Brighton & Hove City Council

POLICY, RESOURCES & GROWTH COMMITTEE
ADDENDUM

4.00PM, THURSDAY, 13 JULY 2017

COUNCIL CHAMBER, HOVE TOWN HALL, NORTON ROAD, HOVE, BN3 4AH

ADDENDUM

POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 9 Brighton & Hove City Council

Subject:		**Revenue & Capital Budget Planning and Resources Update 2018/19**		
Date of Meeting:		**13 July 2017**		
Report of:		**Executive Director for Finance & Resources**		
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Ward(s) affected:		**All**		

Note: The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that key financial information needed to support the revised Medium Term Financial Strategy projections, including the Month 2 Targeted Budget Management, position were not available in time to meet the statutory reporting deadline.

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT:

1.1 This report provides a budget planning and resource update for the 2018/19 budget process including an updated Medium Term Financial Strategy (MTFS) based on latest information and resource projections.

1.2 The government's 4-year settlement offer in 2015 confirmed the continuation of deficit reduction measures up to 2019/20 and indicated that Revenue Support Grant (RSG) would reduce in total by £39.574million over the 4-year period. The reduction of grant in 2018/19 will be £7.474million resulting in a grant of £14.144 million. This will reduce by a further £7.621million in 2019/20 resulting in a grant of £6.523 million. At this time, it is not clear what will happen to the remaining grant after that. Taking projected resources alongside estimated cost and demand increases, and RSG and other grant reductions, further savings requirements of around £21.464 million are anticipated over the next 2 years, with £11.615 million of this being required in 2018/19.

1.3 The local government finance settlement is not normally made available until December each year, which provides little time to alter financial planning assumptions. Therefore, if possible, budget planning will attempt to allow for some flexibility to manage any adverse fluctuation in resources.

1.4 Last year, the 4-Year Integrated Service & Financial Plan (ISFP) approach continued for a second year in support of a longer term approach to planning and to assist in managing the scale of the financial challenge. Over £40 million savings have been identified and implemented through the 4-year ISFP planning process in the last two years. These plans also identified further savings of £11.5 million for 2018/19 and

£7.2 million for 2019/20. The proposals for these two years are currently being refreshed to ensure they are consistent with decisions made by budget council in February and are still achievable. 4-Year ISFPs will not go beyond 2019/20 as there is considerable uncertainty concerning local government finance from 2020/21 onwards, including business rate retention and the longer term funding of social care. The Medium Term Financial Strategy will however provide a high level resource projection up to 2021/22 and will be updated to include known assumptions, commitments and resources as far as is sensible to do so.

2. RECOMMENDATIONS:

That the Policy, Resources & Growth Committee:

2.1 Note the resource and net expenditure projections for 2018/19 and the Medium Term Financial Strategy (MTFS) projections set out in the body of the report and appendices 1 and 2 based on annual 1.99% Council Tax increases and a 3% Adult Social Care precept in 2018/19 only.

2.2 Note the revised savings requirement of £21.5 million over the 2 years 2018/19 to 2019/20, including £11.6 million in 2018/19, to be used for budget setting purposes as detailed at paragraph 3.49.

2.3 Instruct the Executive Leadership Team (ELT) to refresh the current 4 Year Service & Financial Plans and develop further savings proposals to address any outstanding budget gaps for 2018/19 and 2019/20, based on the MTFS assumptions in this report for consideration by Policy, Resources & Growth Committee.

2.4 Agree the proposed approach to reviewing the Council Tax Reduction Scheme as set out in paragraphs 3.18 to 3.20.

2.5 Note the resource projections for the Capital Investment Programme as shown in appendix 3.

3. CONTEXT/ BACKGROUND INFORMATION

4-Year Integrated Service & Financial Planning

3.1 The 2017/18 Budget Council meeting in February 2017 included updated 4-Year Integrated Service & Financial Plans (ISFPs) that covered the second year of the plans setting out detailed savings proposals for 2017/18 together with anticipated savings for 2018/19 and 2019/20. This planning process will continue with the 4-Year ISFPs continuing to contain proposals up to 2019/20 but not beyond as the level of uncertainty over local government finance from 2020/21 makes detailed planning into this period too unpredictable. However high level resource projections will be made up to 2021/22 for planning purposes.

3.2 At the start of the 4-year planning process in 2016/17, a budget gap of approximately £68 million was predicted over the 4 years. The primary drivers were reducing government grant support, projected growth in service demands (mainly for social care and homelessness), and cost increases arising through inflation and the impact of statutory requirements such as the increasing National Living Wage. Now in the third year of the 4-year planning period, over £40 million savings have been identified and implemented toward closing the budget gap. The 4-Year ISFPs also identified £11.536 million savings for 2018/19 and £7.241 million savings in 2019/20, which together with updated resource projections, including improved Council Tax yield, may enable the budget gap to be closed. However, as before, the 4-Year ISFPs will need to be refreshed and 'stress tested' to ensure that the proposals that remain are deliverable in the context of current service demands and statutory requirements.

3.3 The 2018/19 budget and savings package will continue to be supported by the approach outlined in the council's Efficiency Plan developed in 2016/17 and submitted as part of the application process for the government's 4-year deal. In summary, this includes the following approaches:

- Modernisation of services including exploring different models of service delivery to improve efficiency, value for money, and outcomes for residents, including developing accessible digital services where appropriate. Where it is decided to retain council services, they will be redesigned and benchmarked to ensure costs are appropriate, and that management and administrative costs are continually challenged.

- Exploring innovative solutions including commercial opportunities for self-financing through income generation, while continuing to ensure non-statutory fees and charges fully recover costs, and that procurement and contract management activity continues to drive value across the £300 million spent on services provided by third parties.

Supporting modernisation, savings programmes and other innovation will therefore continue to require significant one-off investment which has previously been identified and agreed and will be funded by utilising the capital receipt flexibilities allowed by the government as part of the 4-year deal as detailed in paragraph 3.62 below.

3.4 In terms of taxation strategy, current resource projections are based on annual Council Tax increases of 1.99%, together with an additional 3% increase for the Adult Social Care precept allowable in 2018/19 only. More information on Council Tax is provided in paragraph 3.21 below.

3.5 The 4-Year ISFPs were developed to align with the priorities and approach set out in the 2017/18 budget strategy which focused on:

- Getting basic services right and making the city an enjoyable place to live and work;

- Protecting provision for vulnerable people as the city's population grows and the cost of care rises;

- Supporting economic growth and regeneration that benefits everyone.

3.6 This approach will be developed and may be used to underpin the development of draft proposals which will be brought forward for consideration at Policy, Resources & Growth Committee in November 2017.

Timetable

3.7 The Timetable for budget papers is given below. This timetable does not include detailed plans for ongoing consultation with stakeholders as this will be determined in conjunction with the services involved.

Date	Meeting	Papers / Activities
12 Oct 2017	Policy, Resources & Growth	TBM Month 5
30 Nov 2017	Policy, Resources & Growth	Budget Update including Service and Financial Plans TBM Month 7 Council Tax Reduction Scheme 2018/19
14 Dec 2017	Council	Council Tax Reduction Scheme 2018/19
25 Jan 2018	Policy, Resources & Growth	Council tax base Business Rates tax base
8 Feb 2018	Policy, Resources & Growth	TBM Month 9 Revenue, Capital and HRA budget reports
22 Feb 2018	Budget Council	Revenue, Capital and HRA budget reports

Medium Term Financial Strategy Update 2017/18 to 2021/22

The Medium Term Financial Strategy (MTFS) has been updated since the Budget Report presented to Policy, Resources and Growth Committee in February 2017 taking into account revised assumptions. Summary MTFS tables are included in appendix 2. More detailed information and context about the council's General Fund financial position is provided in the following paragraphs.2016/17 Outturn

3.8 The 2016/17 provisional outturn was presented to Policy, Resources & Growth Committee on 4th May 2017 and showed an underspend of £1.350 million. This was an improvement of £0.812m from the estimated outturn at Month 9. Of the £0.812 million, £0.170m was needed to fund the part year effect of budget amendments agreed at budget council. Proposals for the remaining £0.642 million are detailed in Targeted Budget Management (TBM) Month 2 report elsewhere on this agenda.

2017/18 Budget Position

3.9 Details of the forecast risk based on current spending and demand patterns in the first 2 months of the year is provided in the TBM report. It shows an overall forecast risk for the General Fund of £1.375 million including a break-even position in relation to Section 75 Health Partnerships. The forecast risk at Month 2 is therefore manageable in the context of available risk provisions, and as this is early in the financial year, there would be sufficient time to take corrective action should further problems emerge.

In year Budget Changes

3.10 The TBM outturn report 2016/17 tabled in May, and the TBM Month 2 report refer to the release of £0.250 million recurrent resources as a result of agreeing fixed deals for concessionary bus travel. The retender of supported bus routes has highlighted the need for additional resources to protect bus routes and it proposed to allocate £0.150 million of the released resources to fund these additional costs on a recurrent basis. Allocation of the remaining £0.100m has proposed on a one off-basis.

3.11 The TBM Month 2 report references a number of other one-off funding proposals including ward member budgets, support for members, parks and playgrounds, homelessness and domestic violence. These allocations will also be considered for recurrent funding as part of the 2018/19 budget setting process alongside the remaining £0.100 million released from the concessionary bus travel budget.

Queens Speech – 100% retention of business rates

3.12 The Queens Speech on the 21st June 2017 set out the government's agenda for the next 2 years of Parliament. The speech did not include the reintroduction of the Local Government Finance Bill which would have included a move to 100% retention of business rates that was previously planned for introduction in 2019/20. During parliamentary debate, the government stated it is 'committed to allowing local government to keep more of the money it raises locally and will work with local government to achieve that'. At the time of writing this report there is no detail available on any proposals which adds a greater level of uncertainty for local government funding beyond the current 4 year deal period to 2019/20.

3.13 This development does not impact on the Fair Funding Review of the needs assessment formula which does not require legislation. The Review will consider how the relative needs and resources of local authorities should be assessed in an environment where local government spending is increasingly driven by local resources, not central grant, and will re-examine the factors that drive costs. The original timetable for consultation was summer 2018 and there have been no announcements to indicate any change to this.

Government 4 Year Financial Settlement offer

3.14 As part of the provisional local government settlement announced on the 17 December 2015, the Secretary of State for Communities and Local Government announced a 4-year funding offer for local authorities for the period 2016/17 to 2019/20. The settlement provided indicative resources over the period and the offer is to provide these resources as minimum funding levels, however, the government has stated it could amend the offer depending on the national financial position as well as changes to responsibilities of local authorities. The allocations of funding for 2016/17 and 2017/18 were in line with the four year deal and financial projections will be based on the indicative allocations for the remaining two years.

Business Rates

Revaluation

3.15 Business Rates were revalued from 2017 for the first time since 2010 and the new rating list applies from 1 April 2017. The revaluation is fiscally neutral nationally but caused significant distributional change among local authorities which was dealt with by changes to the top-up and tariffs mechanism. This adjustment was based on the draft 2017 list and therefore will need to be updated to account for the final compiled list as at 1 April 2017. A number of high value rateable values reduced significantly between the draft and final list and the council expects to be compensated for this loss of revenue by adjusting its tariff. The government is yet to confirm this adjustment.

Business Rates estimate for 2018/19

3.16 The projected business rates taxbase for 2018/19 remains unchanged from the assumptions reported to Budget Council in February 2017 other than adjusting for the Office of Budget Responsibility’s inflation forecasts. This has resulted in an increase in the share of projected business rates of £0.385 million, however this increase impacts on the council as a business rate payer and an element of the service pressure funding is earmarked to cover this additional cost for the General Fund. This will also impact on schools and Housing Revenue Account business rates.

3.17 Business Rates forecasts continue to be an area of financial risk. The 2017 revaluation introduced a new wave of business rates appeals which are difficult to predict and therefore the assumptions used for the February 2017 budget report remain unchanged. In addition, the government announced a range of small business rates reliefs and threshold changes, and there remains some uncertainty over how the government will compensate councils for these changes.

Council Tax

Council Tax Reduction Scheme

3.18 The council’s localised Council Tax Reduction Scheme (CTRS) for 2017/18 was agreed by Council in December 2016 and included a number of changes while maintaining a discount of up to 80% on Council Tax for working age claimants, meaning a 20% minimum liability level.

3.19 The annual review of the scheme requires consultation commensurate with the significance of any changes proposed. Potential options are currently being developed and the statutory annual review of the scheme will be presented to this committee in November 2017 and then to full Council to agree the final scheme for 2018/19 including consideration of the minimum liability level. The council also intends to continue to operate a discretionary fund. Council Tax payers in particularly difficult financial circumstances are invited to apply for the discretionary funds provided for in the budget and/or are referred to appropriate support and advice.

3.20 The council has experienced ongoing reductions in the number of CTRS claimants for both working age and pensionable age averaging about 5% in recent years. This reduction is assumed to continue into 2018/19 and the Council Tax taxbase projections will be adjusted accordingly. The number of CTRS claimants will fluctuate with economic conditions and the assumption of reducing numbers will be kept under close review.

Council Tax Estimate 2018/19

3.21 The council tax increase for 2018/19 is 4.99% which incorporates 3% for the Adult Social Care precept. The underlying taxbase was previously assumed to grow by a net 0.5% in relation to new properties and changes to discounts and exemptions. Following a number of years of the Council Tax Collection Fund being in surplus it has been identified that the collection rate percentage can be increased from 98.33% to 99.00%. This change increases the projected Council Tax income in 2018/19 by £0.850 million of which £0.063 millon relates to the Adult Social Care Precept and £0.057 million is already built into the savings proposals for 2018/19.

Government Grants

Revenue Support Grant (RSG)

3.22 The government included indicative RSG allocations for 2018/19 and 2019/20 alongside the 2017/18 settlement. These allocations have been included in the MTFS. The indicative allocation for 2018/19 is £14.144 million, a reduction of £7.474m million or 35% compared with 2017/18.

Better Care Funding

3.23 Better Care funding provided through the Clinical Commissioning Group (CCG) will continue into 2018/19 at broadly the same level as 2017/18. The Better Care Fund is estimated at £20.233 million of which £6.141 million will be for ‘protecting adult social care’. The Better Care Plan for 2017/18 is due to be reported to the Health & Wellbeing Board in September 2017.

3.24 In addition, the government confirmed within its four year settlement offer, £1.5 billion additional funding for authorities to meet pressures on Adult Social Care through to 2019/20, to be included in an Improved Better Care Fund (iBCF). This additional recurrent funding is passed directly to authorities through a separate grant that takes into account each council's ability to raise resources through council tax. The allocations to this council are £3.188 million in 2018/19 and £6.220 million in 2019/20. This Improved Better Care Funding is separate from the original Better Care Fund that is pooled with local health partners, however both will support integrated working through the Caring Together initiative for Brighton and Hove.

3.25 A one-off Adult Social Care grant of £1.234 million was also announced for 2017/18. This was treated as a recurrent resource in setting the 2017/18 budget as new iBCF resources would replace this in 2018/19. Therefore the iBCF in 2018/19 of £3.188 million will result in a net increase of £1.954 million resources.

3.26 After the 2017/18 budget was approved by Council in February, government also made a further Spring Budget announcement providing additional Improved Better Care Fund resources from 2017/18 to 2019/20. The funding will be paid to local authorities but must be added to the Better Care Fund pool and its deployment must be jointly agreed with the Clinical Commissioning Group. The government have issued guidance regarding its use which is consistent with previous guidance for allocation of the Better Care Fund. The amounts to be received by this authority are £5.093 million in 2017/18, £3.483 million in 2018/19 and £1.733 million in 2019/20. Clearly, using these additional resources to support ongoing expenditure could create a budget gap by 2020/21 if the funding were not replaced by alternative resources.

New Homes Bonus (NHB)

3.27 The government introduced a threshold whereby 0.4% growth in housing stock per annum must be achieved before any NHB grant is awarded for any year. In addition to this, the reward has been reduced from 5 years to 4 years from 2018/19. The latest projections are that the growth in housing stock will fall just short of the 0.4% threshold during 2017/18 and therefore an award of NHB in 2018/19 cannot be relied on. The total NHB grant forecast for 2018/19 has therefore been decreased to £2.991million, a reduction in resources of £0.541million from the amount previously included in the MTFS. The actual housing stock figures will be known in time for the November committee report on the budget and an update will be given then. Each year the government also distributes unallocated NHB funding; in 2017/18 the council received £0.133 million but no assumption has been made for 2018/19 at this stage. Any resources from this grant will be treated as one-off.

Other grant changes

3.28 The Department of Health have provided indicative allocations at a national level for the Public Health grant in 2018/19 which is a reduction of 2.6%. This would result in in a grant of £20.090 million for the council.

3.29 The Flexible Homelessness Support grant replaced the Temporary Accommodation Management Fee that was previously distributed by the Department for Work and Pensions (DWP) until March 2017. The allocation for 2018/19 is £6.378 million which is an increase of 4.5% from 2017/18. There is no certainty over the level of resources in future years.

3.30 The residual Education Services Grant (ESG) allocation for the city of £0.863 million ends in August 2017 and therefore no ESG will be received in 2018/19.

3.31 Pressure funding of 10% has been allowed for reductions in the centrally held unringfenced grants budget where 2018/19 allocations have not been announced yet, in line with previous government funding reductions.

Function & Funding changes

3.32 There are no new function and funding changes announced for 2018/19. The new Flexible Homelessness Support Grant referred to in paragraph 3.29 resulted in an increase in resources of £1.25 million in 2017/18, increasing to £1.35 million in 2018/19. These additional resources are ringfenced to support homelessness and are planned to be invested in the service to help manage future demands and remove the need for corporate service pressure funding in 2018/19. No announcements have been made for this funding beyond 2018/19.

Fees and Charges

3.33 Fees and charges budgets for 2018/19 are assumed to increase by a standard inflation rate of 2% with the exception of penalty charge notices (parking fines) where the levels of fines are set by government and cannot be changed independently. This is to ensure that income keeps pace with increasing costs. Any increase above the standard rate can therefore contribute savings.

3.34 The Council's Corporate Fees & Charges Policy requires that all fees and charges are reviewed at least annually and should normally be increased by either the standard rate of inflation, statutory increases, or actual increases in the costs of providing the service as applicable. Non-statutory increases above the standard rate of inflation and/or changes to concessions or subsidies are reported to and considered at the relevant service committee. Where appropriate, details of fees and charges changes for 2018/19 will be presented to the relevant service committee prior to Budget Council.

3.35 As in previous years, there is potential to set a higher target for the overall level of income generated from services recognising that the reduction of central government funding over recent years effectively requires fee-earning services to move toward self-financing to ensure that other resources can be applied to meeting the growth in costs and demands on demand-led service areas such as social care. A blanket increase to all fees & charges is unlikely to be appropriate or effective but, for example, setting an overall 1% target increase on fees and charges, i.e. above the standard inflation rate, would generate approximately £1.0 million. Proposals in the current 4-year Integrated Service & Financial Plans for 2018/19 amount to £0.400 million and therefore it is proposed to aim for a minimum of an additional 0.5% overall to provide a further £0.500 million savings. Any additional savings will be factored into the ISFP refresh presented to this committee in November.

3.36 In order to increase fees and charges in line this objective, they should be reviewed and increased wherever reasonable and in accordance with any regulations governing the service area. All services should therefore review fees and charges for committee consideration following the approach below:

- Using benchmarking and/or other comparative information to assess where current fees and charges are set in relation to comparable services and, where lower, move (increase) toward the benchmark as far as practicable and reasonable;

- Understand ‘demand elasticity’ by undertaking soft market research on what the market will bear before problems arise (e.g. reduction of service take-up);

- Assess the potential impact of financial exclusion of people from services. For example, in order to achieve an increase without excluding groups of people, thresholds, means tests and/or concession policies need to be considered;

- Assess the potential for differential service offers, again, to avoid financially excluding groups of people from services. This might be similar to the current approach in Life Events where basic Welfare Funerals are offered at an affordable price whilst more comprehensive funeral services are offered at higher prices.

All fees and charges proposals will ultimately come forward to the relevant service committee for consideration. Where not agreed, the decision may be referred to Budget Council if the loss of the saving associated with the proposals would have a significant impact on the overall budget package.

Reserves Position

3.37 The working balance is recommended to continue at a minimum of £9 million to meet general risks applicable to a unitary authority. However, the proposed change to managing financial risk set out in paragraph 3.44 provides a financial risk safety net of £1.5 million to replace recurrent risk provisions and therefore the planning assumption for 2018/19 is a working balance of £10.5 million. There are no unallocated general reserves as these were either included as part of the budget set for 2017/18, or allocated in the TBM Month 2 report.

3.38 The following table identifies potential resources and liabilities that will need to be taken into account in setting the 2018/19 budget. This assumes that spending in 2017/18 is in line with the TBM Month 2 report projections included elsewhere on this agenda.

Table 1 – One off resources and liabilities	
	£m
Overspend reported for TBM 2	-1.375
2017/18 risk provisions	+1.500
Projected Net TBM position 2017/18	**+0.125**
Estimated additional 2016/17 council tax collection fund surplus	+0.882
Estimated additional 2016/17 business rate collection fund deficit	-0.052
Estimated 2017/18 council tax collection fund surplus (TBM2)	+1.180
Estimated business rates retention collection fund 2017/18 deficit (TBM2)	0
NHB Returned funding 2018/19	TBC
Projected one off resources	**+2.135**
Potential allocations	

Year 2 Poverty Proofing the school day	-0.075
Earmark resources for 2019 local elections	-0.270
Financial risk safety net	-1.500
Projected total one off resources available	**+290**

3.39 This position will be updated for the November budget update report to this committee. A full review of reserves will be completed and the outcome of the review will be reflected in the February budget report along with any changes to the TBM position at Month 9.

General Fund Revenue Budget Estimates

Pay and Inflation assumptions

3.40 At present there is no agreed pay settlement for local government beyond 2017/18. The Local Government Association's (LGA) strategic aim is to agree a 2 year pay settlement to 2019/20 (the LGA negotiates pay settlements on behalf of local authorities). This will include reviewing all pay points to comply with the anticipated rate for the National Living Wage and to extend the range of pay points to enable realignment of current pay scales in local government. The planning assumption had been to allow for a 1% pay award however, given the negotiations and the ongoing debate around public sector pay (which excludes local government pay), it is proposed to earmark £1.25 million of the service pressure funding as a recurrent pay risk provision to cover this risk and to cover any local decisions in relation to living wage commitments and any concomitant changes to the council's overall pay framework.

3.41 The triennial review of the East Sussex Pension Scheme for the period 2017/18 to 2019/20 was completed in December 2016. The contribution rates changed to be a blend of a fixed contribution percentage and an increasing lump sum payment. The additional cost to the general fund in 2018/19 is £0.500 million and this is included within the budget projections.

3.42 The provision for general inflation ranges between 0% and 2% depending on the type of budgeted expenditure; fees and charges are assumed to increase by a standard 2% with the exception of Penalty Charge Notices. However, the strategy for reviewing fees and charges set out in paragraph 3.35 could mean additional resources are generated. Inflation assumptions for certain types of expenditure such as supplies and services have been reduced compared with the previous MTFS assumption. This has led to a £0.500 million reduction in the inflation assumption overall which will reduce the budget gap for 2018/19. Increases in costs above assumed inflation levels will be managed through services' budget strategies unless the increase is significant and is identified as a corporate service pressure.

Commitments & Risk Provisions

3.43 The budget projections for 2018/19 include commitments relating to increased employer's pension contributions, planned adjustments to the concessionary fares and financing costs budgets, reductions in central recharges to schools and the HRA as a result of reducing costs of services, and the impact of the expected changes to unringfenced grants.

3.44 In 2017/18 there is a recurrent risk provision of £1.500 million. The Medium Term Financial Strategy (MTFS) for 2018/19 previously included an additional £0.800 million recurrent risk provision as, at the time of drawing up the MTFS, it was believed that potential risks would be greater in future years due to the continued reduction of government grant funding and following on the heels of large savings programmes of over £20 million in each of the two preceding years. However, in recent times, the funding landscape has changed significantly including an improved Council Tax taxbase and additional Better Care Funding announcements by the government. The additional £0.800 million risk provision is therefore not recommended and it is also proposed to change the approach regarding the recurrent £1.500 million risk provision. It is recommended that the recurrent risk provision is released to address remaining budget gaps (i.e. reducing the savings requirement) and that an increase of £1.500 million is made to the Working Balance (from £9.000 million to £10.500 million) to provide a safety net against identified risks. In addition, there is a potential temporary funding requirement to support schools as set out in paragraph 3.55 and should this be needed, it will be factored into the 2018/19 budget. This one-off increase in the Working Balance can be funded separately from available one-off tax base surpluses set out in table 1.

Cost, Income and Demand Pressures

3.45 The budget projections for 2018/19 include £5.000 million for service pressures, £1.050 million for unringfenced grants pressures, £3.875 million specifically for cost pressures in Adult Social Care funded from the resources raised through the Adult Social Care Precept, and £1.954 million improved Better Care Fund (iBCF) resources announced as part of the 4 year deal.

3.46 In addition to these 2018/19 corporate resources to fund cost and demographic pressures, the further iBCF funding in 2018/19 announced in the spring budget provides an additional £3.5 million ring-fenced for the service area; the new ringfenced Flexible Homeless Support Grant that replaced DWP grant to support homelessness provides an additional £1.35 million resources that will be used to manage pressures in this service area.

3.47 The table below sets out the high level assumptions for managing cost and demand pressures in 2018/19:

Table 2

Service Area	**£m**	**Comment**
Childrens Social Care	3.000	To support increasing demand and costs of Looked After Children - kept under review
Pay settlement provision above 1%	1.250	Subject to national pay negotiations
Increased Business Rates in general fund services	0.600	Impact of revaluation for council properties
Provision for lower level cost and service pressures	0.150	Kept under Review
Subtotal	**5.000**	
Reductions in unringfenced grants	1.050	Includes the loss of the remaining Education Services Grant (£0.863m)

Adult Social Care Precept	3.875	Funding passported directly to Adult Social Care (ASC) services (including Learning Disability services now within Families, Children & Learning)
iBCF (4 year Deal)	1.954	Funding passported directly to ASC services
Total Recurrent Resources	**11.879**	
iBCF from Spring Budget 2017	3.483	Ringfenced funding received directly by service area; reduces to £1.7m in 2019/20
Net increase in Flexible Homeless Support Grant	1.350	Ringfenced funding received directly by service area. No allocations announced for 2019/20 but expect this additional funding to end
Total resources	**16.712**	**To support cost and demand pressures in 2018/19**

3.48 Service pressures will continue to be evaluated and an update will be included in the November budget report. The final treatment of pressure funding and risk provisions will be included in the budget report in February 2018 when the overall resource position is known including the TBM Month 9 2017/18 position.

Budget Savings Requirement within 4 Year Service & Financial Plans

3.49 The MTFS identifies a projected £21.464 million budget gap over the next 2 years assuming a 1.99% council tax increase, and the 3% Adult Social Care Precept in 2018/19. The financial position beyond the 2019/20 (which is beyond the 4 year settlement) is highly uncertain, however potential budget gaps are included within appendix 2. These projections are subject to change once the local government finance settlement is confirmed later in the year. The table below sets out the budget gap and the savings included in the ISFPs as at February Budget report.

Table 3	**2018/19**	**2019/20**	**Total**
Budget Gap	£11.615m	9.849m	£21.464m
Savings proposals included in February 2017 Budget report	-£11.536m*	-£7.241m*	-£18.777m*
Remaining Gaps	£0.079m	£2.608m	£2.687m

*Subject to refresh and stress testing.

Schools Funding

3.50 In December 2016, the DfE launched a consultation on its detailed proposals for a National Funding Formula (NFF) for Schools, High Needs and Local Authorities to take effect from April 2018 (2018/19 financial year). The consultation period concluded on 22 March 2017 and the Government is yet to issue its response to the consultation.

3.51 In the interim, the DfE has confirmed that there will be a move to a ‘soft’ national funding formula in 2018/19. This means that although the DfE will use the national funding formula (once it has been finalised following the consultation) to calculate local authorities’ funding allocations, local authorities will still determine individual schools’ funding allocations through their local formula.

3.52 The high level information published by the DfE for the first year of any NFF transition would indicate a virtual standstill position for overall school and academy funding in Brighton & Hove, but with individual schools gaining or losing depending upon individual circumstances.

3.53 Over recent years the local authority has adopted the principle of applying stability to the calculation of school budgets and trying to avoid creating 'turbulence' in the school funding system. With this in mind, and given that the outcome of the consultation is unknown and could contain many variables, the local authority intends to maintain existing unit values, as far as possible, in the application of the funding formula for 2018/19.

Schools Financial Position

3.54 There is evidence that current financial challenges are having an impact on the financial health of schools' budgets. 2016/17 saw an overall decrease in Schools Balances of over £3m, from £4.367m to £1.293m, split across phases as follows:

Nursery	+£0.033m
Primary	-£1.317m
Secondary	-£1.417m
Special & Alternative Provision	-£0.373m

3.55 In addition, there are a total of 18 schools (out of 67) with deficit balances, an increase from 11 as at the end of 2015/16. This is split 12 Primary, 3 Secondary and 3 Special & AP schools. School budget plans for 2017/18 will incorporate these deficits and the Finance Team will work closely with schools to identify those who are likely to require 'licensed deficits' in the coming year under the terms of the Scheme for Financing Schools. The scheme requires deficits to be cleared in two financial years. Under this scheme, the guideline maximum proportion of collective Schools Balances to be used to underpin licensed deficits is 40%. This is likely to be exceeded and it should be noted that should deficits exceed the total available Schools Balances, temporary funding from the General Fund may be required until balance is achieved.

Housing Revenue Account (HRA)

3.56 The Housing Revenue Account (HRA) is a ring-fenced account which covers the management and maintenance of council owned housing stock. This must be in balance meaning that the authority must show in its financial planning that HRA income meets expenditure and that the HRA is consequently viable.

3.57 Although the HRA is not subject to the same funding constraints as the General Fund it still follows the principles of value for money and equally seeks to drive out inefficiencies and achieve cost economies wherever possible. Benchmarking of both service quality and cost with comparator organisations is used extensively to identify opportunities for better efficiency and service delivery. A programme of service reviews across the housing service has commenced to ensure that services are being delivered in the most cost effective way, that customers feel they are receiving good value from the service and to deliver savings on current budgets. These service reviews are incorporated within the HRA financial service plans included in the 4 year ISFP's.

3.58 For 2018/19, rents will be reduced by 1% in accordance with government legislation. The Welfare Reform and Work Act 2016, included legislation from April 2016 that social housing rents should be reduced by 1% per annum for 4 years (2016/17 to 2019/20).

3.59 Rents are not calculated to take into account any service charges and only include all charges associated with the occupation of a dwelling, such as maintenance of the building and general housing management services. Service charges are therefore calculated to reflect additional services which may not be provided to every tenant or which may be connected with communal facilities rather than to a particular occupation of a house or flat. Different tenants may receive different types of service reflecting their housing circumstances. All current service charges are reviewed annually to ensure full cost recovery and also to identify any service efficiencies which can be offset against inflationary increases, to keep increases to a minimum.

3.60 At this stage there remain a number of uncertainties from recent government legislation (Housing and Planning Act 2016 and Welfare Reform and Work Act 2016), which may significantly impact on the long term financial health of the HRA. In particular, the introduction of Universal Credit this autumn could have a significant impact on the level of rent arrears in the short term. Recent government legislation also includes the potential requirement to sell off high value homes when they become vacant. No detailed proposals have been provided by the government to date although HRA reserves are being maintained to offset this risk in part as the potential cost is unknown. Once detailed proposals are known they will be included in the HRA Medium term and 30 year financial forecast.

HRA Capital Programme

3.61 The capital investment plan for the HRA is mainly funded from direct revenue funding from tenants' rents. The 2018/19 programme includes the use of retained capital receipts from Right to Buy sales for investment in new affordable homes. The HRA capital programme is incorporated within the overall capital programme projections at Appendix 3. The programme will require further updating for 2018/19, particularly as priorities for investment will change in light of fire risk reviews to high rise buildings and other council housing stock.

Capital Programme

Investment in Change

3.62 The Budget Report agreed at Budget Council in February 2017 included using the capitalisation direction for the flexible use of capital receipts to support the investment in change (the direction allows certain revenue expenditure to be funded from capital receipts as long as it is forecast to generate ongoing savings to an authority's net service expenditure). Surplus capital receipts from the Workstyles programme have been utilised to fund this investment.

3.63 The planned investment in change to support the ISFP's is as follows:

Table 4	2018/19 £m	2019/20 £m
Digital First	1.300*	0
Modernisation programme	1.300	0.800
Change in staffing levels	1.000	1.000
ISFP spend to save proposals	1.600	0.900
Total	**5.200**	**2.700**

**This investment was reduced from £2.0m to fund additional investment in procurement/contract Management and to support the use of empty council building by rough sleepers.*

3.64 The investment requirements shown above are incorporated into the capital investment programme and will be reviewed as part of the ISFP refresh and stress testing.

10 Year Capital Programme

3.65 A 10 year capital programme has been developed and included in the MTFS. The strategy identifies longer term capital investment plans as well as a funding strategy and the potential outcomes for each investment plan. This strategy includes major investment requirements such as investment in the seafront infrastructure and partnership investment through major projects such as Brighton Waterfront and the Housing Joint Venture. The strategy also includes Heritage Lottery Fund bids such as the Stanmer Park Master Plan, Royal Pavilion Estates Regeneration and the Volks Railway. Plans for investment into the seafront infrastructure at Madeira Terrace and invest to save for street lighting have also been included in the strategy.

3.66 Government funding through the City Deal has been received to support the development of New England House into a Growth Hub. Local Growth Funding grants have been approved from Coast to Capital to support the Circus Street development, Preston Barracks Central Research Laboratory and the Digital Catapult hub at New England House. Local Growth Funding has also been received for transport initiatives including Valley Gardens, the Intelligent Transport System and the Brighton and Hove Bike Share scheme. Much needed investment from the Highways Infrastructure Fund has been made into the development of Shelter Hall has also been incorporated into the strategy.

3.67 Capital grant funding is provided to the council as a Single Capital Pot and with the exception of Devolved Schools Capital Grant can be prioritised as the council sees fit. The council has received Basic Need capital grant to meet new pupil places of £36.124 million for the three year period 2015/16 to 2017/18 although the recent announcement from the Education Funding Agency have indicated that there will be no further new pupil places funding in 2018/19 and 2019/20 for Brighton and Hove. At present no announcements of funding through the Education Capital Maintenance grant have been made beyond 2017/18. Allocations for the Local Transport Fund (LTP) and Incentive Funding for transport asset management have been announced for 2018/19 of £5.365 million. Further indicative LTP announcements of £5.169 million per annum have been announced up to 2020/21.

3.68 Capital receipts from the sale of surplus land and buildings support the capital programme and the projections have been reviewed and include receipts from the disposal of Kings House, Patcham Court Farm, land at the Cliff, Circus Street development, the settlement of Shoreham Airport balance plus a number of non-core rural assets to support the Stanmer Park redevelopment project. The council will continue with its strategy of re-balancing the property portfolio by disposing of low or non-performing commercial properties and reinvesting in more viable property investments. This ensures costs can be minimised and rental growth maximised to ensure best value is achieved.

3.69 The estimated net surplus capital receipts up to 2019/20 is £7.500 million and these resources are available for reinvestment subject to the refresh of the ISFP investment requirements. Proposals for use of these surplus resources will be included in the budget proposals for 2018/19.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The budget process allows all parties to engage in the examination of budget proposals and put forward viable alternative budget and council tax proposals, through amendments, to Budget Council on 22 February 2018. Budget Council has the opportunity to debate the proposals put forward by the Committee at the same time as any viable alternative proposals.

5. COMMUNITY ENGAGEMENT AND CONSULTATION

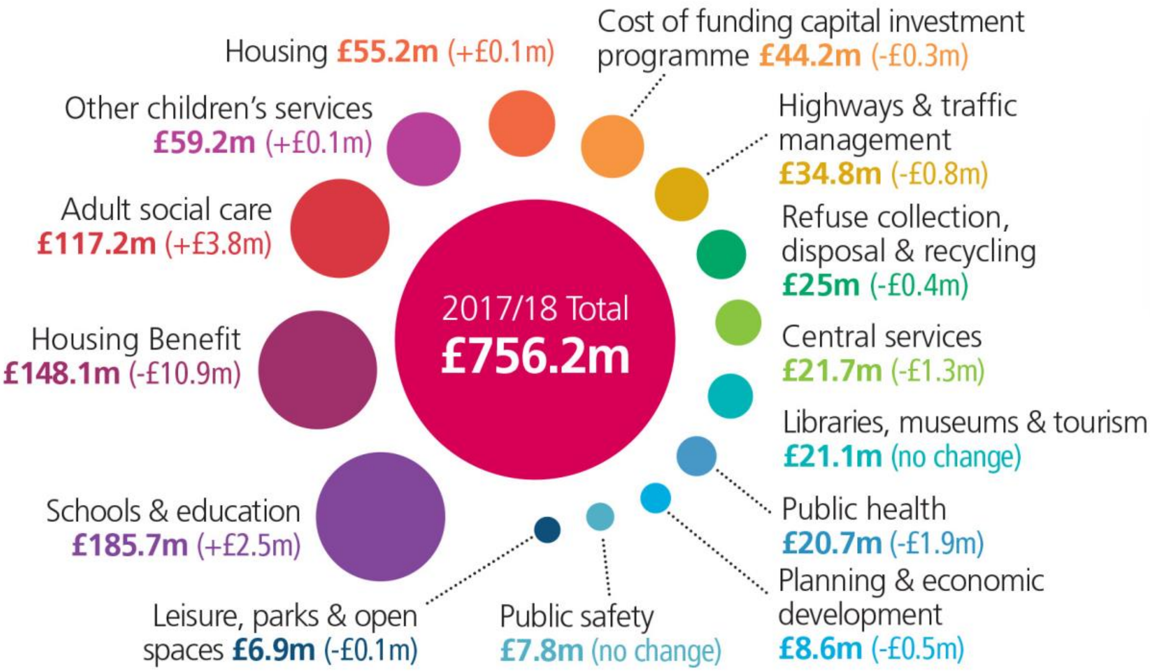
General Fund

5.1 Local government finance is not only very complex but there are also a very wide range of services (over 700 individual services). Many residents will be unaware that of the council's £756 million expenditure, only around £128 million (17%) is funded by Council Tax and about £58 million by retained Business Rates (8%). Many services are funded by fees, charges or rents while others can be supported by government grants (e.g. schools and housing benefits). There is also a distinction between capital and revenue spending that can be confusing, and the council is also involved (often through its land holdings) in many schemes that are primarily funded through private finance. The sheer scale of business and the wide array of funding and financing arrangements make it very difficult for residents to understand who or what is directly paying for or funding services or developments.

5.2 This makes meaningful consultation and engagement very challenging and therefore the council continues to provide information on its web site to attempt to convey information in a digestible format but inevitably even this may only be understood by those who have the time or inclination to study the information. The two graphics below are the main communication tools used for conveying where council money is spent on services and where the money comes from.

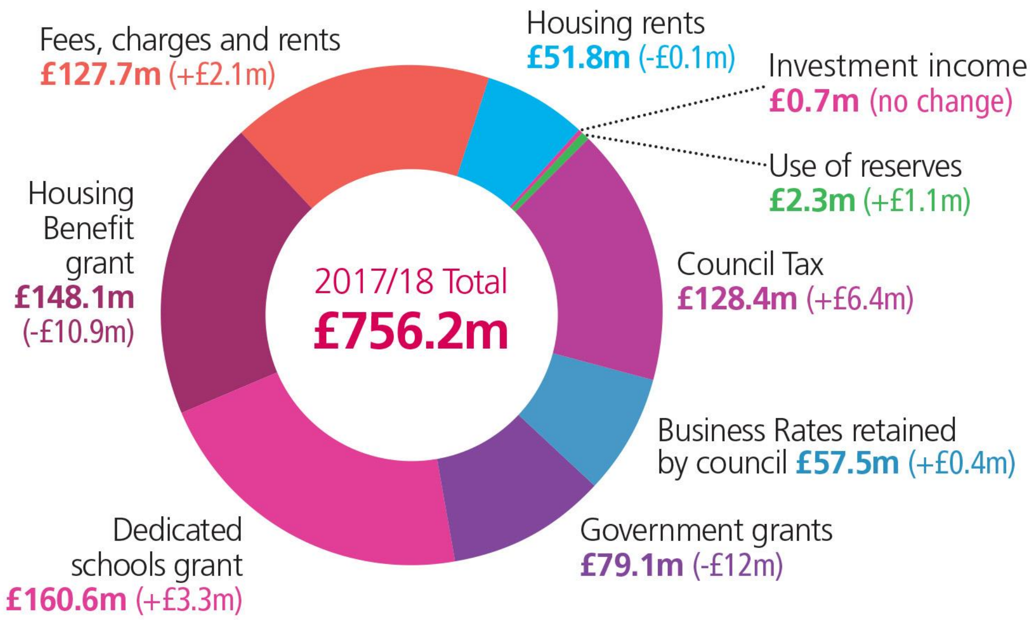
Services provided

(figures in brackets show the change from 2016-17)



Where the money comes from

(figures in brackets show the change from 2016-17)



5.3 The council has also provided simple 'budget animations' to help explain why our costs are growing and therefore why our budget gap (savings requirement) has been growing in the context of reducing government grant funding. The council will also widely publicise the budget process through its online social media inviting residents and stakeholders to give us their views and ideas via the web site (email) and on Twitter via #BHBudget.

5.4 Generally, engagement and consultation on specific proposals is more straightforward and meaningful and this will always be undertaken separately for any significant proposal to change a service, for example, last year's consultations on changes to Learning Disability Services. The Council's decisions regarding budget (savings) proposals are therefore primarily a 'resource decision' in the first instance and are subject to appropriate consultation processes before they can be implemented. Detailed consultation will normally be undertaken alongside, or following, decisions of the Council and, where appropriate, reported back to a committee before any final decision is taken.

5.5 In previous years, various consultation and engagement processes have been put in place and these are proposed to continue, including:

- development of a communication campaign to encourage participation in the budget setting process through the media, social media and with staff;
- engagement at all stages with key stakeholders such as Community Works, Older People's Council, Youth Council, representatives from the Economic Partnership and business sector on matters or themes that are of specific interest to them;
- ongoing engagement with staff and Trades Unions, including through the Staff Consultation Forum, Departmental Consultative Groups, team briefings and specific meetings;
- cross party involvement in reviewing key financial and performance information to help inform discussions about prioritising expenditure and options for savings;
- refreshing the short 'budget animation' which many people find to be a useful and simple aid to understanding the council's services and budget situation;
- engagement with statutory partners in the city through the City Management Board and Health & Well-being Board.

5.6 The cross-party member Budget Review Group will keep under review the consultation and engagement process and receive updates from the various strands of engagement. Costs are expected to be within the current budget provision (£5,000).

Schools Consultation

5.7 There is a statutory requirement on the local authority to consult with the Schools Forum on certain financial aspects of the schools budget including formula changes and the associated impact on budget distribution. The Schools Forum is a public meeting whose membership is made up of schools representation from across all phases and on which the Education Funding Agency has optional observer status.

5.8 Information is provided throughout the year to meetings of the Schools Forum concerning the development and/or changes to elements of the schools budget and the schools formula, now principally based on a national formula. There is a Formula Working sub-group that works with Education & Skills and Finance colleagues to ensure involvement and engagement of schools representatives in looking at considerations and options as proposals are developed.

5.9 Annual budget shares are usually presented to the January meeting of the Schools Forum for consultation and in recent years the Council's Executive Director of Finance & Resources has also attended this meeting and presented a report on the potential direct or indirect impacts of the Council's General Fund budget proposals on schools.

6. CONCLUSION

6.1 The council is under a statutory duty to set its budget and council tax before 11 March each year. This report sets out the latest budget assumptions, process and timetable to meet the statutory duty.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 These are contained in the body and appendices of the report.

Finance Officer Consulted: James Hengeveld Date: 04/07/2017

Legal Implications:

7.2 The process of formulating a plan or strategy for the council's revenue and capital budgets is part of the remit of the Policy, Resources & Growth Committee. The recommendations at paragraph 2 above are therefore proper to be considered and, if appropriate, approved by it.

7.3 This report complies with the council's process for developing the budget framework, in accordance with part 7.2 of the Constitution.

Lawyer Consulted: Elizabeth Culbert Date: 04/07/2017

Equalities Implications:

7.4 It is proposed to continue the screening process undertaken in previous years and continue to improve the quality and consistency of Equality Impact Assessments (EIAs). Key stakeholders and groups will be engaged in developing EIAs but we will also need to consider how Members and Partners can be kept informed of EIA development and the screening process. In addition, where possible and proportionate to the decision being taken, there may be a need to assess the cumulative impact of the council's decision-making on individuals and groups affected in the light of reductions in expenditure across the public and third sectors. We will ensure the process considers the economic impact of proposals.

Sustainability Implications

7.5 Carbon budgets will continue to be produced alongside the overall financial budget for the council.

Any Other Significant Implications:

Risk and Opportunity Management Implications:

7.6 There are a range of risks relating to the council's short and medium term budget strategy including the impact of the economic conditions and changes in the national budget, spending exceeding budgets, pressures on existing budgets, further reductions in grant, legislative change or demands for new spending. The budget process will include recognition of these risks (and options for their mitigation) in determining the 2018/19 budget.

7.7 Key factors (risks) for projecting the savings requirements for 2018/19 and future years will be taken into consideration including:

- An assessment of how robust and deliverable the savings currently contained in the 4-Year Integrated Service & Financial Plans are in the context of current demands, economic conditions and changing needs;
- The accuracy of tax base growth and other assumptions, particularly business rate appeals and the 2017 revaluation;
- The success and impact of the Better Care Fund programme and the new model of Children's Social Services on social care demand and costs in the short to medium term;
- The impact of Welfare Reform changes e.g. on temporary accommodation (homelessness). In particular, the impact of the reduction to the Benefit Cap in autumn 2016;
- The impact of economic conditions e.g. property price rises impact on temporary accommodation costs and care home provision and availability. Also, the buoyancy of many income streams can be affected by economic conditions. This is now potentially more volatile following the 'Brexit' decision, although the full impact of this will not be known for some time;
- The impact of demographic and other changes e.g. immigration, public health issues (e.g. obesity), drug improvements (e.g. dementia), increasing longevity with health conditions, etc.

SUPPORTING DOCUMENTATION

Appendices:

1. Budget estimates for 2018/19
2. Medium Term Financial Strategy Assumptions and Projections
3. Projected Capital Investment Programme

Documents in Members' Rooms

1. None

Background Documents

1. Budget files held within Finance

	2017/18 Adjusted Base £'000	***Inflation £'000***	***Service Pressures***	***Commitments and reinvestment £'000***	***VFM & Other Savings £'000***	***2018/19 Original Budget £'000***	***Increase over adjusted base £'000***	***Increase over adjusted base %***
Families, Children & Learning	83,004	1,407	1,944			86,355	3,351	4.04
Health & Adult Social Care	49,253	1,042	3,885			54,180	4,927	10.00
Economy, Environment & Culture	27,788	309		120		28,217	429	1.54
Neighbourhoods, Communities & Housing	14,788	(5)		(140)		14,643	(145)	(0.98)
Finance & Resources	17,493	140		50		17,683	190	1.09
Strategy, Governance & Law	4,589	9		90		4,688	99	2.16
Total Directorate Spending	**196,915**	**2,902**	**5,829**	**120**	**0**	**205,766**	**8,851**	**4.49**
Concessionary Fares	11,196	224		(70)		11,350	154	1.38
Financing Costs	6,700			220		6,920	220	3.28
Corporate VFM Savings	(128)	(1)				(129)	(1)	0.78
Contingency and Risk Provisions	6,030	121	5,000	(1,888)		9,263	3,233	53.62
Unringfenced grants income	(15,648)		1,050	(272)		(14,870)	778	(4.97)
Levies to External Bodies	203	4		(16)		191	(12)	(5.91)
Other Corporate Budgets	38	(27)		70		81	43	113.16
BUDGET GAP					(11,615)	(11,615)	(11,615)	
NET REVENUE EXPENDITURE	**205,306**	**3,223**	**11,879**	**(1,836)**	**(11,615)**	**206,957**	**1,651**	**0.80**
Contributions to/ from(-) reserves	(1,717)			1,642		(75)	1,642	
BUDGET REQUIREMENT	**203,589**	**3,223**	**11,879**	**(194)**	**(11,615)**	**206,882**	**3,293**	**1.62**
Funded by								
Revenue Support Grant	21,618					14,144	(7,474)	(34.57)
Business Rates Local Share	56,877					58,776	1,899	3.34
Tariff Payment	(1,500)					(1,558)	(58)	3.87
Business Rates Levy payment	(122)					(126)	(4)	3.47
Business Rates Collection Fund surplus/(deficit)	(1,684)						1,684	(100.00)
Council Tax Collection Fund surplus/(deficit)	654						(654)	(100.00)
Council Tax	127,746					135,646	7,900	6.18
Total	**203,589**					**206,882**	**3,293**	**1.62**

Appendix 2

MEDIUM TERM FINANCIAL STRATEGY TABLES

Core Planning Assumptions

The table below sets out the core planning assumptions included in the MTFS projections:-

Summary of MTFS assumptions	**2018/19**	**2019/20**	**2020/21**	**2021/22**
Pay inflation and pay related matters:				
- Provision for pay award	1.0%	1.0%	2.0%	2.0%
- Overall pension contribution rate	20.5%	21.0%	21.5%	22.0%
General inflation:				
- Inflation on non pay expenditure	0.0% - 2.0%	2.0%	2.0%	2.0%
- Inflation on waste PFI	3.5%	3.5%	3.5%	3.5%
- Inflation on income	2.0%	2.0%	2.0%	2.0%
- Inflation on parking income	2.0%	2.0%	2.0%	2.0%
- Inflation on penalty charge notices	0.0%	0.0%	0.0%	0.0%
Resources:				
Change in Settlement Funding Assessment	-7.4%	-7.9%	0.0%	0.0%
Change to Revenue Support Grant (RSG)	-34.6%	-53.9%	0.0%	0.0%
Business Rates				
- Business rates poundage inflation uplift	3.9%	3.4%	2.0%	2.0%
Public Health grant	-2.6%	-2.6%	0.0%	0.0%
Adult Social Care precept	3.00%	0.00%	0.00%	0.00%
Assumed council tax threshold increase (excluding Adult Social Care precept)	1.99%	1.99%	1.99%	1.99%
Council Tax Base	1.1%	0.5%	0.5%	0.5%

Appendix 2

Summary of MTFS projections

The table below sets out the savings /budget gap taking into account the anticipated expenditure over the MTFS period and the funding resources available:-

Summary of General Fund budget projections	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**
	£m	**£m**	**£m**	**£m**	**£m**
Sub-total Net Budget Requirement B/Fwd	**209.571**	**203.589**	**206.882**	**204.734**	**209.400**
Pay and Inflation	3.067	3.223	3.933	5.215	5.310
Commitments - impact of previous decisions	1.027	-1.921	-1.479	0.996	0.670
Change in S31 Business Rates compensation grants	-1.354	-0.125	-0.141	0.000	0.000
Change in New Homes Bonus	0.384	1.628	0.143	0	0
Increased Adult Social Care (ASC) costs funded through ASC Grant and iBCF	6.327	0.344	1.282	0.000	0.000
Increased ASC Grant and iBCF	-6.327	-0.344	-1.282	0.000	0.000
Increased funding for ASC through ASC Precept	3.650	3.875	0.000	0.000	0.000
Service pressures - demographic and inflation	7.754	5.000	5.000	5.000	5.000
Service pressures - specific grants	2.232	1.050	0.170	0.155	0.140
Savings in 4 year Service and Financial Plans	-20.986	0	0	0	0
Budget Gap	0.000	-11.615	-9.849	-6.700	-6.350
Sub-Total	**205.345**	**204.704**	**204.659**	**209.400**	**214.170**
Change in contribution to / from reserves	-1.756	2.178	0.075	0.000	0.000
Budget Requirement C/Fwd	**203.589**	**206.882**	**204.734**	**209.400**	**214.170**
Funded by:					
Revenue Support Grant	21.618	14.144	6.523	6.523	6.523
Tariff Payment	-1.500	-1.558	-1.611	-1.643	-1.676
Locally retained Business Rates	56.877	58.776	60.926	62.145	63.388
Business Rates Levy payment	-0.122	-0.126	-0.130	-0.133	-0.136
Business Rates Collection Fund Deficit	-1.684	0.000	0.000	0.000	0.000
Council Tax Collection Fund Surplus	0.654	0.000	0.000	0.000	0.000
Council Tax - Adult Social Care precept (annual change)	3.650	3.875	0.000	0.000	0.000
Council Tax - General increase	124.096	131.771	139.026	142.508	146.071
Total Funding	**203.589**	**206.882**	**204.734**	**209.400**	**214.170**

For the financial years 2020/21 and 2021/22, the above table assumes there is no move to 100% locally retained business rates as there is no timetable for implementation of this proposal.

The budget gap over these 2 years is £13.050m however : -

- Revenue Support Grant is assumed to be maintained at the 2019/20 level, if this funding source was to end then the budget gap over these 2 years would increase by £6.5m.

- The improved better care fund is assumed to continue at 2019/20 levels of £7.9m. (includes £1.7m announced as part of Spring 2017 budget)

If both the above funding sources are at risk, the budget gap over the 2 years would be between £13.050m and £27.450m.

Appendix 2

Changes in Budget assumptions for 2018/19 and 2019/20 since February 2017

	2018/19	**2019/20**
	£m	
Budget Gap February 2017	15.100	10.639
Change in inflation assumptions	-0.549	0.160
Release 2017/18 risk provision	-1.500	
Remove future risk provisions	-0.800	-0.800
Concessionary Fares savings 2018/19 and 2019/20	-0.200	-0.200
No New Homes Bonus allocation for 2018/19	0.541	
Reinvest planned 2018/19 Royal Pavilion saving back into service	0.120	
Tax Base Changes – Council Tax	-0.787	
Fund 2018/19 poverty proofing from reserves	-0.075	
Business Rates RPI change	-0.385	0.050
Business rates RPI change impact on Council budgets	0.100	
Council Tax Care Leavers S13A commitment (PRG 4/5/17)	0.050	
Revised Budget Gap as at July 2017	**11.615**	**9.849**

Capital Investment Programme 2018/19 to 2027/28

Appendix 3

Capital Scheme	Profiled Payments 2018/19 £000	Profiled Payments 2019/20 £000	Profiled Payments 2020/21 £000	Profiled Payments 2021/22 £000	Profiled Payments 2022/23 £000	Profiled Payments 2023/24 £000	Profiled Payments 2024/25 £000	Profiled Payments 2025/26 £000	Profiled Payments 2026/27 £000	Profiled Payments 2027/28 £000
SUMMARY										
Approved Schemes										
Health & Adult Social Care	0	0	0	0	0	0	0	0	0	0
Families, Children & Learning	16,690	0	0	0	0	0	0	0	0	0
Economy Environment & Culture	15,120	4,214	835	0	0	0	0	0	0	0
Neighbourhood, Comms & Housing (GF)	658	685	712	741	770	801	833	866	800	750
Neighbourhood, Comms & Housing (HRA)	7,652	0	0	0	0	0	0	0	0	0
Strategy Governance & Law	0	0	0	0	0	0	0	0	0	0
Finance & Resources	1,300	0	0	0	0	0	0	0	0	0
New Schemes										
Health & Adult Social Care	500	500	500	500	500	500	500	500	500	500
Families, Children & Learning	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Economy Environment & Culture	117,814	124,269	33,286	13,000	7,000	7,000	7,000	7,000	7,000	7,000
Neighbourhood, Comms & Housing (GF)	9,000	15,300	16,700	7,200	1,000	1,000	1,000	1,000	1,000	1,000
Neighbourhood, Comms & Housing (HRA)	26,873	21,254	22,450	22,750	21,100	19,300	19,100	18,750	11,000	11,000
Strategy, Governance & Law	0	0	0	0	0	0	0	0	0	0
Finance, Resources & Law	4,150	3,450	750	750	750	750	750	750	750	750
Unallocated Capital Receipts	7,500									
Total	**210,757**	**173,172**	**78,733**	**48,441**	**34,620**	**32,851**	**32,683**	**32,366**	**24,550**	**24,500**
Funded by:										
Government Grants - Single Pot	24,859	8,169	8,169	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Government Grants - Ringfenced	21,111	4,600	5,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100
Capital Receipts *	65,293	46,600	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750
Capital Receipts HRA	2,078	0	1,400	2,100	2,100	2,100	2,100	2,100	2,100	2,100
HRA Capital Reserves	700	500	0	0	0	0	0	0	0	0
Capital Reserves	6,006	918	712	741	770	801	833	866	800	750
External Contributions	8,120	18,854	7,500	6,000	0	0	0	0	0	0
Direct Revenue Funding	435	0	0	0	0	0	0	0	0	0
Revenue Contribution to capital HRA	27,747	20,654	20,950	20,550	18,900	17,100	16,900	16,550	8,800	8,800
Council Borrowing	54,408	72,877	33,152	7,200	1,000	1,000	1,000	1,000	1,000	1,000
Total	**210,757**	**173,172**	**78,733**	**48,441**	**34,620**	**32,851**	**32,683**	**32,366**	**24,550**	**24,550**

'* Capital Receipts funding include assumed receipts to support the Waterfront Project during 18/19 & 19/20. Future year's capital receipts are projected to support corporate funds such as ICT, Asset Management Fund and Strategic Investment Fund. In the event that the receipts are lower the corporate funds will be adjusted accordingly.

POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 10 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) 2017/18: Month 2**	
Date of Meeting:		**13 July 2017**	
Report of:		**Executive Director of Finance & Resources**	
Contact Officer:	**Name:**	**Nigel Manvell**	**Tel: 29-3104**
	Email:	**Nigel.manvell@brighton-hove.gov.uk**	
Ward(s) affected:		**All**	

Note: The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that key financial information needed to finalise the month 2 Targeted Budget Management, position were not available in time to meet the statutory reporting deadline.

FOR GENERAL RELEASE

1 SUMMARY 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 early indication of forecast risks as at Month 2 on the council's revenue and capital budgets for the financial year 2017/18.

1.2 As set out in the General Fund Revenue Budget 2017/18 report to Budget Council, £14.7m was provided for in the budget to meet identified service pressures across social care and homelessness services. This sum substantially covered identified demand led pressures. As a result, maintaining a risk provision at £1.500m, as in previous years, was considered adequate to meet potential demand risks and/or difficulties in delivering savings targets. The report highlighted that with demand led pressures funded, the focus in 2017/18 would be on strengthening budget accountability, managing demand effectively and localising risk management in services wherever possible, rather than reliance being placed on corporate mitigations or controls.

1.3 The forecast risk for 2017/18 at this early stage is £1.375m on the General Fund reflecting the situation outlined above. This includes a forecast breakeven position on the council's share of the NHS managed Section 75 services.

1.4 This position compares to early forecasts in previous years of £9.430m in 2015/16 and £3.745m in 2016/17 and therefore indicates an improved starting position for the financial year by comparison. Taking into account the available risk provisions of £1.500m, the council's financial position is therefore in a manageable position at this point in the year, however, utilising risk provisions should be avoided if at all possible as these resources are highly likely to be required for future years as the financial challenges increase.

1.5 The report also indicates that a significant element of the substantial savings package in 2017/18 of £21.367m is on track with £19.288m either achieved or anticipated to be achieved. Savings at risk (£2.107m) are included in the overall service forecasts.

2 RECOMMENDATIONS:

2.1 That the Committee note the forecast risk position for the General Fund, which indicates a budget pressure of £1.375m. This includes a break-even position on the council's share of the NHS managed Section 75 services.

2.2 That the Committee note that total recurrent and one-off risk provisions of £1.500m are available to mitigate the forecast risk if the risks cannot be completely eliminated by year-end.

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 risk position for the Dedicated Schools Grant which is an overspend of £0.242m.

2.5 That the Committee note the forecast outturn position on the capital programme and approve the variations and slippage in Appendix 4 and the new schemes as set out in Appendix 5.

2.6 That the Committee approve a virement within the ring-fenced HRA transferring £0.750m from the revenue repairs and gas services budgets to investment in the HRA capital programme (paragraph 3.11).

2.7 That the Committee approve the allocation of the available 2016/17 outturn underspend as set out in paragraph 3.26.

2.8 That the Committee approve the allocation of the additional £0.250m Concessionary Fares saving as set out in paragraph 3.27.

2.9 That the Committee approve a virement allocating Improved Better Care Funding of £4.643m to Health & Adult Social Care and £0.450m to Families, Children & Learning (see Adult Social Care section of Appendix 2).

2.10 That the Committee note that the Chief Executive exercised urgency powers in accordance with the constitution, after consultation with the Chair of this Committee, to provide £0.030m of short term loan financing to the Saltdean Lido Community Interest Company (paragraph 6.3).

3 RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

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 Policy, Resources & Growth 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 8 sections as follows:

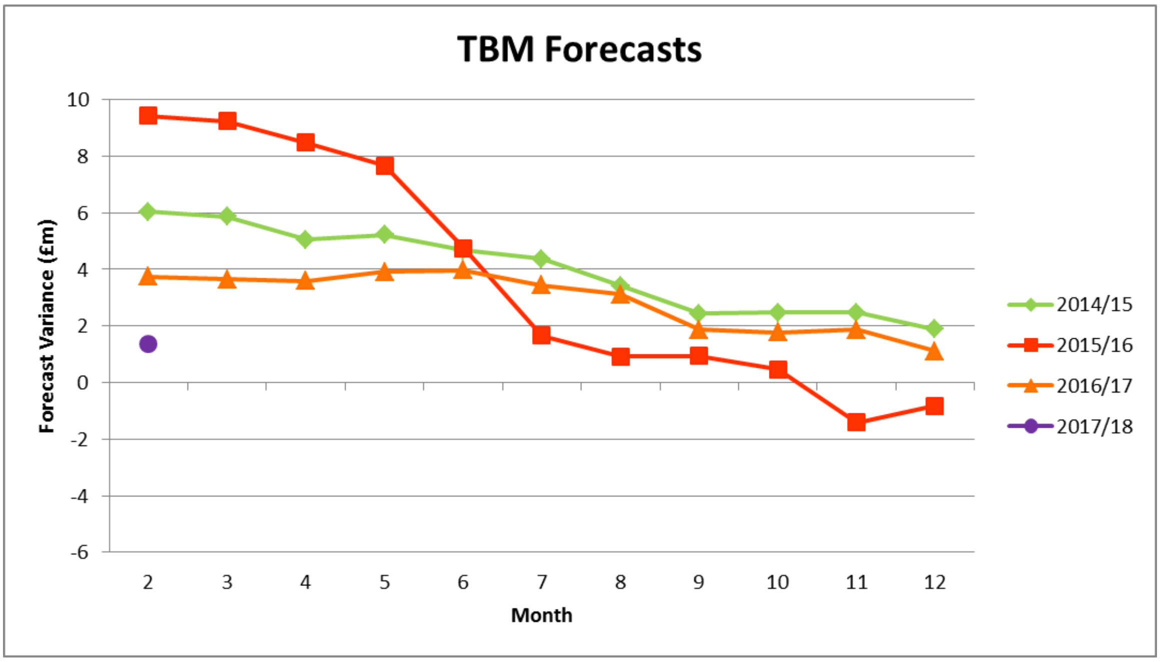
i) General Fund Revenue Budget Performance
ii) Housing Revenue Account (HRA) Performance
iii) Dedicated Schools Grant (DSG) Performance
iv) NHS Controlled S75 Partnership Performance
v) Capital Investment Programme Performance
vi) Capital Programme Changes
vii) Implications for the Medium Term Financial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

General Fund Revenue Budget Performance (Appendix 2)

3.3 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 2.

2016/17 Outturn Variance £'000	Directorate	2017/18 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
3,945	Families, Children & Learning	83,170	84,827	1,657	2.0%
1,354	Health & Adult Social Care	50,390	50,390	0	0.0%
(1,885)	Economy, Environment & Culture	28,549	28,824	275	1.0%
724	Neighbourhood, Communities & Housing	15,239	15,239	0	0.0%
(879)	Finance & Resources	18,085	17,615	(470)	-2.6%
(300)	Strategy, Governance & Law	4,795	4,795	0	0.0%
2,959	Sub Total	200,228	201,690	1,462	0.7%
(4,309)	Corporate Budgets	8,738	8,651	(87)	-1.0%
(1,350)	Total General Fund	208,966	210,341	1,375	0.7%

3.4 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 2017/18 and the previous three years for comparative purposes.



Demand-led Budgets

3.5 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.

2016/17 Outturn Variance £'000	Demand-led Budget	2017/18 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
2,346	Child Agency & In House Placements	20,835	22,631	1,796	8.6%
3,824	Community Care	54,932	55,429	497	0.9%
1,062	Temporary Accommodation	2,884	2,884	-	0.0%
7,232	Total Demand-led Budget	78,651	80,944	2,293	2.9%

Summary of the position at Month 2

Clearly, the main pressures identified at Month 2 are across the Families, Children & Learning directorate but pressures in other directorates are being contained as summarised below:

3.6 **Families, Children & Learning:** The initial forecast budget risk across Families, Children and Learning was £3.024m primarily resulting from increased demand pressures on services for Children in Care, particularly adolescents with very complex needs and adults with learning disabilities. This pressure continued to build during the last quarter of 2016/17 at a faster rate than estimated at the point of Budget Council on 23 February. As a result, some of the social work cost pressures have continued through from last year.

Subsequently the directorate has put together a financial recovery plan to address the financial risks. However, there still remain significant financial pressures on services for Children in Care and adults with learning disabilities. In addition there are a number of significant, although smaller emerging financial risks in Able & Willing, respite services for children with disabilities, nurseries, and supporting families with no recourse to public funds. These are being closely monitored but have had an adverse impact on the Families, Children and Learning Directorate 2017/18 budget position.

The current projected position has identified potential cost pressures of £0.726m on services for adults with learning disabilities, £0.100m on council nurseries and children's centres and £1.803m on children's placement budgets. Together with other overspending budgets of £0.147m, this explains the gross forecast risk of £2.776m as at Month 2.

After taking into account financial recovery measures of £1.119m the net position currently shows an overspend of £1.657m. Details of the areas targeted for financial recovery are in appendix 2. Further actions and ongoing demand management are taking place to reduce this level of projected overspend further over the course of the year.

3.7 **Adults Services:** The service is facing significant challenges in 2017/18 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 the provider market. This is alongside delivering a significant budget savings programme and developing integration plans through the Better Care Fund. However, the service has received significant additional funding and is currently able to forecast a break-even position at Month 2. This also reflects the implementation of a number of initiatives to improve the financial stability of the directorate in previous years, which have helped to contain the forecast risk. These initiatives focused on attempting to manage the demands on, and costs of, community care placements across Assessment Services and making the most efficient use of available funds.

In particular, 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 may not always meet people's aspirations. This forms a key part of savings implementation plans. Through regional and other social care networks the service will continue to adopt best practice for the delivery of cost effective services in order to influence future direction - this includes demand management strategies and identifying opportunities through Housing provision for example.

At this stage, all the approved budget savings of £4.873m are anticipated to be achieved in this financial year.

This forecast position is not however without risk and there remain concerns over the costs of increasing complexity of need, increasing numbers of older people being discharged from hospital requiring social care services for the first time, pressures on the in house older people resource centres and the cost of managing Deprivation of Liberty Standards (DoLS) cases.

3.8 **Housing Services and Temporary Accommodation:** Temporary Accommodation overspent by £1.062m in 2016/17. This was driven by a combination of external factors including a large decant programme, a shortage of alternative contracted accommodation and high replacement housing costs. In 2017/18 the temporary accommodation budget has been supported by additional funding to address the budget pressures. However, the service has also been given substantial budget savings to deliver.

Notwithstanding the above, the latest forecast position for 2017/18 is that Temporary Accommodation is expected to be able to break-even.

Following the introduction of the new housing allocation policy both the costs and volumes of spot purchasing of emergency accommodation have already significantly reduced. The £1.300m trailblazer project initiatives should deliver initial reductions in accommodation volumes by the final quarter of 2017/18 and then the planned substantial reduction in households in temporary accommodation by the end of 2018/19. There are risks associated with this in terms of the roll out of Universal Credit and the impact this may have on homelessness in the city, and the likely introduction of the Homeless Reduction Act which places more duties upon the local authority but these will be closely monitored.

Housing Benefit for households in temporary accommodation changed this year so that the £60 per week management element has been replaced by the Flexible Homelessness Support Grant. The forecast number of households in temporary accommodation requires £4.500m of this grant to enable the service to break-even. An additional allocation of £0.200m is required to cover unmet savings in the short term, in order to allow lead in time for the delivery of the Trailblazer project and the transformation of the service.

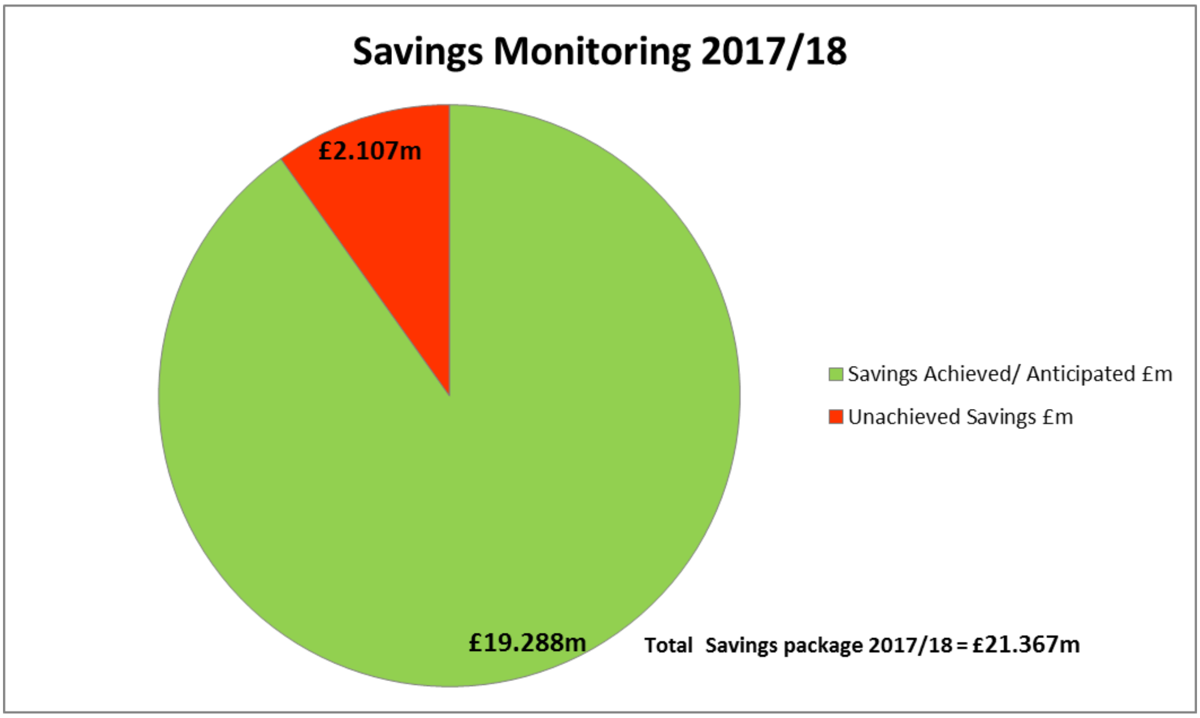
Overall, the break-even forecast is therefore subject to the following risks:

- Potential delays in the delivery of the Trailblazer project (mobilisation time);
- Increased void costs in temporary accommodation (a greater volume of move on into permanent housing creates more churn and hence more voids);
- A budget pressure may arise as a result of the transfer of budgets to Housing which may prove to be insufficient for the work carried out to house Adults and Children’s Services clients;
- The roll out of Universal Credit from autumn 2017 (reduction in benefit recovery from clients);
- External pressures outside of the service control (higher than forecast private sector rent increases, greater numbers of homeless acceptances).

Monitoring Savings

3.9 The savings package approved by full Council to support the revenue budget position in 2017/18 was £21.367m following directly on from a similar-sized savings package in 2016/17. This is very significant and follows 6 years of substantial packages totalling nearly £119m that have been essential to enable cost and demand increases to be funded.

3.10 Appendix 2 provides a summary of savings in each directorate and indicates in total what is anticipated/achieved or is at risk. Appendix 3 summarises the position across all directorates and presents the entire savings programme. The graph below provides a summary of the position as at Month 2 which is an early indication. This shows that delivery is broadly on track with £2.107m (10%) currently at risk. Mitigation of these risks is included in the development of services' financial recovery actions.



Note: Savings Achieved/Anticipated includes an overachievement of savings of £0.028m

Housing Revenue Account Performance (Appendix 2)

3.11 The Housing Revenue Account 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. The forecast outturn is currently a break even position and more details are provided in Appendix 2.

The 2017/18 HRA budgets are being realigned by transferring £0.750m from the revenue repairs and gas services budgets to investment in the HRA capital programme. The principal reason for this realignment is that, over the last few years, the spend on responsive repairs has been consistently lower than budgeted as a result of the substantial capital investment in renovating the dwelling stock, and reduced stock numbers from Right to Buys and stock transfer to Seaside Homes. The transfer has been reflected in the figures presented in Appendix 2.

Dedicated Schools Grant Performance (Appendix 1)

3.12 The Dedicated Schools Grant (DSG) is a ring-fenced grant 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 an overspend of £0.242m and more details are provided in Appendix 2. Under the Schools Finance Regulations any underspend must be carried forward to support the schools budget in future years.

NHS Managed S75 Partnership Performance (Appendix 2)

3.13 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.

3.14 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. A breakeven position is currently forecast and more details are provided in Appendix 2.

Capital Programme Performance and Changes

3.15 The table below provides a summary of capital programme performance by Directorate and shows that there is a forecast underspend of £1.124m at this early stage. More details are provided in Appendix 3.

2016/17 Outturn Variance £'000	Capital Budgets	2017/18 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
4	Families, Children & Learning	23,720	23,720	0	0.0%
34	Health & Adult Social Care	320	320	0	0.0%
70	Economy, Environment & Culture	53,703	53,703	0	0.0%
0	Neighbourhood, Comms & Housing	2,574	2,574	0	6.9%
(780)	Housing Revenue Account	47,808	46,684	(1,124)	-2.4%
(6)	Finance & Resources	4,019	4,019	0	0.0%
0	Strategy, Governance & Law	0	0	0	0.0%
0	Corporate Services	0	0	0	0.0%
(678)	**Total Capital**	**132,144**	**131,020**	**(1,124)**	**-0.9%**

(Note: Summary may include minor rounding differences to Appendix 3)

3.16 Appendix 4 shows the changes to the budget and Appendix 5 provides details of new schemes for 2017/18 to be added to the capital programme which are included in the budget figures above. Policy, Resources & Growth 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	2017/18 Budget £'000
Budget approved at Budget Council	63,534
New schemes included in the Budget Report where further reports to Policy Resources & Growth Committee were needed before their inclusion in the capital programme	60,579
Slippage and reprofiles approved in the Outturn report	8,597
Reported at other Policy, Resources & Growth Committees for inclusion into 2017/18 year	4,359
New schemes to be approved in this report (see appendix 4)	149
Variations to Budget (to be approved)	2,578
Reprofiling of Budget (to be approved)	(2,546)
Slippage (to be approved)	(5,106)
Total Capital	**132,144**

3.17 Appendix 3 also details any slippage into next year. However, project managers have forecast that £5.106m of the capital budget will slip into the next financial year at this early stage, which equates to 3.9% of the budget.

Implications for the Medium Term Financial Strategy (MTFS)

3.18 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 Policy, Resources & Growth 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.

Capital Receipts Performance

3.19 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, Asset Management Fund and Digital First. The planned profile of capital receipts for 2017/18, as at Month 2, is £6.480m excluding the receipt associated with the disposal of Kings House which is ring-fenced to support Workstyles and supporting the Integrated Service and Financial Plans. To date there have been receipts of £0.013m in relation to some minor lease extensions at the Marina and improvement grant repayments. The capital receipts performance will be monitored over the coming months against capital commitments.

3.20 The forecast for the ‘right to buy sales’ in 2017/18 (after allowable costs, repayment of housing debt and forecast receipt to central government) is that an estimated 50 homes will be sold with a maximum useable receipt of £0.500m to fund the corporate capital programme and net retained receipt of £4.610m available to re-invest in replacement homes. To date 10 homes have been sold in 2017/18.

Collection Fund Performance

3.21 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.

3.22 The council tax collection fund is forecast to be in surplus by (£2.405m) at year end which incorporates a brought forward surplus of (£1.029m). The main change from the in year forecast is a reduction of (£1.500m) in the amount set aside for losses in resources from changes to the contribution to bad debt provision and previous year’s liability whereby the collection rate on the tax base is being amended to 99% from 98.33%. This change in assumption follows a review of the amount the council ultimately collects which demonstrated that the current rate used is too low. Other changes are a greater than forecast reduction in Council Tax Reduction awards (£0.200m), higher than forecast increase in Severely Mentally Impaired (SMI) exemptions of £0.225m and other exemptions £0.100m. The council's share of the overall forecast council tax surplus is (£2.062m).

3.23 The business rates collection fund is forecast to be in deficit by £0.106m at year-end which relates entirely to a brought forward deficit. At this stage the in year business rates collection fund is forecast to breakeven. New business rates relief schemes were announced at the Spring Budget to deal with the impact of business rates revaluation on individual ratepayers which include a £300m discretionary fund over four years from 2017/18, supporting small businesses from large increases due to loss of relief and eligible pubs receiving a £1,000 discount. The discretionary business rates relief fund is to be used on local schemes to assist businesses that are facing rising bills as a result of the revaluation and the allocation for Brighton & Hove ratepayers over the four years is £1.925m of which £1.123m is in 2017/18. With the introduction of the new 2017 rating list and spring budget changes there are still a number of methodology adjustments to the business rates forecasts, tariff payments and section 31 grants that need to be confirmed between central government and local authorities. The council's share of the overall forecast business rates deficit is £0.052m.

3.24 The council’s share of the combined collection funds is a surplus of (£2.010m) and is included in the budget forecast for 2018/19.

Allocation of 2016/17 Outturn Underspend

3.25 The outturn underspend on the General Fund Revenue Account for 2016/17 was £0.812m as reported to the committee on 4 May 2017. However, approval of budget amendments at Budget Council required the use of £0.170m one-off resources which were agreed as a first call on any improvement to the outturn position. This therefore reduces the available additional one-off resources to £0.642m, the allocation of which is for consideration by the Policy, Resources & Growth Committee. As reported to the May Committee, due to the announcement of a General Election and purdah, any allocation of these resources was necessarily deferred until July.

3.26 The allocation of the available one-off 2016/17 outturn underspend resources of £0.642m is proposed as follows:

Theme	Item	Sum £'000	Reason for proposal
Supported LGA Peer Review Findings	Ward Member Community Budget Scheme	270	To set aside resources to support a new scheme in 2017/18 (providing £5,000 per ward member) subject to approval of the scheme's detailed principles by this Committee in October. Future ongoing funding for the scheme will be considered as part of the annual budget setting process however it is intended that this will be recurrent.
	Ward Member Community Budget Scheme set-up and admin costs	25	Initial set-up costs of £15,000 and ongoing administration costs of £10,000 per annum.
Agreed at Leaders Group	Shoreham Memorial contribution	15	To approve BHCC's contribution towards design and feasibility for the Shoreham Air crash memorial.
	Saltdean Lido loan	30	To reflect the decision made under urgency powers as per paragraph 6.3 of this report
Responses to changing circumstances	Trade Union Facility Time	50	To defer the approved 2017/18 budget saving subject to further review and negotiation. This is due to increased current demands on Trade Union support for complex staffing changes including the outsourcing of a range of Learning Disability Services, the transfer of Royal Pavilion services to a Trust, re-structures relating to the Orbis partnership with Surrey and East Sussex county councils, and the potential increased integration of

			health and adult social care services.
	Safeguarding	20	To respond to an Internal Audit review of building and access controls and specifically a recommendation relating to staff who require access to the homes of residents.
Priority Items	Weekend park manager and grass-cutting	50	Funding for Park Manager cover at week-ends at busier parks in response to growing anti-social behaviour concerns in some of the busiest city parks, most notably The Level. Additional summer grass cutting: the service is currently struggling to keep up with grass cutting across the city and it is proposed to emulate the model used for the seafront and beach where additional, temporary staff are recruited. For the future, these changes will be reviewed to inform the annual budget setting process.
	Madeira Terraces project costs	80	Project funding to continue the next stage of plans to restore and refurbish the Madeira Terraces including the establishment of a Crowdfunding campaign and the preparation of future bids for grant funding to support the project as required.
	Parks & Playgrounds	102	Improvements for parks and playgrounds including inter alia paving, seating, general environment e.g. planting, play equipment etc. as identified and subject to the funding available.
Total		**642**	

3.27 Fixed deal reimbursements on the Concessionary Fares budget, as reported to Committee in May 2017, have resulted in a further ongoing annual saving of £0.250m. It is proposed to reallocate this as shown in the table below. Treatment of the "one-off" allocations in this table would need to be reviewed as part of the 2018/19 budget setting process.

Theme	**Item**	**Sum £'000**	**Reason for proposal**
Priority Items	Public Transport	150	Recurrent funding to secure supported bus routes on an ongoing basis.
	Parks & Open Spaces	50	One-off additional resources to address large unauthorised tented encampments in parks and open spaces.
	Community Safety	50	One-off additional support for victims of domestic violence to meet additional demand pressures on support services
	Total	**250**	

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The provisional outturn position on the General Fund is an overspend of £1.375m. This includes a forecast breakeven position on the council's share of the NHS managed Section 75 services. Risk provisions of £1.500m are available to substantially mitigate the position. Any overspend at the year-end would need to be funded from general reserves which would then need to be replenished to ensure that the working balance did not remain below £9.000m. Any underspend would release one off resources that can be used to aid budget planning for 2018/19.

5 COMMUNITY ENGAGEMENT & CONSULTATION

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

6 CONCLUSION AND COMMENTS OF THE DIRECTOR OF FINANCE & RESOURCES (S151 OFFICER)

6.1 This early forecast is a marked improvement on forecasts for the same period in the last 3 years. This reflects the fact that the approved budget provided significant service pressure funding of £14.7m to substantially meet identified cost and demand increases across social care and homelessness budgets. Additional funding for Adult Social Care and Homelessness has also been received since the budget was set in February 2017 further aiding the situation. However much of this additional funding is time-limited one-off funding and therefore a key objective will be to ensure that it is used to reduce costs building up again in later years.

6.2 The forecast risk at Month 2 is therefore manageable in the context of available risk provisions. It is also important that it is early in the financial year and there is sufficient time to plan and undertake further financial recovery action if further risks emerge.

6.3 On a separate matter the Chief Executive has exercised urgency powers under the constitution, after consultation with the Chair of this Committee, to provide £0.030m of loan financing to the Saltdean Lido Community Interest Company. The loan is intended to support a short term cash flow deficit and will be repaid by 30th November 2017.

7 FINANCIAL AND OTHER IMPLICATIONS

Financial Implications:

7.1 The financial implications are covered in the main body of the report. Financial performance is kept under review on a monthly basis by the Cross-Party Budget Review Group and the management and treatment of forecast risks is considered by the Audit & Standards Committee.

Finance Officer Consulted: Jeff Coates Date: 20/06/17

Legal Implications:

7.2 The urgency powers referred to at paragraph 6.3 of the report are set out at Part 6.2 A (7) of the Council's constitution, enabling Chief Officers to exercise any of the functions within the service area of the officer in cases of urgency where it is not reasonably practicable to obtain prior approval of a Committee or Sub-Committee. The loan will be subject to a formal written agreement with the Council.

In relation to the virements for which approval is sought in the report, the proposals are in accordance with the Council's Standard Financial Procedures.

Lawyer Consulted: Elizabeth Culbert Date: 26th June 2017

Equalities Implications:

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

Sustainability Implications:

7.4 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 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 2017/18.

Risk and Opportunity Management Implications:

7.5 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. Revenue Budget RAG Rating
2. Revenue Budget Performance
3. Summary of 2017/18 Savings Progress
4. Capital Programme Performance
5. New Capital Schemes

Documents in Members' Rooms:

None.

Background Documents

None.

Appendix 1 – Revenue Budget RAG Ratings

RAG Rating Key:	RAG for Directorates[1]	RAG for Service Areas
Red	Forecast overspend of 5% or more or £0.250m whichever is lower	Forecast overspend of 5% or more or £0.100m whichever is lower
Amber	Forecast overspend of less than 5% of budget or £0.250m, whichever is lower.	Forecast overspend of less than 5% of budget or £0.100m, whichever is lower.
Green	Breakeven or forecast underspend	Breakeven or forecast underspend

Service	2017/18 Budget Month 2 £'000	Actual Variance Month 2 £'000	Actual Variance Month 2 %	RAG Rating Month 2
General Fund:				
Director of Families, Children & Learning	161	0	0.0%	Green
Health, SEN & Disability Services	35,886	265	0.7%	Red
Education & Skills	6,879	4	0.1%	Amber
Children's Safeguarding & Care	38,742	1,393	3.6%	Red
Quality Assurance & Performance	1,502	(5)	-0.3%	Green
Total Families, Children & Learning	**83,170**	**1,657**	**2.0%**	**Red**
Adult Social Care	28,802	0	0.0%	Green
Integrated Commissioning	8,343	0	0.0%	Green
S75 Sussex Partnership Foundation Trust (SPFT)	12,282	0	0.0%	Green
Public Health	963	0	0.0%	Green
Total Health & Adult Social Care	**50,390**	**0**	**0.0%**	**Green**
Transport	(7,434)	(21)	-0.3%	Green
City Environmental Management	27,756	(3)	0.0%	Green
City Development & Regeneration	2,781	59	2.1%	Amber
Culture	4,335	(9)	-0.2%	Green
Property	1,111	249	22.4%	Red
Total Economy, Environment & Culture	**28,549**	**275**	**1.0%**	**Red**
Housing General Fund	5,220	0	0.0%	Green
Libraries	4,870	0	0.0%	Green
Communities, Equalities & Third Sector	2,405	0	0.0%	Green
Regulatory Services	1,507	0	0.0%	Green
Community Safety	1,237	0	0.0%	Green
Total Neighbourhood, Communities & Housing	**15,239**	**0**	**0.0%**	**Green**
Finance	9,816	30	0.3%	Amber
Housing Benefit Subsidy	(835)	(500)	-59.9%	Green
HR & Organisational Development	2,722	0	0.0%	Green
ICT	6,382	0	0.0%	Green
Total Finance & Resources	**18,085**	**(470)**	**-2.6%**	**Green**
Corporate Policy	691	0	0.0%	Green
Legal Services	1,304	0	0.0%	Green
Democratic & Civic Office Services	1,702	0	0.0%	Green
Life Events	(246)	0	0.0%	Green
Performance, Improvement & Programmes	692	0	0.0%	Green
Communications	652	0	0.0%	Green
Total Strategy, Governance & Law	**4,795**	**0**	**0.0%**	**Green**

Service	2017/18 Budget Month 2 £'000	Actual Variance Month 2 £'000	Actual Variance Month 2 %	RAG Rating Month 2
Sub Total	**200,228**	**1,462**	**0.7%**	
Bulk Insurance Premia	0	0	0.0%	Green
Concessionary Fares	11,197	0	-2.2%	Green
Capital Financing Costs	6,700	(29)	-0.4%	Green
Levies & Precepts	205	0	0.0%	Green
Unallocated Contingency & Risk Provisions	6,026	0	0.0%	Green
Unringfenced Grants	(15,648)	0	0.0%	Green
Other Corporate Items	258	(58)	-22.5%	Green
Total Corporate Budgets	**8,738**	**(87)**	**-3.9%**	**Green**
Total General Fund	**208,966**	**1,375**	**0.5%**	

Dedicated Schools Grant:				
Individual Schools Budget (ISB)	123,399	0	0.0%	Green
Early Years Block (incl delegated to Schools)	14,105	119	0.8%	Red
High Needs Block (excl delegated to Schools)	19,396	145	0.7%	Red
Exceptions and Growth Fund	3,838	(22)	-0.6%	Green
Grant Income	(160,153)	0	0.0%	Green
Total Dedicated Schools Grant (DSG)	**585**	**242**	**41.4%**	**Red**

Housing Revenue Account:				
Capital Financing	32,335	0	0.0%	Green
Head of Housing HRA	3,572	0	0.0%	Green
Head of City Development & Regeneration	323	0	0.0%	Green
Housing Strategy	750	0	0.0%	Green
Income Involvement Improvement	(46,351)	0	0.0%	Green
Property & Investment	7,537	0	0.0%	Green
Tenancy Services	1,834	0	0.0%	Green
Total Housing Revenue Account	**0**	**0**	**0.0%**	**Green**

([1]) In the above tables the Dedicated Schools Grant and Housing Revenue Account are treated as Directorates for the purposes of RAG rating.

Families, Children & Learning

Revenue Budget Summary

2016/17 Outturn Variance £'000	Service	2017/18 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %	2016/17 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
(98)	Director of Families, Children & Learning	161	161	0	0.0%	0	0	0
2,291	Health, SEN & Disability Services	35,886	36,676	790	2.2%	1,731	1,681	50
43	Education & Skills	6,879	6,883	4	0.1%	1,710	1,710	0
1,761	Children's Safeguarding & Care	38,742	40,724	1,982	5.1%	2,039	528	1,511
(52)	Quality Assurance & Performance	1,502	1,502	0	0.0%	0	0	0
3,945	Total Families, Children & Learning	83,170	85,946	2,776	3.3%	5,480	3,919	1,561
0	Further Financial Recovery Measures (see below)	-	(1,119)	(1,119)	-	-	-	-
3,945	Residual Risk After Financial Recovery Measures	83,170	84,827	1,657	2.0%	5,480	3,919	1,561

Explanation of Key Variances *(Note: FTE/WTE = Full/Whole Time Equivalent)*

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Further Directorate Financial Recovery Measures		
(1,119)	Estimated impact of further Financial Recovery Measures	The directorate has developed an over-arching Financial Recovery Plan to begin to address the pressures detailed below across the various service headings. The Financial Recovery Plan includes the following key measures: • Extending the Move-on project in Adult learning Disability Services. • Targeted reviews of existing Adult Learning Disability provision. • Increasing the number of in-house foster carers. • Review of children's residential placements. • Reducing the number of agency social workers.

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
		The recovery measures are clearly challenging areas and will need to be managed carefully being sure not to negatively impact on the day-to-day responsibilities of the service. Ongoing demand management of the budget will continue alongside these measures to attempt to improve the forecast position over coming weeks/months as part of normal financial management and controls.
Health, SEN & Disability Services		
100	In-house residential and respite services	Increasing use of overtime and agency staff providing residential and respite care for disabled children with complex needs. These services are however contributing to the reduced spending on Disability Agency Placements.
497	Demand Led - Learning Disability Adults - Community Care	There has been an increase in the level of clients presenting with greater complexity of need in recent months. This has resulted in an increase in the average unit costs for Learning Disability Care packages. The overspend mainly relates to Supported Accommodation and Day Services which have shown a significant increase in activity since April 2015.
229	Able and Willing	Due to underachievement of sales income targets.
(36)	Other variances	
Education & Skills		
100	Nurseries and Children's Centres	Cost of maternity and sickness cover i.e. agency staff to maintain ratios, as well as protected pay for staff that changed grades during the restructure. There has also been a reduction in numbers attending some nurseries.
(75)	Integrated Team for Families	The restructure of the Early Help provision and vacant posts factored into the establishment (pending potential 2018/19 budget savings and reduction in TF2 Grant) have resulted in this significant saving in 2017/18.
(21)	Other variances	
Children's Safeguarding & Care		
1,654	Demand-Led - Residential Agency Placements	The projected number of residential placements (39.21 FTE) is broken down as 34.93 FTE social care residential placements (children’s homes), 4.00 FTE schools placements and 0.27 FTE family assessment placements. The budget allowed for 25.60 FTE social care residential care placements, 3.50 FTE schools placements and 0.30 FTE family assessment placements. The average unit cost of these placements is lower than the budgeted level for all placement types. However, The number of children's placements is 9.81 FTE above the budgeted level and despite the lower unit costs results in the overspend of £1.654m.

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
841	Demand-Led - Independent Foster Agency (IFA) Placements	The number of children placed in Independent Foster Agency placements has decreased in recent years. During 2016/17 there were 132.14 FTE (compared with 158.06 FTE for 2015/16). The current projected number of placements in 2017/18 is 121.03 FTE, a reduction of 8.4%. The budget for IFA placements included significant levels of savings and was set at 101.00 FTE. The numbers being higher than the budget level by 20.03 FTE results in a projected overspend of £0.841m.
(45)	Demand-Led - Secure Accommodation	It is estimated that during 2017/18 there will be 1.32 FTE secure (welfare) placements and 0.92 FTE secure (justice) placements. The budget allowed for 1.45 FTE welfare and 1.15 FTE justice placements during the year. There is currently one child in a secure (welfare) placement and none in a secure (criminal) placement resulting in a projected underspend of £0.045m.
(11)	Demand-Led - Semi-independent/Supported placements	The number of semi-independent and supported living placements is projected to be 32.32 FTE and this is 3.32 FTE above the budgeted level. However, the average unit cost of these placements is £141.63 per week less than the budget and this results in an underspend of £0.011m.
(837)	Demand-Led - In-House Fostering	As at the 31st May 2017 there were 144 children placed with 'in-house' foster carers and 147.64 FTE for the year. The budget, based on an increasing trend over the last few years and the drive to increase recruitment of in-house carers, was set at 180.00 FTE placements. This has resulted in the current projected underspend of £0.837m. If the ongoing work to increase the number of in-house foster carers is successful, this should result in a net reduction in costs.
142	Demand-Led - Family & Friends placements, Child Arrangement Orders and Special Guardianship Orders	The budget allows for 282.00 FTE placements of these types. It is currently anticipated that there will be 310.13 FTE children in these placements during 2017/18 and this results in the overspend of £0.142m.
139	Demand-Led - Care Leavers	The projected number of care leaver placements in 2017/18 is 106.09 FTE. The budget allows for 93.90 FTE placements. The increase mainly relates to growing numbers of Staying Put placements (60.34 FTE in 2017/18). The average unit cost is lower than the budget but the high numbers result in an overall overspend of £0.139m.
(80)	Demand-Led Unaccompanied Asylum Seeking Children (UASC) Grant	The numbers of unaccompanied asylum seeking children has increased considerably in the last 12 months. The costs of looking after these children are funded by a grant from the home office and the grant is in access of the estimated value by £0.080m.
153	Social Work teams	Use of agency social workers is continuing into 2017/18 but at a planned significantly lower level than 2016-17. The Social Work agency budget has been reduced as £0.092m of one-

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
		off funding for agency social workers will not be available in 2017/18. The current number of Agency workers is 16 and it is anticipated that this will reduce to 1 FTE by 01/12/17 and on this basis will result in a potential overspend against the agency budget of £0.312m. The underspend currently projected against permanent staffing budgets is £0.139m and non- staff costs are estimated to underspend by £0.020m.
104	Legal Fees	It is anticipated that increasing requirement for legal support will generate a pressure in this budget in 2017/18. There has been a significant increase in legal costs over the last couple of months and if this continues into 2017/18 it could result in an increased overspend. If there is a recurrence in the number of very high cost cases as seen in 2016/17 this overspend could increase significantly.
(78)	Other variances	

Health & Adult Social Care (HASC)

Revenue Budget Summary

2016/17 Outturn Variance £'000	Service	2017/18 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %	2016/17 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
1,136	Adult Social Care	28,802	28,802	0	0.0%	2,285	2,285	0
(382)	Integrated Commissioning	8,343	8,343	0	0.0%	147	147	0
600	S75 Sussex Partnership Foundation Trust (SPFT)	12,282	12,282	0	0.0%	293	293	0
0	Public Health	963	963	0	0.0%	2,148	2,148	0
1,354	Total Health & Adult Social Care	50,390	50,390	0	0.0%	4,873	4,873	0

Explanation of Key Variances *(Note: FTE/WTE = Full/Whole Time Equivalent)*

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Adult Social Care		
(62)	Demand-Led Community Care - No Recourse to Public Funds	The average unit cost is slightly lower than the budgeted unit cost and the number of clients being supported is less than budgeted resulting in the underspend of £0.062m.
0	Demand-Led Community Care - Physical & Sensory Support	There are increasing numbers of ‘new’ older people being discharged from hospital requiring social care services for the first time, as well as increased community demand. This additional financial pressure is being met by the Improved Better Care fund for 2017/18.
62	Demand-Led Community Care - Substance Misuse	There are relatively small numbers of clients within this service and this is in line with the expected demand. The average unit cost is higher than the budgeted unit cost resulting in the overspend of £0.062m.

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
0	Improved Better Care fund (IBCF)	The spending plan for the £5.093m iBCF has been jointly agreed with the Health & Adult Social Care Directorate and Brighton & Hove CCG as per the criteria of the DCLG grant. Following this agreement, the budgets need to be amended to reflect the agreed spending plan which allocates £3.959m to Adult Social Care, £0.544m to Integrated Commissioning and £0.140m to Public Health, within the HASC Directorate with the remaining £0.450m going to Health, SEN & Disability within Families, Children & Learning. Policy, Resources & Growth Committee approval is required for this in accordance with Financial Regulations as it involves budget transfers in excess of £0.250m.
S75 Sussex Partnership Foundation Trust (SPFT)		
132	Demand-Led - Memory Cognition Support	There are higher numbers of WTE care packages than are funded in the budget; the unit costs are also higher than had been anticipated resulting in the overspend of £0.132m. This is due to a current lack of affordable residential and nursing home placements within the city.
(127)	Demand-Led - Mental Health Support	Numbers of WTE clients are higher than the budget allocation but the average unit costs are lower than and this results in the underspend of £0.127m. There is increasing need and complexity within this client group.
(5)	Other variances	

Economy, Environment & Culture

Revenue Budget Summary

2016/17 Outturn Variance £'000	Service	2017/18 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %	2016/17 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
(1,296)	Transport	(7,434)	(7,455)	(21)	-0.3%	1,238	1,238	0
42	City Environmental Management	27,756	27,753	(3)	0.0%	1,025	950	75
(9)	City Development & Regeneration	2,781	2,897	116	4.2%	420	420	0
(378)	Culture	4,335	4,326	(9)	-0.2%	335	335	0
(244)	Property	1,111	1,360	249	22.4%	1,668	1,628	40
(1,885)	Total Economy, Environment & Culture	28,549	28,881	332	1.2%	4,686	4,571	115
0	Further Financial Recovery Measures (see below)	-	(57)	(57)	-	-	-	-
(1,885)	Residual Risk After Financial Recovery Measures	28,549	28,824	275	1.0%	4,686	4,571	115

Explanation of Key Variances

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Further Directorate Financial Recovery Measures		
(57)	Estimated impact of further Financial Recovery Measures	The directorate has developed an over-arching Financial Recovery Plan to address the pressures detailed below across the various service headings. The Financial Recovery Plan includes the following measures:
	City Development & Regeneration - Planning	An increase to planning fees of 20% which was due to be implemented in July 2017 but has been delayed to Autumn/Winter 2017 as a result of the recent election. Once implemented this will generate additional income of £0.170m per annum (£0.057m part-year) towards the financial pressures within the Planning service.

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Transport		
(21)	Minor Variances	
City Environmental Management		
(3)	Minor Variances	
City Development & Regeneration		
68	Applications	An overspend of £0.040m due to legal advice and anticipated Public Inquiry costs in particular from appeals. Also other minor net variances of £0.028m in this service.
48	Other Variances	
Culture		
(9)	Minor Variances	
Property		
250	Rents	Currently there is a forecast shortfall in expected rental income mainly associated with the Contracted Property Portfolio (CPP), New England House and Hove Town Hall. Also included within this is the £0.050m saving applied to the CPP budget. The CPP budget pressure is the variance between the year on year inflated rental income figure compared to the forecast provided by the Council's property advisors Cluttons. The rent forecast is subject to close monthly monitoring and will be adjusted as new information is received through the year.
(1)	Other Variances	

Neighbourhood, Communities & Housing

Revenue Budget Summary

2016/17 Outturn Variance £'000	Service	2017/18 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %	2016/17 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
803	Housing General Fund	5,220	5,220	0	0.0%	1,689	1,689	0
(39)	Libraries	4,870	4,870	0	0.0%	142	142	0
1	Communities, Equalities & Third Sector	2,405	2,405	0	0.0%	480	437	43
(10)	Regulatory Services	1,507	1,507	0	0.0%	220	220	0
(31)	Community Safety	1,237	1,237	0	0.0%	71	71	0
724	Total Neighbourhood, Communities & Housing	15,239	15,239	0	0.0%	2,602	2,559	43

There are currently no variances to report within the Neighbourhood, Communities & Housing Directorate which is projecting break-even across all services.

Finance & Resources

Revenue Budget Summary

2016/17 Outturn Variance £'000	Service	2017/18 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %	2016/17 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
(280)	Finance	9,816	9,846	30	0.3%	1,102	1,102	0
(808)	Housing Benefit Subsidy	(835)	(1,335)	(500)	-59.9%	120	120	0
(51)	HR & Organisational Development	2,722	2,722	0	0.0%	354	304	50
260	ICT	6,382	6,382	0	0.0%	657	319	338
(879)	Total Finance & Resources	18,085	17,615	(470)	-2.6%	2,233	1,845	388

Explanation of Key Variances

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Finance		
30	Revenues & Benefits	There is a forecast overspend of £0.030m across non staffing budgets.
Housing Benefit Subsidy		
(500)	Housing Benefit Subsidy	There is an expected surplus of £0.200m in the recovery of overpaid council tax benefits, based on receipts to date. On the main subsidy budgets there is insufficient data available to make a detailed forecast, but at present a prudential £0.300m surplus is forecast.

Strategy, Governance & Law

Revenue Budget Summary

2016/17 Outturn Variance £'000	Service	2017/18 Budget Month 2 £'000	Projected Outturn Month 2 £'000	Projected Variance Month 2 £'000	Projected Variance Month 2 %	2016/17 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
(89)	Corporate Policy	691	691	0	0.0%	60	60	0
(26)	Legal Services	1,304	1,304	0	0.0%	120	120	0
(51)	Democratic & Civic Office Services	1,702	1,702	0	0.0%	87	87	0
(26)	Life Events	(246)	(246)	0	0.0%	251	251	0
(30)	Performance, Improvement & Programmes	692	692	0	0.0%	113	113	0
(78)	Communications	652	652	0	0.0%	76	76	0
(300)	Total Strategy, Governance & Law	4,795	4,795	0	0.0%	707	707	0

There are currently no variances to report within the Strategy, Governance & Law Directorate which is projecting break-even across all services.

Corporate Services

Revenue Budget Summary

2016/17 Outturn Variance £'000	Service	2017/18 Budget Month 2 £'000	Projected Outturn Month 2 £'000	Projected Variance Month 2 £'000	Projected Variance Month 2 %	2016/17 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
(320)	Bulk Insurance Premia	0	0	0	0.0%	0	0	0
(40)	Concessionary Fares	11,197	11,197	0	0.0%	250	250	0
(478)	Capital Financing Costs	6,700	6,671	(29)	-0.4%	0	0	0
(1)	Levies & Precepts	205	205	0	0.0%	0	0	0
(2,950)	Unallocated Contingency & Risk Provisions	6,026	6,026	0	0.0%	0	0	0
(151)	Unringfenced Grants	(15,648)	(15,648)	0	0.0%	0	0	0
(369)	Other Corporate Items	258	200	(58)	-22.5%	195	223	0
(4,309)	Total Corporate Budgets	8,738	8,651	(87)	-1.0%	445	473	0

Explanation of Key Variances

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Concessionary Fares		
0	Concessionary Fares	Fixed deal reimbursements reported to committee in May 2017 have resulted in a further saving of £0.250m. This has been allocated as shown in paragraph 3.27 of the main report.

Housing Revenue Account (HRA)

Revenue Budget Summary

2016/17 Outturn Variance £'000	Service	2017/18 Budget Month 2 £'000	Projected Outturn Month 2 £'000	Projected Variance Month 2 £'000	Projected Variance Month 2 %	2016/17 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
765	Capital Financing	32,335	32,335	0	0.0%	0	0	0
(34)	Head of Housing HRA	3,572	3,572	0	0.0%	106	106	0
(63)	Head of City Development & Regeneration	323	323	0	0.0%	0	0	0
(131)	Housing Strategy	750	750	0	0.0%	0	0	0
(796)	Income Involvement Improvement	(46,351)	(46,351)	0	0.0%	181	181	0
(1,573)	Property & Investment	7,537	7,537	0	0.0%	570	570	0
(374)	Tenancy Services	1,834	1,834	0	0.0%	75	75	0
(2,206)	Total Housing Revenue Account	0	0	0	0.0%	932	932	0

There are currently no variances to report within the Housing Revenue Account.

Dedicated Schools Grant (DSG)

Revenue Budget Summary

2016/17 Outturn Variance £'000	Service	2017/18 Budget Month 2 £'000	Projected Outturn Month 2 £'000	Projected Variance Month 2 £'000	Projected Variance Month 2 %
0	Individual Schools Budget (ISB)	123,399	123,399	0	0.0%
(675)	Early Years Block (including delegated to Schools) *(This includes Private Voluntary & Independent (PVI) Early Years 3 & 4 year old funding for the 15 hours free entitlement to early years education)*	14,105	14,224	119	0.8%
188	High Needs Block (excluding delegated to Schools)	19,396	19,541	145	0.7%
(98)	Exceptions and Growth Fund	3,838	3,816	(22)	-0.6%
0	Grant Income	(160,153)	(160,153)	0	0.0%
(585)	Total Dedicated Schools Grant (DSG)	585	827	242	41.4%

Explanation of Key Variances

Key Variances £'000	Service Area	Variance or Financial Recovery Measure Description
Early Years Block (including delegated to Schools)		
119	Additional Support Funding for 2,3 & 4 year olds	Significant increase in the number of children receiving additional support funding in the Summer term.
High Needs Block (excluding delegated to Schools)		
73	Integrated Support Service	Additional costs due to reorganisation in 2016/17.
50	High Needs top-up for Special Schools	Additional Support arrangements for several pupils.

Key Variances £'000	**Service Area**	**Variance or Financial Recovery Measure Description**
50	FE Colleges High Needs payments	Changes in legislation leading to increased costs.
(28)	Other	Other minor underspends.
Exceptions and Growth Fund		
21	Historic pension costs	Historic pension liabilities.
(43)	Exception 1 - Union Duties and other reimbursement	Underspent in reimbursement to schools for Union Duties and Jury service.

Savings Monitoring 2017/18

General Fund

Directorate	2017/18 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
Families, Children & Learning	5,480	3,919	1,561
Health & Adult Social Care	4,873	4,873	0
Economy, Environment & Culture	4,686	4,571	115
Neighbourhood, Communities & Housing	2,602	2,559	43
Finance & Resources	2,233	1,845	388
Strategy, Governance & Law	707	707	0
Corporate Budgets	445	473	0
Total Directorate Savings	**21,026**	**18,947**	**2,107**
Tax Base Savings	341	341	0
Total General Fund Savings	**21,367**	**19,288**	**2,107**

Housing Revenue Account

Directorate	2017/18 Savings Proposed £'000	Savings Achieved/ Anticipated £'000	Savings At Risk £'000
Housing Revenue Account	932	932	0
Total HRA Savings	**932**	**932**	**0**

Families, Children & Learning – Capital Budget Summary

Provisional Outturn Variance £'000	Service	2017/18 Original Budget £'000	Reported at other Committees £'000	New Schemes in Appendix 5 £’000	Variation, Slippage/ reprofile £'000	2017/18 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
0	Children’s Safeguarding & Care	40	0	0	0	40	40	0	0.0%
0	Health & Disability Services	36	0	0	0	36	36	0	0.0%
4	Education & Skills	23,347	0	119	0	23,466	23,466	0	0.0%
0	Schools	178	0	0	0	178	178	0	0.0%
0	Stronger Families Youth & Communities	0	0	0	0	0	0	0	0.0%
0	**Total Families, Children & Learning**	**23,601**	**0**	**119**	**0**	**23,720**	**23,720**	**0**	**0.0%**

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

Detail Type	£’000	Project	Description	Mitigation Strategy
Families, Children & Learning				
No changes to report for Month 2				

Health & Adult Social Care – Capital Budget Summary

Provisional Outturn Variance £'000	Service	2017/18 Original Budget £'000	Reported at other Committees £'000	New Schemes in Appendix 5 £'000	Variation, Slippage/ reprofile £'000	2017/18 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
0	Adult Social Care	46	0	0	210	256	256	0	0.0%
34	Integrated Commissioning	64	0	0	0	64	64	0	0.0%
0	Provider Services	0	0	0	0	0	0	0	0.0%
0	Public Health	0	0	0	0	0	0	0	0.0%
34	**Total Health & Adult Social Care**	**110**	**0**	**0**	**210**	**320**	**320**	**0**	**0.0%**

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

Detail Type	£’000	Project	Description	Mitigation Strategy
Health & Adult Social Care				
Variation	210	Telecare & Minor Adaptations	Telecare is a preventative service that provides support to vulnerable clients living in the community. This funding will support the continued growth in Telecare and will fund a range of Telecare devices such as falls sensors, Carelink alarms, GPS locators and environmental sensors (flood/fire/CO). Minor Adaptations help clients live more safety and independently in their own home with adaptions and equipment. This funding will provide support to those with a disability or illness who would benefit from adaptations to their home, for example	

Detail Type	£'000	Project	Description	Mitigation Strategy
			installing handrails or widening doors. Disabled Facilities Grant funding of £1.743 million has been allocated to the council by the Department of Communities and Local Government of which £0.210m has been allocated to fund disabled adaptations.	

Economy, Environment & Culture (excluding Housing Revenue Account) – Capital Budget Summary

Provisional Outturn Variance £'000	Service	2017/18 Original Budget £'000	Reported at other Committees £'000	New Schemes in Appendix 5 £'000	Variation, Slippage/ reprofile £'000	2017/18 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
17	City Development & Regen	6,295	0	30	0	6,325	6,325	0	0.0%
74	City Environmental Management	8,823	0	0	0	8,823	8,823	0	0.0%
0	Culture	12,036	0	0	421	12,457	12,457	0	0.0%
0	Planning & Building Control	0	0	0	0	0	0	0	0.0%
0	Property	2,936	1,663	0	0	4,599	4,599	0	0.0%
(21)	Transport	21,249	0	0	250	21,499	21,499	0	0.0%
70	**Total Economy, Environment & Culture**	**51,339**	**1,663**	**30**	**671**	**53,703**	**53,703**	**0**	**0.0%**

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

Detail Type	£'000	Project	Description	Mitigation Strategy
Culture				
Variation	421	Royal Pavilion Estate (Phase 1)	Changes to original assumptions reported Policy, Resources & Growth Committee in October 2016 have resulted in a requirement to make a variation to the current capital budget. The budget was originally based on estimates for construction costs dependant on the outcome of a procurement exercise; the outcome has resulted in a net	

Detail Type	£'000	Project	Description	Mitigation Strategy
			increase of overall project costs and a variation to the current year budget. A successful bid for £3.000m of Local Enterprise Partnership grant funding will also be reflected in the budget and used to fund increase in project costs. These changes are not expected to impact on the overall project timetable and service delivery.	
Property				
Reported at Other Committee	1,663	GP Surgery - 62/63 Old Steine & 3 Palace Place	See report submitted to PR&G Committee 13th July 2017.	
Transport				
Variation	250	Controlled Parking Schemes	Additional £0.250m required for the capital costs of the potential new parking schemes in Surrenden & Fiveways, Hanover & Elm Grove, Craven Vale, West Hove, Hollingdean Road and Hove Park. Expenditure will include the cost of consultation, Traffic Regulation Orders, signing, lining and purchase and instalment of pay and display machines. The capital costs will be funded by unsupported borrowing, with appropriate repayments made over a seven year period funded from the revenue income generated.	

Neighbourhood, Communities & Housing (excluding Housing Revenue Account) – Capital Budget Summary

Provisional Outturn Variance £'000	Service	2017/18 Original Budget £'000	Reported at other Committees £'000	New Schemes in Appendix 5 £'000	Variation, Slippage/ reprofile £'000	2017/18 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
0	Communities, Equalities & Third Sector	0	0	0	0	0	0	0	0.0%
0	Community Safety	0	0	0	0	0	0	0	0.0%
0	Housing - GF	1,030	0	0	1,533	2,563	2,563	0	0.0%
0	Libraries	6	0	0	0	6	6	0	0.0%
0	Regulatory Services	5	0	0	0	5	5	0	0.0%
0	**Total Neighbourhood, Communities & Housing**	**1,041**	**0**	**0**	**1,533**	**2,574**	**2,574**	**0**	**0.0%**

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

Detail Type	£'000	Project	Description	Mitigation Strategy
Neighbourhood, Communities & Housing				
Variation	1,533	Disabled Facilities Grant	The Disabled Facilities programme helps disabled people to live as comfortably and independently as possible in their own homes through the provision of adaptations. Entitlement to a Disabled Facilities Grant is mandatory for eligible disabled people and the grant provides financial assistance for the provision of a wide range of housing adaptations ranging from stair lifts, level access showers and home extensions.	

Detail Type	£'000	Project	Description	Mitigation Strategy
			The programme is therefore key in delivering the Government's objective of providing increased levels of care and support to people in their own homes. Disabled Facilities Grant funding of £1.743 m has been allocated to the council by the Department of Communities and Local Government of which £1.533m has been allocated for Housing in 2017/18.	

Housing Revenue Account – Capital Budget Summary

Provisional Outturn Variance £'000	Service	2017/18 Original Budget £'000	Reported at other Committees £'000	New Schemes in Appendix 5 £'000	Variation, Slippage/ reprofile £'000	2017/18 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
98	City Development & Regen	20,213	2,546	0	(6,531)	16,228	15,282	(946)	-5.8%
(878)	Housing - HRA	32,387	150	0	(957)	31,580	31,402	(178)	-0.6%
(780)	**Total Housing Revenue Account**	**52,600**	**2,696**	**0**	**(7,488)**	**47,808**	**46,684**	**(1,124)**	**-2.4%**

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

Detail Type	£'000	Project	Description	Mitigation Strategy
City Development & Regeneration				
Reported at Other Committee	2,546	Lynchet Close	Scheme for eight new council homes under the New Homes for Neighbourhoods programme (reported to Housing & New Homes Committee, 14th June 2017 and elsewhere on this PRG agenda)	
Reprofile	(1,425)	Various	Reprofile of budget for various schemes: • Redevelopment of HRA Vacant Garage Sites (£1.230m) • Feasibility (£0.195m)	
Slippage	(4,106)	Selsfield Drive	Delay due to design issues.	Currently taking pre-application advice.
Slippage	(1,000)	Design Competition	Slippage due to complexity of sites	Committee decision anticipated in September 2017

Detail Type	£'000	Project	Description	Mitigation Strategy
Underspend	(280)	Brooke Mead Development	Projected underspend for 2017/18 budget	Scheme should complete in June 2017 with final account soon after
Underspend	(283)	Findon Road Development	Scheme under agreed budget	No action required
Underspend	(383)	Wellsbourne Development	Scheme under agreed budget	No action required
Housing HRA				
Reported at Other Committee	150	New Housing Management IT system	Procurement of a new housing management IT system for council housing services – total budget of £1.2 million, with £0.150m forecast to be spent in 2017/18 (reported to Housing & New Homes Committee 14th June 2017 and also on this PR&G agenda).	
Reprofile	(1,121)	Various	Reprofile of budget for various schemes: • Structural Repairs (£0.790m) • Block Conversions (£0.331m)	Any tenants affected by the revised programme will be contacted as necessary.
Variation	1,144	Structural repairs	Budget variation of £0.790m to provide funding for major works at Wickhurst Rise (total scheme costs of £1.290m). Plus £0.354m for asset remedial works at Stonehurst Court.	Positive impact on residents.
Variation	367	Roofing	Budget variation to provide funding of £0.200m for works at Ardingly Court and £0.167m to cover an increase in scheme costs at Rosehill Court.	The investment at Ardingly Court will help contribute to an ongoing reduction in repair costs. Positive impact on residents.
Variation	119	Stonehurst Court Conversion	Budget variation to reflect revised scheme costs following the production of a more detailed feasibility study. Site start in July 2017 is anticipated.	This request can be funded from other Property and Investment capital budgets.

Detail Type	£'000	Project	Description	Mitigation Strategy
Variation	95	Windows	Budget variation to fund overhaul of windows on St James's House block's south east elevation.	Positive impact on residents.
Variation	(960)	Block conversion project (Seniors Housing studios)	Programme review has resulted in a lower funding requirement.	Any tenants affected by the revised programme will be contacted as necessary.
Variation	(306)	Converting Spaces in existing buildings	Budget variation for 5 properties being converted this year which require funding of £0.625m in total: Normanhurst (2 flats) and Swallow Court (3 flats) will complete in 2017/18.	
Variation	(295)	Cyclical Decorations	Budget variation to fund roofing works at Ardingly Court and overhaul of windows at St James's House.	Positive impact on residents.
Underspend	(167)	Condensation and Damp Works	Major works investment has resulted in a reduced projected spend against this budget.	No major impact on residents is expected.
Underspend	(11)	Various	Net underspend due to variances of less than £0.100m across various schemes: • Insulation (£0.049m) • Kitchens & Bathrooms £0.027m • Doors £0.017m • Cyclical Decorations (£0.006m).	

Finance & Resources - Capital Budget Summary

Provisional Outturn Variance £'000	Service	2017/18 Original Budget £'000	Reported at other Committees £'000	New Schemes in Appendix 5 £’000	Variation, Slippage/ reprofile £'000	2017/18 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
(6)	Finance	0	0	0	0	0	0	0	0.0%
0	HR & Organisational Develop	0	0	0	0	0	0	0	0.0%
0	ICT	4,019	0	0	0	4,019	4,019	0	0.0%
(6)	**Total Finance & Resources**	**4,019**	**0**	**0**	**0**	**4,019**	**4,019**	**0**	**0.0%**

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

Detail Type	£’000	Project	Description	Mitigation Strategy
Finance & Resources				
No changes to report for Month 2				

Note: There are currently no capital budgets to report on for Strategy, Governance & Law and Corporate Services.

New schemes to be added to the Capital Programme in 2017/18 for approval

New Capital Project Approval Request	
Unit:	Early Years and Childcare - Education & Skills
Project title:	ESFA grant to Footsteps Childcare Limited
Total Project Cost (All Years):	£118,919

Purpose, benefits and risks:

This scheme provides a capital grant to a private childcare provider through ring-fenced funding from the Education and Skills Funding Agency (ESFA). The purpose is to extend the provider's premises in Old Shoreham Road to offer free childcare places for the new 30 hours free childcare scheme which comes into effect from September 2017. The grant is to be paid in three instalments, with the final instalment on receipt of confirmation of project completion from building control. The grant recipient must complete the project by November 2017 and agreement includes a 25 year clawback as well as being recorded at HM Land Registry. The grant agreement will be signed and sealed and with BHCC legal services. The Childcare provider has had to contribute approximately 33% of project costs and has made all up-front payments.

Capital expenditure profile (£'000):

Year	This Year	Next Year	Year After	TOTAL
Grant (ESFA capital grant)	119	0	0	119
Total estimated costs and fees	119	0	0	119

Financial implications:

The grant was paid to BHCC last Financial Year (2016/17) with approval for the grant to be made in 2017/18. The project is the responsibility of Footsteps Childcare Limited and must be completed by November 2017.

New Capital Project Approval Request				
Unit:	City Development & Regeneration			
Project title:	Madeira Terraces Crowd Funding Campaign			
Total Project Cost (All Years):	£30,000			
Purpose, benefits and risks:				
To appoint a specialist Crowd Funding firm to manage the crowd funding campaign on behalf of the Council, however, this project needs to start immediately and hence funding to secure specialist support is needed prior to Policy, Resources & Growth Committee approval of funding anticipated at the next PR&G Committee meeting in July.				
Capital expenditure profile (£'000):				
Year	This Year	Next Year	Year After	TOTAL
Capital Receipts from the sale of assets	30			30
Total estimated costs and fees	30			30
Financial implications:				
To be funded by capital receipts (Strategic Investment Fund).				

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