

# Brighton & Hove City Council

## Policy & Resources Committee

## Agenda Item 8

<b>Subject:</b>	<b>Targeted Budget Management (TBM) Provisional Outturn 2021/22</b>		
<b>Date of Meeting:</b>	<b>7 July 2022</b>		
<b>Report of:</b>	<b>Chief Finance Officer</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Jeff Coates</b>	<b>Tel:</b> 29-2364
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<b>Ward(s) affected:</b>	<b>All</b>		

### 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 the provisional outturn position (i.e. Month 12 year-end) on the council's revenue and capital budgets for the financial year 2021/22.
- 1.2 The final outturn position is subject to the annual external audit review of the council's accounts. The final position will be shown in the council's financial statements which must be signed by the Chief Finance Officer (CFO) by 31 July 2022 and the audited set approved by the Audit & Standards Committee by 30 November 2022.
- 1.3 The provisional outturn is a £2.948m underspend on the General Fund revenue budget. This includes an underspend of £3.277m on the council's share of the NHS managed Section 75 services. This is a further improvement of £1.855m from Month 9, primarily due to the quicker than expected recovery of visitor activity during the last quarter which has significantly bolstered income streams across a wide range of areas including the Brighton Centre, registrars, parking fees and fines, and so on. This means that there is an additional £1.855m of resources available compared to what was assumed when setting the 2022/23 budget. However, the committee will be aware that the first call on this resource is the £0.200m budget amendment approved by Budget Council for 'Additional Welfare Provision'.
- 1.4 The report also indicates that £3.243m (30%) of the substantial savings package in 2021/22 of £10.687m was not achievable due to a range of factors. In particular, £0.890m was due to pressures and/or delays arising from Covid-19.

#### 2 RECOMMENDATIONS:

- 2.1 That the Committee note that the provisional General Fund outturn position is an underspend of £2.948m and that this represents an improvement of £1.855m compared to the projected and planned resource position at Month 9 and taken into account when setting the 2022/23 budget.
- 2.2 That the Committee note the provisional outturn includes an underspend of £3.277m on the council's share of the NHS managed Section 75 services.

- 2.3 That the Committee approve General Fund carry forward requests totalling £9.776m as detailed in Appendix 5 and included in the provisional outturn.
- 2.4 That the Committee approve the re-allocation of £1.112m Contain Outbreak Management Funds to address ongoing temporary and emergency homelessness and rough sleeping costs caused by the pandemic.
- 2.5 That the Committee agree to allocate the £200,000 one-off resources for 'Additional Welfare Support' to support Emergency Food provision (£63,156) and the Local Discretionary Social Fund (£133,844).
- 2.6 That the Committee approve the retention of the remaining available outturn resources of £1.655m to provide a risk provision to meet the anticipated additional cost of the 2022/23 NJC pay award as set out in paragraph 10.6.
- 2.7 That the Committee note the provisional outturn for the separate Housing Revenue Account (HRA), which is an underspend of £0.033m.
- 2.8 That the Committee note the provisional outturn position for the ring-fenced Dedicated Schools Grant, which is an underspend of £0.035m.
- 2.9 That the Committee note the provisional outturn position on the capital programme which is an underspend variance of £7.405m.
- 2.10 That the Committee approve the capital budget variations and re-profiling requested in Appendix 7.
- 2.11 That the Committee approve the new capital schemes requested in Appendix 8.
- 2.12 That the Committee approve the creation of a Section 117 Reserve in respect of advance NHS funding as set out in paragraph 9.9.

### **3 CONTEXT / BACKGROUND INFORMATION:**

#### **Targeted Budget Management (TBM) Reporting Framework**

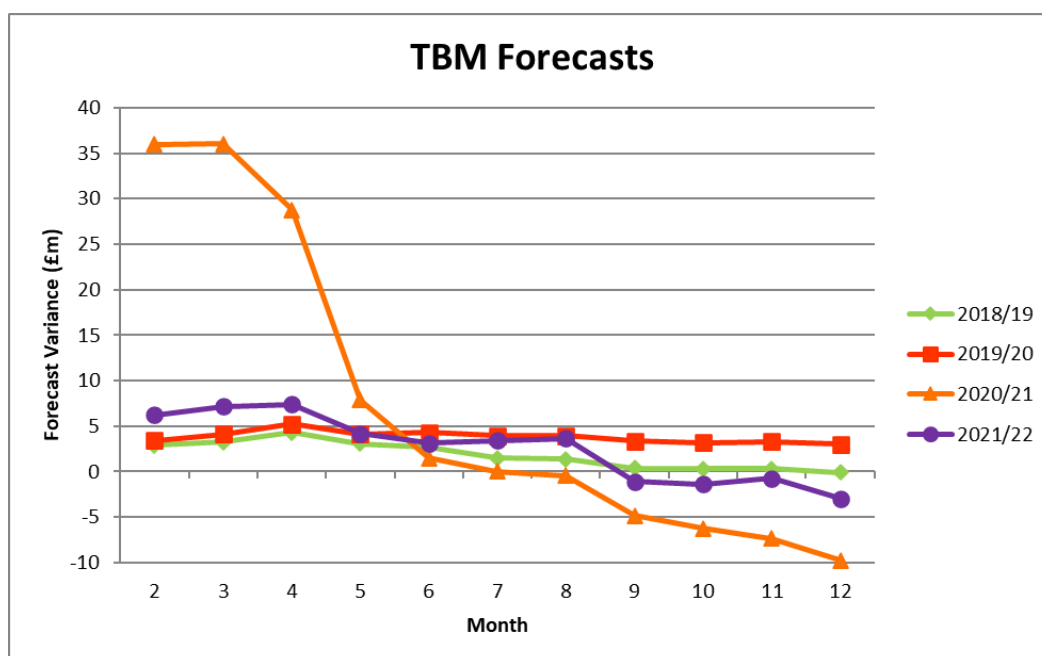
- 3.1 The TBM framework focuses on identifying and managing financial risks on a regular basis throughout the year. This is applied at all levels of the organisation from Budget Managers through to Policy & Resources Committee. Services monitor their TBM position on a monthly or quarterly basis depending 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 4)

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 12' column is a memorandum-only column identifying the extent of the 'Provisional Variance Month 12' attributable to the pandemic.

Forecast Variance Month 9 £'000	Directorate	2021/22 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	COVID Variance Month 12 £'000	Provisional Variance Month 12 %
9	Families, Children & Learning	97,228	97,110	(118)	488	-0.1%
(3,862)	Health & Adult Social Care	67,824	63,403	(4,421)	187	-6.5%
1,354	Economy, Environment & Culture	32,258	30,640	(1,618)	2,017	-5.0%
870	Housing, Neighbourhoods & Communities	24,708	25,638	930	835	3.8%
1,168	Finance & Resources	22,548	23,558	1,010	0	4.5%
(162)	Strategy, Governance & Law	6,630	5,874	(756)	0	-11.4%
(623)	Sub Total	251,196	246,223	(4,973)	3,527	-2.0%
(470)	Corporately-held Budgets	(58,645)	(56,620)	2,025	1,156	3.5%
(1,093)	Total General Fund	192,551	189,603	(2,948)	4,683	-1.5%

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, particularly as the extent of the impact has varied over the last two years.

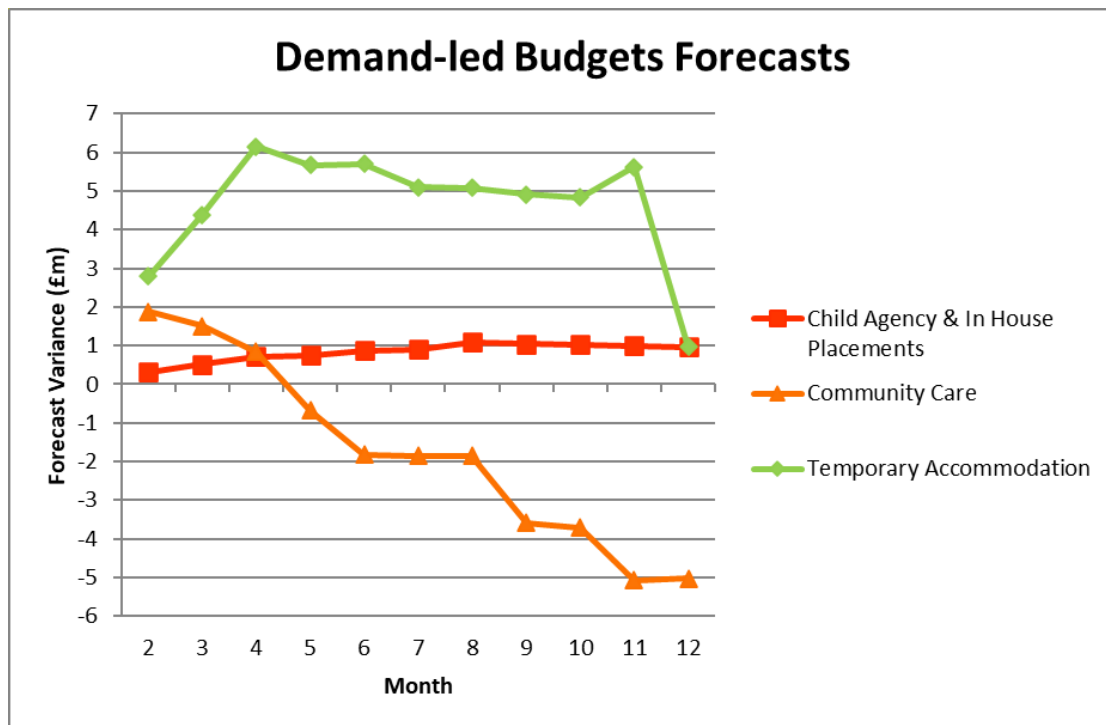


### Demand-led Budgets

- 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 9 £'000	Demand-led Budget	2021/22 Provisional Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	COVID Variance Month 12 £'000	Provisional Variance Month 12 %
1,048	Child Agency & In House Placements	22,832	23,801	969	201	4.2%
(3,587)	Community Care	82,468	77,434	(5,034)	0	-6.1%
4,914	Temporary Accommodation	9,429	10,401	972	715	10.3%
2,375	<b>Total Demand-led Budget</b>	<b>114,729</b>	<b>111,636</b>	<b>(3,093)</b>	<b>916</b>	<b>-2.7%</b>

The chart below shows the monthly forecast variances on the demand-led budgets for 2021/22. The Temporary Accommodation budget improvement is due to the application of £5.370m Contain Outbreak Management Funding (COMF), as approved, to manage emergency housing demands caused by the pandemic. The Community Care budget has steadily improved due to high attrition rates, and increased NHS funding for hospital discharge and S117 Mental Health aftercare. However, there is also a backlog of care provision due to capacity issues across the care sector.



### **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 **Children’s Services:** The outturn position includes overspends in Services for Children with Disabilities (£0.643m), In-House Adult Learning Disability Provision (£0.120m) and Council Nurseries (£0.073m). However, there were underspends offsetting these in Children’s Social Care Services (£0.017m), Adult Learning Disabilities Community Care (£0.757m), Home to School Transport (£0.091m) and other variances (£0.089m). This results in a final outturn underspend of (£0.118m) at the year end.

However, this includes overspends in some areas of £0.488m due to Covid-19; this is a combination of loss of income, impacts on savings targets and additional expenditure given the need to mitigate health risks posed by Covid-19.

The final position for the central Dedicated Schools Grant is an underspend of £0.035m. This is made up of a year-end deficit against the high needs block of £0.341m (most notably due to an overspend on education agency placements of £0.394m) and an underspend of £0.381m in the early years block. Other variances in the central services element of the Dedicated Schools Grant totalled £0.004m resulting in an overall surplus of £0.035m at year-end. This balance will be carried forward to 2022/23.

- 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 CCG funding due to pressures on local NHS budgets.

£1.409m of the £4.515m 2021/22 savings plan was not achieved in this financial year. There are continued actions 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. It should also be noted that there are challenging capacity and labour market issues across the care sector which is resulting in a build-up of need which will see costs increasing during 2022/23.

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:** Overall these services overspent by £6.166m, however, £5.370m of Contain Management Outbreak Fund (COMF) grant has been used to offset this leaving an overspend of £0.796m. There are three main elements to this:

- Firstly, the budget for Temporary Accommodation (TA) has overspent by £1.715m. A provision for underlying Temporary Accommodation and Rough Sleeping pressures of over £1m was provided in the 2021/22 budget, which was expected to be supported by additional funding from the government's announcement of an additional £254 million national funding. However, although core funding increased overall, it was insufficient to support the service pressure funding and the budget therefore remains significantly oversubscribed (by £1m) due to the number of leased and emergency properties required.

During the year, a further pressure of £0.715m has been experienced which relates largely to the extra costs of block booked Emergency Accommodation (EA) in-year, including an additional 8 properties and reflects the rising costs of rented accommodation in the city as interim contracts are renewed pending the re-procurement of this service. There has also been an increased contribution to the bad debt provision of £0.191m compared to last year reflecting the increase in arrears for those in leased TA.

The overspend also reflects increased rent loss and council tax costs due to leased TA properties remaining empty, awaiting repair. The Housing Benefit subsidy loss has also increased by £0.107m since month 9. The number of EA homes (excluding additional rough sleeper hotels, discussed separately below) has been reducing steadily over the year reducing the need for spot purchased accommodation. As at 31 March 2022, there were 121 units of spot purchased accommodation compared to a high of 202 in June 2021. This is good news and shows that the housing transformation programme to reduce overall numbers in TA is working. However, the increased unit costs of accommodation in the city is a challenge and improvements are still needed to further reduce rental income losses through properties remaining empty.

The overall overspend has been offset by available Contain Outbreak Management Funding (COMF) of £0.743m which reduces the outturn overspend to £0.972m.

- Secondly, there is a very substantial cost associated with the provision of additional emergency hotel accommodation originally acquired early in the pandemic as a result of the Government's 'Everyone In' Initiative. This service has cost £5.777m for 2021/22 and this has been funded through a £0.650m one-off Council budget, £0.500m in Next Steps Accommodation Programme (NSAP) funding and the COMF grant funding of £4.627m. The costs include accommodation in various hotels, some food, security and laundry costs as well as dilapidations and repairs. At the beginning of the year, the council were paying for 410 rooms but this has reduced to 47 as at 31 March 2022. The current forecast is that the remaining two hotels will be decanted by the end of July 2022.
- Thirdly, the council commissions services to assist rough sleepers and those in supported housing. This service has underspent by £0.176m in 2021/22. This is largely due to the underspend on staffing costs (£0.123m) and a further underspend against core commissioning budgets across the service (£0.053m). The cost associated with operating SWEP (Severe Weather Emergency Protocol) for 2021/22 were met from within the core budget and the extra Winter Provision Grant allocated from the Department of Levelling Up, Housing and Communities (DLUHC).

The Housing Service will continue to work to improve pressures on the TA and Rough Sleeper budget in the new financial year through the Homelessness Transformation Programme which is an 'end to end' improvement programme to help the service improve its processes to reduce the use and length of stay in Temporary Accommodation by improving homeless prevention, homeless processes and enabling move on to more sustainable accommodation. The service is already seeing reductions to the number of households in TA through a combination of better prevention from homelessness and improved move-on. Further efficiencies will be sought by (for example) continuing to improve move-on processes, void turnaround times in emergency accommodation, and improving income collection thereby continuing to reduce costs in 2022/23 in line with the budget strategy.

- 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 has also been a challenging additional income target for Parking Services of £1.750m for 2021/22. These activities and services have been

heavily impacted by the COVID-19 restrictions early in the year and the outturn reflects significant income shortfalls compared to budget for 2021/22 in most of these areas. The final outturn position has improved since Month 9 due to higher Parking Penalty Charge Notice (PCN) income, increased roadwork permits for backlog utility works, reduced costs in parking services, greater Transport fee income, lower supplies & services costs within City Development, improvements to income in Venues and Tourism & Marketing, and credit notes received in relation to corporate water bills. These improvements are partially offset by the decision to take the Freedom Leisure extension cost from revenue rather than borrow from reserves.

The overall position has seen a turnaround of the directorate's outturn position which has improved by £2.972m since Month 9 (December) (from £1.354m overspend to (£1.618m) underspend).

### **Carry Forward Requests (Appendix 5)**

- 4.8 Under the council's Financial Regulations, the S151 Chief Finance Officer<sup>1</sup> may agree the carry forward of budget of up to £0.050m per member of the Corporate Management Team (up to a maximum of £1m in total) if it is considered that this incentivises good financial management. However, due to the challenging financial situation, all requests are being presented to this committee for consideration. Similarly, carry forwards have only been proposed where there is clear evidence of a fully-funded, prior commitment that was not able to be completed or undertaken by the end of the financial year. This will normally be supported by a contractual or purchase order commitment.
- 4.9 Carry forward requests include grant funded and non-grant funded carry forwards totalling £9.776m which have been assumed in the outturn figures above. An analysis of these is provided in Appendix 5 split into two categories as follows:
- i) The non-grant funded element of carry forwards totals £4.338m. These items have been proposed where funding is in place for contractual commitments, existing projects or partnership working that cross over financial years and it is therefore a timing issue that this money has not been spent in full before the year-end. The carry forward requests include ongoing Covid-19 support schemes of £1.048m previously approved by Policy & Resources Recovery Sub-Committee.
  - ii) The grant funded element of carry forwards totals £5.438m. Under current financial reporting standards, grants received by the council that are unringfenced or do not have any conditions attached are now recognised as income in the financial year in which they are received rather than in the year in which they are used to support services. Carry forward is therefore required to ensure the grants are available to fund the commitments against them next year. The total also includes a sum of £0.035m relating to the Dedicated Schools Grant. Under the Schools Finance Regulations, the unspent part of the DSG must be carried forward to support the schools budget in future years.

### **Monitoring Savings**

- 4.10 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

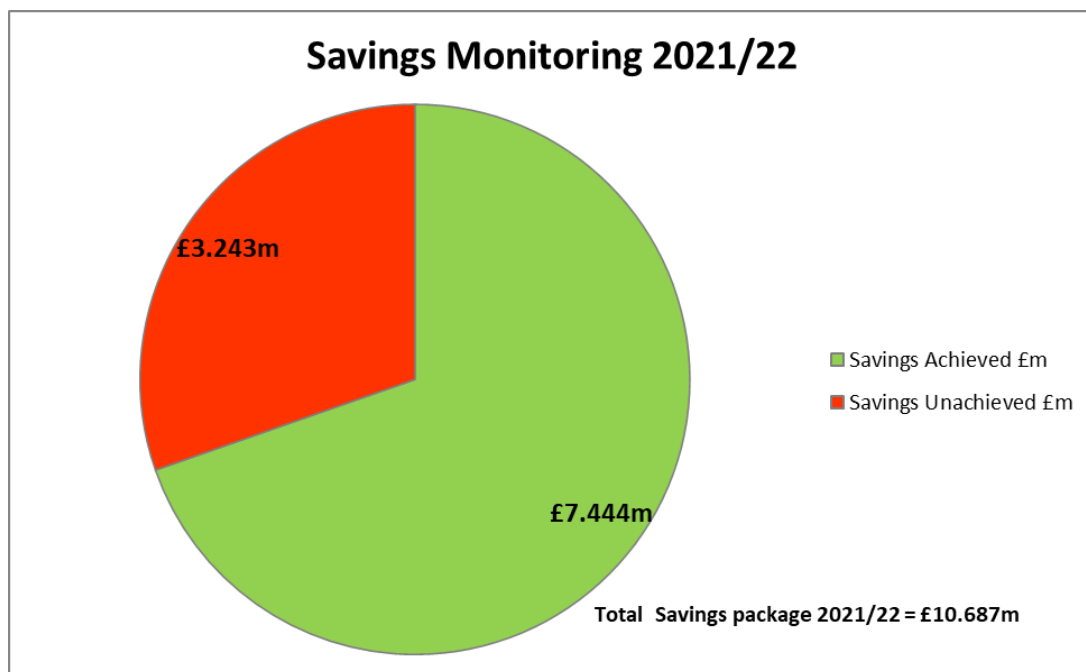
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<sup>1</sup> The term 'Director of Finance' is used in Financial Regulations and has the same meaning as the council's appointed S151 Chief Financial Officer.



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.

- 4.11 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 £3.243m (30%) 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, Housing Benefits and Universal Credit. The forecast outturn is an underspend of £0.033m and more details are provided in Appendix 4. It should be noted that this outturn includes the use of an extra £2.414m in revenue funding originally set aside for the capital programme. Without this, the HRA would have overspent by £2.381m.
- 5.2 This year has been more challenging for the HRA and the overspend (before the use of revenue funding originally set aside for capital) 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. This year also saw an increase in the contribution to the bad debt provision due to the increase in rent arrears. 2022/23 will be a challenging year for the HRA given that some of these pressures will continue into the new financial year, for example rises in utility costs. Therefore, the service will be putting together a financial recovery plan to try to manage within Budget for 2022/23.

## 6 Dedicated Schools Grant Performance (Appendix 4)

- 6.1 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 provisional outturn is an underspend of £0.035m and more details are provided in Appendix 4. Under the Schools Finance Regulations any underspend 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 provisional outturn for the Health & Adult Social Care directorate. The provisional outturn is an underspend of £3.277m and more details are provided in Appendix 4.

## **8 Capital Programme Performance and Changes**

- 8.1 The Capital programme spans more than one financial year and therefore monitoring is different to that of the revenue budget. Performance needs to be looked at from 5 different viewpoints at the end of the year as follows:
- i) Variance: The 'variance' for a scheme or project indicates whether it has broken-even, underspent or overspent. Information on how forecast overspends will be mitigated is given in Appendix 7. If the project is completed, any underspend or overspend will be an outturn variance. Generally, only explanations of significant forecast variances of £0.100m or greater are given.
  - ii) Budget Variations: These are changes to the project budget within year, requiring members' approval, and do not change future year projections. The main reason for budget variations is where capital grant or external income changes in year.
  - iii) Slippage: This indicates whether or not a scheme or project is on schedule. Slippage of expenditure from one year into another will generally indicate overall delays to a project although some projects can 'catch up' at a later date. Some slippage is normal due to a wide variety of factors affecting capital projects, however substantial amounts of slippage across a number of projects could result in the council losing capital resources (e.g. capital grants) or being unable to manage the cashflow or timing impact of later payments or related borrowing. Wherever possible, the council aims to keep slippage below 5% of the total capital programme.
  - iv) Reprofiling: Reprofiling of budget from one year into another is requested by project managers when they become aware of changes or delays to implementation timetables due to unforeseeable reasons outside the council's direct control. Reprofiling requests are checked in advance by Finance to ensure there is no impact on the council's capital resources before they are recommended to Policy & Resources Committee.

- v) **IFRS changes:** These accounting adjustments are only applied at year-end and are necessary for the council to comply with International Financial Reporting Standards (IFRS) for the Statement of Accounts. This concerns the determination of items of expenditure as either capital or revenue expenditure. Only items meeting the IFRS definition of capital expenditure can be capitalised; expenditure not meeting this definition must be charged to the revenue account.

For many capital schemes there may be instances where some of the costs are of a day-to-day servicing nature and are not true capital expenditure. It would be impractical for an authority to assess every item of expenditure when it is incurred as to whether or not it has enhanced an asset. A practical solution is therefore applied instead and as part of the closure of accounts process an assessment is made by capital programme managers and Finance to determine the correct classification of capital or revenue. Where an element of the scheme is deemed to be revenue, the capital budgets are reduced by the same amount as the items that are subsequently charged to the revenue account to ensure no overall budgetary impact. These changes are designated as 'IFRS Adjustments' in Appendix 7.

- 8.2 The table below provides a summary of capital programme performance by Directorate and shows that there is an overall underspend of £7.906m which is detailed in Appendix 7.

<b>Forecast Variance Month 9 £'000</b>	<b>Directorate</b>	<b>Reported Budget Month 12 £'000</b>	<b>Provisional Outturn Month 12 £'000</b>	<b>Provisional Variance Month 12 £'000</b>	<b>Provisional Variance Month 12 %</b>
0	Families, Children & Learning	15,183	15,181	(2)	0.0%
63	Health & Adult Social Care	282	282	0	0.0%
0	Economy, Environment & Culture	37,999	37,579	(420)	-1.1%
0	Housing, Neighbourhoods & Communities	3,825	3,071	(755)	-19.7%

(5,736)	Housing Revenue Account	57,411	50,768	(6,643)	-11.6%
0	Finance & Resources	2,714	2,628	(86)	-3.2%
2	Strategy, Governance & Law	643	643	0	0.0%
(5,671)	Total Capital	118,057	110,152	(7,906)	-6.7%

(Note: Summary may include minor rounding differences to Appendix 7)

- 8.3 Appendix 7 shows the changes to the 2021/22 capital budget. 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 in the Month 9 report.

<b>Summary of Capital Budget Movement</b>	<b>Reported Budget Month 12 £'000</b>
Budget approved as at Month 9	164,440
IFRS changes	(607)
New schemes to be approved in this report	582
Variations to budget (to be approved)	2,460
Reprofiling of budget (to be approved)	(46,061)
Slippage (to be noted)	(2,757)
Total Capital	118,057

- 8.4 Appendix 7 also details any slippage into next year. In total, project managers have forecast that £2.757m of the capital budget may slip into the next financial year and this equates to approximately 2.34% of the capital budget. The Committee will note the unusually high reprofiling requirement which is a consequence of the continued pandemic that has caused a wide range of delays due to working restrictions, supply chain issues, impacts on consultation processes and many other impacts.

## **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 investment programme. For 2021/22 a total of £3.087m capital receipts (excluding 'right to buy' sales) have been received. Receipts include a lease re-gear for commercial premises in Western Road, Brighton, the disposal of land at Braypool Lane and Canon Place and the transfer of Palace Place to the HRA has been completed. There have also been some lease extensions, disposal of parcels of land, sale of vehicles, overage payments for Vale Avenue Cottages and some minor loan repayments

- 9.3 The Government receives a proportion of the proceeds from 'right to buy' sales with a proportion required by the council to repay debt; the remainder is retained by the council and used to fund the capital investment programme. The total net usable receipts for 'right to buy' sales in 2021/22 is £6.223m including £5.697m available for replacement homes.

#### **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 & 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 ended the year with an overall deficit of £4.309m which was a £0.016m decrease from previously forecast position. The deficit includes £0.743m brought forward from 2020/21 and the planned 3-year spread of repayments to be made in 2022/23 £1.791m and 2023/24 £1.791m totalling £4.325m. The council's share of the improved deficit of £0.016m is £0.013m and this will be incorporated into the surplus / deficit position for the 2023/24 budget.
- 9.6 The council's share of the business rates collection fund ended the year with a net surplus of £0.956m after allowing for S31 compensation grant funding and is an increase of £0.067m from the previously forecast position. The main reason for the surplus is a higher than forecast collection of business rates income from previous years. The £0.067m will be incorporated into the surplus / deficit position for the 2023/24 budget.

#### **Reserves, Budget Transfers and Commitments**

- 9.7 The creation or redesignation of reserves, the approval of budget transfers (virements) of over £0.250m, and agreement to new financial commitments of corporate financial significance require Policy & Resources Committee approval in accordance with the council's Financial Regulations and Standard Financial Procedures.
- 9.8 As normal, the council's reserves and provisions have been fully reviewed as part of the annual closure of accounts process and a schedule of the reserves is shown at Appendix 9. Current reserves and balances are considered to be appropriate to meet identified risks and expected commitments and liabilities. One new reserve is proposed to manage a timing issue – see paragraph 9.9 below. Similarly, provisions identified during the closedown process are considered appropriate and reasonable and will be subject to review by the external auditor to ensure they adequately reflect identified liabilities and obligations.
- 9.9 It is proposed to establish a Section 117 Reserve of £0.300m. This is required as a risk reserve to be held pending the outcome of the Sussex-wide Section 117 Mental Health review which will establish new funding arrangements.

### **10 PROPOSED ALLOCATION OF AVAILABLE RESOURCES**

- 10.1 The provisional outturn position for 2021/22 indicates that additional resources of £1.855m are available to support the council's financial position.
- 10.2 A first call on these resources is the approved budget amendment of £0.200m relating to 'Additional Welfare Provision'. The amendment agreed that 'up to

£0.200m of any improvement to the council's year-end financial position (TBM) be ring-fenced to provide immediately available support during 2022/23 for:

- Food support (including food for children on free school meals in holidays);
- Discretionary funds, e.g. Housing and council tax support.'

10.3 Since the budget was approved in February 2022, the government has announced an extension of the Household Support Fund from April to September with a further 6 months funding expected from October to March 2023. This funding will enable significant ongoing support for Free School Meal families during school holiday periods. The Household Support Fund will also provide funding for vouchers to other households and pensioners together with other city-wide support e.g. to the Brighton & Hove Food Partnership. However, the cost of living situation means that there remain other emergency food provision costs and demands that cannot be fully funded.

10.4 The report on 'Impacts to Food Access from Cost-of-Living Increase' to the April Policy & Resources Recovery Sub-Committee outlined a potential funding need of around £0.045m, however, since this report was considered, the situation has continued to evolve and current emergency food demands are expected to continue for at least a further 2 to 3 months. There is also a need to provide for further storage and distribution costs. The updated forecast of funding required to supplement allocations through the Household Support Fund and ensure current emergency demands can be met is follows:

<b>Emergency Food Funding Requirement</b>	
Emergency 'on the day' budget for buying in food based on current caseload i.e. where a person has had no food and is unable to get to a food bank. Administered through Community Hub/LDSF & Impact Initiatives.	£30,000
Support to housebound residents who cannot afford to pay for food by way of referral, with funding, to meal delivery services (10 people per month for 2 months referral @ £150 = £18,000) and direct deliveries from food banks (8 people per month = £2,000).	£20,000
Premises and coordination of emergency food storage (£14,000 for a Coordinator with B&HFP plus £35,000 rent, cleaning and utilities, etc)	£49,000
Production and distribution of a 'Cash-first' leaflet	£1,000
Support for CVS emergency food provision accessed through a Community Grants process and an Emergency Food Parcel Contingency	£30,000
<b>Total Emergency Food Funding Requirement</b>	<b>£130,000</b>

10.5 This funding requirement can potentially be met by utilising resources made available through the application of Contain Outbreak Management Fund

(COMF) grant to homelessness costs, which releases a balance of resources of £63,844. Together with an allocation of £63,156 from the £0.200m 'Additional Welfare Provision' budget amendment, this would enable the identified Emergency Food funding requirement of £130,000 to be provided. This leaves a balance of £133,844 available from the Additional Welfare Provision to support discretionary funds as per the second objective of the budget amendment. It is recommended to apply this to provide additional funding support for the Local Discretionary Social Fund (LDSF) which is currently experiencing ongoing high demand and will ensure that other households can continue to be supported by supplementing allocations from the Household Support Fund.

- 10.6 With regard to the remaining available outturn resources of £1.655m, the Policy & Resources Committee are recommended to retain this resource to meet expected nationally negotiated pay award costs. With inflation running high toward the end of last year, and expected to peak in Autumn/Winter this year, and with the greater impact this is having on lower paid employees, the council is currently negotiating with its recognised unions regarding options for addressing low pay. However, the national Local Government pay bargaining process (NJC) will also be acutely aware of the cost of living situation and has already received a joint pay demand from Trades Unions of £2,000 or the current rate of RPI inflation for all employees, whichever is greater.
- 10.7 The council's provision for the 2022/23 NJC award is 2%, set at a point before inflation began to dramatically increase and before it became clear that higher inflation would persist for a longer period. Although the employers' side will always take into account the significant pressures on local government funding, the NJC award is highly likely to outstrip this provision. It is also expected to be weighted toward lower pay grades because the National Minimum Wage is increasing sharply and would otherwise overtake lower NJC spinal pay points. Each 1% above the council's current provision will cost approximately £1.350m to the General Fund. An award of 4%, for example, would require £2.700m additional one-off funding in 2022/23 and would need to be accommodated permanently within the 2023/24 budget alongside provision for a 2023/24 pay award which could also be higher than currently assumed if high inflation persists.
- 10.8 To further illustrate, an award of £2,000 for all employees, as per the Trades Unions' pay demand, would equate to a circa 7% increase to the council's pay bill. The remaining £1.655m available from the Provisional Outturn underspend would therefore help to mitigate the one-off impact in 2022/23 but, by comparison, would only provide funding for an overall pay award of circa 3.2% and is therefore unlikely to be sufficient. Any further resources needed for a higher award will therefore need financial management action to attempt to mitigate potential overspending in 2022/23.

## **11 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 11.1 The provisional outturn position on council controlled budgets is an underspend of £2.948m including the council's risk-share of the provisional underspend on NHS managed Section 75 services of £3.277m. This is an improvement of £1.855m compared with the projected position at Month 9 providing additional resources for either repayment of reserves, or allocation to other priorities or reserves.

## **12 COMMUNITY ENGAGEMENT & CONSULTATION**

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

### **13 CONCLUSION AND COMMENTS OF THE CHIEF FINANCE OFFICER (S151 OFFICER)**

- 13.1 The council has achieved an underspend of £2.948m for the 2021/22 financial year meaning that the overall resource position has improved by £1.855m compared with the position at Month 9 and assumed in the 2022/23 Revenue Budget report to Policy & Resources Committee and Budget Council in February 2022. This represents a good outcome for 2021/22 and will provide some resources to mitigate against the high risks building in 2022/23 on the back of national and global inflationary pressures, including nationally negotiated pay awards.
- 13.2 However, it should be noted that this position was only achievable with support from one-off grants including an £8.023m Covid Grant, £8.885m Contain Outbreak Management Funds, and £0.971m Sales, Fees & Charges compensation grant (Quarter 1 only). These funding streams have now all ended but the impact of the pandemic has not. The report identifies that there are still people in emergency hotel accommodation following the government's 'Everyone in' initiative while the caseload for Council Tax Reduction remains well above pre-pandemic levels due to the impact of the pandemic on the economy, and demands for some services, for example, Children's Social Care, have increased. This will place significant pressures on the council's budget in 2022/23 which will need to be closely monitored.

### **14 FINANCIAL AND OTHER IMPLICATIONS**

#### Financial Implications:

- 14.1 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 cross-party Budget Working Group and the management and treatment of strategic financial risks is considered by the Audit & Standards Committee.

*Finance Officer Consulted: Jeff Coates Date: 23/06/2022*

#### Legal Implications:

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: 23/06/2022*

#### Equalities Implications:

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

#### Sustainability Implications:

- 14.3 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 2021/22.

Risk and Opportunity Management Implications:

- 14.4 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 and which also help to manage unexpected financial shocks.

**SUPPORTING DOCUMENTATION**

**Appendices:**

1. Financial Dashboard Summary
2. Revenue Budget Movement Since Month 9
3. Revenue Budget Performance RAG Rating
4. Revenue Budget Performance
5. Year-end Carry Forward Requests
6. 2021/22 Savings Progress
7. Capital Programme Performance
8. New Capital Schemes
9. Schedule of Reserves

**Documents in Members' Rooms:**

None.

**Background Documents**

None.

