

Brighton & Hove City Council

Cabinet

Agenda Item 54

Subject: Targeted Budget Management (TBM) 2025/26 Month 5 (August)

Date of meeting: Thursday, 16 October 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 an indication of forecast risks as at Month 5 on the council's revenue and capital budgets for the financial year 2025/26. 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 optimises the use of those resources.
- 1.2 The report incorporates specific recommendations for exploring and implementing enhanced financial recovery plans within Homes & Adult Social Care aimed at targeting the rising cost and demand of providing temporary accommodation.

2 Recommendations

- 2.1 Cabinet notes the forecast risk position for the General Fund, which indicates a potential forecast overspend risk of £9.406m.
- 2.2 Cabinet notes the forecast overspend risk for the separate Housing Revenue Account (HRA), which is an overspend of £1.192m.
- 2.3 Cabinet notes the forecast overspend risk for the ring-fenced Dedicated Schools Grant, which is an overspend of £2.843m.
- 2.4 Cabinet notes the forecast position on the Capital Programme which is an underspend variance of £5.901m.

- 2.5 Cabinet approves the capital budget variations and re-profiling requests set out in Appendix 6.
- 2.6 Cabinet approves the new capital schemes requested in Appendix 7.
- 2.7 Cabinet notes the Treasury Management update as set out in Appendix 8 and summarised in paragraph 9.
- 2.8 Cabinet notes the strategic decisions being considered to reshape the city's approach to temporary accommodation and establish long-term financial sustainability and that reports outlining these proposals in detail will be presented to Cabinet for consideration at a future date.
- 2.9 Cabinet agrees to extend existing and future lease arrangements for Temporary Accommodation to at least 10 years and 1 day where appropriate, and delegate authority to Corporate Director – Homes & Adult Social Care, in consultation with the Lead Member for Housing, to implement.
- 2.10 Cabinet agrees the set of Strategic Aims in Appendix 9 for the purpose of Direct Offers, in effect until 31 March 2026 and reviewed in January 2026.

3 Context and background information

Overview of Position

- 3.1 The forecast outturn 'risk' for 2025/26 at this stage is an overspend of £9.406m on the General Fund revenue budget, representing 3.8% of the net budget.
- 3.2 The forecast outturn includes a significant level of savings to be at risk; the report indicates that £4.179m (26%) of the substantial savings package in 2025/26 of £15.789m is potentially at risk.
- 3.3 The Month 5 forecast is important as it gives a clearer indication of trends than earlier forecasts. The forecast shows continued improvement, with the forecast overspend being £6.080m lower than the early TBM2 indications. However, the forecast remains a significant overspend risk for this time of year, particularly as significant spending and recruitment controls have remained in place since November 2024 which were implemented (and subsequently strengthened in January 2025) to assist with managing down the 2024/25 forecast overspend back to a balanced position.
- 3.4 Further measures have been implemented during 2025/26 to assist in managing down the forecast position which include:
 - Creation of a new officer-led Savings & Innovation Delivery Board which oversees and monitors the delivery of the 2025/26 savings and recovery plans.
 - Development of service level financial recovery plans to mitigate and address overspends.
 - Development of transformation plans to address demand and costs, particularly in key areas with the most significant demand pressures, including Temporary Accommodation, and Children and Adult social care.

- 3.5 The council's reserve levels are very low and are therefore unable to withstand substantial drawdown that could be required to balance a significant overspend. It is therefore crucial that further measures are considered to continue to manage down the forecast overspend risk.
- 3.6 This report recommends the exploration of the following additional measures:

Strategic financial recovery plans within Temporary Accommodation

Brighton & Hove is experiencing a deepening homelessness crisis, which has both an impact on both the financial resilience and resources of the council and also a profound impact on the families affected by homelessness, including poorer health outcomes and lower educational attainment.

The Asset Management Plan report, also on this agenda, outlines plans to increase the supply of temporary accommodation which will improve both the reliability of supply and the cost to the council. In addition, a number of other strategic measures are also being recommended to be explored and implemented within this report to improve both the cost to the council of providing temporary accommodation, and the outcomes for families in temporary accommodation (these measures are considered in fuller detail in appendix 9):

- **Restructuring Temporary Accommodation Rents:** Aligning Temporary Accommodation (TA) rents with the 2024 Local Housing Allowance (LHA) may enable greater cost recovery through enhanced housing benefit, reducing subsidy loss. The change could ensure rents remain affordable and compliant with national regulations.
- **Adopting a rent policy for temporary accommodation:** Introducing a consistent and fair rent framework for temporary accommodation placements could ensure households pay fair and affordable rents aligned with benefit entitlements, whilst also supporting households to be "ready to rent" as they transition out of homelessness.
- **Introducing longer leases for leased-temporary accommodation:** The introduction of longer (typically 10 or more years) and exploring converting existing leases to longer term leases will improve stability and financial viability. The report recommends that Cabinet agrees to extend existing and future lease arrangements for Temporary Accommodation to at least 10 years and 1 day where appropriate, and delegate authority to Corporate Director – Homes & Adult Social Care to implement.
- **Increasing supply of council-owned Temporary Accommodation:** Covered more fully in the Housing Supply and Asset Management Plan report on the agenda, strategically investing in a planned programme of property acquisition will reduce reliance on the private rental market and reduce the cost of supplying temporary accommodation.
- **Increasing priority for social housing for homeless households:** Prioritising homelessness within the Council's allocation policy will enable movement through Temporary Accommodation, with a focus on families. A set of strategic aims as to how priorities are given within the allocations policy are outlined in full in Appendix 9. An Equality Impact Assessment is underway and will inform application of Direct Offers. The report recommends that Cabinet agree to these strategic aims to

be put into effect immediately until 31 March 2026, to be reviewed in January 2026.

- **Exploring the use of exempt or supported housing:** Partnering with registered providers to deliver supported housing models could enable better care and greater housing benefit recovery.

The strategic financial recovery plans outlined in this report represent a comprehensive and forward-looking response to Brighton & Hove's deepening homelessness crisis. These measures will not only support the council's financial sustainability but also support families in their journey out of homelessness, contributing to healthier, more stable lives. A further cabinet report is proposed to be presented to a future Cabinet meeting to make recommendations regarding the measures outlined above.

Review of Earmarked reserves

The council's general level of reserves levels are very low compared to authorities of a similar size. The council also holds more than £19.000m of earmarked reserves, set aside for specific purposes.

Given the general risks that the council currently faces, it is recommended that earmarked reserves are reviewed. Where it is appropriate and proportionate to do so, the review will seek to un-ringfence reserves and create a general risk reserve with those funds that are released. There are reserves that are required to be ringfenced and earmarked separately for statutory and/or contractual purposes, so the review would concentrate on isolating those that can be appropriately released. Any recommendations to release earmarked reserves will be included in the TBM Month 7 report to December Cabinet.

Other options being explored:

- Further tightening of normal financial management actions across all areas under pressure including recruitment freezes and spending prioritisation.
- Stopping or reducing of some non-essential services.
- 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).

The options being explored will be kept under review for implementation if the forecast overspend position remains significantly elevated over the next couple of months.

Targeted Budget Management (TBM) Reporting Framework

- 3.7 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.
- 3.8 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 Chief Finance Officer (statutory S151 officer)
- 3.9 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. Cabinet 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 reporting requirements. A Treasury Management update is included at Appendix 8 and the key points are summarised in paragraph 9.

4 General Fund Revenue Budget Performance (Appendix 4)

- 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	TBM Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
3,378	Families, Children & Wellbeing	79,724	81,655	1,931	2.4%
9,358	Homes & Adult Social Care	121,331	128,762	7,431	6.1%
(874)	City Operations	50,750	48,957	(1,793)	-3.5%
2,198	Central Hub	33,180	34,533	1,353	4.1%
14,060	Sub Total	284,985	293,907	8,922	3.1%
1,426	Centrally-held Budgets	(8,952)	(8,468)	484	5.4%
15,486	Total General Fund	276,033	285,439	9,406	3.4%

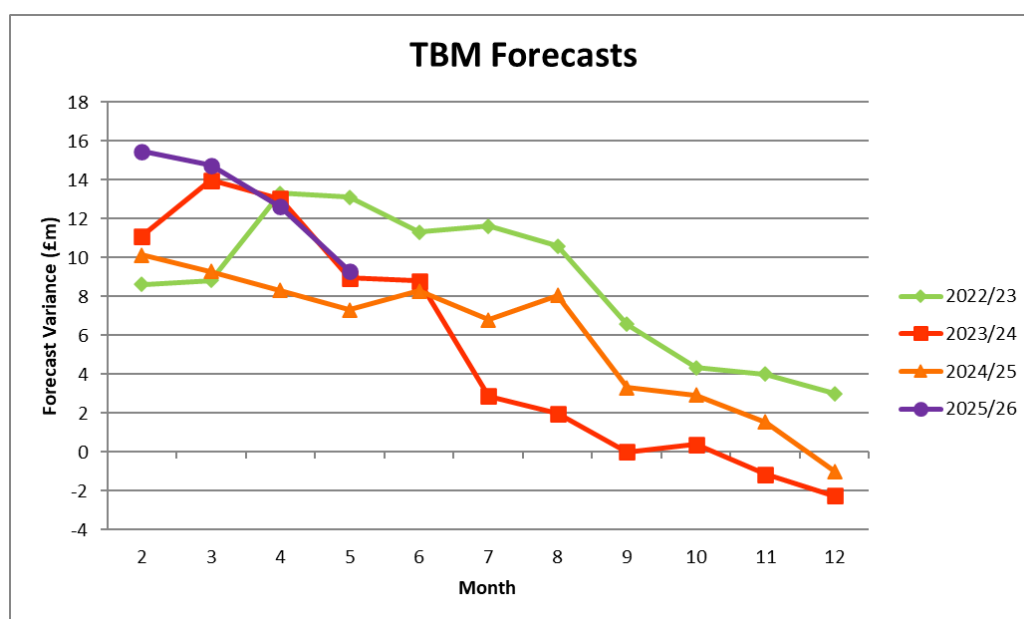
- 4.2 The General Fund includes general council services, corporate budgets and central support services. Corporate Budgets include centrally held provisions and budgets (e.g. insurance) as well as some cross-cutting value for money

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 2025/26 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.

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.

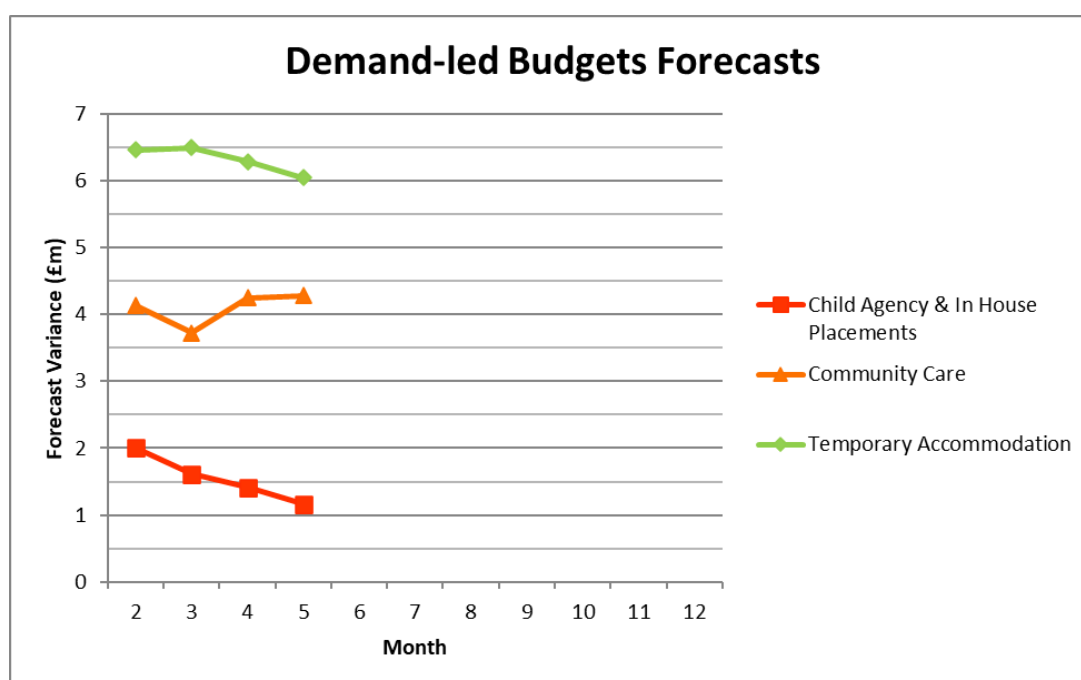


Demand-led Budgets

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		TBM Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
	Demand-led Budget				
2,003	Child Agency & In House Placements	28,718	29,884	1,166	4.1%
4,135	Community Care	80,758	85,040	4,282	5.3%
6,464	Temporary Accommodation	3,141	9,190	6,049	192.5%
12,602	Total Demand-led Budget	112,617	124,114	11,497	10.2%

The chart below shows the monthly forecast variances on the demand-led budgets for 2025/26.



TBM Focus Areas

- 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:** The projected outturn position showed significant cost pressures: £0.445m on Home to School transport, In House Children's Disability Residential Provision £0.400m, PFI £0.265m and £1.166m on Children's Placements. This together with other overspends of £0.014m and a recovery plan of (£0.320m) result in a Month 5 overspend of £1.970m. Key drivers of the position are as follows:
- **Home to School Transport:** There are 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 contributing to the overspend in Home to School Transport. The service is also 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 minibuss providers, which is increasing contract prices still further. There is also 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 to educational provisions where they were the only children attending and using HTST.

- **Children's Placements:** The Children's Placements budget is facing significant challenges, driven by various factors affecting the cost and availability of suitable placements for children in care. In recent years, there has been a noticeable rise in the number of children entering care with increasingly complex needs. This includes a small number of children with significant safeguarding risks requiring placements that offer specialised care and support at a very high cost. In addition, the prevailing market conditions have made the current framework contracts unattractive to providers and have resulted in the necessity to make more placements outside of the framework contract at higher rates.

Ongoing difficulties in recruiting foster carers have continued to cause sufficiency issues. The shortage of foster carers makes it problematic to place children in family settings, whether in-house or with external providers. This shortfall in available foster placements forces the service to select for more expensive care options. The number of children in Care remains relatively stable and the demand pressures are being managed through high quality social work intervention and the recently established Early Help service. However, the issues with very vulnerable children with complex needs coming into care, the local care provider market and fostering recruitment has led to substantial cost pressures on the placement budget.

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

It is forecasted that by the end of the 2025/26 financial year the Schools' PFI contract will be overbudget by £0.265m. For TBM5 this is being mitigated by the inclusion of £0.050m in a financial recovery plan. Despite receiving pressure funding to compensate for the reserve depletion in 2023/24, it is not predicted to be sufficient to cover the higher-than-expected PFI contractor costs plus inflation. For prudence the forecasted inflation for 25/26 and beyond has been assumed in the model at 3%, despite the Office for Budget Responsibility forecasting that it will average out at 2% between 2024 and 2028.

The PFI contract finishes on the 31 March and it is expected the council will make savings as will no longer be paying out to the PFI contractor. There will be both risks and benefits involved in the completion of this contract. Ultimately it gives the Council ownership of the asset and all its associated costs but also the control of its budget. However, for this to be successful it will require the correct support from Property and the Procurement and Commissioning Teams.

Schools Budgets

At the end of the 2024/25 financial year there was 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.

The current forecast for the 2025/26 central Dedicated Schools Grant is an in-year deficit of £2.163m. At the end of the 2024/25 there was an overspend on central DSG of £0.680m, meaning the cumulative overall deficit position at the end of 2025/26 is estimated to be £2.843m. The DSG position is described in more detail in section 5 below and Appendix 4.

- 4.7 **Homes & Adults Social Care:** The service faces significant challenges in 2025/26 in mitigating the risks arising from increasing demands in homelessness and adult social care, managing the unit costs in temporary accommodation and the care market, and delivering all of the saving plans for 2025/26. It is to be noted that this is after applying service pressure funding of £8.391m in 2025/26 which has been used to fund budget pressures resulting from the increased unit costs and complexity. In spite of the hard work of colleagues to fully achieve the planned savings, the increase in demand and complexity is exceeding the forecast used for the budget setting. Therefore, budget recovery plans are in place and further recovery plans are being recommended for exploration and implementation as part of this report.

The 2025/26 savings plan for the directorate totals £9.256m, in addition to this, pressure mitigations of £5.025m were also applied to 2025/26 service pressure funding allocated corporately. There are continued actions focussing on attempting to manage demand for, and costs of services/accommodation across Homes and Adult Social Care and making the most efficient use of available funds.

Adult services

The total financial recovery plan for Adult Social Care totals £8.859m, with £7.077m achieved to date and £1.007m reported at risk. The Adult social care and commissioning departments continue to implement a strengths-based

approach across key work streams in adult social care, ensuring robust pathways are in place, developing a community re-ablement 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;
- Increased complexity particularly in relation to working age adults and the associated costs of service delivery.
- Continued workforce capacity challenges across adult social care services.
- Increasing demand due to changes in funding arrangements including clients no longer being eligible for Continuing Healthcare.

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.

Housing Services and Temporary Accommodation (TA): The total financial recovery plan target for Temporary Accommodation is £5.421m, with £1.311m achieved to date and £1.855m being reported at risk. The current overspend is due to increased demand for temporary accommodation along with a rise in rental costs. 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:

- Nightly accommodation (spot purchased) was budgeted for an average of 132 households per night for the year. However, the forecast assumes that the average units per night will be 485. 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 been overspent by £4.660m. The service is implementing additional measures to reduce the number of households

- Block Booked - The service is facing significant pressures on the overall costs of Block Booked accommodation. The budget is set at 303 units per night during 2025/26, but due to increased demand, the forecast assumes 424 units. Additionally, the council is experiencing substantial increases in contract prices, resulting in an overspend of £1.060m.
- There are unbudgeted Support Accommodation costs amounting to £0.173m to secure 25 units at William Collier House for the next three years.
- Private Sector Leased TA is overspent by £0.345m. Despite lower numbers of leased properties being used for TA as landlords withdraw their properties from the rental market, the new leases are also commanding a higher rate and shorter terms. This is part of the reason for the increased numbers of Block Booked accommodation.
- Staffing costs were £0.189k underspend due to significant vacancies and recruitment challenges.

4.8 City Operations: This is a diverse directorate that delivers a wide range of services across the city and council. Costs and income are highly dependent on the activity of the general public and visitors to the city therefore forecasting spend can mean some volatility between months.

City Operations has substantial income budgets for parking, planning and venues. All of which are dependent on visitor numbers, commercial activity 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 £1.782m savings planned for the 2025/26 financial year, £1.388m is achieved or anticipated to be achieved, with the remaining £0.394m at risk. The most significant areas at risk primarily relate to income opportunities within Parking Services and City Parks, service redesigns across other service areas and efficiency savings including review of the Multi Functional Devices across the council.

The overall position for City Operations is a net £1.793m forecast underspend at Month 5. This represents an improvement of £0.919m against the Month 2 forecast. This incorporates an increase in costs relating to the maintenance of the city's highways, ensuring that essential safety works and the backlog of works is completed. this increase in costs has been offset by underspends relating to staffing costs because of the vacancy control measures in place in addition to increased income forecasts for sports & leisure, building control, an planning fees. Direct Revenue Funding budgets have been reviewed in light of the 2024/25 outturn which has led to the release of revenue resources, further improving the in-year position. The impact of doing so has marginally increased the council's borrowing requirement, however the cost benefit in revenue supports this action to be taken.

The proposed Financial Recovery Plans (FRP) for the directorate include an improvement in Print & Sign income from Month 6 by increasing the visibility of the service and further improvement in income of the green waste income which is currently performing above budget expectations.

There are pressures within the forecast which have been identified in year including the pressure of £0.485m relating to the NJC arrangements with the Royal Pavilion Museums Trust, increased costs of fleet management totalling

£2.140m identified in Environmental Services, a significant pressure relating to Building Control income of £0.647m, a £0.300m cost pressure for the management of tree diseases across the city and an income pressure of £0.566m within bereavement services. Offsetting these pressures is a significant underspend in the forecast for City Infrastructure of £2.327m, surplus income of £0.510m from the Brighton Centre, commercial and green waste and underspends on staff costs across the service.

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. Current trends are positive, however this could quickly change and therefore financial recovery actions will be explored to potentially mitigate income pressures should they arise. This will include a combination of measures to try and boost income alongside measures to reduce the cost of services.

- 4.9 **Central Hub:** There is a forecast to be overspend of £1.353m for Central Hub services, a significant improvement from £2.198m reported at Month 2 of £0.884m this improvement includes the estimated financial recovery measures.

The most significant element of the overspend is a pressure of £2.017m on the Estate Management service. Within this there is a pressure of £1.110m resulting from a combination of lost rental income from the decanting of New England House, void costs including NNDR and fire safety waking watch. There are also pressures of £0.241m on the agricultural estate and £0.272m on Bartholomew House where rental incomes are not meeting income targets yet, however leasing of 3rd and 4th floors has achieved savings where operating costs are with tenants. There is a £0.238m pressure on the Commercial Portfolio and £0.149m on Phoenix House from voids and rent-free periods

Other areas of pressure within Central Hub include a forecast overspend of £1.096m within Welfare, Revenues & Business Support (WRBS), relating predominantly to staffing pressure £0.500m including £0.200m pressure to clear council tax backlog, an Impact of procurement of HR systems (MHR iTrent) adding Datamart module £0.305m.

These pressures have been offset by a forecast underspend against the Governance and Law budgets of £0.429m, relating mainly to an overachievement of income from Local Land Charges and Registrars income and litigation income of £0.166m as well as underspends in Innovation service £0.141m mainly from vacancy savings and pausing all non-statutory improvement work.

Further Financial Recovery measures of £1.500m have been identified. These include a £0.500m expected contract recovery costs, application of £0.600m redistributed funds following the closure of the Coast to Capital LEP, and further improvement of £0.400m across Finance & Property, including a review of income streams from the council's property portfolio, property maintenance budgets and further general improvements across the service.

- 4.10 **Centrally-held Budgets:** There is a forecast overspend of £0.484m. Of this £0.803m relates to the additional cost of the 2025/26 pay award above the amount provided in the budget.

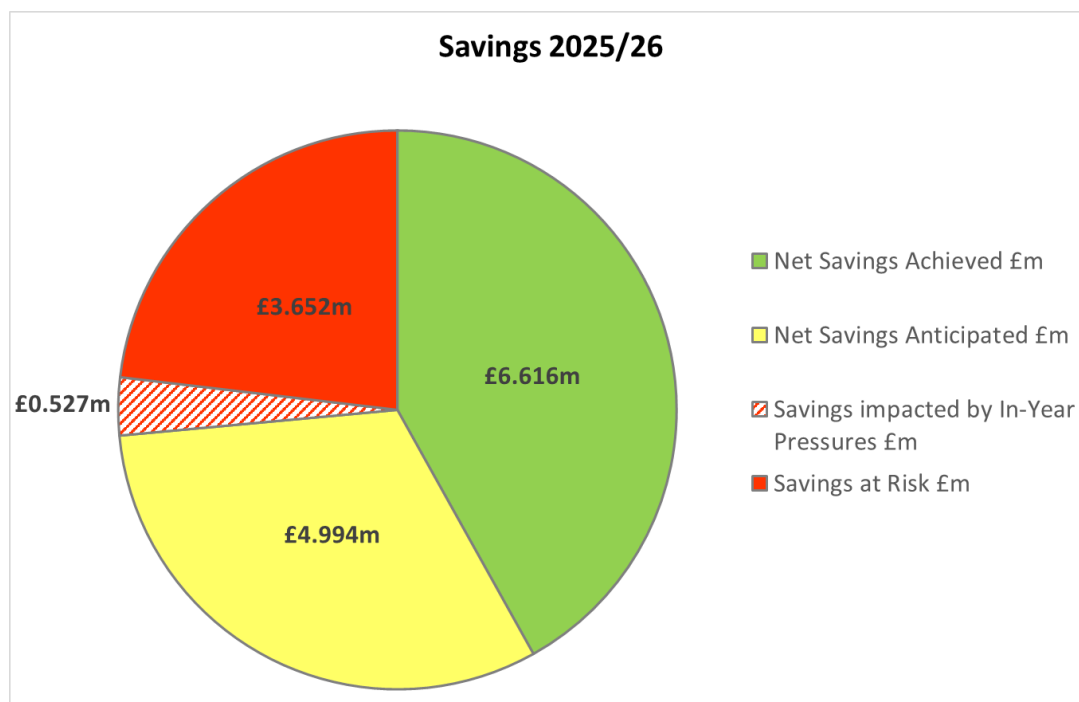
There is a forecast pressure of £0.915m on Housing benefit Subsidy. The main element of this is a pressure of £1.081m on a certain benefit type for vulnerable tenants which is not fully subsidised. The costs in this area have continued to rise since last year. A post has been created which will have the remit of investigating this pressure with the intention of maximising subsidy received. This pressure is partially offset by a surplus of £0.187m on the net position of the recovery of overpayments.

The corporate saving in relation to functional alignment activities from 2024/25 is also held in this area. At present £0.974m of this is at risk.

These pressures are offset by a £2.215m underspend in Financing Costs, primarily as a result of previous year slippage and reprofile of the capital programme has reduced the in-year borrowing need resulting in an underspend in the current financial year. In addition, the council continues to maximise its internal reserves to meet its capital financing requirement, which while limiting investment returns, will delay the need to externally borrow during a time of elevated borrowing rates and reduce in year borrowing costs.

Monitoring Savings

- 4.11 The savings package approved by full Council to support the revenue budget position in 2025/26 was £15.789m following directly on from a £23.627m savings package in 2024/25 and makes 15 years of substantial savings packages totalling over £248m 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 £12.137m have been achieved or are anticipated but that inflationary pressures (exceptional price increases) have reduced these by £0.527m. Including other unachievable savings of £3.652m, a total of £4.179 (26%) of savings is forecast to be unachieved in 2025/26.



Housing Revenue Account Performance (Appendix 4)

4.13 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 – and the majority of funding is from the rent and service charges paid by tenants and leaseholders. The forecast outturn is an overspend of £1.192m, this position includes variances within specific service areas, details of which are provided in the Revenue Budget Performance Appendix. Any overspend in the HRA will result in a contribution from general reserves at year end (as at Month 5 the general reserves balance is £7.7m – equivalent to approximately 10% of income from rent and service charges).

HRA Risks

4.14 The HRA continues to face 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

4.15 The HRA will continue to review spend to try to improve the current financial position. Any variations will be reported to future Cabinet meetings. Officers have recently joined the London Directors of Housing Group and will endeavour to work with peers and use their HRA Toolkit, as well as working with the Housing leads in the LGA, to explore how central government can support social landlords in investing in safety and quality improvements whilst also seeking to increase supply.

5 Dedicated Schools Grant Performance (Appendix 4)

- 5.1 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 £2.843m 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.

6 S75 Partnership Performance (Appendix 4)

- 6.1 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 forecast outturn is an overspend of £2.381m and more details are provided in Appendix 4.

7 Capital Programme Performance and Changes

- 7.1 The table below provides a summary of capital programme performance by Directorate and shows that there is an overall underspend of £5.901m which is detailed in Appendix 6.

Forecast Variance Month 2 £'000	Directorate	Reported Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
(42)	Families, Children & Wellbeing	17,989	17,947	(42)	-0.2%
0	Homes & Adult Social Care	11,075	11,075	0	0.0%
0	City Operations	83,452	83,452	0	0.0%
0	Central Hub	23,974	23,974	0	0.0%
(375)	Homes & Adult Social Care - HRA	105,503	99,644	(5,859)	-5.6%
(417)	Total Capital	241,993	236,092	(5,901)	-2.4%

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

- 7.2 Appendix 6 shows the changes to the 2025/26 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 5 £'000
Budget approved at Month 2	236,963
Changes reported at other committees and already approved, to be included for Month 5	8,834
New schemes to be approved in this report (see Appendix 7)	550
Variations to budget (to be approved)	13,601
Reprofiling of budget (to be approved)	(17,955)
Slippage (to be approved)	0
Total Capital	241,993

- 7.3 Appendix 6 also details any slippage into next year. However, project managers have forecast that none of the capital budget will slip into the next financial year at this early stage.

8 Implications for the Medium-Term Financial Strategy (MTFS)

- 8.1 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 2025/26 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

- 8.2 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, Innovations fund, Asset Management Fund and the Information, Technology and Digital Investment Fund. The planned profile of gross capital receipts for 2025/26, as at Month 5, is £19.535m which includes receipts expected for a major industrial lease extension at Moulsecoomb and Patcham Court Farm. 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 and within the Capital Asset Strategy approved at cabinet in April 2025. To date there have been receipts of £0.930m in relation to the sale of properties at Grand Parade Mews, New Dorset St and East Brighton Park as well as some minor lease extensions and loan repayments. The capital receipts performance will be monitored over the remainder of the year against capital commitments.
- 8.3 The forecast for the 'right to buy sales' in 2025/26 is that an estimated 78 homes will be sold for approximately £12.000m. This step increase in sales is because the discount provided for Right to Buy (RTB) reduced in November

2024 and there was an increased level of applications leading up to that deadline. Receipts from RTB sales are expected to reduce significantly in future years. The net retained receipt is used to fund investment in the HRA capital programme, specifically the new supply of affordable housing. This forecast has been exceeded with 21 homes sold for a total receipt of £3.452m.

Collection Fund Performance

- 8.4 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.
- 8.5 The collection fund for council tax is forecast to be in deficit by £1.271m at year end, an increase of £0.122m from TBM Month 2. The primary driver is a forecast 0.5% reduction in council tax income collection (+£1.184m). There are other areas of variances on discounts, premiums and exemptions which broadly cancel each other out. The forecast includes a reduced level of banding increases compared to previous years, which may be affected by the backlog within the council tax service as well as VOA reporting issue from new systems. The council tax service is experiencing a high level of backlog due to system issues which continues to add further complexity in forecasting the underlying position. The council's share of the deficit is £1.074m and will be included as a one-off shortfall to be funded as part of the 2026/27 budget.
- 8.6 The collection fund for business rates is forecasting an overall deficit position of £4.043m (£1.910m brought forward and £2.132m in-year). This is an increase of £1.313m from TBM Month 2. The cost of successful appeals is the primary reason for the overall deficit in both the brought forward and in year position. Successful appeals for both the 2017 list and 2023 list have both been above the level allowed within the budget. Whilst the 2017 list has just 7 outstanding appeals as at the end of August (which provides a higher level of certainty over the potential cost), it is more complex to forecast the impact of the 2023 outstanding appeals list whilst appeals continue to be received. An additional £1.750m has been assumed for further successful appeals on the 2023 list, which is in line with successful appeals to date. There have been other offsetting changes, including a number of backdated large assessments being added to the ratings list. The council's share of the deficit position, after allowing for section 31 compensation grants and contributions from the collection fund section 31 adjustment reserve, is £1.403m (an increase of £0.416m from TBM2) and will need to be funded as part of the 2026/27 budget.

Reserves, Budget Transfers and Commitments

- 8.7 The creation or re-designation of reserves, the approval of budget transfers (virements) of over £1.000m, 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.

- 8.8 The level of reserves held is kept under review and the table below shows the usable General Fund Reserves as at 31st March 2024 and 2025. It is imperative that the current overspend forecast is addressed by the actions outlined paragraph 3.6. Failure to sufficiently do so will risk having to draw down the whole General Fund working balance, which currently stands at £8.965m following the planned contribution to reserves of £1.125m during 2025/26.

	Balance as at 31st March 2024 £'000	Balance as at 31st March 2025 £'000
General Fund Working Balance	5,624	7,840
Held in Working balance for specific future commitments	2,579	411
PFI Reserves	8,601	9,671
Grants Carried forward	6,152	2,574
Schools LMS Reserves	282	-2,623
Other Usable Reserves	7,926	10,163
Total General Fund Usable Reserves	31,164	28,036

9 Treasury Management Update

- 9.1 The 2025/26 Treasury Management Strategy, including the Annual Investment Strategy was approved by full Council on 27 February 2025.
- 9.2 The CIPFA Treasury Management Code requires the performance of treasury management activity against the strategy and key prudential and treasury indicators to be reported at least twice a year. This is reported to Cabinet as part of the TBM process.
- 9.3 The treasury management activity for the five months of 2025/26 is provided in Appendix 8. The main points are:
- New PWLB borrowing of £20.000m was undertaken in April 2025 at a rate of 4.17% for a term of two years to support the councils' HRA under borrowing position and to take advantage of a temporary reduction in borrowing rates.
 - The council has no short-term borrowing as at 31 August 2025.
 - The highest risk indicator during the period was 0.002% which is below the maximum benchmark of 0.050%.
 - The return on investments has exceeded the target benchmark rate in the first 5 months of 2025/26 by 0.14%
 - The two borrowing limits approved by full Council have not been exceeded.
 - The Annual Investment Strategy parameters have been met throughout the 5-month period.

10 Analysis and consideration of alternative options

- 10.1 The forecast outturn on General Fund budgets is an overspend of £9.406m. 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 Cabinet and the management and treatment of strategic financial risks is considered by the Audit, Standards & General Purposes Committee.
- 12.2 The proposed suite of strategic options being considered to reshape temporary accommodation in the city have the aim of establishing long-term financial sustainability. The temporary accommodation budget is currently reporting significant budget pressures due to increasing demand and high unit costs. Further work will be required to develop more detailed plans to enable potential savings to be quantified.

Finance Officer consulted: *Jeff Coates and Sophie Warburton*

Date: 19/09/2025

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 The report proposes consideration is given to restructuring rents for temporary accommodation, where either licenses or non-secure tenancies are in place. A further report is proposed to come to a future Cabinet meeting with the outcome of those considerations which will include the legal considerations of such an approach.
- 13.3 The extension of leases to a period of at least 10 years can be achieved by agreement with landlords in relation to existing leases and by executing new leases using a 10 year plus 1 day model. Landlords will be given clear advice to seek their own independent legal advice.
- 13.4 In relation to Direct Offers, the Council allocates property according to its allocation policy as approved by cabinet. This includes provision for the Council to make direct offers in appropriate circumstances and in accordance with the Council's 'strategic aims'. 'Strategic aims' can include tackling and addressing homelessness and the poor outcomes for households in interim accommodation. Appendix 9 clarifies the framework for identifying strategic aims for the purpose of Direct Offers. There remains a requirement for a case by case assessment as to whether or not to use the powers set out in the allocation policy.

Lawyer consulted: Elizabeth Culbert

Date: 06/10/2025

14 Equalities implications

- 14.1 There is a complex balancing exercise recognising the challenging life outcomes resulting from spot-purchase and blocked booked (interim) accommodation, and in particular families with dependent children as opposed to those who are in longer-term stable and suitable Temporary Accommodation.
- 14.2 Work is being undertaken to balance the competing needs, particularly when it comes to the question of the wider strategic aims of the council, as outlined in Appendix 9, which must recognise, for instance, the compounding impact of being in unsettled interim accommodation.
- 14.3 An Equality Impact Assessment is underway and will be finalised by the review period of Direct Offers set out in this report. This approach is to enable greater understanding of the impact of this policy on households with protected characteristics on the council's Housing Register.

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 2025/26.

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 £9.406m at Month 5 represents 3.4% 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. The projected overspend set out in this report is unsustainable for the Council given the low level of reserves. Corrective action will have to be successful over the coming months if the Council is going to be able to balance its in-year budget and set a balanced budget for 2026/27.
- 17.2 As set out earlier in the report, understanding the level of forecast risk is important to inform decision-making and recovery actions. Given the scale of the projected overspend, urgent work is being undertaken by all Directorate Leadership Teams to develop recovery plans, alongside a cross

Council Savings Delivery Board, which will focus on the most significant areas of financial pressure across the organisation.

- 17.3 To this effect, this report includes recommendations around additional recovery measures being implemented and explored within Temporary Accommodation to alleviate financial pressures in this service area.
- 17.4 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 continue to indicate a downward trajectory of the forecast risk.

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 2025/26 Savings Progress
- 6. Capital Programme Performance
- 7. New Capital Schemes
- 8. Treasury Management Update
- 9. Financial Sustainability Measures – Temporary Accommodation

