Brighton & Hove City Council

Cabinet — Agenda Item 32

Subject: **Targeted Budget Management (TBM) 2026/27 Month 2 (May)**

Date of meeting: **Thursday, 16 July 2026**

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 2 on the council's revenue and capital budgets for the financial year 2026/27. 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 £19.882m

2.2 Cabinet notes the additional risks of £17.131m included in the table at Appendix 2 which are not included in the forecast figure above.

2.3 Cabinet notes the forecast overspend risk for the separate Housing Revenue Account (HRA), which is an overspend of £0.482m.

2.4 Cabinet notes the forecast overspend risk for the ring-fenced Dedicated Schools Grant, which is an overspend of £6.643m in year resulting in a cumulative deficit of £8.405m.

2.5 Cabinet approves a request to MHCLG for additional EFS – which is additional borrowing, repaid by further capital receipts - in 2026/27 of up to £30m, to be drawn down if required and discussed in 3.10 below.

2.6 Cabinet notes the current RAG rating of the transformation workstreams at Appendix 3.

2.7 Cabinet notes the Treasury Management update at Appendix 4

2.8 Cabinet notes the Corporate Debtor position at Appendix 5

2.9 Cabinet approves the addition of new projects to the capital programme totalling £272k as set out in Appendix 6.

2.10 Cabinet notes the forecast position on the Capital Programme at Appendix 7 which shows budget variations of £4,283k.

2.11 Cabinet approves the capital budget variations of £6.672m and reprofiling of £8.328m set out in Appendix 7 and discussed at 3.16

3 Overview

3.1 The forecast outturn position at month 2 for the current financial year 2026/27 is an overspend of £19.882m with an additional table of risks totalling £17.131m

Directorate	TBM Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %	Provisional Outturn 25/26 £'000	Movement 25/26 to Month 2 £'000
Families, Children & Wellbeing	92,795	96,474	3,679	4.0%	(845)	4,524
Homes & Adult Social Care	160,867	173,750	12,883	8.0%	10,810	2,073
City Operations	47,462	47,220	(242)	-0.5%	(11,005)	10,763
Central Hub	31,857	32,867	1,010	3.2%	(1,337)	2,347
Sub Total	332,981	350,311	17,330	5.2%	(2,377)	19,707
Centrally-held Budgets	16,807	19,359	2,552	15.2%	2,377	175
Total General Fund	349,788	369,670	19,882	5.7%	0	19,882

3.2 There are two main drivers for the shift in overall forecast vs budget this year. One is an increase in demand led services (Families, Children and Wellbeing and Homes and Adult Social Care). Both areas are reporting increases in not only the number of clients but the level of complexity. Adult Social Care are reporting a 6% increase in numbers compared to budget and a 5% increase in average costs. The outturn report for 2025/26 that went to Cabinet on the 29th of June 2026 noted an underlying overspend of circa £8m caused by pressures on the budget that, although mitigated by the release of centrally held reserves, could not be mitigated by the services. Where these were demand led, what was a partial year overspend in 2025/26 becomes an expected full year overspend in 2026/27 as clients receiving support at the end of last financial year continue into the current year.

3.3 All of these services report good progress on their transformation programmes which are having a positive effect on their position but are currently unable to keep pace with the rise in numbers and costs.

3.4 The other area with a notable change is City Ops. The underspend last year was increased by a release of £4.4m of provision, amassed predominantly in previous years, so the true underspend in 2025/26 is closer to £6.5m. This is still a significant movement. The 2026/27 budget setting took into account some previously identified surpluses within the base budget, meaning that underspends at the levels seen in previous years would not be achieved. The reduction in overspend also relates in part to several decisions taken to fund additional expenditure such as increases in the cost of concessionary bus travel, where the May 2026 cabinet report identified a pressure of approximately £1.5m, with the resulting pressure funded through savings and income streams within the 2025/26 underspend. As a result, these surpluses which contributed to previous favourable outturn positions have been absorbed to support recurring expenditure. The current forecast is hoped to improve but does not include the additional risks included in the table at Appendix 2.

3.5 Detailed reports on all areas are included in Appendix 1 which shows forecasts, explanations for notable variances, current and planned mitigations, savings delivery and supporting data for each service area.

3.6 Savings delivery across all areas is progressing well but the forecast has taken a view on current expectations of deliverability. The council has previously RAG rated all savings but has not always applied this reduction in estimation to the forecast position until later in the year. This has now been incorporated earlier. It increases the forecast overspend but is a more accurate reflection of current expectations. Efforts will continue throughout the year to increase the level of savings delivered and to find alternative savings to further reduce the overspend. Roughly 2/3 of budgeted savings were able to be delivered in 2025/26 and workshop sessions have been run with staff and senior leaders to discuss the reasons for this with the aim of increasing the percentage this year.

Directorate	£`000	£`000	£`000	£`000	£`000	Total £`000
Families, Children & Wellbeing	0	400	0	968	248	1,616
Homes & Adult Social Care	0	0	0	23	0	23
City Operations	375	0	265	469	155	1,264
Central Hub	0	0	614	798	213	1,625
Centrally-held Budgets	0	0	450	1,550	0	2,000
Total General Fund	375	400	1,329	3,808	616	6,528

3.7 Savings linked to transformation are also progressing and the RAG rating and key risks on each project workstream are shown in Appendix 3. Work is underway to review all budgeted cross cutting programmes over the life of the MTFS to eliminate any double counting of savings already in service budget forecasts.

Directorate	£`000	£`000	£`000	£`000	£`000	Total £`000
Families, Children & Wellbeing	0	204	767	50	0	1,021
Homes & Adult Social Care	0	829	6,235	7,871	300	15,235
City Operations	300	416	175	3,007	60	3,958
Central Hub	230	205	435	165	10	1,045
Centrally-held Budgets	1,125	0	0	0	0	1,125
Total General Fund	1,655	1,654	7,612	11,093	370	22,384

3.8 Future project reporting will include two RAGs. One for project delivery and another for the expected achievement of savings, recognising that, as noted above for social care, it's possible to have a well-run project that does what it set out to do, but is unable to deliver the level of savings hoped for due to external factors. Separating the two RAG ratings will allow easy identification of any projects that require attention and conversely provide assurance on others even if the service is still forecasting an overspend. A concern has been flagged in the risk table for the organisational change saving, budgeted at £1.125m. Plans are continually being developed for this but much of what is in progress is already accounted for in service forecasts.

3.9 Appendix 1 also shows the expected variances on the Housing Revenue Account (HRA) and the Dedicated Schools Grant (DSG) which, while outside the reported revenue position of the Council are still the responsibility of the Council to manage. These are showing overspends of £0.482m and £6.643m respectively with the large overspend in the DSG being driven by increased demand in the High Needs Block.

EFS

3.10 An important impact of the TBM2 forecast position is that it exceeds available reserves. The Council closed last financial year (2025/26) with a general reserves balance of £7.913m. This will be increased by £4.160m of EFS already agreed, giving a total available reserves figure of just over £12m. This is significantly less than the forecast £20m overspend and the additional £17m of risks not included in that forecast. While we will continue to work to bring the forecast overspend down, it is clear that our forecast expenditure in 2026/27 is not met by our forecast income and funding, and therefore, to avoid a S114, we must approach MHCLG to ask for additional EFS funding. More work will follow on our recovery plans which will build on the excellent roadmap already laid out in our MTFS but nonetheless, additional funding will have to be sought.

3.11 This approach is necessary to manage the risk of the Council being required to file a S114 notice. The work to reduce the overspend is being undertaken by every service and will continue at pace but the Council is required to be able to fund its service expenditure within the current financial year and without further EFS, at this point in time it is unable to do that.

3.12 Cabinet are asked to approve the submission of a request to MHCLG for an additional amount of EFS of up to £30m in the current financial year.

3.13 As work develops on the budget for 2027/28 further requirements may emerge as, in the same way that the underlying budget pressures in demand led services from 2025/26 have continued into this financial year, they are expected, to some extent, to continue into next.

Treasury, Debt and Capital

3.14 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 at least 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 4 and reports that all activities have been within approved parameters but notes a concern that if interest rates continue to rise, due mainly to macroeconomic factors, there is a risk that our capital financing cost could exceed budget substantially. The treasury team estimate that for every 1% increase in interest rates, our borrowing costs would increase by £780k per annum. This takes account of loans that are fixed for the current year but over time the impact would be increased as those loans become due for repayment and new expenditure increases.

3.15 New project capital funding requested in the period is relatively small and Cabinet are asked to approve the additional funds requested in Appendix 6.

3.16 Appendix 7 reports in detail on the performance of the capital programme and budget variances to existing projects. These are summarised below:

Summary of Capital Budget Movement	Reported Budget Month 2 £'000
Budget approved at TBM00, plus Outturn reprofiles/slippage and additional annual reports previously approved	264,684
Changes reported at other committees and already approved, to be included for TBM2	9,508
New schemes to be approved in this report (see Appendix 6)	272
Variations to budget (to be approved)	6,672
Reprofiling of budget (to be approved)	(8,328)
Slippage (to be approved)	0
Total Capital	272,808

3.17 The notable variations not previously agreed, where budget is increasing, are £3.519m additional grant allocation in high needs provision capital, £2.5m for disrepair capital works.

3.18 It is worth noting that the MTFP from 2027/28 onwards expects a saving in the revenue cost of the capital programme of £2.5m per annum. The graph at the bottom of the Treasury Management update shows the anticipated increase in these revenue costs over the life of the MTFS (an increase of £10m per annum) based on the current capital programme planned expenditure. Work is underway to identify capital expenditure that could be deferred or eliminated in order to achieve this reduction of £2.5m per annum from the current projection.

3.19 Appendix 5 shows aged debt across the organisation. Different areas of the Council record debt according to the processes used to collect in that area, so some may only regard it as an aged debt if it has been registered, some where it has a liability order. Provision has been made across these areas to varying levels, but work is required this year to review the recoverability of the older debt and ensure that there is sufficient resource available to collect outstanding debt.

3.20 All balances shown in this appendix are income that has been attributed to the Council at one time or another but the cash for this income has not been collected. This will become a regular reporting item.

3.21 Council Tax collection rates were on target for the month (0.32% down) while Business Rates were 3.2% down, driven in part by changes in large ratepayer’s bills, but there is also evidence that more businesses are struggling to pay.

4 Analysis and consideration of alternative options

4.1 The forecast outturn on General Fund budgets is an overspend of £19.882m with additional risks of £17m. This exceeds the Council’s available reserves and likely ability to mitigate and therefore will require additional EFS to avoid a S114 as discussed at 3.10 above.

5 Community engagement and consultation

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

6 Financial implications

6.1 The financial implications are covered in the main body of the report and appendices but attention is drawn to the requirement for additional EFS discussed at 3.10. 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: Elizabeth Griffiths Date: 06/07/2026

7 Legal implications

7.1 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.

7.2 The Council has a legal obligation to set a balanced budget on an annual basis as prescribed in the Local Government and Finance Act 1992 and associated Regulations. The recommendations contained in this report will assist in the discharge of that obligation. Cabinet will note the s 151 officer’s view that Exceptional Financial Support is required in ordered to achieve a balanced budget and avoid a S114 Notice being required.

Lawyer consulted: Elizabeth Culbert Date: 07/07/2026

8 Risk implications

8.1 The risk in the forecast figures has been outlined in Appendix 2 which contains estimates of further risk from all services that have not yet been included in the forecast figures because of their level of uncertainty.

8.2 The larger risk in the report is that if the recommendation to request further EFS is not approved, the Council’s Chief Financial Officer would be forced to file a S114 report on the grounds that expected expenditure in the current financial year cannot be met by expected income.

9 Equalities implications

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

10 Sustainability implications

10.1 An inability to balance the budget in the current financial year would require the Council to file a S114 report so the request for additional funds through EFS, in conjunction with continuing efforts to reduce this overspend must be pursued.

11 Health and Wellbeing Implications:

11.1 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.

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

12.1 The position at TBM2 is a significant projected overspend driven by underlying pressures in service spending carried forward from 2025/26 and continuing into 2026/27. Savings have been evaluated based on current expectations of delivery which has increased the forecast but will continue to be pressed not only to increase the chances of success but to continuously find alternative savings to mitigate the position.

12.2 The forecast position requires the Council to approach MHCLG to request more Exceptional Financial Support for 2026/27, expected to be a sum of up to £30m. It should be noted that this is additional borrowing, not additional funding.

Supporting Documentation

Appendices

1. Forecast Dashboards by Service
2. Additional risks not included in the forecast
3. Update on the progress of Transformation programmes and key risks
4. Treasury Management update
5. Corporate Debt
6. New capital schemes
7. Capital programme performance