Brighton & Hove City Council

Strategy, Finance & City Regeneration Committee — Agenda Item 62

Subject:		**Targeted Budget Management (TBM) 2023/24: Month 5 (August)**		
Date of Meeting:		**5 October 2023**		
Report of:		**Chief Finance Officer**		
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Ward(s) affected:		**All**		

FOR GENERAL RELEASE

1 PURPOSE OF 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 (August) on the council's revenue and capital budgets for the financial year 2023/24.

1.2 The forecast risk for 2023/24 at this stage is an £8.971m (3.7%) overspend risk on the General Fund revenue budget. This includes a forecast overspend of £0.235m on the council's share of NHS managed Section 75 services. The forecast reflects improvements due primarily to vacancy and spending controls introduced in July. However, there remain a number of ongoing impacts in relation to economic conditions which are currently suppressing incomes such as planning fees and commercial rents as well as continuing to drive higher Council Tax Reduction claimant numbers. A significant level of savings are also shown to be at risk with the report indicating that £3.976m (28%) of the substantial savings package in 2023/24 of £14.173m is potentially at risk.

1.3 The report indicates that the position, though improved, remains very challenging. This is reflected in the external auditor's Annual Report which was considered by the Audit & Standards Committee on Tuesday 26 September and which again highlighted financial sustainability as a 'significant weakness' requiring a realignment of priorities.

2 RECOMMENDATIONS:

2.1 That the Committee note the forecast risk position for the General Fund, which indicates a potential forecast overspend risk of £8.971m. This includes an overspend of £0.235m on the council's share of the NHS managed Section 75 services.

2.2 That the Committee note the escalated recruitment and spending controls summarised in Section 12 that have been applied from 5 July to assist in mitigating the overspend forecast over the remaining months of the financial year.

2.3 That the Committee note the forecast for the Housing Revenue Account (HRA), which is currently a break-even position.

2.4 That the Committee note the forecast position for the Dedicated Schools Grant which is currently an overspend of £0.680m.

2.5 That the Committee note the forecast outturn position on the capital programme which is a forecast overspend of £0.412m and approve the variations and slippage in Appendix 6 and new schemes as set out in Appendix 7.

2.6 That the Committee note the Treasury Management Update as set out in Appendix 8.

3 CONTEXT/ BACKGROUND INFORMATION

Targeted Budget Management (TBM) Reporting Framework

3.1 The TBM framework focuses on identifying and managing financial risks on a regular basis throughout the year. This is applied at all levels of the organisation from Budget Managers through to Strategy, Finance and City Regeneration Committee. Services monitor their TBM position on a monthly or quarterly basis depending on the size, complexity or risks apparent within a budget area. TBM therefore operates on a risk-based approach, paying particular attention to mitigation of growing cost pressures, demands or overspending through effective financial recovery planning together with more regular monitoring of high risk demand-led areas as detailed below.

3.2 The TBM report is normally split into the following sections:

i) General Fund Revenue Budget Performance
ii) Housing Revenue Account (HRA) Performance
iii) Dedicated Schools Grant (DSG) Performance
iv) NHS Controlled S75 Partnership Performance
v) Capital Investment Programme Performance
vi) Capital Programme Changes
vii) Implications for the Medium Term Financial Strategy (MTFS)
viii) Comments of the Chief Finance Officer (statutory S151 officer)

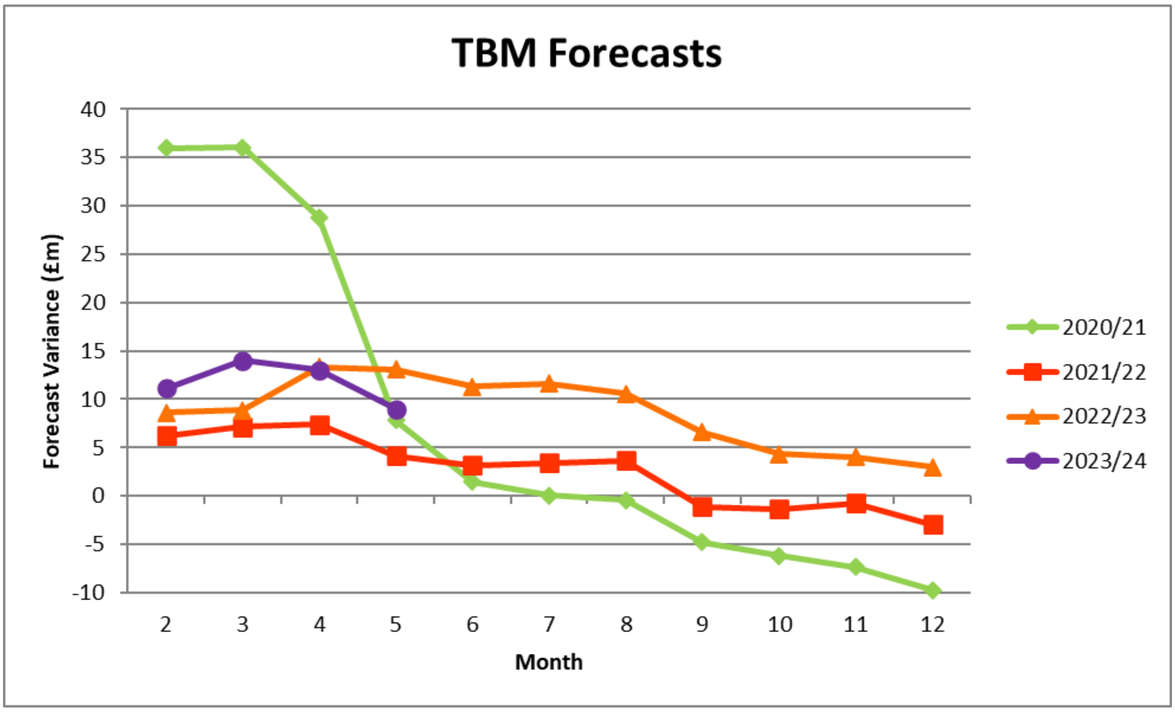
3.3 The report may also include a Treasury Management update from time to time. This is required to comply with the updated Treasury Management Code which requires a minimum of quarterly reporting. The committee already receives mid-year and end-of-year reviews and therefore two additional interim reports will be provided via an appropriate TBM report to ensure compliance with the new reporting requirements. In this respect, a Treasury Management update is provided in this report at Appendix 8.

4 General Fund Revenue Budget Performance (Appendix 3)

4.1 The table below shows the provisional outturn for Council controlled revenue budgets within the General Fund. These are budgets under the direct control and management of the Executive Leadership Team. More detailed explanation of the variances can be found in Appendix 4.

Forecast Variance Month 2 £'000	Directorate	2023/24 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
1,031	Families, Children & Learning	63,593	63,966	373	0.6%
2,697	Health & Adult Social Care	106,535	107,474	939	0.9%
2,213	Economy, Environment & Culture	40,879	44,425	3,546	8.7%
2,063	Housing, Neighbourhoods & Communities	22,848	24,146	1,298	5.7%
0	Governance, People & Resources	31,828	31,676	(152)	-0.5%
8,004	Sub Total	265,683	271,687	6,004	2.3%
3,097	Corporately-held Budgets	(20,002)	(17,035)	2,967	14.8%
11,101	Total General Fund	245,681	254,652	8,971	3.7%

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). The chart below shows the monthly forecast variances for 2023/24 and the previous three years for comparative purposes.

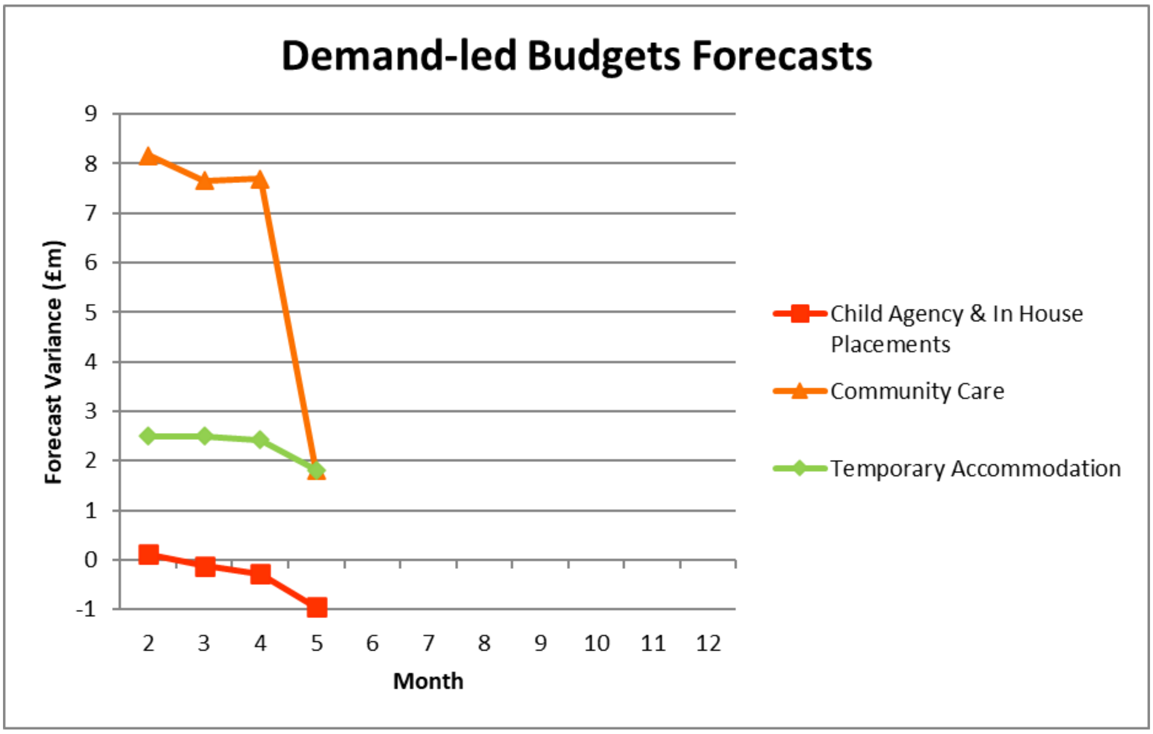


Demand-led Budgets

4.3 There are a number of budgets that carry potentially higher financial risks and therefore could have a material impact on the council's overall financial position. These are budgets of corporate significance where demand or activity is difficult to predict and where relatively small changes in demand can have significant implications for the council's budget strategy. These can include income related budgets. These therefore undergo more frequent and detailed analysis.

Forecast Variance Month 2 £'000	Demand-led Budget	2023/24 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
121	Child Agency & In House Placements	26,863	25,910	(953)	-3.5%
8,169	Community Care	71,938	73,738	1,800	2.5%
2,501	Temporary Accommodation	9,799	11,616	1,817	18.5%
10,791	Total Demand-led Budget	108,600	111,264	2,664	2.5%

The chart below shows the monthly forecast variances on the demand-led budgets for 2023/24.



4.4 The large downward movement on Community Care (Adult Social Care) is due to the confirmation from the NHS of funding toward S117 Mental Health Care packages which had been under negotiation for some months.

TBM Focus Areas

There are clearly widespread 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:

4.5 **Families, Children & Learning:** The current projected position identifies potentially significant cost pressures: £0.518m on Home to School transport and £0.373m on Schools' PFI. These, together with underspends on Children's Placements of (£1.092m) and other variances of £0.574m result in a forecast overspend of £0.373m overspend as at Month 5. Key drivers of the overspend are as follows:

- **Home to School Transport** There are several factors contributing to overspends in Home to School Transport. These include increased demand on the service (both at 5-16 ages, and 16 up until 19th birthday), increased numbers of children requiring single occupancy journeys, lack of local SEND school sufficiency (places), and increased numbers of routes required to accommodate individual post 16 learners' timetables. Market forces within SEND transport are also contributing to the overspend. The service is being increasingly impacted by local driver, vehicle passenger assistant, vehicle shortages and increased running costs. There is also a lack of competition in the transport market, particularly minibus providers, which is pushing up contract prices still further. Home to School Transport price rises in September have been significant with the average cost per pupil increasing by 18%. There is increasingly less capacity in the local system to meet demand, not just in the numbers of children requiring transport but the nature of the transport requirements.

- **Children in Care and Care Leavers:** The post pandemic period has seen children with increasingly complex needs coming into care, as well as problems in foster care recruitment causing an acute sufficiency issue making placing children in families either in-house or with external providers very difficult. This has inevitably led to increasing numbers of children being placed in residential homes or very expensive semi-independent placements. The impact of the increasing complexity of need has resulted in a small number of very high-cost placements with a combined forecast cost of £2.114m at an average unit cost of £11,655 per week.

  The number of care leavers requiring financial support for accommodation had also been steadily rising for some time. There are currently a number of ongoing initiatives and alternative service offers, attempting to reverse the trend of reducing foster carer numbers and address the complex needs of the children being referred. Including a revised and enhanced foster carer allowance structure, new foster care recruitment and supervision practices, Early Help and alternative family support provision. These initiatives appear to be having some success in recent months and it is anticipated that placements for children in care and care leavers will remain within budget in 2023/24.

- **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.

  By the end of the 2023/24 financial year the Schools' PFI contract is expected to be overbudget by £0.373m. This is largely down to the high level of inflation experienced in 2022/23 and the knock-on impact this had on our PFI contractor costs. The increased costs meant a higher amount was required to be drawn down on the reserve reducing it to a level that will not be sufficient to cover costs in 2023/24. Additionally, the rate of inflation used in our PFI model to forecast this year costs has increased significantly. Though inflation is falling and is expected to drop back to 3%, this is not expected to occur before the end of this financial year.

School Budgets

For the 2023/24 financial year there are an unprecedented 33 schools (out of a total of 62 schools) that will require licensed deficit budget arrangements. This represents 53% of all schools with the greatest pressure being in the primary phase, where 29 out of a total of 49 schools will be operating licensed deficits.

The total of the licensed deficits for 2023/24 is £4.416m. This is only slightly below the net school balances at the end of the 2022/23 financial year which was a surplus of £4.540m. It is anticipated that by the end of the 2023/24 financial year there will no longer be a surplus balance position.

The forecast for the 2023/24 central Dedicated Schools Grant is currently an overspend of £0.680m. More details are provided in Appendix 4.

4.6 **Adults Services:** The service faces significant challenges in 2023/24 in mitigating the risks arising from increasing demands from client needs, supporting more people to be discharged from hospital when they are ready and maintaining a resilient local provider market. It is to be noted that this is after applying service pressure funding of £9.639m in 2023/24 which has been used to fund budget pressures resulting from the increased complexity and costs of care.

The 2023/24 savings plan for HASC totals £4.316m. There are continued actions focussing on attempting to manage demand on and costs of community care placements across Assessment Services and making the most efficient use of available funds.

The HASC directorate has a Modernisation Programme which aims to implement a consistent strengths-based approach across key work streams, ensuring robust pathways are in place, developing a community reablement offer and re-designing the front door service. Currently the Health & Social Care system is under considerable pressure, and this is generating additional costs for the council due to:

- Pressures on the system due to short-term grant monies and an unresolved national, long-term funding solution;
- Significant pressures on the acute hospital resulting in increased costs to support timely discharge into residential and nursing home care;
- Pressures on NHS outreach and other preventative services including community nursing (known as Integrated Primary Care Teams), and;
- Workforce capacity challenges across adult social care services.

The funding of all care packages is scrutinised for Value for Money, ensuring that eligible needs are met in the most cost-effective manner which will not always meet people’s aspirations. Established safeguards are in place to provide assurance within this process.

4.7 **Temporary Accommodation:** The current forecast overspend in this service is driven by an increase in demand for temporary accommodation since January 2023 together with an increase in the rental costs of the accommodation. This demand on temporary accommodation is a national issue. The latest figure of households in TA reported by government is the highest it has ever been at 104,500. As a result of these pressures, the service is forecasting to overspend by £1.817m including £1.023m of savings which are unlikely to be met. There is currently a financial recovery plan to reduce this overspend by £0.600m. The overspend relates to the following elements:

Emergency, nightly-booked (Spot Purchased) accommodation is forecast to overspend by £1.296m. The service saw increasing numbers of applicants for emergency accommodation in the first quarter of 2023/24 with an average of 153 households every night which is almost three times higher than budgets allow. This is partly driven by an increase in private property owners selling properties and evicting tenants as a result. There is also an increase in the number of households being placed who are fleeing domestic abuse. The service is analysing each placement to identify any opportunities to better prevent homelessness and understand the reasons for this and whether this is a sign of a wider trend in increasing demand due to the hardship people are facing as a result of the higher cost of living.

To add to this pressure, the cost of accommodation has also been increasing and the service is focussed on reducing the average nightly cost wherever possible and have seen a reduction over the last 2 months. This forecast assumes that the number of households remains at this level all year. However, the service is trying to reduce the number of households accommodated to 60 as part of the financial recovery plan and have already seen a modest reduction. The 3 months June to August show a gradual reduction of 23 households and 134 households are being housed as at 11 September 2023.

In the context of there being more households in TA in England than ever before, the gradual reduction of households in TA in Brighton & Hove is bucking the trend. The Homelessness Transformation Programme has contributed to this, with the average number of new households per week reducing from 17.3 to 13.7 over the past 6 months. The additional annual cost to the council if the higher average had been maintained is c. £2.000m.

The service is also facing further pressures on the overall costs of block-booked emergency accommodation. The budget assumed that there would be a reduction of 125 units during 2023/24. However, this is now looking increasingly unlikely due to the demands on the service and the forecast assumes no reduction in the number of households supported during 2023/24. This impacts on the ability of the service to meet its savings targets, as mentioned above. Additionally, the council is facing large increases to contract costs and therefore the forecast is that this budget will overspend by £2.401m.

Leased TA is forecast to overspend by £0.271m largely as a result of the extra cost of the loss of Housing Benefit Subsidy of £0.187m, an overspend on repairs costs of £0.203m and void costs of £0.057m with other minor variances of £0.027m. Future forecasts will depend on the costs associated with any new contracts agreed with landlords as and when new contracts are agreed.

These variances have been offset by Homelessness Prevention Grant of £2.111m and an underspend on temporary accommodation staffing costs of £0.040m.

Housing is continuing to seek cost reductions through the continuation of the Homelessness Transformation Programme which is an ‘end to end’ improvement programme to help the service improve its processes to reduce the use and length of stay in Temporary Accommodation by improving homeless prevention and enabling move on to more sustainable accommodation. This is challenging in a city where private sector rents are very high, supply is limited, and benefit levels remain static. Further efficiencies will be sought as part of an urgent financial recovery plan which aims to reduce in-year costs by at least £0.600m by reducing the use of expensive emergency accommodation and also the average nightly charge by seeking more cost-effective opportunities. Also, by (for example) continuing to improve the prevention of homelessness, looking for further move-on opportunities; endeavouring to get the best prices for all temporary and emergency accommodation; improving void turnaround times in emergency accommodation and improving income collection thereby continuing to reduce costs in line with the budget strategy.

4.8 **Environment, Economy & Culture:** The Directorate has substantial income budgets for parking, planning and venues and for the council’s commercial property portfolio, all of which are dependent on visitor numbers and commercial activity. There are also challenging savings in-year of which most relate to additional income. Of the £4.727m savings proposed for the current financial year £3.338m net of pressures is achieved or anticipated to be achieved, with the remaining £1.389m at risk. Price increases have been applied in most areas, with other increases due to be implemented in the coming months, however the anticipated income has yet to be achieved as these areas are dependent on demand including tourism and visitor numbers. The most significant areas of shortfall are £0.941m for parking tariff and permit fees increases, £0.100m reduction of the lifeguard service which had been delayed to ensure a full summer season this year and £0.165m for new and increased commercial income activities.

4.9 These activities and services had been heavily impacted by COVID-19 in previous years and the services are starting to see recovery, but these targets will only be achieved if demand returns fully to pre-covid levels including paid parking, tourism and venues incomes, commercial activities and Planning & Building Control fee incomes. The directorate also contains large budgets for the waste collection and street cleansing services which are forecasting greater than budgeted costs due to agency cover of vacant posts and greater uptake on the pension scheme over recent years adding staffing cost pressures to existing budgets. The overall effect of these factors is a forecast risk of £3.970m for Month 5. The Directorate is applying financial recovery measures of reviewing expenditure budgets and income potential throughout the year to address budget overspends. These financial recovery measures will seek to reduce the forecast risk to £3.546m.

4.10 **Corporately-held Budgets** There is a forecast overspend of £2.967m on corporately-held budgets, however, this is primarily because the projected additional costs of the NJC Local Government 2023/24 pay award are held on this budget line. The projected additional cost is £3.700m which is based on the employers' pay award offer of a £1,925 flat rate increase or 3.88%, whichever is greater, for all NJC salaries plus the agreed pay award of 3.50% for JNC Chief Officers. This is equivalent to a 6.0% increase on the payroll compared with the 3.75% increase included in the budget for 2023/24.

There is also an estimated pressure of £0.950m on Housing Benefit subsidy. Within this £0.995m relates to the main subsidy budgets and is based on the first subsidy data produced in 2023/24. Of this pressure, £0.445m relates to a particular benefit type for vulnerable tenants which is not fully subsidised and which continues to grow despite service pressure funding of £0.450m provided in the 2023/24 budget. This is being investigated to fully understand the reasons for the ongoing and relatively recent growth in this area. There is also a pressure of £0.526m on the net recovery of overpayments mainly due to a required increase in the bad debt provision based on the forecast increase in debt outstanding.

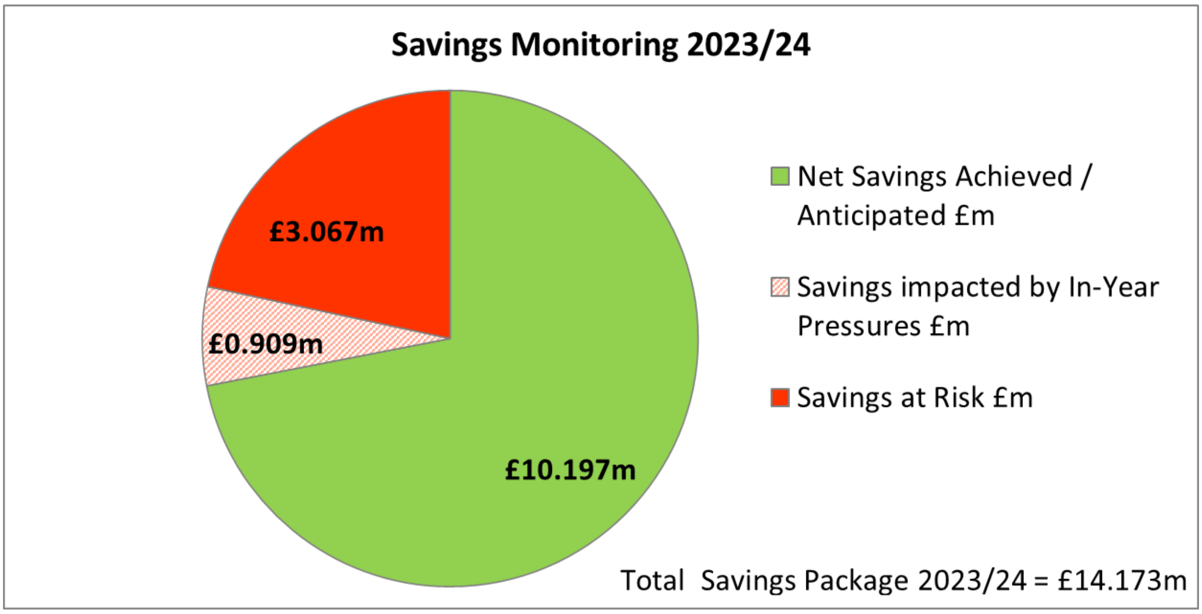
These pressures are partially offset by a forecast underspend of £1.511m on the Financing Costs budget. This is due to improved investment income following increases in the Bank of England Base Rate and higher than budgeted cash balances.

Monitoring Savings

4.11 The savings package approved by full Council to support the revenue budget position in 2022/23 was £13.043m following directly on from a £10.509m savings package in 2022/23. This is very significant and follows 13 years of substantial packages totalling over £209m since government grant reductions commenced in

2009/10, 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 is anticipated/achieved, what has been offset by in year pressures and the net position of savings at risk. 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 £11.106m have been achieved but that inflationary pressures (exceptional price increases) have reduced this by £0.909m leaving a total of £3.976m (28%) currently at risk. This includes £3.067m of unachievable or unachieved savings.



5 Housing Revenue Account Performance (Appendix 4)

5.1 The Housing Revenue Account (HRA) is a separate ring-fenced account which covers income and expenditure related to the management and operation of the council's housing stock. Expenditure is generally funded by Council Tenants' rents and housing benefit (rent rebates).

5.2 The forecast outturn is breakeven position with more details provided in Appendix 4. Within the breakeven position there are variances within specific service areas within the HRA. The net overspend across services is £0.824m and has been funded by reducing the use of Direct Revenue Funding (DRF) available to fund the HRA capital programme. The investment made for the 2023/24 HRA budget went some way to address pressures, but inevitably additional pressures have surfaced since the budget was formally agreed at Full Council in February 2023, some of which are described below.

5.3 The 2023/24 budgets include an allowance for a pay award of 4% across all posts, this added £0.804m to the salary budgets for the financial year. It is anticipated that the pay offer will exceed this with the latest estimates resulting in a further £0.418m being added to the 2023/24 base salary budgets. The total increase is equivalent to a 5.6% increase on payroll compared to the 4% already allowed for, this will be funded from Direct Revenue Funding during 2023/24 and will form part of the base budget for 2024/25.

5.4 The empty properties recovery working group continues during 2023/24 to address the rent loss and other costs such as the cost temporary accommodation, council tax and repairs associated with those empty properties. There is an expected overspend on void rent loss during 2023/24, this is in part due to a greater number of new affordable homes being delivered during the year than was anticipated at the time of setting the budget. This overspend has been offset by the increase in income from those new homes.

5.5 Legal, compensation and decant costs associated with disrepair claims remains a pressure for the HRA with an estimated £0.450m overspend forecast at this point. This overspend does not include the remedial works associated with those claims, which will be included in the Repairs & Maintenance costs for the year. The service will continue to monitor the number of claims being made and will report updates accordingly.

5.6 A committee report was presented to Housing Committee on 23rd June 2023 outlining the high level implications of Health & Safety update on the HRA. The report updated Housing Committee on the key outcomes, actions to date, and resourcing plans arising from our Housing health & safety review against the following six areas of compliance and assurance: fire safety; asbestos; electrical safety; gas / fuel safety; lifts and lifting equipment; water safety. The timing of investment means the financial implications for 2023/24 are such that the costs can be managed within the existing resources already approved. Implications for 2024/25 and beyond will be included in the 2024/25 HRA budget report.

5.7 Repairs & maintenance costs continue to create a pressure for the HRA, this is related predominantly to the cost of inflation and the volume of jobs to be completed. The overspend for 2023/24 is estimated to be £1.700m. This overspend was at Month 2 assumed to be mitigated by using earmarked reserves and underspends from within the service. However, upon review this work did not relate to the backlog of works and as such will be met from DRF instead. Work continues to try where possible to reduce this overspend, any variations will be reported at a future committee meeting.

5.8 Offsetting a lot of these increased costs is a forecast underspend on staffing budgets particularly in Repairs & Maintenance. Recruitment is underway but is likely to only have a half year effect for 2023/24. In addition to this there is a forecast overachievement in the rental income at this point, this is because a new a number of new homes were completed ahead of schedule and were not included in the original budget calculations.

5.9 The service will continue to review spend to try to reduce any forecast overspend during the year. If this cannot be managed within budget then the overspend will be met from other HRA resources HRA budget report for 2023/24.

6 Dedicated Schools Grant Performance (Appendix 3)

6.1 The Dedicated Schools Grant (DSG) is a ring-fenced grant within the General Fund which can only be used to fund expenditure on the schools budget. The schools budget includes elements for a range of services provided on an authority-wide basis including Early Years education provided by the Private, Voluntary and Independent (PVI) sector, and the Individual Schools Budget (ISB) which is divided into a budget share for each maintained school. The forecast outturn is currently an overspend of £0.680m and more details are provided in Appendix 3. Under the Schools Finance Regulations any underspend or overspend must be carried forward within the schools budget in future years.

7 NHS Managed S75 Partnership Performance (Appendix 3)

7.1 The NHS Trust-managed Section 75 Services represent those services for which local NHS Trusts act as the Host Provider under Section 75 Agreements. Services are managed by Sussex Partnership Foundation Trust (SPFT) and include health and social care services for Adult Mental Health and Memory and Cognitive Support Services.

7.2 This partnership is subject to separate annual risk-sharing arrangements and the monitoring of financial performance is the responsibility of the respective host NHS Trust provider. Risk-sharing arrangements result in financial implications for the council where a partnership is underspent or overspent at year-end and hence the performance of the partnership is included within the forecast outturn for the Health & Adult Social Care directorate. An overspend of £0.235m is currently forecast and more details are provided in Appendix 4.

8 Capital Programme Performance and Changes

8.1 The table below provides a summary of capital programme performance by Directorate and shows that there is a forecast underspend of £0.412m at this early stage. More details are provided in Appendix 6.

Directorate	Reported Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
Families, Children & Learning	19,544	19,509	(35)	-0.2%
Health & Adult Social Care	2,300	2,426	126	5.5%
Economy, Environment & Culture	86,113	86,113	0	0.0%
Housing, Neighbourhoods & Communities	4,883	4,883	0	0.0%
Housing Revenue Account	70,168	70,489	321	0.5%
Governance, People & Resources	5,886	5,886	0	0.0%
Total Capital	188,894	189,306	412	0.2%

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

8.2 Appendix 6 shows the changes to the capital budget and Appendix 7 provides details of new schemes for 2023/24 to be added to the capital programme which are included in the budget figures above. Strategy, Finance & City Regeneration Committee'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 as at TBM month 2	219,296
Changes reported at other committees and already approved	342
New schemes to be approved in this report (see Appendix 7)	1,456
Variations to budget (to be approved)	(576)
Reprofiling of budget (to be approved)	(31,428)
Slippage (to be approved)	(196)

Total Capital	188,894

8.3 Appendix 6 also details any slippage into next year. Project managers have forecast that £0.196m of the capital budget will slip into the next financial year at this stage.

9 Implications for the Medium Term Financial Strategy (MTFS)

9.1 The council's MTFS sets out resource assumptions and projections over a longer term. It is periodically updated including a major annual update which is included in the annual revenue budget report to Strategy, Finance and City Regeneration Committee and Full Council. This section highlights any potential implications for the current MTFS arising from in-year TBM monitoring above 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.

9.2 The forecast risk at Month 5 indicates that a significant number of service areas are under pressure. Spending and recruitment controls, alongside continuing development of other financial recovery actions, will attempt to mitigate the in-year position but are also important in the context of addressing underlying pressures to alleviate future years' budget pressures and improve longer term financial sustainability.

Capital Receipts Performance

9.3 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, Modernisation Fund, Asset Management Fund and the Information, Technology and Digital Investment Fund. The planned profile of capital receipts for 2023/24, as at Month 5, is £6.765m which includes receipts expected for Patcham Court Farm, Kings Road and some large lease re-gear payments on commercial sites. To date there have been receipts of £0.856 m in relation to the sale of 8-9 Kings Road plus a lease payment for Stanmer House and some minor lease extensions and loan repayments. The capital receipts performance will be monitored over the remainder of the year against capital commitments.

9.4 The forecast for the 'right to buy sales' in 2023/24 (after allowable costs and repayment of housing debt) is that an estimated 40 homes will be sold and net retained receipt of up to £5.200m available to re-invest in replacement homes, this includes the element of the receipts that is paid to Central Government, the council is permitted to retain during 2023/24 through an amendment to the RTB retention policy. In addition to this net retained receipt the HRA will also retain circa £0.500m to fund investment in the HRA capital programme. To date 10 homes have been sold in 2023/24.

Collection Fund Performance

9.5 The collection fund is a separate account for transactions in relation to council tax and business rates. Any deficit or surplus forecast on the collection fund relating to council tax is distributed between the council, Sussex Police and Crime Commissioner and East Sussex Fire Authority, whereas any forecast deficit or surplus relating to business rates is shared between the council, East Sussex Fire Authority and the government.

9.6 The council tax collection fund is forecast to be in deficit by £1.004m by year end and is a decrease of £0.229m from the month 2 forecast. The council tax reduction (CTR) claimant numbers are higher than assumed in the tax base calculation and basing the forecast on this continuing increase through to year end results in an increased cost of £1.093m. . The single person discounts (SPD) review exercise currently taking place has reduced the number of SPD awards and is anticipated to be within budget forecast. There is a backlog of council tax items which may impact further on the forecast but it's not possible to quantify the impact of this. The council's share of the overall deficit of £1.004m is £0.849m.

9.7 The business rates collection fund is forecasting a deficit of £1.180m for the year-end position. There has been a number of large successful appeals settled against the 2017 list with many going back to 1st April 2017. This has meant that the brought forward appeals provision is insufficient to cover the decreased liability and has led to this current deficit forecast. There are a range of risks that could change this forecast significantly with the main uncertain factors being further successful appeals, business failures and any step increase in empty properties. The council's share of the overall deficit of £1.180m is £0.578m.

Reserves, Budget Transfers and Commitments

9.8 The creation of reserves, the approval of budget transfers (virements) of over £0.250m, and agreement to new financial commitments of corporate financial significance that are not provided for in the approved budget and policy framework require Strategy, Finance and City Regeneration Committee approval in accordance with the council's Financial Regulations and Standard Financial Procedures. There are no items requiring approval at this stage.

10 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

10.1 The provisional outturn position on the General Fund is an overspend of £8.971m. This includes a forecast overspend of £0.235m on the council's share of the NHS managed Section 75 services. Any overspend at year-end would either need to be carried forward or potentially met from available one-off resources including the Working Balance.

11 COMMUNITY ENGAGEMENT & CONSULTATION

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

12 CONCLUSION AND COMMENTS OF THE CHIEF FINANCE OFFICER (S151 OFFICER)

12.1 The forecast outturn risk of £8.971m at Month 5 represents 3.7% of the net General Fund budget. This forecast indicates a number of significant demand and cost pressures alongside income pressures, some of which are driven by ongoing economic conditions and persistently high inflation. Directorates and services will continue to work on actions to mitigate the position, particularly in relation to savings plans at risk, and will develop recovery actions wherever possible. This work links to the development of options for the 2024/25 budget setting process where consideration of bringing forward potential savings measures to 2023/24 will also be given.

12.2 A recruitment freeze has been in place for two months and spending controls are in place across directorates. These may potentially be escalated further subject to progress in mitigating the current forecast risk over the next two months. Communications have been issued by the Chief Executive Officer on the intranet (the Wave) and through the council's management network and Directorate Management Teams. Separate directorate communications are also being issued regarding specific controls in each area.

12.3 The council's financial situation is clearly very challenging. The external auditor's Annual Report to Audit & Standards Committee on 26 September has again raised financial sustainability as a 'significant weakness'. The budget process for 2024/25 aims to take a different approach and to take a more fundamental look at the council's cost base and the affordability of services and capital investments in the context of statutory responsibilities. The council's reserves and Working Balance are low relative to most authorities and therefore not addressing the in-year overspend and the underlying cost base may lead to a position where it does not have sufficient resources to balance its budget, particularly given a very large, predicted budget gap of £25.3m next year.

13 FINANCIAL AND OTHER IMPLICATIONS

Financial Implications:

13.1 The financial implications are covered in the main body of the report. Financial performance is kept under review on a monthly basis by the Executive Leadership Team and the management and treatment of forecast risks is considered by the Audit & Standards Committee as part of its review of strategic risks.

Finance Officer Consulted: Jeff Coates *Date: 18th September 2023*

Legal Implications:

13.2 Decisions taken in relation to the capital and revenue 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: 22/09/23*

Equalities Implications:

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

Sustainability Implications:

13.4 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 council priorities including carbon reduction measures.

Risk and Opportunity Management Implications:

13.5 The council's revenue budget and Medium Term Financial Strategy contain risk provisions to accommodate emergency spending, even out cash flow movements and/or meet exceptional items. The council maintains a recommended minimum working balance of £9.000m to mitigate these risks. The council also maintains other general and earmarked reserves and contingencies to cover specific project or contractual risks and commitments.

SUPPORTING DOCUMENTATION

Appendices:

1. Financial Dashboard Summary
2. Revenue Budget Movement Since Month 2

3. Revenue Budget RAG Rating
4. Revenue Budget Performance
5. Summary of 2023/24 Savings Progress
6. Capital Programme Performance
7. New Capital Schemes
8. Treasury Management Update