

Subject:	Targeted Budget Management (TBM) 2021/22: Month 9 (December)		
Date of Meeting:	10 February 2022		
Report of:	Acting Chief Finance Officer		
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1 PURPOSE OF REPORT AND POLICY CONTEXT:

- 1.1 The Targeted Budget Monitoring (TBM) report is a key component of the council's overall performance monitoring and control framework. This report sets out an indication of forecast risks as at Month 9 on the council's revenue and capital budgets for the financial year 2021/22. As last year, the report includes memorandum information to indicate the element of the forecast attributable to the pandemic.
- 1.2 The forecast for 2021/22 at Month 9 (December) is a £1.093m underspend on the General Fund revenue budget, assuming the reallocation of Contain Outbreak Management Funding as set out in the report. This indicates a favourable turnaround from the previously reported overspend of £3.396m at Month 7. This improved position is important in the context of the substantial call on one-off resources both this year and next and will help to reduce the level of borrowing from reserves to support Collection Fund deficits, one-off Covid costs and the 2022/23 budget.
- 1.3 Forecasting expenditure and income over the year has remained challenging due to uncertainty over the impact of ongoing Covid restrictions and the potential impact of changes to other support such as changes in eviction legislation, the ending of furlough, the withdrawal of Universal Credit top-up's and the extent to which these may be alleviated by the Household Support Fund, isolation payments, and general economic recovery. These factors can variously impact the council's budget through impacts on income (e.g. due to reduced visitor activity), increased homelessness and/or increased Council Tax Reduction claimants.
- 1.4 On other matters, the report indicates that £3.314m (31%) of the substantial savings package in 2021/22 of £10.687m is at risk. Of this, £0.890m is due to pressures arising from COVID-19.
- 1.5 With regard to the Capital Investment Programme, this continues to be affected by the pandemic and re-profiling of costs into future years remains higher than normal.

2 RECOMMENDATIONS:

- 2.1 That the Committee note the forecast risk position for the General Fund, which indicates a potential forecast underspend of £1.093m. This is net of an underspend of £1.877m on the council's share of the NHS managed Section 75 services.

- 2.2 That the Committee agrees to re-allocate £0.600m Contain Outbreak Management Funds (COMF) to support qualifying expenditure on Homelessness costs driven by the pandemic (see paragraph 12.2).
- 2.3 That the Committee note the forecast for the Housing Revenue Account (HRA), which is currently an overspend of £1.705m.
- 2.4 That the Committee note the forecast risk position for the Dedicated Schools Grant which is an overspend of £0.346m.
- 2.5 That the Committee note the forecast outturn position on the capital programme which is a forecast underspend of £5.671m and approve the variations and slippage in Appendix 6 and new schemes and future years' variations as set out in Appendix 7.

3 CONTEXT/ BACKGROUND INFORMATION

Targeted Budget Management (TBM) Reporting Framework

- 3.1 The TBM framework focuses on identifying and managing financial risks on a regular basis throughout the year. This is applied at all levels of the organisation from Budget Managers through to Policy & Resources Committee. Services monitor their TBM position on a monthly or quarterly basis depending on the size, complexity or risks apparent within a budget area. TBM therefore operates on a risk-based approach, paying particular attention to mitigation of growing cost pressures, demands or overspending through effective financial recovery planning together with more regular monitoring of high risk demand-led areas as detailed below.
- 3.2 The TBM report is normally split into the following sections:
- i) General Fund Revenue Budget Performance
 - ii) Housing Revenue Account (HRA) Performance
 - iii) Dedicated Schools Grant (DSG) Performance
 - iv) NHS Controlled S75 Partnership Performance
 - v) Capital Investment Programme Performance
 - vi) Capital Programme Changes
 - vii) Implications for the Medium Term Financial Strategy (MTFS)
 - viii) Comments of the Chief Finance Officer (statutory S151 officer)

4 General Fund Revenue Budget Performance (Appendix 3)

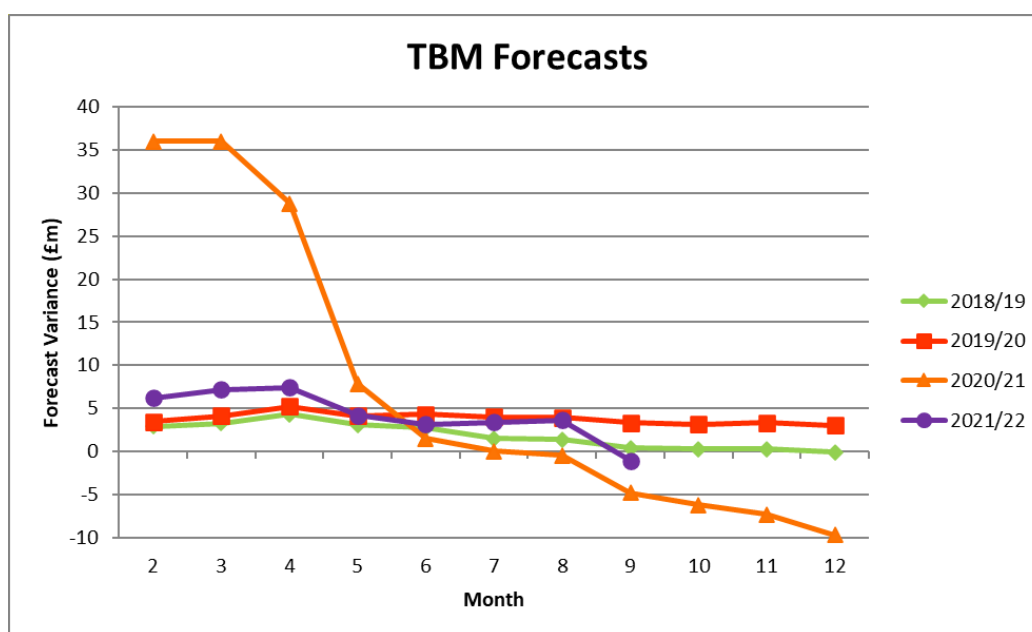
- 4.1 The table below shows the provisional outturn for Council controlled revenue budgets within the General Fund. These are budgets under the direct control and management of the Executive Leadership Team. More detailed explanation of the variances can be found in Appendix 4. Please note that the 'COVID Variance Month 9' column is a memorandum-only column identifying the extent of the 'Forecast Variance Month 9' attributable to the pandemic.

Forecast Variance Month 7 £'000	Directorate	2021/22 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	COVID Variance Month 9 £'000	Forecast Variance Month 9 %
288	Families, Children & Learning	98,795	98,804	9	446	0.0%
(1,967)	Health & Adult Social Care	71,541	67,679	(3,862)	152	-5.4%

2,716	Economy, Environment & Culture	43,015	44,369	1,354	3,088	3.1%
1,603	Housing, Neighbourhoods & Communities	25,668	26,538	870	794	3.4%
1,164	Finance & Resources	23,031	24,199	1,168	3	5.1%
(37)	Strategy, Governance & Law	6,198	6,036	(162)	0	-2.6%
3,767	Sub Total	268,248	267,625	(623)	4,483	-0.2%
(371)	Corporately-held Budgets	(29,226)	(29,696)	(470)	0	-1.6%
3,396	Total General Fund	239,022	237,929	(1,093)	4,483	-0.5%

* The COVID-19 Grant for 2021/22 is £8.023m but has been treated as recurrent funding to balance the 2021/22 budget and does not therefore show as a one-off grant above.

4.2 The General Fund includes general council services, corporate budgets and central support services. Corporate Budgets include centrally held provisions and budgets (e.g. insurance) as well as some cross-cutting value for money savings targets. Note that General Fund services are accounted for separately to the Housing Revenue Account (Council Housing). Note also that although part of the General Fund, financial information for the Dedicated Schools Grant is shown separately as this is ring-fenced to education provision (i.e. Schools). The chart below shows the monthly forecast variances for 2021/22 and the previous three years for comparative purposes. The impact of the pandemic clearly makes comparisons difficult at this time.

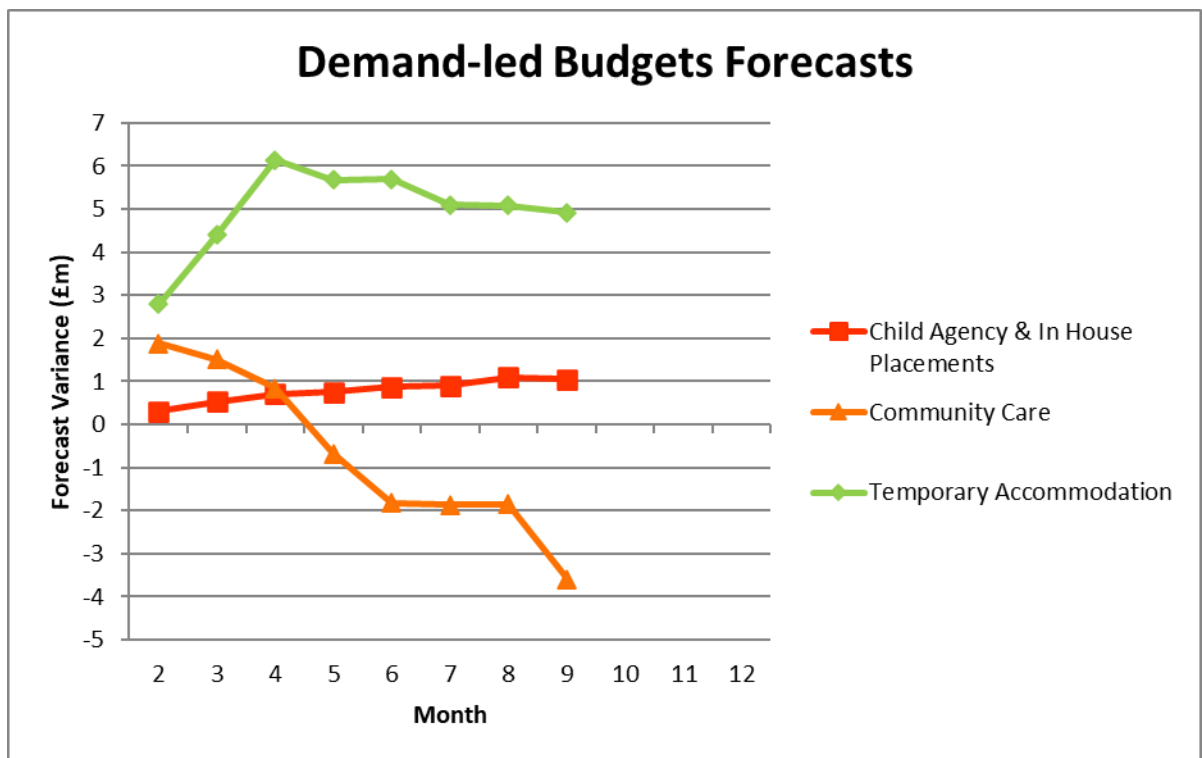


Demand-led Budgets

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

Forecast Variance Month 7 £'000	Demand-led Budget	2021/22 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	COVID Variance Month 9 £'000	Forecast Variance Month 9 %
896	Child Agency & In House Placements	22,828	23,876	1,048	201	4.6%
(1,860)	Community Care	82,958	79,371	(3,587)	0	-4.3%
5,100	Temporary Accommodation	10,190	15,104	4,914	4,914	48.2%
4,136	Total Demand-led Budget	115,976	118,351	2,375	5,115	2.0%

The chart below shows the monthly forecast variances on the demand-led budgets for 2021/22.



TBM Focus Areas

The main pressures identified at Month 9 are across parts of Families, Children & Learning, Homelessness, Transport, City Environmental Management and Culture, Tourism & Sport. Information about these pressures and measures to mitigate them are summarised below:

- 4.4 **Families, Children & Learning:** The current projected position identifies potentially significant cost pressures: £0.671m on Services for Children with Disabilities; in-house Adult Learning Disability Provision £0.158m and Council Nurseries £0.115m. However, there is a forecast underspend on Children's Social Care Services of (£0.110m), Adult Learning Disabilities Community Care (£0.692m) and Home to School transport of (£0.069m) together with other variances of (£0.064m), this results in a forecast of £0.009m overspend as at Month 9.

£0.446m of the forecast overspend relates to COVID-19 – this is a combination of loss of income, impact on savings targets and additional expenditure given the

need to mitigate health risks posed by COVID-19. Work will continue in implementing financial recovery plans but it is anticipated that demand for statutory social care services could increase as Covid restrictions ease.

The projected position for the Dedicated Schools Grant is an overspend of £0.346m. This is largely due to some significant overspends in the high needs block, most notably education agency placements £0.538m and other external high needs provision £0.141m. These pressures are offset by the remaining balance of the central DSG carried forward from 2020/21.

- 4.5 **Adults Services:** Although the overall position is favourable, it is to be noted that this is after applying service pressure funding of £12.700m in 2021/22 which has been used to fund budget pressures resulting from the increased complexity and costs of care. Funding of £0.361m was also needed to backfill the reduction in CCG funding contributions. Over the last three years there has been an overall £3.750m reduction in core CCG funding due to pressures on local NHS budgets. In the short term, NHS funding has helped to alleviate pressures by providing Covid funding for managing hospital discharges.

At this stage, £1.409m of the £4.515m 2021/22 savings plan are being forecast as unachievable in this financial year. To maintain this position, actions are focused on attempting to manage demand on and costs of community care placements across Assessment Services and making the most efficient use of available funds.

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

- Pressures on NHS budgets resulting in reduced funding contributions from the CCG;
- Significant pressures on the acute hospital resulting in increased costs to support timely discharge into residential and nursing home care;
- Ongoing transformation of GP practices and enhancement of their clinical screening and general medical services which contribute to preventative support;
- Pressures on NHS outreach and other preventative services including community nursing (known as Integrated Primary Care Teams);
- Workforce capacity challenges across adult social care services;
- There is also focus nationally on improving rates of hospital discharge in order to accommodate winter pressures.

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

- 4.6 **Housing Services and Temporary Accommodation:** The budget for Temporary Accommodation (TA) is currently forecast to overspend by £0.922m. This relates partly to the budget assumption for Rough Sleeper funding which included £1m increased funding relating to the government announcement of £254m funding nationally of which £151m was new funding and was expected to provide at least

£1m additional core funding to the council. This funding was not confirmed in the Local Government Financial Settlement (LGFS) and this has caused some presentational and analytical issues.

In the event, in May 2021, government announced funding of £203m nationally, however, this not only subsumed the previous announcement but also covered a number of other funding streams including Rough Sleeper Initiative (RSI4), Next Steps Accommodation Programme (NSAP) continuation, and other COVID-19 support. Some elements of the funding therefore came with specific conditions to provide additional services. Therefore, although core funding has increased overall, it has not increased by £1m compared to 2020/21 core funding thereby creating a budget pressure.

This pressure is partially offset by a net underspend of £0.078m over the TA service. The forecast average number of Emergency Accommodation EA homes (excluding rough sleeper hotels, discussed separately below) for the year has been reducing over the last few months to 589 at month 7 as numbers of households in spot purchased accommodation has steadily reduced. However, the numbers of households in spot purchased accommodation is now forecast to increase by the year-end. Therefore, the average number in EA is forecast to be 610 for the year. This is due, in part, to the normal slow-down of move-on over the Christmas break but the wave of the new Omicron variant may also be a factor. The forecast includes more HB income received as backlogs are resolved, however, it also includes an increased forecast for costs of block booked emergency accommodation properties as contracts come up for renewal. A full re-procurement of the block-booked EA is also in progress.

The service is also seeing higher repairs costs as the costs of materials and sub-contractors are increasing due to the national labour shortages and supply chain issues. There are some risks to this forecast around homelessness increasing as a result of the ending of the moratorium on private landlord evictions together with potential implications with the ending of the government's furlough scheme, although numbers are currently very difficult to predict. The council has been informed that it will receive £1.308m as a winter top up to the Winter Homelessness Prevention Grant to assist tenants in the private rented sector under threat of eviction which should help mitigate this risk.

There is a forecast overspend of £0.344m on the cost of the additional emergency hotel accommodation originally acquired early in the pandemic, a small reduction of £0.017m since Month 7. The forecast includes an increase in expected HB income as backlogs in HB claims are being dealt with by the Revenues and Benefits service and the DWP. The housing service has taken steps to reduce the number of placements in TA and as a result has seen a net reduction in the numbers of households in emergency accommodation including the emergency hotels. However, this has slowed over the Christmas period and the forecast does now assume that an estimated 75 rooms will be required to 31st March 2022 to house those we owe a homeless duty to, compared to a forecast of 47 at Month 7. This service is forecast to cost £5.142m for 2021/22 and this has been funded through £0.650m one-off council reserves; £0.500m from the Next Steps Accommodation Programme (NSAP) funding, £1.615m from the 2021/22 Containment Outbreak Management Fund (COMF) grant and the use of £2.043m of 2020/21 COMF Grant. A further £0.600m from the COMF grant will be applied to homelessness pressures subject to the Committee's approval as requested in this report.

The council commissions services to assist rough sleepers and those in supported housing. This service is now forecast to break-even during 2021/22, an improvement of £0.168m when compared to the forecast at Month 7. This is due to a forecast underspend on staffing costs £0.116m which is offset by an overspend on support costs for the 'care and protect' hotels from July to September of £0.086m. The forecast overspend for SWEP has reduced to £0.020m as most of this will be covered by the Winter Provision Fund from the Department of Levelling Up, Housing and Communities (DLUHC). Other small net overspends on the service £0.010m. The council has also been informed that it will receive £0.451m for the 'Protect & Vaccinate' Programme which will be operated by this service.

The Housing Service will continue to work to improve this TA and Rough Sleeper overspend position as the new financial year approaches. There is no longer a financial recovery plan in place for 2021/22 as the reductions in spend on the extra emergency hotels and other emergency accommodation has already been factored into the forecast. This will be kept under review and, if possible, additional cost reductions will be sought to reduce the overspend further. The service has employed the services of a Homelessness Transformation Manager to head up an 'end to end' improvement programme to help the service improve its processes to reduce the use and length of stay in Temporary Accommodation by improving homeless prevention, homeless processes and enabling move on to more sustainable accommodation. This forecast incorporates some of the early cost reductions resulting from the review. Further efficiencies will be sought by (for example) continuing to improve move-on processes, void turnaround times in emergency accommodation, and improving income collection and continuing to reduce costs in 2022/23.

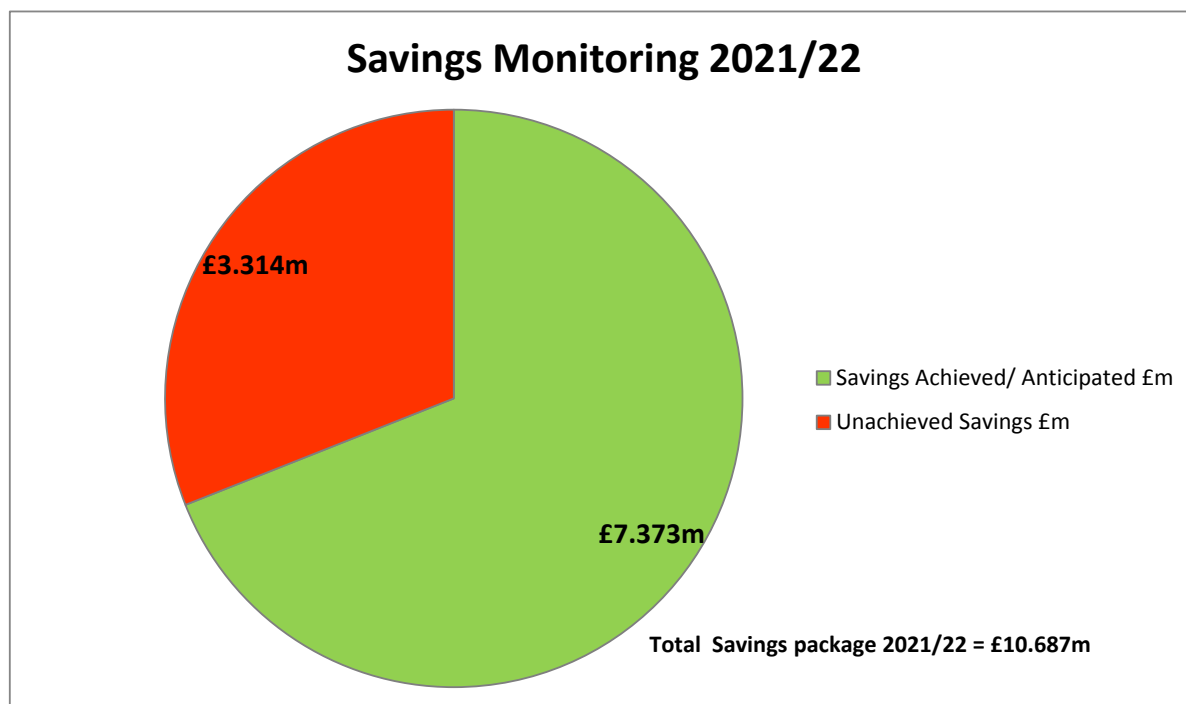
- 4.7 **Environment, Economy & Culture:** The Directorate has substantial income budgets for parking, planning and venues and for the council's commercial property portfolio, all of which are dependent on visitor numbers and commercial activity. There is also a challenging additional income target for Parking Services of £1.750m for 2021/22. These activities and services had been heavily impacted by the COVID-19 restrictions and the forecast reflects income shortfalls compared to budget for 2021/22 in most of these areas.

However, the Sales, Fees & Charges Compensation Grant has reduced the impact of some of this lost income. There is also some recovery following improvements to tourism and visitor numbers as restrictions ease. However, there are also unavoidable cost pressures (mainly agency staffing) related to maintaining core services, such as refuse collection & recycling and street cleansing. The overall effect of these factors is a forecast risk of £1.354m for Month 9 which is an improvement of £1.362m compared to £2.716m at Month 7.

Monitoring Savings

- 4.8 The savings package approved by full Council to support the revenue budget position in 2021/22 was £10.687m following directly on from a £10.291m savings package in 2020/21. This is very significant and follows 10 years of substantial packages totalling over £170m that have been necessary to enable cost and demand increases to be funded alongside managing reductions in central government grant funding of over £100m.
- 4.9 Appendix 4 provides a summary of savings in each directorate and indicates in total what is anticipated/achieved or is at risk. Appendix 5 summarises the position across all directorates and presents the entire savings programme. The graph below provides a summary of the position as at Month 9 and shows that £3.314m

(31%) is currently at risk. Of this £0.890m is in respect of pressures relating to COVID-19. Mitigation of these risks will be included in the development of services' financial recovery actions as far as possible.



5 Housing Revenue Account Performance (Appendix 4)

- 5.1 The Housing Revenue Account is a separate ring-fenced account within the General Fund that covers income and expenditure related to the management and operation of the council's housing stock. Expenditure is generally funded by Council Tenants' rents and housing benefits.
- 5.2 The forecast outturn at Month 9 is an overspend of £1.705m and more details are provided in Appendix 4. This year is more challenging for the HRA and the overspend is mainly the result of the catching up on the backlog of repairs from 2020/21 together with a reduction in rent income and extra council tax caused by empty properties awaiting works. However, if the HRA cannot manage this overspend through the year, this can be met from HRA reserves.

6 Dedicated Schools Grant Performance (Appendix 4)

- 6.1 The Dedicated Schools Grant (DSG) is a ring-fenced grant within the General Fund which can only be used to fund expenditure on the schools budget. The schools budget includes elements for a range of services provided on an authority-wide basis including Early Years education provided by the Private, Voluntary and Independent (PVI) sector, and the Individual Schools Budget (ISB) which is divided into a budget share for each maintained school. The forecast outturn is an overspend of £0.346m and more details are provided in Appendix 4. Under the Schools Finance Regulations any underspend or overspend must be carried forward to support the schools budget in future years.

7 NHS Managed S75 Partnership Performance (Appendix 4)

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

and social care services for Adult Mental Health and Memory and Cognitive Support Services.

- 7.2 This partnership is subject to separate annual risk-sharing arrangements and the monitoring of financial performance is the responsibility of the respective host NHS Trust provider. Risk-sharing arrangements result in financial implications for the council where a partnership is underspent or overspent at year-end and hence the performance of the partnership is included within the forecast outturn for the Health & Adult Social Care directorate. An underspend of £1.877m is currently forecast and more details are provided in Appendix 4.

8 Capital Programme Performance and Changes

- 8.1 The table below provides a summary of capital programme performance by Directorate and shows that there is a forecast underspend of £5.671m at this stage. More details are provided in Appendix 6.

Forecast Variance Month 7 £'000	Directorate	Reported Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
0	Families, Children & Learning	15,355	15,355	0	0.0%
0	Health & Adult Social Care	755	818	63	8.3%
0	Economy, Environment & Culture	62,627	62,627	0	0.0%
0	Housing, Neighbourhoods & Communities	3,390	3,390	0	0.0%
(4,966)	Housing Revenue Account	77,192	71,456	(5,736)	-7.4%
0	Finance & Resources	3,203	3,203	0	0.0%
0	Strategy, Governance & Law	600	602	2	0.4%
(4,966)	Total Capital	163,121	157,450	(5,671)	-3.5%

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

- 8.2 Appendix 6 shows the changes to the capital budget and Appendix 7 provides details of new schemes for 2021/22 to be added to the capital programme which are included in the budget figures above. Policy & Resources Committee's approval for these changes is required under the council's Financial Regulations. The following table shows the movement in the capital budget since approval at Budget Council.

Summary of Capital Budget Movement	Reported Budget Month 9 £'000
Budget approved as at TBM Month 7	207,249
Changes reported at other committees and already approved	2,200
New schemes to be approved in this report (see Appendix 7)	5
Variations to budget (to be approved)	(5,480)
Reprofiling of budget (to be approved)	(40,663)
Slippage (to be approved)	(190)
Total Capital	163,121

- 8.3 Appendix 6 also details any slippage into next year. In total, project managers have forecast that £0.190m of the capital budget may slip into the next financial year and this equates to approximately 0.12% of the capital budget.

9 Implications for the Medium Term Financial Strategy (MTFS)

- 9.1 The council's MTFS sets out resource assumptions and projections over a longer term. It is periodically updated including a major annual update which is included in the annual revenue budget report to Policy & Resources 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

- 9.2 Capital receipts are used to support the capital programme. Any changes to the level of receipts during the year will impact on future years' capital programmes and may impact on the level of future investment for corporate funds and projects such as the Strategic Investment Fund, Modernisation Fund, Asset Management Fund and the Information, Technology & Digital Investment Fund. The planned profile of capital receipts for 2021/22, as at Month 9, is £11.400m which includes receipts expected from the land transferring to the HRA for the Moulseccomb housing redevelopment, land disposals at the Cliff and Braypool Lane, disposal of properties at the Old Steine and a number of lease extensions. To date there have been receipts of £5.834m in relation to the lease re-gear for commercial premises in Western Road in Brighton and the disposal of land at Braypool Lane. The transfer of Palace Place and transfer of land and buildings associated with the Moulseccomb Housing and Hub project to the HRA have been completed. There have also been some lease extensions and some minor loan repayments. The capital receipts performance will be monitored over the coming months against capital commitments
- 9.3 The forecast for the 'right to buy sales' in 2021/22 (after allowable costs, repayment of housing debt and forecast receipt to central government) is that an estimated 30 to 40 homes will be sold and net retained receipts of up to £2.000m available to re-invest in replacement homes. In addition to this net retained receipt the HRA will also retain circa £0.520m to fund investment in the HRA capital programme. To date 36 homes have been sold in 2021/22.

Collection Fund Performance

- 9.4 The collection fund is a separate account for transactions in relation to council tax and business rates. Any deficit or surplus forecast on the collection fund relating to council tax is distributed between the council, Sussex Police and Crime Commissioner and East Sussex Fire Authority, whereas any forecast deficit or surplus relating to business rates is shared between the council, East Sussex Fire Authority and the government.
- 9.5 The council tax collection fund had an increased deficit of £0.743m brought forward from 2020/21 of which, the council's share is £0.627m. The impact of Covid-19 was built into the current year's estimate for council tax liability and receipts. Although the ultimate impacts of Covid-19 remain difficult to forecast the in-year position is forecast to breakeven overall. In addition to the brought forward deficit, the council

has to cover the year 2 repayment of the 3-year spread of the 2020/21 forecast deficit of £1.520m and therefore the overall council tax deficit that will need to be funded in 2022/23 is estimated to be £2.150m.

- 9.6 The business rates collection fund, after allowing for section 31 compensation grants on retail and nursery relief, government support for the brought forward deficit and the 3-year spread of the 2020/21 deficit is forecasting the council share to be a net surplus of £0.889m for budget setting in 2022/23. There are a range of risks that could change this forecast significantly with the main uncertain factors being business failures and any step increase in empty properties.

Reserves, Budget Transfers and Commitments

- 9.7 The creation of reserves, the approval of budget transfers (virements) of over £0.250m, and agreement to new financial commitments of corporate financial significance that are not provided for in the approved budget and policy framework require Policy & Resources Committee approval in accordance with the council's Financial Regulations and Standard Financial Procedures. There are no new reserves or budget transfers requiring approval at this time.

10 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 10.1 The provisional outturn position on the General Fund is an underspend of £1.093m. This includes a forecast underspend of £1.877m on the council's share of the NHS managed Section 75 services. However, it should be noted that the accuracy of forecasts, including Collection Funds, remains challenging, particularly given the very wide range of variables and factors driven by the ongoing pandemic. The recovery of Parking Incomes will clearly be an area to monitor closely alongside ongoing pressures on Homelessness services.
- 10.2 The committee are advised that there are no specific financial risk provisions available to support the General Fund revenue budget, however, the council retains a £9m Working Balance which is its key risk reserve.
- 10.3 Regarding Recommendation 2.2 of the report, the Committee could elect not to reallocate £0.600m underspent COMF grant to meet qualifying Homelessness cost pressures, however, this would effectively reduce the overall forecast underspend by £0.600m and increase the level of borrowing from reserves to support the General Fund budget as per the budget report elsewhere on this committee agenda. While the revenue budget position may continue to improve between now and the year-end this cannot be guaranteed and there remains significant uncertainty over the speed of economic and visitor recovery. By allocating COMF in this way to a qualifying area of spend, this enables an improved forecast to be provided which will reduce the very substantial call on one-off resources (reserves) to support Collection Fund deficits, estimated one-off cost pressures in 2022/23 and the 2022/23 budget. If, in the event, the revenue budget improves further by year-end, this position can be reviewed at outturn and alternative options considered at that time. See paragraph 12.2 for more details.

11 COMMUNITY ENGAGEMENT & CONSULTATION

- 11.1 The Director of Public Health has been consulted regarding the reallocation of Contain Outbreak Management Funds.

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

- 12.1 The forecast underspend of (£1.093m) at Month 9 represents 0.45% of the net General Fund, indicating a favourable turnaround from the previously reported overspend at Month 7 of £3.396m. This is due to a range of factors including:
- A lower than expected impact from Omicron and Plan B restrictions including an earlier end to the restrictions than anticipated. This has enabled improved forecasts for income generating budget areas in particular;
 - Continued impacts across Adult Social Care due to care home restrictions and outbreaks, and staffing shortages across the sector, as well as continued financial support from the NHS. This has slowed the expected increase in activity for the second half of the year, however, the underlying position is expected to revert to expected levels once the care home situation is alleviated;
 - Similarly, there are reduced costs of day care services across the sector, particularly Adult Learning Disability, due to Covid restrictions.

- 12.2 However, the forecast underspend also assumes that £0.600m of currently underspent 2021/22 Contain Outbreak Management Funds (COMF) will be redeployed and applied to the current £1.256m pressure on Homelessness driven by the pandemic and resulting in continued additional support for homeless and rough sleeping adults. The COMF underspends have arisen for a range of reasons as follows:

- As COMF grant has fewer limitations on the areas it can be used to support and government have recently confirmed that it can be carried forward, every effort has been made to fully utilise other funds that are less flexible and which must be spent by 31 March 2022. In this respect, earlier Track & Trace funds provided to support the Local Outbreak Plan have now been fully utilised to maximise their use and this has reduced the need for COMF funding for areas such as Contact Tracing and project support.
- Another reason concerns the recruitment of staffing which, as for many other service areas, has been problematic during the pandemic. Many of the COMF schemes experienced delays to recruitment or were not able to recruit the full complement of staff resulting in underspends on a number of schemes.
- The easing of restrictions and their impact and the frequent changes in policy and guidance meant that some schemes were not deployed to their fullest. An example being the Covid Marshals where the easing of restrictions made the continued deployment of Marshals unnecessary.

The current estimate is that there will be an underspend of COMF of at least £0.600m.

- 12.3 It is also probable, as in previous years, that the revenue budget position will continue to improve from here on in until year-end but this cannot be guaranteed. As the council has a substantial requirement for one-off funds to support Collection Fund deficits, expected one-off costs in 2022/23 and the 2022/23 budget, the greater the underspend on the revenue budget, the more one-off funding this provides to support these requirements (i.e. reducing the level of borrowing from reserves). As some COMF schemes will not require their full allocation in 2021/22, it is proposed to set this funding aside to meet qualifying Homelessness cost pressures and consequently improve the revenue budget (TBM) position in 2021/22. If the revenue budget improves further by year-end, this position can be reviewed at outturn, although consideration should be given to using any increased

underspend to further reduce the level of borrowing from reserves in the first instance.

13 FINANCIAL AND OTHER IMPLICATIONS

Financial Implications:

- 13.1 The financial implications are covered in the main body of the report. Financial performance is kept under review on a monthly basis by the Executive Leadership Team and the management and treatment of forecast risks is considered by the Audit & Standards Committee as part of its review of strategic risks.
- 13.2 The Month 9 TBM forecast is an important forecast in the context of setting next year's General Fund Revenue Budget as it is a key determinant of the availability of one-off resources to support the budget. A forecast overspend at month 9 must be funded from one-off resources while an underspend provides additional one-off resources. The one-off resources required to support the 2022/23 General Fund budget are set out in the budget report which is also on this committee agenda. The report indicates a substantial call on one-off resources and reserves and therefore the additional resources provided by the month 9 forecast underspend will help to meet these requirements.

Finance Officer Consulted: Jeff Coates

Date: 25th January 2022

Legal Implications:

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

Lawyer Consulted: Elizabeth Culbert

Date: 26th January 2022

Equalities Implications:

- 13.4 There are no direct equalities implications arising from this report.

Sustainability Implications:

- 13.5 Although there are no direct sustainability implications arising from this report, the council's financial position is an important aspect of its ability to meet council priorities. In addition, the council's response to managing the impact of the pandemic, in lieu of further government funding announcements, will be important to demonstrate that in a worst case scenario, it has plans to manage the financial impact and avoid financial collapse.

Risk and Opportunity Management Implications:

- 13.6 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. However, current reserves and balances were not set at a level to manage financial shocks of the scale of the pandemic and any depletion of reserves and balances to manage this position will normally require a plan for replenishment in future years.

SUPPORTING DOCUMENTATION

Appendices:

1. Financial Dashboard Summary
2. Revenue Budget Movement Since Month 7
3. Revenue Budget RAG Rating
4. Revenue Budget Performance
5. Summary of 2021/22 Savings Progress
6. Capital Programme Performance
7. New Capital Schemes and Future Years' Variations

Documents in Members' Rooms:

None.

Background Documents

None.