisions where they were the only children attending and using HTST. Since September, 12 routes were created and 10 of those were solo.

Schools' Budgets

At the end of the 2024/25 financial year there is a net deficit school balances position of £2.623m. This represents a worsening of the financial position of £2.904m when compared to the net surplus position of £0.281m at the end of 2023/24. There are 30 schools (out of a total of 55 maintained schools) that have overspends at the end of the 2024/25 financial year. This represents 55% of all schools. Draft school budget plans for 2025/26, which accommodate estimated carry forwards from 2024/25 continue to show a worsening financial position for the city's schools.

The outturn position of the 2024/25 central Dedicated Schools Grant (DSG) is an overspend of £0.680m. 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. This means there is an in-year overspend of £1.955m. The DSG position is described in more detail in Appendix 4.

- 4.11 **Adults Services:** The service faced 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 were 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 Adult Social Care totalled £4.541m. There were 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 service had a Modernisation Programme which aimed to implement a consistent strengths-based approach across key work streams, ensuring robust pathways were in place, developing a community reablement offer and re-designing the front door service. The Health & Social Care system continues to be under considerable pressure, and this generated 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 was scrutinised for Value for Money, ensuring that eligible needs were met in the most cost-effective manner which not always met people's aspirations. Established safeguards were in place to provide assurance within this process.

In respect of financial recovery and the management of Community Care Budget pressures, a monthly savings and efficiencies meeting provided 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 were reviewed to ensure immediate remedial action was undertaken to look at options and, wherever possible, reduce the cost of care whilst meeting the assessed need. Negotiations were also held with Sussex Partnership NHS Foundation Trust regarding addressing the high spending commitment within the Mental Health s75 arrangements.

Housing Services and Temporary Accommodation (TA): The current overspend is due to increased demand for temporary accommodation since December 2023, along with a rise in rental costs. This is a national issue; however, Brighton & Hove have seen a 3% increase compared to 10% nationally. As a result, the temporary accommodation service overspent by £2.652m, with £1.146m of savings not met.

A Temporary Accommodation (TA) Reduction Plan has been developed, setting out a range of activities to either reduce the number of households entering 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, Move-On's to sustainable accommodation, cost reduction measures, and increasing income through improved collection and reducing void turnaround times.

The overspend relates to the following elements:

Emergency nightly booked (Spot Purchased): The budget was set for an average of 160 households per night for the year. However, since April 2024, the council has supported an average of 337 households per night, an increase of 155 compared to the previous financial year. The service aims to reduce the average nightly cost wherever possible, but greater demand, increased costs, and the continuous decline of temporary accommodation leased properties pose significant challenges. Consequently, this budget has overspent by £1.719m.

The underlying trend is that the number of households using nightly booked accommodation is increasing due to changes in the private rented sector. Over the past year, many landlords have exited the market due to cumulative external events beyond the control of the local authority, such as increases in landlord taxes, rising mortgage rates, and the threat of impending legislation. The private rented sector is also the greatest means of preventing homelessness

Booked Accommodation: The service is facing significant pressures on the overall costs of Block Booked accommodation. The budget anticipated a reduction of 88 units during 2024/25, however, due to increased demand and the limited opportunities for move households onto social housing and the private rented sector, there has been an increase of 138 units. Additionally, the council is experiencing substantial increases in contract prices, resulting in an overspend of £0.758m. 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 £0.345m, as well as improving the service to residents.

Private Sector Leased (PSL) TA: The service is underspent by £0.123m, driven by fewer leased properties as landlords withdraw from the rental market. There are 52 fewer properties now than in April 2024, with many renewal contracts still under negotiation. The downward trend has slowed as the service has been successful over recent months enabling more leases to be renegotiated. A marketing campaign is underway to inform potential landlords of the benefits of leasing to the council. Unsurprisingly, the new leases are commanding a higher rate and shorter terms. The reduction in private sector leased properties contributes to the increased use of nightly booked and block booked accommodation

The service is actively seeking measures to reduce the number of households in temporary accommodation by exploring innovative and alternative provision methods and move-on options as part of the Temporary Accommodation Reduction Action Plan. The service has improved its processes to reduce the use and length of stay in temporary accommodation by enhancing homeless prevention and facilitating moves to more sustainable accommodation. This is particularly challenging in a city where private sector rents are very high, supply is limited, and benefit levels remain static. Although Local Housing Allowance (LHA) rates have been increased for 2024/25, the Housing Benefit rate for those in temporary accommodation remains at the 2011 level. Further efficiencies are being sought by continuing to improve homelessness prevention, identifying additional move-on opportunities, securing the best prices for all temporary and nightly accommodation, improving void turnaround times, and enhancing income collection, thereby continuing to reduce costs in line with the budget strategy

The Housing Options 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.

- 4.12 **City Operations:** The Directorate has substantial income budgets for parking, planning and venues. All of which are dependent on visitor numbers, commercial activity and the general economy. There were challenging savings targets in-year of which most related to efficiency savings by providing services in a different way as well as generating additional income. Of the £6.071m savings planned for the 2024/25 financial year, £4.742m was achieved against original aims or where they are not achievable have been mitigated via alternative measures, with the remaining £1.329m at risk. The most significant areas of shortfall are £0.357m for parking tariff and permit fees increases, £0.300m for increased planning fees, £0.355m release of heritage legacy funds and £0.287m for increased traded Digital Innovation income.

Services are starting to see a steady return to pre pandemic levels of activity, this being 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 have been 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.

City Operations has been working on financial recovery plans and measures to mitigate the forecasted overspends, this includes the implication of the spend controls which remain in place across the council.

The overall position for City Operations is a net £3.797m underspend at outturn, a net increase to the underspend of £2.820m since Month 9 reflecting improvements in income collection and the continued actioning of financial recovery plans and measures. There are pressures within the outturn which have been identified in year including the pressure of £0.540m relating to the NJC arrangements with the Royal Pavilion Museums Trust, increased costs identified in Environmental Services resulting in a £0.577m overspend, a significant pressure relating to Planning fees of £1.184m. Offsetting these pressures is an underspend in the forecast for City Infrastructure of £3.302m and underspends on staff costs across the service.

The movement from month 9 is a £2.820m improvement, relating to improvements in paid parking incomes, lower than forecasted parking contract costs, coast protection grant received, 50% share of the successful Business Rates appeal for the Brighton Centre and release of surplus management fee income to revenue. In addition there has been delayed spend and further eligible capitalisation within Digital Innovation and City Infrastructure, further incomes for Brighton Centre, Seafront rents and Trade and Garden Waste. These underspends have been offset by further reductions in planning incomes, increases in BikeShare pressures and reductions in Architect internal fee incomes as a result of a reduced capital programme.

- 4.13 **Centrally-held Budgets:** There is an overall overspend of £1.380m. Of this £1.365m relates to the additional cost of the 2024/25 pay award in excess of the amount provided for in the budget.

There is also a pressure of £0.764m on Insurance budgets caused by an increase in the value of claims paid.

There is a final pressure of £0.896m on the Housing Benefit Subsidy budget. The main element of this is a pressure of £1.038m 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 has been partially offset by a surplus of £0.178m on the net position of the recovery of overpayments.

The corporate 'Organisational Redesign' saving of £2.475m is also held in this area. The redesign has now been completed and the new organisational structure came into force on 1 January 2025. As noted previously, an additional vacancy target was applied council-wide, generating savings of £1.271m to recognise the lead-in time to implement the redesign. A risk provision of £1.000m was also set aside to mitigate this risk and these two measures substantially cover the savings target.

There is an underspend of £1.131m on financing costs (an increase of £0.384m from TBM9) which mostly due to increased investment income as a result of higher balances than forecast and long-term borrowing being delayed until next year.

There has also been an increase of £0.238m in the Homes for the City of Brighton & Hove LLP distributable profit recognised for the financial year ending 31 March 2024, following the final sign off of the Statement of Accounts for 2023/24.

Surplus income of £0.496m was received in respect of distributed Business Rate Levy surplus.

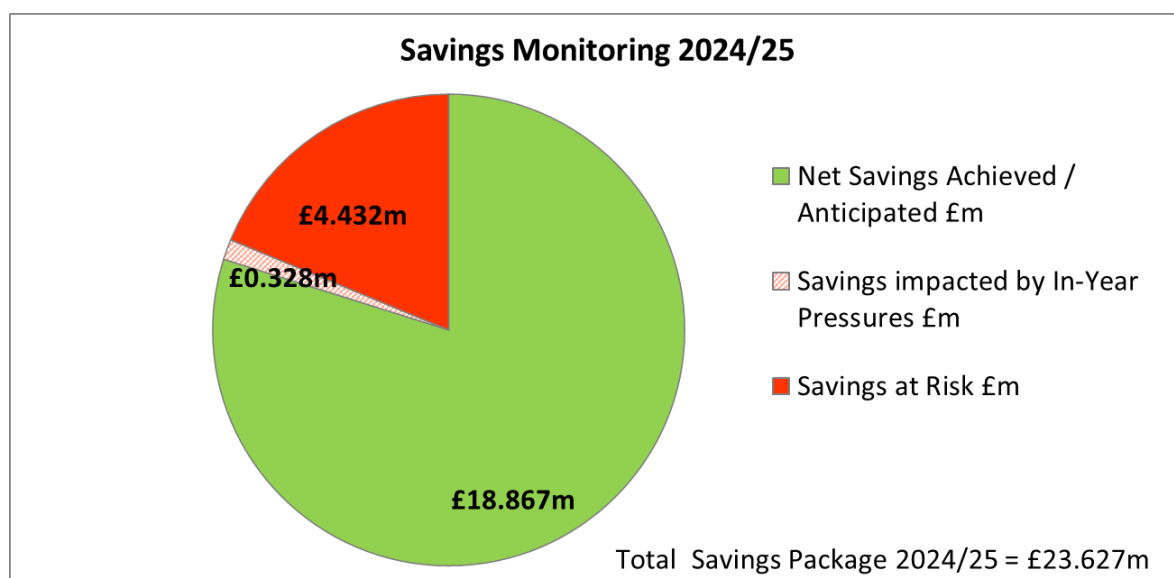
Carry Forward Requests (Appendix 5)

- 4.14 Under the council's Financial Regulations, the S151 Chief Finance Officer may agree the carry forward of budget of up to £0.050m per member of the Corporate Leadership Team (up to a maximum of £1m in total) if it is considered that this incentivises good financial management. However, due to the challenging financial situation, all requests are being presented to Cabinet for consideration. Similarly, carry forwards have only been proposed where there is clear evidence of a fully-funded, prior commitment that was not able to be completed or undertaken by the end of the financial year. This will normally be supported by a contractual or purchase order commitment.
- 4.15 Carry forward requests include grant funded and non-grant funded carry forwards totalling £4.283m which have been assumed in the outturn figures above. An analysis of these is provided in Appendix 5 split into two categories as follows:
- The non-grant funded element of carry forwards totals £1.321m. These items have been proposed where funding is in place for contractual commitments, existing projects or partnership working that cross over financial years and it is therefore due to a timing issue that this money has not been spent in full before the year-end.
 - The grant funded element of carry forwards totals £2.962m. Under current financial reporting standards, grants received by the council that

are unringfenced or do not have any conditions attached are now recognised as income in the financial year in which they are received rather than in the year in which they are used to support services. Carry forward is therefore required to ensure the grants are available to fund the commitments against them next year.

Monitoring Savings

- 4.16 The savings package approved by full Council to support the revenue budget position in 2024/25 was £23.627m. This followed 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.
- 4.17 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 12 and shows that gross savings of £19.195m have been achieved but that inflationary pressures (exceptional price increases) have reduced this by £0.328m. Including other unachievable savings of £4.432m, this means that a total of £4.760m (20%) was unachieved in 2024/25.



5 Housing Revenue Account Performance (Appendix 4)

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 provisional outturn is breakeven, this position includes an overspend of £0.150m across service areas offset by an underspend against the capital financing budgets. The outturn includes pressures arising from the Large

Panel Systems (LPS) emergency response, as well as variances within specific service areas, details of which are provided in Appendix 4.

HRA Risks

- 5.1 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

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 provisional outturn is currently an overspend of £0.680m and more details are provided in Appendix 4.
- 6.2 Currently, the government is providing legislation known as the Statutory Override facility that means any deficit associated with the Central DSG is excluded from the council's general fund financial position at the end of a financial year. The regulations require the negative balance (central DSG deficit) be held in an unusable reserve which remains there for the lifetime of the regulations. The override facility is currently due to expire in March 2026 and an announcement is expected in the near future where the government will set out their future intentions relating to the Statutory Override. This means that a negative unusable reserve of £0.680m has been established at 31 March 2025.

7 S75 Partnership Performance (Appendix 4)

- 7.1 The Section 75 Services represent those services delivered by local NHS Trusts and the Council under Section 75 Integrated Agreements. Services are managed by Sussex Partnership NHS Foundation Trust (SPFT) and the Council and include health and social care services for people whose primary support reason (PSR) is Adult Mental Health and Memory and Cognitive Support Services. The spend reflects the totality of people with a PSR of Mental Health and Memory and Cognitive Support, most of which is within the S75 arrangement, but some of which is within other assessment teams, such as the Hospital Discharge Team and Locality Teams for older adults. The provisional outturn is an overspend of £1.712m and more details are provided in Appendix 4.

8 Capital Programme Performance and Changes

8.1 The Capital programme spans more than one financial year and therefore monitoring is different to that of the revenue budget. Performance needs to be looked at from 5 different viewpoints at the end of the year as follows:

- i) **Variance:** The 'variance' for a scheme or project indicates whether it has broken-even, underspent or overspent. If the project is completed, any underspend or overspend will be an outturn variance. Generally, only explanations of significant forecast variances of £0.100m or greater are given.
- ii) **Budget Variations:** These are changes to the project budget within year, requiring members' approval, and do not change future year projections. The main reason for budget variations is where capital grant or external income changes in year. Some variations may also be an increase in budget for additional funding received to cover additional costs.
- iii) **Slippage:** This indicates whether or not a scheme or project is on schedule. Slippage of expenditure from one year into another will generally indicate overall delays to a project although some projects can 'catch up' at a later date. Some slippage is normal due to a wide variety of factors affecting capital projects, however substantial amounts of slippage across a number of projects could result in the council losing capital resources (e.g. capital grants) or being unable to manage the cashflow or timing impact of later payments or related borrowing. Wherever possible, the council aims to keep slippage below 5% of the total capital programme.
- iv) **Reprofiling:** Reprofiling of budget from one year into another is requested by project managers when they become aware of changes or delays to implementation timetables due to unforeseeable reasons outside the council's direct control. Reprofiling requests are checked in advance by Finance to ensure there is no impact on the council's capital resources before they are recommended to Cabinet.
- v) **IFRS changes:** These accounting adjustments are only applied at year-end and are necessary for the council to comply with International Financial Reporting Standards (IFRS) for the Statement of Accounts. This concerns the determination of items of expenditure as either capital or revenue expenditure. Only items meeting the IFRS definition of capital expenditure can be capitalised; expenditure not meeting this definition must be charged to the revenue account.

For many capital schemes there may be instances where some of the costs are of a day-to-day servicing nature and are not true capital expenditure. It would be impractical for an authority to assess every item of expenditure when it is incurred as to whether or not it has enhanced an asset. A practical solution is therefore applied instead and as part of the closure of accounts process an assessment is made by capital programme managers and Finance to determine the correct classification of capital or revenue. Where

an element of the scheme is deemed to be revenue, the capital budgets are reduced by the same amount as the items that are subsequently charged to the revenue account to ensure no overall budgetary impact. These changes are designated as 'IFRS Adjustments' in Appendix 7.

- 8.1 The table below provides a summary of capital programme performance by Directorate and shows that there is an overall underspend of £4.025m which is detailed in Appendix 7.

Forecast Variance Month 9 £'000	Directorate	Reported Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
0	Families, Children & Wellbeing	13,434	13,434	0	0.00%
93	Homes & Adult Social Care	6,874	6,874	0	0.00%
0	City Operations	46,030	46,013	(17)	0.00%
0	Central Hub	4,023	3,845	(178)	-4.40%
(2,281)	Housing Revenue Account	74,784	70,954	(3,830)	-5.10%
(2,188)	Total Capital	145,145	141,120	(4,025)	-2.80%

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

- 8.2 Appendix 7 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 of the Month 9 report.

Summary of Capital Budget Movement	Reported Budget Month 12 £'000
Budget approved as at TBM month 9	163,600
Reported at Other Committees/IFRS Changes	(5,776)
New schemes in 2024/25 (for approval – Appendix 8)	75
Variations to budget (for approval – Appendix 7)	7,831
Reprofiling of budget to later years (for approval – Appendix 7)	(14,954)
Slippage (for noting only)	(5,631)
Total Capital	145,145

- 8.3 Appendix 7 also details any slippage into next year. At this stage project managers have forecast that £5.631m of the capital budget will slip into the next financial year and this equates to approximately 3.88% of the capital budget.

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 transformation programmes. For 2024/25 there was a total of £10.389m capital receipts (excluding 'right to buy' (RTB) sales and other HRA receipts), which includes the transfer of two properties to the HRA and the land at Moulsecoomb Hub. Other disposals include 2-3 Pavilion Buildings, 43 Shirley Street and 39a George Street. There were also receipts for lease extensions, loan repayments, deposits and the release of a restrictive covenant.
- 9.3 The Government receives a proportion of the proceeds from 'right to buy' sales with a proportion required by the council to repay debt; the remainder is retained by the council and used to fund the capital investment programme. The total net usable receipts for 'right to buy' sales in 2024/25 was £2.855m including £2.313m available for replacement homes. There was also a total of £0.163m receipts for the HRA for non RTB sales including the sale of a property and some land.

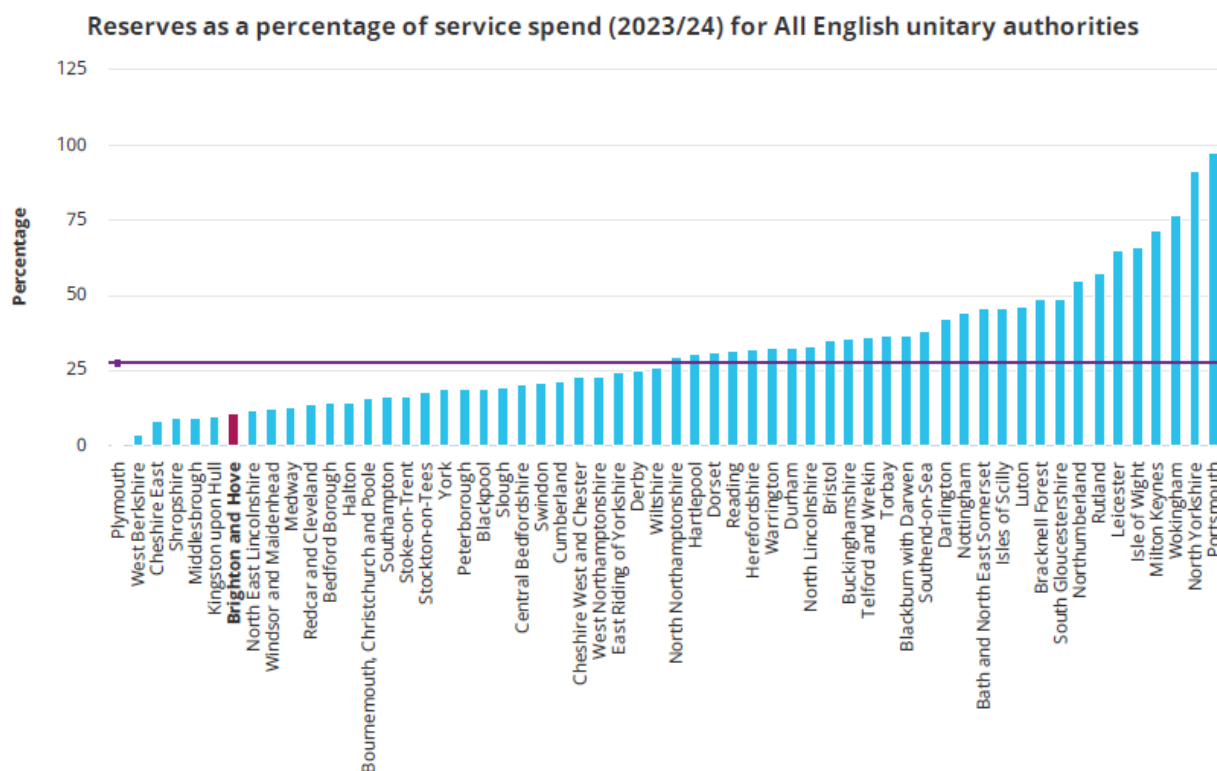
Collection Fund Performance

- 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 Collection Fund for council tax closed with an overall deficit position of £2.475m. The main drivers for this deficit are backdated student exemption cost £1.014m, increased Severely Mentally Impaired (SMI) exemption cost £0.768m, increased council tax reduction (CTR) claimant numbers £0.698m and reductions in anticipated collection £0.310m. This is partly offset by additional council tax premium income. The council's share of the deficit is £2.094m and represents a decrease of £0.110m from the position previously reported and this will be incorporated into the surplus / deficit position for the 2026/27 budget.
- 9.6 The collection fund for business rates closed with an overall deficit position of £5.124m (£2.306m brought forward and £2.818m in-year). The cost of successful appeals against the 2017 rating list was the main reason for the brought forward deficit. The in-year deficit position was due to significantly higher than anticipated appeal costs against the 2017 rating list, which was £4.911m above the level anticipated. In addition, the anticipated growth in

the overall taxbase was £1.714m less than forecast and there was £1.362m higher empty property relief than forecast. Offsetting these cost increases is significant additional income as the result from a backdated increase to the rateable value of a single assessment amounting to £4.836m. The council's share of the £5.124m deficit position is £2.511m. After allowing for section 31 compensation grants and contributions from the collection fund section 31 adjustment reserve the council's net share is £1.520m. This represents an increase of £0.585m from the position previously reported and this will be incorporated into the surplus / deficit position for the 2026/27 budget.

Reserves, Budget Transfers and Commitments

- 9.7 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.
- 9.8 A new DSG Non useable reserve has been created reflecting the DSG deficit position detailed in 6.2.
- 9.9 The council's reserves and provisions have been fully reviewed as part of the annual closure of accounts process and a schedule of the reserves is shown at Appendix 9.
- 9.10 The current recommended minimum General Fund working balance is £9.000m. The working balance was drawn down in 2022/23 by £3.376m to fund the general fund revenue overspend, and a strategy is in place to replenish over a 3 year period to 2026/27. The recommendations within this report will bring the working balance to £7.840m as at 31 March 2025.
- 9.11 The graph below demonstrates that the council's reserves and balances are at minimal sustainable levels and remain low compared to similar sized authorities. The Medium Term Financial Strategy will be refreshed and an approach proposed for increasing the council's minimum working balance to improve financial resilience.



10 Treasury Management End of Year Review 2024/25

- 10.1 The 2024/25 Treasury Management Strategy, including the Annual Investment Strategy was approved by full Council on 22 February 2024.
- 10.2 The CIPFA Treasury Management Code requires the performance of the treasury management activity against the strategy and key prudential and treasury indicators to be reported at least twice a year, to be presented to Cabinet as part of the TBM process.
- 10.3 The treasury management activity for the second half of 2024/25 is provided in Appendix 10. The main points are:
- Investment balances have continued to reduce as the council maintains a strategy to maximise the use of internal reserves and balances to temporarily finance the borrowing need in the capital programme.
 - The highest risk indicator on investments during the period was 0.006% which is well below the maximum benchmark of 0.050%.
 - The return on investments has slightly exceeded the benchmark rates for the period.
 - The council entered into two tranches of new PWLB borrowing for the HRA totalling £60m in the last 6 months of 2024/25. This borrowing was undertaken in response to interest rate reductions to reduce the HRA under-borrowing position.
 - The two borrowing limits approved by full Council have not been exceeded.
 - The Annual Investment Strategy parameters have been met throughout the 6-month period.

11 Proposed allocation of available outturn resources

- 11.1 The outturn position of £1.091m underspend represents an improvement of £2.416m compared to the projected and planned resource position at Month 9 as outlined in the 2025/26 General Fund Budget Report, which included the assumption that the following allocation of one-off resources would be required to maintain a balanced budget position for 2024/25:

One-off Item/Allocation	£m
Reprofiled 2024/25 repayment of Working Balance	1.125
Reduced 2024/25 Waste PFI contribution	0.200
Assumed one off resources to be applied to 2024/25	1.325

- 11.2 The improvement in the TBM outturn position has resulted in these one-off allocations not being required.
- 11.3 The outturn underspend of £1.091m provides additional one-off resources. This allows the council to make an early contribution to replenish the working balance. Work is currently being undertaken to formulate a Financial Sustainability Strategy which will be presented to Cabinet in July 2025. An early working balance contribution is solid progress towards this objective and strategy.

12 Analysis and consideration of alternative options

- 12.1 The provisional outturn position on council-controlled budgets is an underspend of £1.091m. This is an improvement of £4.401m compared with the projected position at Month 9 and an improvement of £2.416m on the position assumed in the budget setting process.
- 12.2 The underspend provides available resources for which the basic options are to:
- i) Replenish the Working Balance toward the minimum recommended level (£9m) as far as possible, following its reduction in respect of the overspend in 2022/23;
 - ii) Hold the resources in whole or in part as a separate risk provision to support the sustainability of the 2025/26 budget position given the large savings programme of £15.789m;
 - iii) Allocate the resources in whole or in part to identified priorities.
- 12.3 The proposed allocation at 11.3 above prioritises i) on the basis of the issues outlined in Section 19.

13 Community engagement and consultation

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

14 Financial implications

- 14.1 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.

15 Legal implications

- 15.1 Decisions taken in relation to the budget must enable the council to meet 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.
- 15.2 The Treasury Management actions reported in the review document at Appendix 10 are carried out in accordance with the powers conferred by Part 1 of the Local Government Act 2003, which permit local authorities to invest for the purposes of the prudent management of their financial affairs. Regard must be had to statutory guidance in the form of the Prudential Code for Capital Finance in Local Authorities issued by the Chartered Institute of Public Finance and Accountancy. The Council's approach is considered to be consistent with that Code and the requirements of the Act.

16 Equalities implications

- 16.1 There are no direct equalities implications arising from this report.

17 Sustainability implications

- 17.1 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 2024/25.

18 Health and Wellbeing Implications:

- 18.1 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.

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

- 19.1 The achievement of an outturn underspend is a favourable position, particularly when compared to early forecasts in the year which indicated pressures of over £10 million. However, alongside normal financial management actions across services, this has required the use of strict council-wide vacancy and spending controls to support the position for most of the year, which has had unavoidable impacts on some service delivery. The position has also been supported by significant one-off resources including a returned distribution from the Business Rate levy, increased investment income from high cash balances resulting from delayed capital

project spending, a successful Business Rates appeal for the Brighton Centre, and review and release of grants and provisions where appropriate.

- 19.2 The Council's financial sustainability is a critical concern due to the very low level of reserves balances. The LGA peer challenge fed back that "The Council has very little, to no, tolerance in its financial resilience... it needs to prioritise a plan to increase the overall level of reserves at pace", and the Council's External Auditors noted in their annual opinion "a significant weakness in arrangements for financial sustainability remains". This outturn position enables the Council to begin to address these concerns. The target general fund reserves position of £9m itself is very low when looking at available benchmarks, this will need to be increased in an updated Medium Term Financial Strategy early in 2025/26.
- 19.3 The underlying position is therefore very challenging which has been recognised in the 2025/26 budget process resulting in the need to provide for around £24 million additional service pressure funding, contributing to a large savings requirement in 2025/26 of nearly £16 million.
- 19.4 The proposed allocation of the surplus resources as outlined in 11.3 to replenish the working balance is key in helping the authority move towards a more sustainable financial position.

Supporting Documentation

Appendices

1. Financial Dashboard Summary
2. Revenue Budget Movement Since Month 9
3. Revenue Budget Performance RAG Rating
4. Revenue Budget Performance
5. Carry Forward Requests
6. Summary of 2024/25 Savings Progress
7. Capital Programme Performance
8. New Capital Schemes
9. Schedule of Reserves
10. Treasury Management Update