POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 53 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) 2018/19: Month 5**	
Date of Meeting:		**11 October 2018**	
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**	

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 indication of forecast risks as at Month 5 on the council's revenue and capital budgets for the financial year 2018/19.

1.2 As set out in the General Fund Revenue Budget 2018/19 report to Budget Council, £9.268m was provided for in the budget for reinvestment in identified service pressures across social care and £3.616m for pressures in other services. These sums were expected to meet projected demand led pressures in 2018/19. As a result, maintaining a risk provision at £1.500m, as in previous years, was considered adequate to meet potential demand risks and/or any difficulties in delivering savings targets. Rather than being held as a recurrent budget, this risk provision is now held as a one-off "financial risk safety net" of £1.500m as part of general reserves. The report reiterated that the focus in 2018/19 would continue to be on strengthening budget accountability, managing demand effectively and localising risk management within services wherever possible.

1.3 The forecast risk for 2018/19 at Month 5 is a £3.078m overspend on the General Fund revenue budget. This includes a forecast overspend of £1.148m on the council's share of the NHS managed Section 75 services and is also after taking into account the available one-off Adult Care Support Grant of £0.768m. As noted above, the council set aside a £1.500m one-off financial risk safety net to mitigate identified risks if absolutely necessary. Taking this into consideration, the council's financial position is therefore in a manageable position at this point in the year where the accuracy of projections is inevitably more variable and where forecasts of potential underspending areas will be more prudent or unknown at this stage.

1.4 The report indicates that of the £12.678m savings package in 2018/19, approximately £9.821m is on track and either achieved or anticipated to be achieved. However, a significant element of savings are at risk (£3.394m) and are reflected 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 £3.078m. This includes an overspend of £1.148m on the council's share of the NHS managed Section 75 services.

2.2 That the Committee note that the one-off financial risk safety net of £1.500m is available to mitigate the forecast risk if the risks cannot be completely eliminated by the year-end.

2.3 That the Committee note the forecast for the Housing Revenue Account (HRA), which is currently an underspend of £0.480m.

2.4 That the Committee note the forecast position for the Dedicated Schools Grant, which is an underspend of £0.150m.

2.5 That the Committee agree to create a Sports and Events Strategy Reserve as set out in paragraph 6.2.

2.6 That the Committee note the forecast outturn position on the capital programme and approve the variations and slippage in Appendix 5 and the new schemes as set out in Appendix 6.

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:

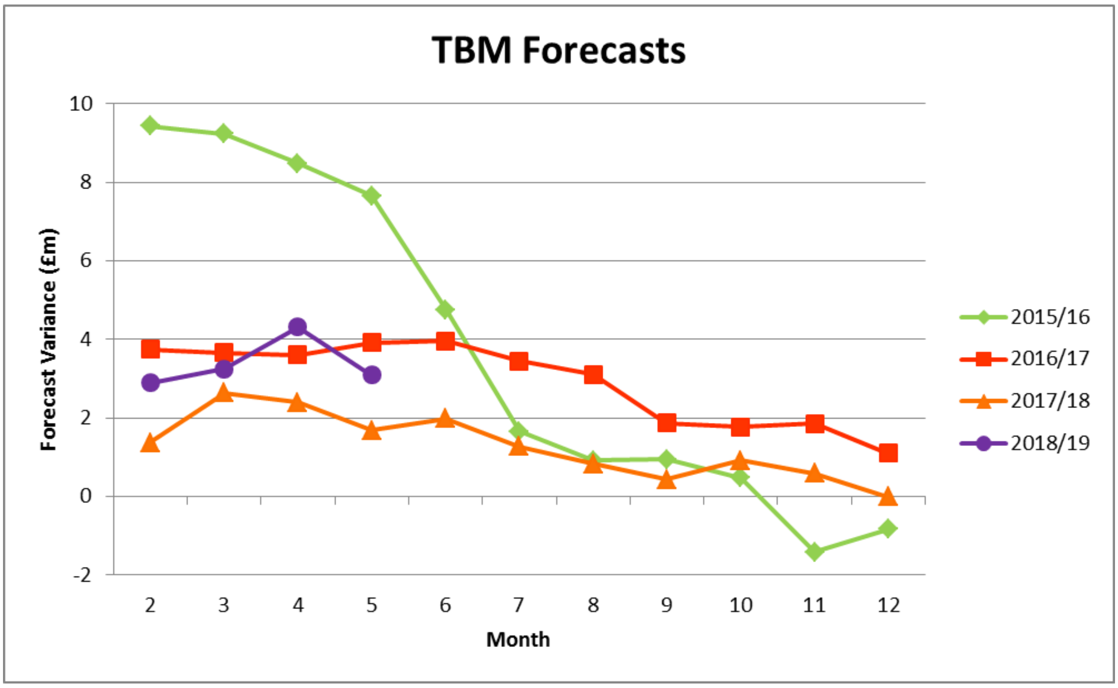
i) General Fund Revenue Budget Performance
ii) Housing Revenue Account (HRA) Performance
iii) Dedicated Schools Grant (DSG) Performance
iv) NHS Controlled S75 Partnership Performance
v) Capital Investment Programme Performance
vi) Capital Programme Changes
vii) Implications for the Medium Term Financial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

General Fund Revenue Budget Performance (Appendix 3)

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 3.

Forecast Variance Month 2 £'000	Directorate	2018/19 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
1,037	Families, Children & Learning	86,720	86,989	269	0.3%
989	Health & Adult Social Care	52,951	55,907	2,956	5.6%
1,056	Economy, Environment & Culture	35,333	35,943	610	1.7%
(90)	Neighbourhood, Communities & Housing	15,265	14,995	(270)	-1.8%
(39)	Finance & Resources	20,475	20,422	(53)	-0.3%
0	Strategy, Governance & Law	5,114	5,068	(46)	-0.9%
2,953	Sub Total	215,858	219,324	3,466	1.6%
(56)	Corporate Budgets	(533)	(921)	(388)	-72.8%
2,897	Total General Fund	215,325	218,403	3,078	1.4%

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 2018/19 and the previous three years for comparative purposes.

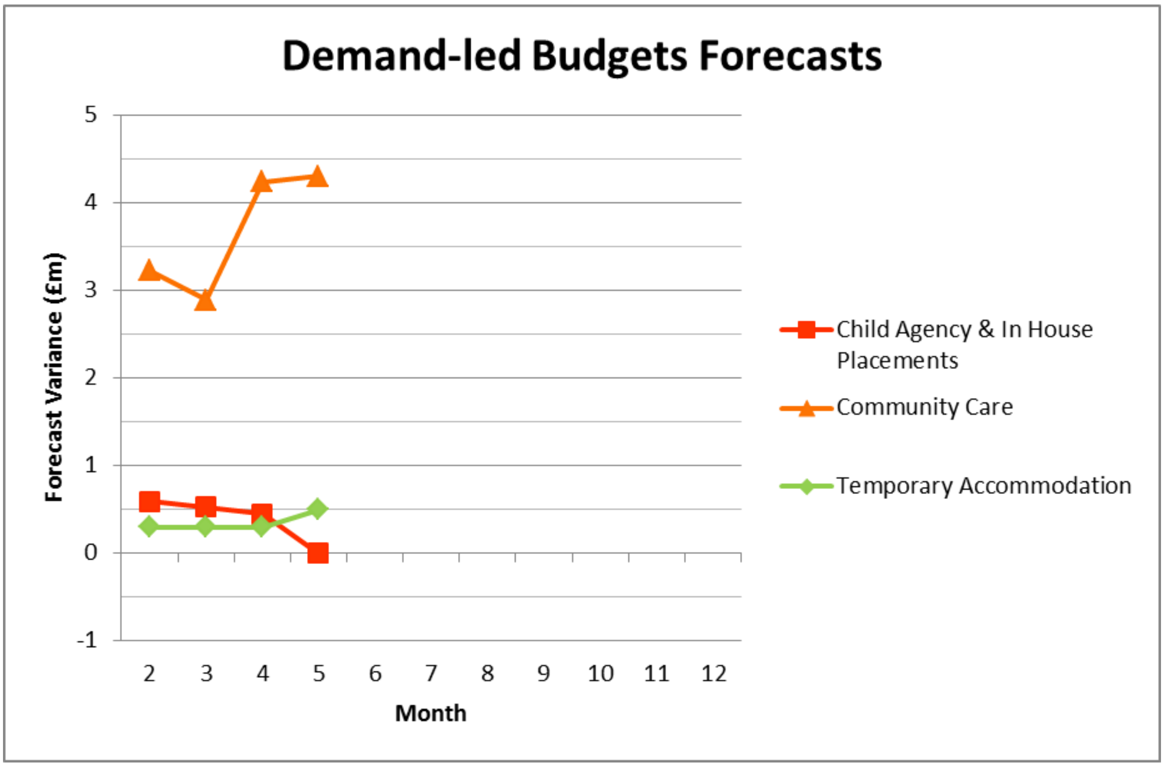


Demand-led Budgets

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.

Forecast Variance Month 2 £'000	Demand-led Budget	2018/19 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
588	Child Agency & In House Placements	22,448	22,444	(4)	0.0%
2,457	Community Care	58,507	62,810	4,303	7.4%
300	Temporary Accommodation	2,682	3,182	500	18.6%
3,345	Total Demand-led Budget	83,637	88,436	4,799	5.7%

The chart below shows the monthly forecast variances on the demand-led budgets for 2018/19.



Summary of the position at Month 5

The main pressures identified at Month 2 are across the Families, Children & Learning, Health & Adult Social Care, and Economy, Environment & Culture directorates but other pressures are also being contained as summarised below:

3.6 **Families, Children & Learning:** The initial forecast budget risk across Families, Children and Learning was £2.382m, primarily resulting from increased demand pressures on adults with learning disabilities, services for children leaving care and costs relating to adoption and social work. Subsequently the directorate has put together a financial recovery plan to address the financial risks. There still remain significant financial pressures on services for adults with learning disabilities and adoption. In addition there are a number of significant financial risks in supported employment, services for children with disabilities and legal fees. These are being closely monitored but have had an adverse impact on the Families, Children & Learning Directorate 2018/19 budget position.

The current projected position identifies potential cost pressures of £0.752m on Services for Adults with Learning Disabilities, £0.485m on Services for Children with Disabilities; £0.205m on Adoptions Services, and £0.197m on Able & Willing. However, there are services with significant forecast underspends such as Social work and legal costs (£0.446m) and Children's Placements (£0.201m). Together with other small variances (£0.238m), this results in a forecast risk of £0.754m as at Month 5. After taking into account the financial recovery measures of £0.485m the net position currently shows a projected overspend of £0.269m.

3.7 **Adults Services:** The service is facing significant challenges in 2018/19 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.

- The service is currently forecasting an overspend of £2.956m at Month 5 after 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. The recovery measures focused on attempting to manage demands on and costs of community care placements across Assessment Services and making the most efficient use of available funds.

- There is focus nationally on improving rates of hospital discharge in preparation for winter that leads to increasing financial pressure. This pressure is expected to increase over the winter months. There are also continued potential forecast risks concerning increased complexity of need and pressures on the in house older people resource centres. Service pressure funding and improved Better Care funding have partly mitigated the risk for this financial year.

- The forecast includes the fee uplifts agreed at Health & Wellbeing Board on 30th January 2018 across care in the community and residential care. In order to manage the local market and address the significant under-supply of providers in the city who will accept publicly funded residents, fee increases were essential.

- At this stage, £1.478m of the total approved budget savings of £3.416m are being forecast as unachievable in this financial year.

- Service pressure funding of over £4.000m, including the Adult Social Care precept, has been applied in 2018/19 and used to fund budget pressures resulting from: increased demands and complexity of need; Deprivation of Liberty Standards assessments; and national living wage and fee rates. In addition, the one-off Adult Social Care Support grant of £0.768m has been used to augment the pressure funding. However, £1.610m was needed to offset the reduction in iBCF funding, £1.000m to backfill the reduction in CCG funding contributions and £0.500m for the reduction in the Public Health grant. Over the last two years there has been an overall £2.900m reduction in CCG funding for social care services (excluding significant reductions in CHC funding agreements). In addition, there are ongoing discussions regarding a further potential reduction in CCG funding from 2018/19 of £1.1m which is not currently captured in the forecast.

The funding of all care packages is scrutinised for Value for Money, ensuring that eligible needs are met in the most cost-effective manner which will not always meet people's aspirations. This forms a key part of the savings implementation plan. Adult Services are also using benchmarking information to support the driving down of unit costs but are faced with increased complexity and demand (demographic) growth which is also a national picture. Through regional and other social care networks the service has been looking at best practice in delivering cost effective services in order to influence future direction - this includes demand management strategies and identifying opportunities through Housing provision.

3.8 **Housing Services and Temporary Accommodation:** The Temporary Accommodation 2017/18 outturn was overspent by £0.123m. This was a significant reduction on the 2016/17 overspend of £1.062m. This was a result of a combination of i) a focus on prevention of homelessness; ii) moving more homeless households into private rented accommodation, iii) the introduction of the new housing allocation policy and allocation plan which enabled more people to move from temporary accommodation and into social housing and iv) additional service pressure funding. All of which contributed to significantly reduce the cost and volume of spot purchasing and emergency accommodation in 2017/18.

The latest forecast for 2018/19, if no action is taken, is that Temporary Accommodation will overspend by £0.500m (compared to £0.300m at Month 2). This deterioration in the forecast is primarily due to increased numbers and costs of emergency placements. Six months post introduction of the more extensive requirements of the Homelessness Reduction Act, the service has reviewed its delivery model and is putting in place a range of measures which should halt and mitigate some of the forecast overspend. These measures include a pro-active focus on prevention and move-on's away from emergency placements. Additional staff have been recruited and will be in place to support this work shortly.

If these measures prove to be unsuccessful, the Flexible Homelessness Support Grant can be used, as a last resort, to mitigate any final in-year overspend.

The £1.300m trailblazer project is now fully underway and is changing the way the service identifies and responds to homelessness across the city.

The temporary accommodation service faces a number of challenges to this including, for example:

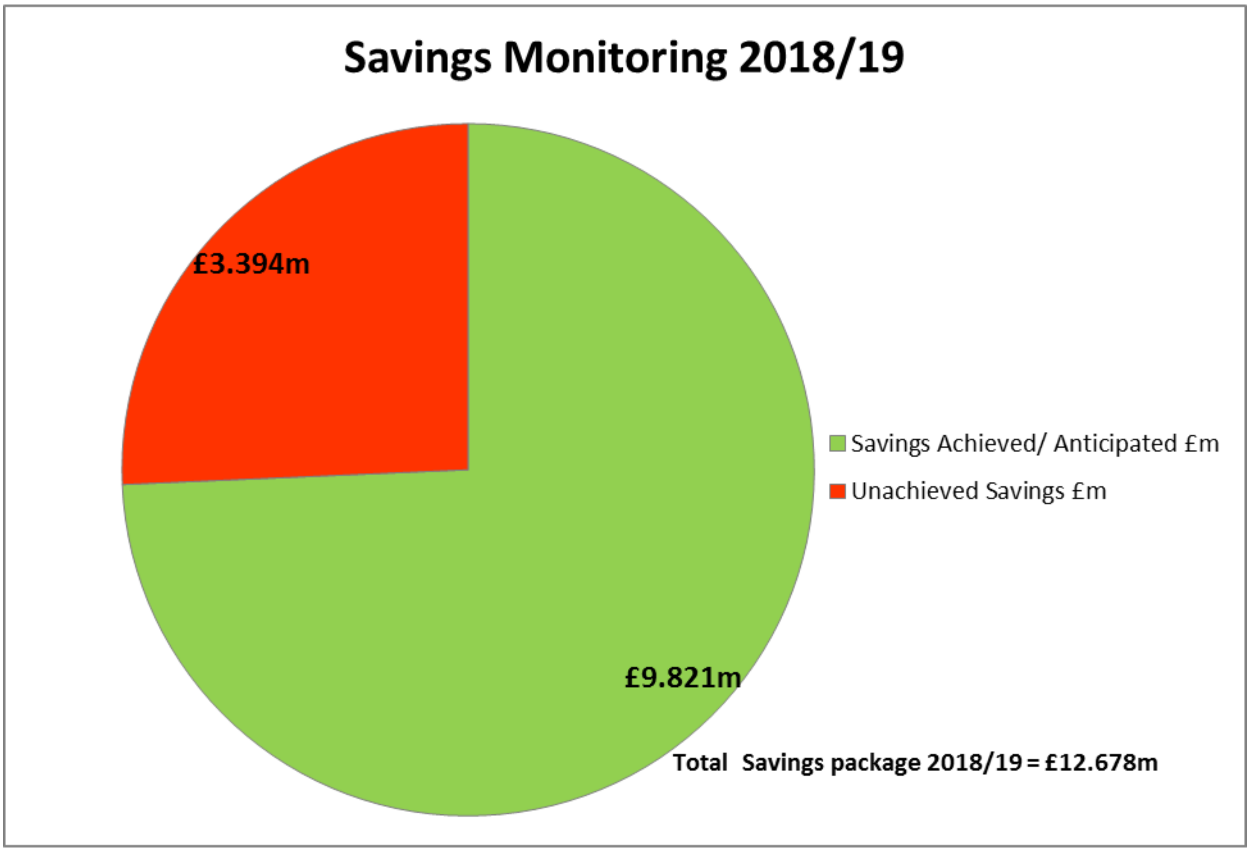
- the high cost local housing market;
- delays in recruiting staff able to support homeless households into permanent accommodation and manage void accommodation (due to a shortage of appropriately skilled local labour);
- the more intensive requirements of the Homelessness Reduction Act 2018 which came into force on 3rd April 2018 and;
- the on-going roll-out of Universal Credit (potentially placing more privately renting benefit claimants at housing risk and in need of support).

3.9 **Environment, Economy & Culture:** The directorate is experiencing a number of pressures across CityClean services and Property & Design. Pressures in CityClean concern higher non-contracted overtime and agency staffing to cover vacancies and sickness, increasing fuel costs and higher vehicle maintenance costs, as well as an income pressure on commercial waste operations. Property & Design is experiencing a shortfall in rental incomes due to market conditions and the structure of the commercial property portfolio. There are also some pressures from NNDR Business Rate revaluations leading to increased bills. The directorate is currently looking at all available options to mitigate increased costs and income shortfalls and has developed some successful financial recovery measures, the effects of which are included in the forecast. Further recovery measures are being developed and will be reported in the next TBM period.

Monitoring Savings

3.10 The savings package approved by full Council to support the revenue budget position in 2018/19 was £12.678m following directly on from a £21.367m savings package in 2017/18. This is very significant and follows 7 years of substantial packages totalling over £130m that have been essential to enable cost and demand increases to be funded alongside managing reductions in central government grant funding.

3.11 Appendix 3 provides a summary of savings in each directorate and indicates in total what is anticipated/achieved or is at risk. Appendix 4 summarises the position across all directorates and presents the entire savings programme. The graph below provides a summary of the position as at Month 5. This shows that a substantial element is on track with £3.394m (27%) 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 £0.537m

Housing Revenue Account Performance (Appendix 3)

3.12 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 an underspend of £0.480m and more details are provided in Appendix 3.

Dedicated Schools Grant Performance (Appendix 3)

3.13 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 underspend of £0.150m 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 3)

3.14 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.

3.15 This partnership is subject to separate annual risk-sharing arrangements and the monitoring of financial performance is the responsibility of the respective host NHS Trust provider. Risk-sharing arrangements result in financial implications for the council where a partnership is underspent or overspent at year-end and hence the performance of the partnership is included within the forecast outturn for the Health & Adult Social Care directorate. An overspend of £1.148m is currently forecast and more details are provided in Appendix 3.

Capital Programme Performance and Changes

3.16 The table below provides a summary of capital programme performance by Directorate and shows that there is a forecast underspend of £0.624m at this early stage. More details are provided in Appendix 5.

Forecast Variance Month 2 £'000	Capital Budgets	2018/19 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
0	Families, Children & Learning	31,484	31,484	0	0.0%
0	Health & Adult Social Care	31	31	0	0.0%
0	Economy, Environment & Culture	79,376	79,376	0	0.0%
0	Neighbourhood, Comms & Housing	5,752	5,752	0	0.0%
(654)	Housing Revenue Account	40,125	39,501	(624)	-1.5%
0	Finance & Resources	944	944	0	0.0%
0	Strategy, Governance & Law	2,501	2,501	0	0.0%
0	Corporate Budgets	0	0	0	0.0%
(654)	**Total Capital**	**160,213**	**159,589**	**(624)**	**-0.4%**

(Note: Summary may include minor rounding differences to Appendix 5)

3.17 Appendix 5 shows the changes to the capital budget and Appendix 6 provides details of new schemes for 2018/19 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	2018/19 Budget £'000
Budget approved as at TBM Month 2	166,043
New schemes to be approved in this report (see Appendix 5)	296
Variations to Budget (to be approved)	(126)
Reprofiling of Budget (to be approved)	(6,000)
Slippage (to be approved)	0
Total Capital	**160,213**

3.18 Appendix 5 also details any slippage into next year. However, as normal, project managers have forecast that none of the capital budget will slip into the next financial year at this early stage.

Implications for the Medium Term Financial Strategy (MTFS)

3.19 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

3.20 Capital receipts are used to support the capital programme. Any changes to the level of receipts during the year will impact on future years’ capital programmes and may impact on the level of future investment for corporate funds and projects such as the Strategic Investment Fund, Modernisation Fund, Asset Management Fund and Digital First. The planned profile of capital receipts for 2018/19, as at Month 5, is £11.615m. To date there have been receipts of £0.520m in relation to a lease premium at Rowan Avenue, a parcel of land at Foxdown Road, Woodingdean and some minor lease extensions at the Marina. The capital receipts performance will be monitored over the coming months against capital commitments.

3.21 The forecast for the ‘right to buy sales’ in 2018/19 (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 £4.600m available to re-invest in replacement homes. To date 21 homes have been sold in 2018/19.

Collection Fund Performance

3.22 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.

3.23 The council tax collection fund is forecast to be in deficit by £0.642m at year end. The main reason is that adjustments to prior year's liability from exemptions and discounts are forecast to reduce the council tax income. The council's share of the overall forecast council tax deficit is £0.551m.

3.24 The business rates collection fund is forecast to be in surplus by (£0.429m) at year-end. The main reason for the surplus is the level of appeals provision needed against the 2017 list is lower than anticipated in the NNDR1 return following an updated review of the 2017 appeals position undertaken at year end. Offsetting this since the last forecast is a £0.264m award of empty relief in respect of liquidation on a single property; increased cost of small business rates relief and section 31 grant funded reliefs. The council's share of the overall forecast business rates surplus is (£0.210m) and after allowing for the impact of timing differences relating to Section 31 grant funding this increases to (£0.480m).

3.25 The council's share of the combined collection funds is now a deficit of £0.071m which is a decrease in resources since Month 2 of £0.273m and this will be adjusted in the budget forecast for 2019/20.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The provisional outturn position on the General Fund is an overspend of £3.078m. This includes a forecast overspend of £1.148m on the council's share of the NHS managed Section 75 services. The one-off financial risk safety net of £1.500m is available to partially 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 the recommended level of £9.000m. Any underspend would release one off resources that can be used to aid budget planning for 2019/20.

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 The forecast risk at Month 5 represents 1.4% of the net General Fund (0.7% after taking into account the risk provision) and is potentially manageable but current demand trends are not favourable, particularly in Adult Social Care. The forecast also includes a number of financial recovery plans (exceeding £2.8m), some of which are higher risk than others, and the forecast assumes that the recent peaks in demand across Adult Social Care will stabilise and not worsen further. The 'gross' risks in existence are therefore very considerable and have therefore resulted in management action to ensure that the position does not escalate beyond manageable levels. The Executive Leadership Team therefore continue to focus on identifying and confirming appropriate financial recovery measures and have implemented revised recruitment and spending controls from September 2018 to ensure an appropriate and consistent corporate response over the remainder of the financial year.

6.2 Turning to another matter, approval is requested (in accordance with sections B.3.1 and B.3.5 of Standard Financial Procedures) for the establishment of a Sports & Events Strategy Reserve. This is required to support future bids and costs incurred as a result of successful bids for major sporting and public events within the city. Many sporting events attract government-backed and partnership funding as well as generating national interest which benefits the economy of the city. The period between bidding and the events themselves can be over a number of financial years and require resources to support, amongst other things, event safety, traffic management, promotion, marketing and public engagement. Annual contributions from the council's Initiatives budget and income streams associated with Economy, Environment & Culture will support this reserve. The TBM forecast assumes that this approval is granted from the available budget provision. Initial contributions to the reserve are anticipated to be approximately £0.050m.

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 as part of its review of strategic risks.

Finance Officer Consulted: Jeff Coates Date: 17th September 2018

Legal Implications:

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

Lawyer Consulted: Elizabeth Culbert Date: 18th September 2018

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 arising from performance in 2018/19.

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 Movement Since Month 2
3. Revenue Budget Performance
4. Summary of 2018/19 Savings Progress
5. Capital Programme Performance
6. New Capital Schemes

Documents in Members’ Rooms:

None.

Background Documents

None.