Brighton & Hove City Council

Cabinet

Agenda Item 127

Subject: **Targeted Budget Management (TBM) 2025/26 Month 9 (October)**

Date of meeting: **Thursday, 12 February 2026**

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

Contact Officer: **Name: John Hooton, Director of Finance & Property**
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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 9 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.

2 Recommendations

2.1 Cabinet notes the forecast risk position for the General Fund, which indicates a potential forecast overspend risk of £4.861m.

2.2 Cabinet notes the forecast overspend risk for the separate Housing Revenue Account (HRA), which is an overspend of £0.846m.

2.3 Cabinet notes the forecast overspend risk for the ring-fenced Dedicated Schools Grant, which is an overspend of £2.388m.

2.4 Cabinet approves deferring the planned reserve repayment of £1.125m in 2025/26 (paragraphs 4.10 and 7.8)

2.5 Cabinet approves the release of unrequired Reserves and Provisions of £1.109m (paragraphs 4.10 and 7.9)

2.6 Cabinet notes the forecast position on the Capital Programme which is an underspend variance of £7.714m.

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

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

2.9 Cabinet notes the Treasury Management update as set out in Appendix 8 and summarised in paragraph 8.

3 Context and background information

Overview of Position

3.1 The forecast outturn 'risk' for 2025/26 at this stage is an overspend of £4.861m on the General Fund revenue budget, representing 1.8% of the net budget. The forecast includes the application of £3.981m of risk provision and one off reserves and provisions resourcing decisions, without which, the forecast overspend would be £8.842m.

3.2 The forecast outturn includes a significant level of savings to be at risk; the report indicates that £5.558m (35%) of the substantial savings package in 2025/26 of £15.789m is potentially at risk.

3.3 The forecast overspend is £10.625m lower than the early Month 2 indications and £2.915m lower than the position reported at Month 7. This 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. Most measures have been detailed more fully in previous TBM reports, but in summary, 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.
- Exploration and implementation of additional financial recovery measures in Temporary Accommodation, monitored by a Strategic Coordination Group chaired by the Chief Executive;
- A review of earmarked reserves, resulted in the allocation of £1.109m of previously earmarked reserves into a specific General Risk Reserve from 1 April 2026;
- Further tightening of Spending and Recruitment controls in November 2025, including delay of the majority of new recruitment start dates to 1 April 2026, pausing non-essential spend and increased monitoring of spending and recruitment controls.

- A £1.747m risk provision was included in the 2025/26 budget on a one off basis but had not yet been released into the TBM position. The Chief Finance Officer has now released this into the forecast.
- Release of unrequired reserves and provisions of £1.109m and deferral of the contribution to reserves of £1.125m to help manage the overspend position

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. Given the increase of the overspend at this late point in the year, it is crucial that further measures are considered and implemented to continue to manage down the forecast overspend risk. Therefore, the following further actions may be required:

- Maximising the flexible use of Capital Receipts to fund eligible revenue costs of up to £3.200m
- Further freezes on spend and recruitment
- Further review of earmarked reserves & other funding sources to release one off resources

Targeted Budget Management (TBM) Reporting Framework

3.6 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.

3.7 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
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)

3.8 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 8.

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.

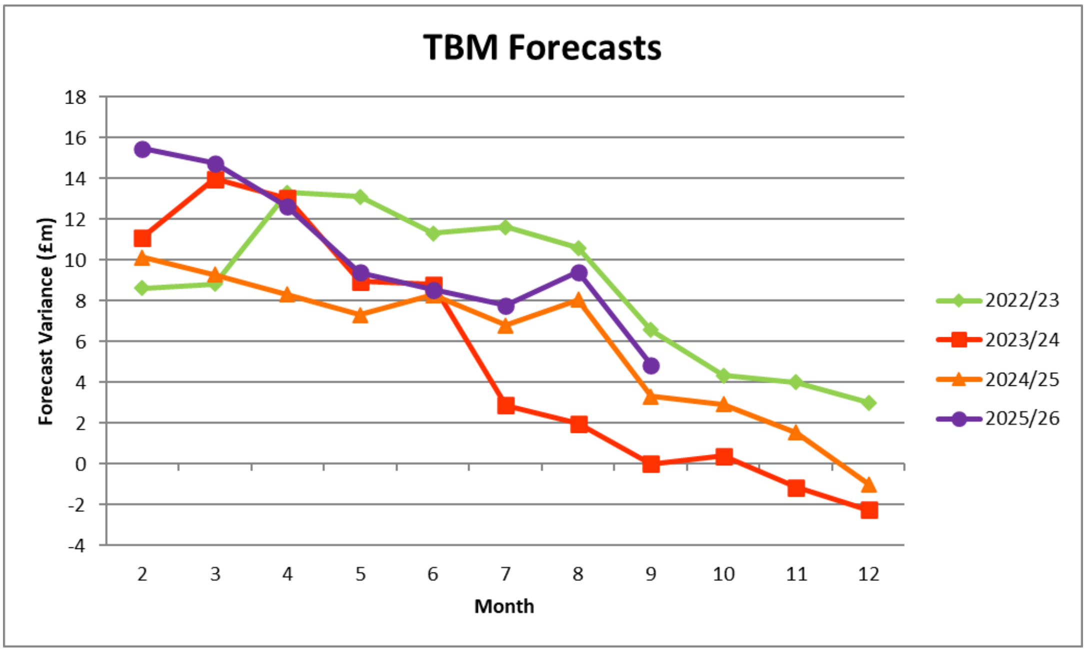
Forecast Variance Month 7 £'000	Directorate	TBM Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
1,445	Families, Children & Wellbeing	79,970	80,149	179	0.2%
8,232	Homes & Adult Social Care	121,373	129,966	8,593	7.1%
(1,793)	City Operations	50,794	47,758	(3,036)	-6.0%
388	Central Hub	32,884	32,730	(154)	-0.5%
8,272	Sub Total	285,021	290,603	5,582	2.0%
(496)	Centrally-held Budgets	(9,048)	(9,769)	(721)	-8.0%
7,776	Total General Fund	275,973	280,834	4,861	1.8%

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

4.3 The chart below shows the monthly forecast variances for 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.

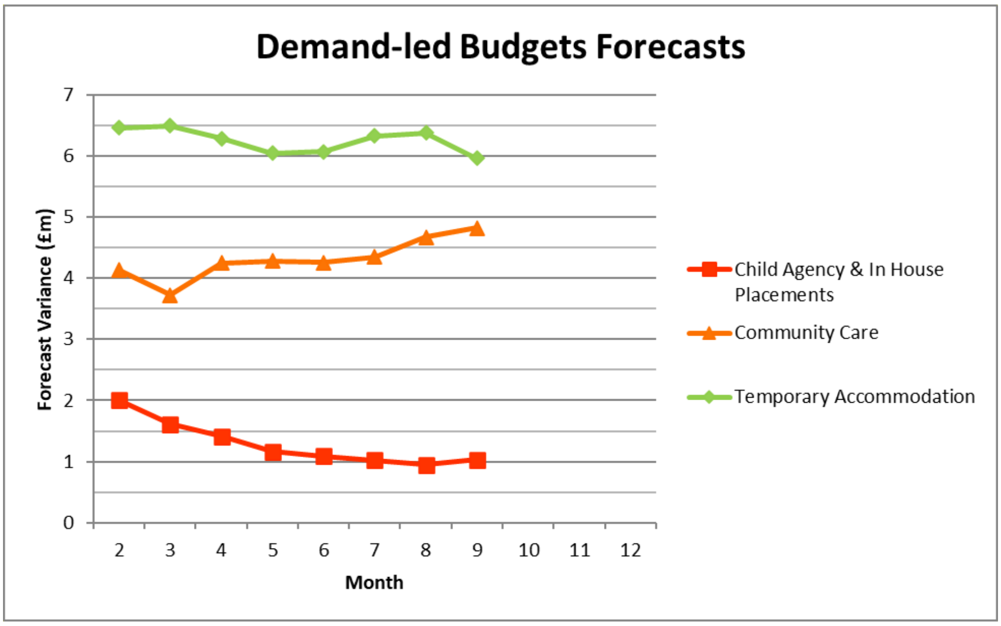


Demand-led Budgets

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 7 £'000	Demand-led Budget	TBM Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
1,018	Child Agency & In House Placements	28,718	29,748	1,030	3.6%
4,352	Community Care	80,706	85,526	4,820	6.0%
6,329	Temporary Accommodation	3,141	9,102	5,961	189.7%
11,699	Total Demand-led Budget	112,565	124,376	11,811	10.5%

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: £0.196m on Home to School transport, In House Children's Disability Residential Provision £0.200m, PFI £0.100m and £1.030m on Children's Placements. This together with Public Health contributions of (£0.426m), Early Help (£0.304m) and other underspends of (£0.617m) result in a Month 9 overspend of £0.179m. 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 minibus 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 Home to School Transport.

- **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 forecast that by the end of the 2025/26 financial year the Schools' PFI contract will be overbudget by £0.100m. Despite receiving pressure funding to compensate for the reserve depletion in 23/24, it is not predicted to be sufficient to cover the higher-than-expected PFI contractor costs plus inflation. For prudency 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 31st March 2028. 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.

For 2025/26, there are 28 schools requiring Licensed Deficits totalling approximately £8.3m. After allowing for schools with surplus balances the overall net position based on 2025/26 school budget plans shows a net deficit of £6.8m. The latest position based on in-year school forecasts shows a slightly improved situation with a net deficit of £5.6m predicted.

The current forecast for the 2025/26 central Dedicated Schools Grant is an in-year deficit of £1.708m. 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 £2.388m. The DSG position is described in more detail in Appendix 4 below.

4.7 **Homes & Adults Social Care:** The directorate 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. Despite the hard work to fully achieve the planned savings, the increase in demand and complexity is exceeding the forecast used for the budget setting. The TBM Month 5 (September) report to Cabinet included a number of strategic financial recovery plans for Temporary Accommodation and Homelessness, which are currently being put in place or explored further with future reports planned to be presented to Cabinet in future.

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 Social Care

The total financial recovery plan for Adult Social Care totals £8.860m, with £6.413m achieved to date and £2.447m 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 reablement offer and re-designing the front door service. Currently the Health & Social Care system is under considerable pressure, and this is generating additional costs for the council due to:

- Pressures on the system due to short-term grant monies and an unresolved national, long-term funding solution;
- Significant pressures on the acute hospital resulting in increased costs to support timely discharge into residential, nursing and home care;

- 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.

Temporary Accommodation (TA):

The total financial recovery plan target for Temporary Accommodation is £5.421m, with £2.266m achieved to date and £2,340m being reported at risk. The current forecast 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.

- Nightly accommodation (spot purchased) The service has successfully renegotiated some SPOT units onto Block Booked (BB) contracts at more favourable rates, thereby decreasing reliance on spot purchases. The current forecast now anticipates 438 households in nightly SPOT at the year 31/03/2026, a reduction of 112. The forecast overspend is £4.610m, an improvement of £0.184m compared to last month and £0.372m better than Month 7.
- Block Booked - Due to the above, Block Booked (BB) accommodation has increased from the budgeted 303 units to 477 per night, leading to an overspend of £0.960m. However, this is £0.043m better than last month and £0.029m ahead of Month 7, as the new units are being secured at reduced rates.
- Private Sector Leased (PSL) overspent by £0.793m, largely owing to the successful renegotiation of leases. Whilst these leases are at higher rates, they remain more cost-effective and stable compared to alternatives such as hotel accommodation.
- Other areas of the service saw underspends totalling £0.393m, with the main savings coming from staffing costs, which were £0.314m below budget due to ongoing vacancies and recruitment challenges.

4.8 **City Operations:** This is a diverse directorate delivering a broad range of services across the city and council. Its financial performance is closely tied to public and visitor activity, which introduces volatility in monthly forecasts.

The directorate manages substantial income budgets for parking, planning, and venues each sensitive to fluctuations in visitor numbers, commercial activity, and the wider economy. For 2025/26, City Operations faces challenging in-year savings targets, primarily focused on service redesigns and income generation. Of the £1.782m planned savings, £1.388m is either achieved or expected to be achieved, leaving £0.394m at risk. Key risks relate to income generation in Parking Services and City Parks, service redesigns, and efficiency measures such as the review of Multi-Functional Devices across the council.

As of Month 9, the directorate is forecasting a net underspend of £3.036m showing an improvement of £1.244m compared to Month 7. Significant work has been undertaken for Month 9 to further mitigate pressures identified. The forecast includes increased costs for essential highway maintenance and backlog clearance, offset by staffing underspends a result of the vacancy controls in place, improved income forecasts in sports & leisure, building control, and planning fees. A review of Direct Revenue Funding (DRF) following the 2024/25 outturn has released additional revenue resources, further strengthening the in-year position. While this has increased the council's borrowing requirement, the revenue cost-benefit justified the decision.

In response to the council's financial position, Financial Recovery Plans (FRPs) introduced are now achieving improved forecasts and are now reflected in the overall forecast. These include boosting Print & Sign income from Month 5 through increased service visibility and further enhancement of green waste income (currently outperforming budget).

Income trends require ongoing scrutiny, with seasonal adjustments necessary to reflect historic patterns particularly for summer-sensitive areas like parking. Early-year data should be treated cautiously, as complete monthly figures are typically delayed by two to three weeks. While current trends are positive, volatility remains a risk, particularly in relation to PCN income, an updated February position will provide greater certainty around the final outturn. Financial recovery actions will continue to be explored to mitigate potential income pressures, combining income-boosting initiatives with cost-reduction strategies.

4.9 **Central Hub:** There is a forecast underspend of £0.154m, representing an improvement of £0.547m compared to Month 7. This improvement incorporates the estimated financial recovery measures.

The Directorate has significant budget pressures and primary driver of the budget pressure is a £1.642m overspend within Estate Management. Key factors to this pressure include £1.150m from lost rental income due to the decanting of New England House, void costs (including NNDR), and fire safety waking watch. Additional pressures of £0.215m on the agricultural estate and £0.098m at Bartholomew House, where rental income targets have not yet been met. However, leasing of the 3rd and 4th floors has delivered savings by transferring operating costs to tenants. Further pressures include £0.149m at Phoenix House (voids and rent-free periods) and £0.087m at Hove Technology Centre.

Other significant pressures include a £0.668m forecast overspend within Welfare, Revenues & Business Support (WRBS), driven mainly by Staffing pressures of £0.500m, including £0.266m to clear the council tax backlog. Procurement costs for HR systems (MHR iTrent), including the Datamart module, totalling £0.305m as well as £0.090m shortfall on court cost recovery.

These pressures have been offset by forecast underspends:

- £0.455m within Governance and Law, primarily from overachievement of income (Local Land Charges and Registrars) and staffing savings.
- £0.492m within People and Innovation, mainly vacancy savings and pausing non-statutory improvement work in Innovation (£0.141m), plus savings in Human Resources (£0.170m) and Health & Safety (£0.310m) and,
- £0.487m from Cabinet office, mainly driven by underspends in subscriptions to other organisations £0.104m, staffing savings £0.135m as well as income generation other savings £0.310m in economic development.

Financial Recovery Measures (FRM) totalling £1.360m have been identified and are incorporated into the service forecasts from which they are expected to be achieved, these include:

- £0.390m expected contract recovery costs
- £0.965m redistributed funds following the closure of the Coast to Capital LEP
- £0.260m savings in planned maintenance within Property Management which is at risk of not being delivered at this stage, though the service continue to explore mitigations.

4.10 **Centrally-held Budgets:** There is a forecast underspend of £0.721m. Within this an overspend of £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 £5.640m on Housing Benefit Subsidy, which has increased by £4.725m since TBM Month 7. The initial pressure was based on the mid-year estimate submitted to DWP. Clarification is being sought on Housing Benefit Subsidy regulations to ensure the correct subsidy amount claimed. A prudent provision has been made to reflect the current interpretations whilst clarification is being sought. This has resulted in an additional pressure of £2.280m in respect of 2024/25 and £2.445m in 2025/26, both of which will need to be recognised in 2025/26.

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, which is included in the forecast.

These pressures are offset by a £3.260m underspend in Financing Costs, primarily because of previous year slippage and reprofile of the capital programme the capital programme review has reduced the in-year borrowing need resulting in an underspend in the current financial year. In addition, the council continues to maximise the use of internal reserves to meet its capital financing requirement. Whilst this limits investment returns, it will delay the need to externally borrow during a time of elevated borrowing rates and therefore reduce in year borrowing costs.

There is an underspend of £0.496m in Unringfenced Grants as a result of the estimate redistribution of business rates levy surplus.

The 2025/26 budget contained a risk provision of £1.747m. As described in paragraph 3.4, this has now been released to support the in-year position.

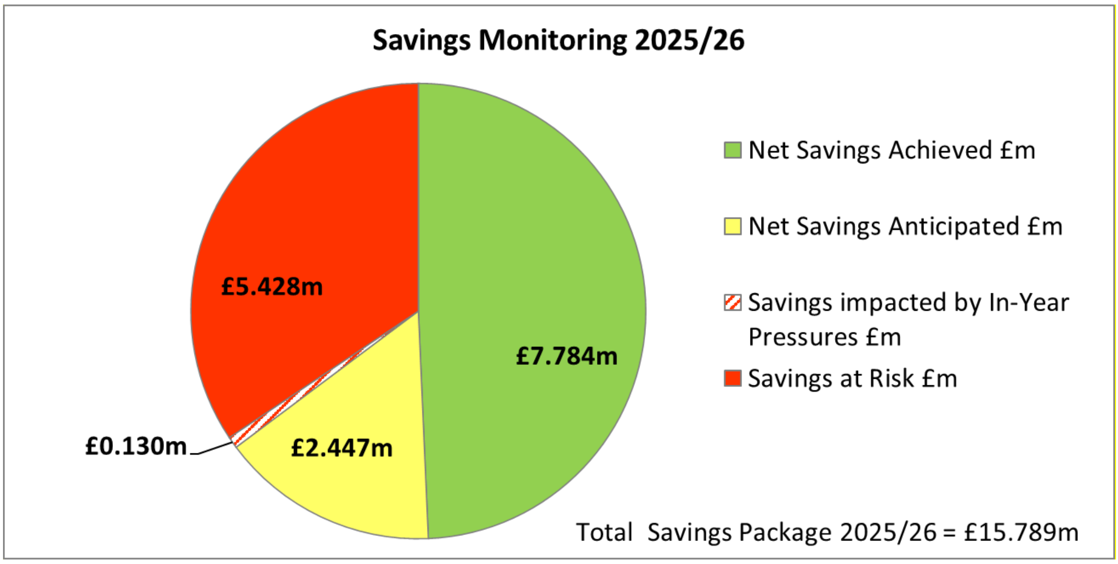
It is also recommended that Cabinet approve the deferral the planned repayment to Working Balance of £1.125m in 2025/26 in order to support the in-year position. As a result an underspend of £1.125m is included in the forecast.

The Budget Update report to December Cabinet identified £1.041m of previously earmarked reserves and provisions that could be released to support the 2026/27 budget position. Due to the difficult in-year position, it is now proposed to release this sum to support the 2025/26 position along with a further £0.068m identified as able to be released from the ICT Investment reserve. This is assumed within the forecast.

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 9 and shows that gross savings of £10.361m have been achieved or are anticipated but that inflationary pressures (exceptional price increases) have reduced these by £0.130m. Including other unachievable savings of £5.428m, a total of £5.558 (35%) 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 £0.846m, 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 9 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:

- Volume of Health & Safety compliance
- Delays related to 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 are part of the London Directors of Housing Group and will endeavour to work with peers 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 £2.388m 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 Capital Programme Performance and Changes

6.1 The table below provides a summary of capital programme performance by Directorate and shows that there is an overall underspend of £7.714m which is detailed in Appendix 6.

Forecast Variance Month 7 £'000	Directorate	Reported Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
(42)	Families, Children & Wellbeing	21,995	21,953	(42)	-0.2%
0	Homes & Adult Social Care	10,529	10,529	0	0.0%
0	City Operations	84,102	84,102	0	0.0%
0	Central Hub	21,481	21,481	0	0.0%
(10,921)	Homes & Adult Social Care - HRA	103,597	95,925	(7,672)	-7.4%
(10,963)	Total Capital	241,704	233,990	(7,714)	-3.2%

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

6.2 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 Month 7.

Summary of Capital Budget Movement	Reported Budget Month 9 £'000
Budget approved at Month 7	244,569
Changes reported at other committees and already approved, to be included for Month 9	1,500
New schemes to be approved in this report (see Appendix 7)	1,563
Variations to budget (to be approved)	(77)
Reprofiling of budget (to be approved)	(5,350)
Slippage (to be approved)	(500)
Total Capital	241,704

6.3 Appendix 6 also details any slippage into next year. Project managers have forecast that £0.500m of the capital budget will slip into the next financial year.

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

7.1 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

7.2 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 9, is £17.081m which includes larger receipts expected for Patcham Court Farm and the meat market in Hollingdean Lane. 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, 24 April 2025 and 16 October 2025. To date there have been receipts of £7.466m in relation to the sale of properties at Freshfield Industrial Estate, Grand Parade Mews, New Dorset St, East Brighton Park, Oxford St, Stanmer village and Pickers Hill as well as some minor lease extensions and loan repayments.

7.3 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. As at the end of December, 57 homes were sold for a total receipt of £9.474m.

Collection Fund Performance

7.4 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.

7.5 The collection fund for council tax is forecast to be in deficit by £1.267m at year end, a decrease of £0.146m from TBM Month 7. 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 £1.071m (a decrease of £0.123m from TBM7).

7.6 The collection fund for business rates is forecasting an overall deficit position of £2.911m (£1.910m brought forward and £1.001m in-year), an increase of £0.591m from TBM Month 7. The primary reason for the increase in the deficit is due to additional empty property reliefs awarded. The cost of successful appeals is the key driver for the overall deficit in both the bought 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 2 outstanding appeals as at the end of December (which provides a high 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. 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 £0.697m (an increase of £0.128m from Month 7).

7.7 The Councils combined share of the Collection Fund deficit for both Council Tax and Business Rates (after applying Section 31 adjustment reserve) is £1.768m, which will be funded as part of the 2026/27 budget as laid out in the general Budget Report elsewhere on this agenda.

Reserves, Budget Transfers and Commitments

7.8 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.

7.9 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 as well as the estimated balances as at 31st March 2026. It is imperative that the current overspend forecast is addressed by the actions outlined paragraphs 3.4 and 3.5. Failure to sufficiently do so will risk having to draw down a significant proportion of the General Fund working balance, which currently stands at £7.840m and is expected to remain so following the proposed deferment of contribution to reserves of £1.125m during 2025/26.

	Balance as at 31st March 2024 £'000	**Balance as at 31st March 2025 £'000**	**Estimated Balance as at 31st March 2026 £'000***
General Fund Working Balance	5,624	7,840	7,840
Held in Working balance for specific future commitments	2,579	411	175
PFI Reserves	8,601	9,671	7,208
Grants Carried forward	6,152	2,574	0
Schools LMS Reserves	282	-2,623	-5,600
Other Usable Reserves	7,926	10,163	5,614
Total General Fund Usable Reserves	**31,164**	**28,036**	**15,237**

(*) The estimated balances as at 31st March 2026 are not directly comparable as figures for grants carried forward and departmental carry forwards are unknown and assumed as zero at this stage. The figures for these at 31st March 2025 were £2.574m and £1.709m (within Other Usable Reserves) respectively.

7.10 A review of the level of reserves has been undertaken as part of the actions agreed in the Month 5 report (paragraph 3.4). This has identified balances of £1.041m that can be released to a new General Risk Reserve. It is now proposed to release this sum, along with a further £0.068m from the ICT Investment Reserve, to support the 2025/26 in year position. This is reflected in the estimated reserve balances above.

8 Treasury Management Update

8.1 The 2025/26 Treasury Management Strategy, including the Annual Investment Strategy was approved by full Council on 27 February 2025.

8.2 The CIPFA Treasury Management Code requires the performance of treasury management activity against the strategy and key prudential and treasury indicators. This includes quarterly reporting incorporated in the TBM process. Appendix 8 provides a summary of treasury activity to the end of December 2025 (Month 9) measured against benchmarks and the key indicators in the council's Treasury Management Strategy.

8.3 The last Treasury Management update was the 2025/26 Mid-Year report presented to Cabinet at its meeting of 11 December 2025. The key activities undertaken in the period since the Mid-Year report include:

- The return on investments has exceeded the target benchmark rates due to Money Market Fund (MMF) rates lagging behind the falling base rate.
- The highest investment risk indicator during the period was 0.002% which is below the maximum benchmark of 0.050%.
- Two new tranches of PWLB borrowing totalling £30.0m were undertaken in October 2025, with £15.0m undertaken for a term of 1 year, and £15.0m for a term of 2 years.
- Short-term borrowing of £12.0m was undertaken at the end of December to fund temporary reductions in liquid cash.
- The two borrowing limits approved by full Council have not been exceeded.
- The Annual Investment Strategy parameters have been met throughout the period.

9 Analysis and consideration of alternative options

9.1 The forecast outturn on General Fund budgets is an overspend of £4.861m. Any overspend at year-end would either need to be carried forward or potentially met from available one-off resources. Paragraph 3.5 outlines the actions that may need to be considered to balance the position at year end.

10 Community engagement and consultation

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

11 Financial implications

11.1 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.

Finance Officer consulted: Jeff Coates Date: 22/01/2026

12 Legal implications

12.1 Decisions taken in relation to the budget must enable the council to observe its legal duty to achieve best value by securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The council must also comply with its general fiduciary duties to its Council Tax payers by acting with financial prudence, and bear in mind the reserve powers of the Secretary of State under the Local Government Act 1999 to limit Council Tax & precepts.

Lawyer consulted: Elizabeth Culbert Date: 28/11/2025

13 Equalities implications

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

14 Sustainability implications

14.1 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.

15 Health and Wellbeing Implications:

15.1 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.

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

16.1 The forecast overspend risk of £4.861m at Month 9 represents 1.8% of the net General Fund budget. This forecast indicates a number of demand and cost pressures across homelessness and Adult Social Care as well as a number of income pressures across City Operations. There is evidence of the continuing impacts of demand pressures on social care and in particular temporary accommodation which are coming in above budget assumptions. These are also impacting the achievement of some savings programmes. The additional Housing benefit subsidy loss of £4.725m has significantly added to the in-year pressure but has been mitigated by the release of the £1.747m risk provision, the proposed deferment of £1.125m Working balance repayment and the proposed release of £1.109m unrequired reserves and provisions.

16.2 The projected overspend set out in this report is unsustainable for the Council given the low level of reserves, with the current forecast relying on the use of reserves to manage the position. Corrective action is therefore required over the coming months. Further steps that can be taken to reduce the overall pressure include:

- Maximising the flexible use of Capital Receipts to fund eligible revenue costs of up to £3.200m
- Further freezes on spend and recruitment
- Further review of earmarked reserves & other funding sources to release one off resources
- Application of the council's working balance

16.3 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, a number of measures have already been implemented during the year, which are summarised in paragraph 3.4.

16.4 Enhanced vacancy management and spending control processes have been put in place across the council to contribute to in-year financial management and the option remains to tighten these further if monthly TBM reports do not continue to indicate a downward trajectory of the forecast risk.

16.5 Failure to manage the position puts the council at risk of needing to draw on its working balance to balance the 2025/26 position. Whilst the council has not requested Exceptional Financial Support (EFS) to support a legally balanced 2025/26 position, the General Fund 2026/27 Budget report elsewhere on this agenda notes that the council has requested up to £15 million of EFS from the government to support the 2026/27 budget position. The strategy towards financial sustainability includes the expectation of using some of the EFS requested to replenish the working balance and general risk reserve used to assist the 2025/26 position.

Supporting Documentation

Appendices

1. Financial Dashboard Summary
2. Revenue Budget Movement since Month 7
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