Brighton & Hove City Council

Policy & Resources Committee

Agenda Item 58

Subject:		**Targeted Budget Management (TBM) 2022/23: Month 5 (August)**	
Date of Meeting:		**6 October 2022**	
Report of:		**Chief Finance Officer**	
Contact Officer:	**Name:**	**Jeff Coates**	**Tel: 29-2364**
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Ward(s) affected:		**All**	

FOR GENERAL RELEASE

1 PURPOSE OF REPORT AND POLICY CONTEXT:

1.1 The Targeted Budget Monitoring (TBM) report is a key component of the council's overall performance monitoring and control framework. This report sets out an indication of forecast risks as at Month 5 (August) on the council's revenue and capital budgets for the financial year 2022/23.

1.2 The forecast risk for 2022/23 at Month 5 is a £13.114m overspend on the General Fund revenue budget, approximately 6% of the net budget, including a forecast overspend of £0.088m on the council's share of the NHS managed Section 75 services. This is a very high projection at this stage of the year and reflects the significant inflationary impacts being experienced by the council, including an estimate of the national Local Government NJC pay award based on the latest employers' offer. A key factor is the impact that inflation is having on the achievement of savings programmes, particularly across social care, with 57% of the 2022/23 savings package of £10.509m currently forecast to be at risk.

1.3 There are also some continuing impacts from the pandemic in relation to economic recovery which are currently suppressing incomes such as planning fees and commercial rents as well as continuing to drive higher Council Tax Reduction claimant numbers.

1.4 The forecast presents a serious financial risk and, if not managed, would severely impact on the level of the council's reserves which would need to be utilised to fund any overspend. The report therefore covers necessary council-wide financial management actions that have been introduced in order to aid recovery of the position as far as possible.

2 RECOMMENDATIONS:

2.1 That the Committee note the forecast risk position for the General Fund, which indicates a potential forecast overspend risk of £13.114m. This includes a net overspend of £0.088m on the council's share of the NHS managed Section 75 services.

2.2 That the Committee note the forecast for the Housing Revenue Account (HRA), which is currently an overspend of £1.167m.

2.3 That the Committee note the forecast position for the Dedicated Schools Grant which is currently an overspend of £0.313m.

2.4 That the Committee note the forecast outturn position on the capital programme which is a forecast overspend of £9.030m and approve the variations and slippage in Appendix 6 and new schemes 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)

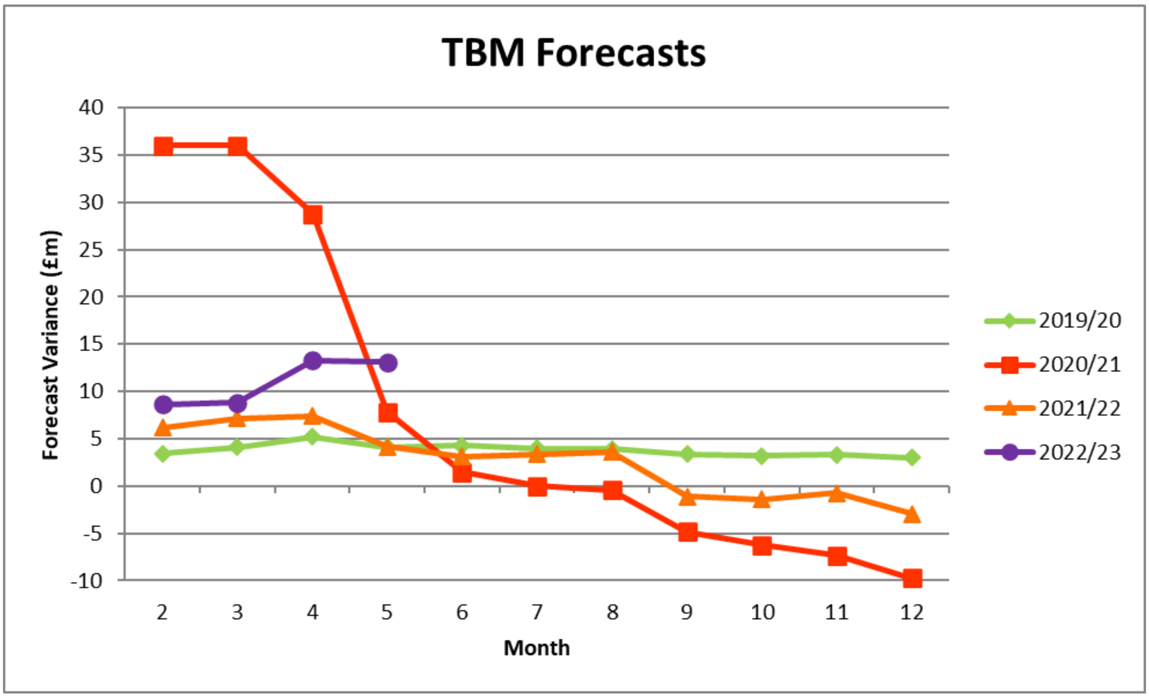
4 General Fund Revenue Budget Performance (Appendix 4)

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.

Forecast Variance Month 2 £'000	Directorate	2022/23 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
3,253	Families, Children & Learning	103,262	106,497	3,235	3.1%
754	Health & Adult Social Care	75,012	75,759	747	1.0%

1,589	Economy, Environment & Culture	42,035	43,559	1,524	3.6%
1,305	Housing, Neighbourhoods & Communities	25,885	27,070	1,185	4.6%
1,454	Governance, People & Resources	30,593	32,313	1,720	5.6%
8,355	Sub Total	276,787	285,198	8,411	3.0%
281	Corporately-held Budgets	(60,531)	(55,828)	4,703	7.8%
8,636	Total General Fund	216,256	229,370	13,114	6.1%

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 2022/23 and the previous three years for comparative purposes.



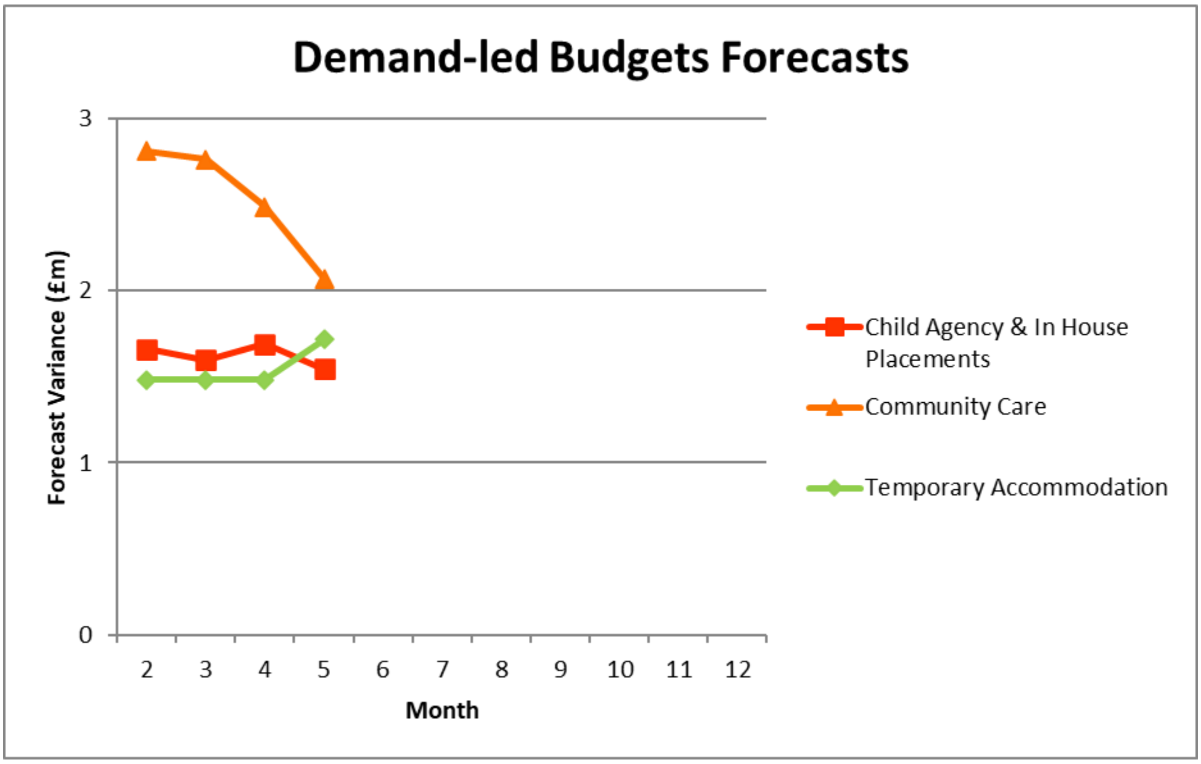
Demand-led Budgets

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

Forecast		2022/23	Forecast	Forecast	Forecast

Variance Month 2 £'000	Demand-led Budget	Budget Month 5 £'000	Outturn Month 5 £'000	Variance Month 5 £'000	Variance Month 5 %
1,660	Child Agency & In House Placements	24,477	26,022	1,545	6.3%
2,809	Community Care	86,873	88,941	2,068	2.4%
1,480	Temporary Accommodation	5,160	6,876	1,716	33.3%
5,949	Total Demand-led Budget	116,510	121,839	5,329	4.6%

The chart below shows the monthly forecast variances on the demand-led budgets for 2022/23.



TBM Focus Areas

The main pressures identified at Month 5 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: £1.405m on Children's Social Care Services, £0.883m on Adult Learning Disabilities Community Care, £0.340m on in-house disability provision and £0.824m on Home to School transport. However, there are estimated recovery measures totalling (£0.284m). These, together with other variances of £0.067m result in a forecast overspend of £3.235m overspend as at Month 5. The key drivers of the overspend are as follows:

- **Children In Care** Since the beginning of the 2020/21 financial year the number of children in care has risen by 9%. The post pandemic period has seen children with increasingly complex needs as well as well as problems in foster care recruitment causing an acute sufficiency issue making placing children in families either in-house or with external providers very difficult. This has inevitably led to increasing numbers of children being placed in residential homes or very expensive semi-independent placements. The result of the increasing complexity of need has resulted in a small number of very high-cost placements with a combined cost of £1.692m at an average unit cost of £14,607 per week. The cost pressures on Residential and Semi-independence placements, resulting in a forecast overspend of £2.357m, has had a significantly adverse impact on the achievement of the 2022/23 savings measures. A number of the savings targets have been achieved, however as a direct result of the sufficiency and complexity pressures identified above the result is the unachieved savings of £1.278m (3% of the Children's Safeguarding & Care budget) reported.

- **Care Leavers** The number of care leavers requiring financial support for accommodation has been steadily rising over the last 12 months. As at 31st August 2022 there were 140 care leavers in receipt of financial support compared with 115 at the same time last year – a rise of 22%. The result is the forecast overspend of £0.315m for care leaver expenditure.

- **Adults with Learning Disabilities** The 2022/23 community care budget allowed a 2% across the board fee uplift to all providers across all care types. However, due to recent events such as the increase in the cost of living and the higher than anticipated increase in the living wage there have been strong representations from providers for an additional uplift in 2022/23. The forecast allows for a further uplift of 2% in fees across all providers (this equates to approximately £0.650m) and this is a significant reason for the predicted overspend on this budget. The current forecast overspend on the Adult LD community care budget is £0.883m (2.5% of the community care budget).At the same time, the 2022/23 savings target of £0.926m within the Adult LD community care budget is anticipated to be fully achieved through the specific savings strategies set out in the 2022/23 corporate budget proposals.

- **Home to School Transport.** The are several factors contributing to overspends in Home to School Transport. These include increased demand on the service (both at 5-16 ages, and 16 up until 19th birthday), increased numbers of children requiring single occupancy journeys (16% increase on this time last year), settings outside of the city being named in EHCPs (13% increase on this time last year) and increased contract prices on routes which accommodate dual placements, part-time timetables, alternative provision and post 16 provision. Local driver, vehicle passenger assistants, and vehicle shortages and increased fuel costs are resulting in the service receiving fewer and more costly bids on routes. These shortages are not unique to B&H, they are being seen across the country and a benchmarking exercise is underway to ascertain the scale of the problem by the DfE who have declared that nationally HTST is at significant risk of failure due to these unprecedented issues. There is increasingly less capacity in the local system to meet increasing demand, not just in the numbers of children requiring transport but the nature of the transport requirements.

The forecast for the 2022/23 central Dedicated Schools Grant is currently an overspend of £0.313m. More details are provided in Appendix 4.

4.5 **Adults Services:** The service is facing significant challenges in 2022/23 in mitigating the risks arising from increasing demands from client needs, supporting more people to be discharged from hospital when they are ready and maintaining a resilient local provider market. It is to be noted that this is after applying service pressure funding of £3.211m in 2022/23 which has been used to fund budget pressures resulting from the increased complexity and costs of care.

At this stage, £1.270m of the £2.224m 2022/23 savings plan are being forecast as unachievable this financial year. The impact of wider pressures that have emerged during the course of the year has resulted in increased forecast unit costs equating to a financial pressure of approx. £0.5m. Actions are focussed 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:** Overall these services are forecast to overspend by £1.716m. This is partially offset by an underspend on the Housing options budget of (£0.700m) and there is a financial recovery place to further reduce costs by (£0.200m). However, although the service has made good progress in meeting its budget savings, £0.275m of budget savings for 2022/23, are currently at risk. The overspend relates to the following elements:

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.

Emergency accommodation is forecast to overspend by £0.273m, a reduction of £0.243m since month 2 due to a reduction in the number of block booked properties. However, the level of spot purchase properties remained largely static during the summer months (102 as at 16th September 2022) and therefore cost reductions are lower for the remainder of the year and it is becoming more challenging to reach the forecast 45 units by 31st March 2023.

Repairs costs for leased TA properties have increased substantially and this budget is forecast to overspend by £0.476m, an increase of £0.264m on the month 2 forecast due to inflationary pressures and the backlog of repairs needed in the first half of the year. The costs of private sector leased properties for TA have continued to rise as contracts are renewed at higher rents and the forecast variance has increased by £0.196m as a result to a small overspend of £0.021m. The current number of empty leased properties in TA has steadily reduced so far this year as the backlog of works is cleared. However, there are still more properties empty for longer than the current budget allows for and the budget for rent loss on voids is forecast to overspend by £0.100m, although this is an improvement compared to the forecast at month 2 and this trend should continue into 2023/24. There is also an overspend on the contribution to the bad debt provision of £0.189m and £0.050m on loss of Housing Benefit Subsidy. These pressures are partially offset by a contribution of (£0.417m) from Homelessness Prevention Grant after other forecasts for prevention expenditure has been taken into account.

There are various short-term funds (such as the Household Support Fund) that the council can use to try to alleviate the rising cost of living for low-income households, which may mitigate some of this pressure going forward. For this year, the housing service has a one-off budget of £1.280m (carried forward from 2021/22) for homelessness prevention which may relieve the immediate rising cost of living pressures for households and therefore allow further reduction in EA/TA numbers as the year progresses. This budget is now forecast to underspend by £0.700m which alleviates some of the overspends above.

£0.275m of 2022/23 budget savings are at risk and even though numbers of households in Emergency Accommodation (EA) and Temporary Accommodation (TA) have reduced and £1.505m of savings have been made, the service is still overspending, largely as a result of new pressures on repairs and rental costs of TA and EA. There is a financial recovery plan in place to further reduce the numbers in EA and reduce costs by £0.200m. This will be challenging in the last six months of the year and it is likely that £0.075m of savings will remain unmet in year.

Separately to this, Seaside Homes is forecast to overspend by £0.320m due to similar pressures on repairs costs and void rent loss due to backlogs caused by the pandemic and current inflationary pressures. There is a further forecast overspend of £0.187m 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 is due to the 2 remaining hotels being decanted later than anticipated at budget setting time. The one remaining hotel is planned to be decanted during October.

The Housing Service will continue to work to improve this Temporary Accommodation overspend position in the new financial year. Housing are continuing to seek additional cost reductions to reduce the overspend further through the continuation of the Homelessness Transformation Programme which is an 'end to end' improvement programme to help the service improve its processes to reduce the use and length of stay in Temporary Accommodation by improving homeless prevention, 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 are also challenging savings in year of which most relate to additional income. Of the £2.730m savings proposed for the current financial year £0.986m is achieved or anticipated to be achieved, with the remaining £1.744m at risk.

Price increases have been applied, however the anticipated income has yet to be achieved as these areas are dependent on demand including tourism and visitor numbers. The most significant areas of shortfall are £0.605m for parking tariff increases, £0.872m for resident permit increases where demand has reduced and reduction of maintenance budgets of £0.080m within Property. These activities and services had been heavily impacted by COVID-19 in previous years and the services are starting to see recovery, but these targets will only be achieved if demand returns fully to pre covid levels.

The directorate also contains large budgets for the waste collection and street cleansing services which are forecasting greater than budgeted costs due to agency cover of vacant posts. As recruitment into these posts is conducted, high agency spend should reduce the overspend on these services. The overall effect of the above factors is a forecast risk of £1.803m for Month 5. The Directorate is applying financial recovery measures of reviewing expenditure budgets and income potential throughout the year to address budget overspends within Parking and Venues services. These financial recovery measures will seek to reduce the forecast risk to £1.524m.

4.8 **Governance, People and Resources:** There is a forecast pressure of £1.658m relating to current and former Orbis services which is split as follows:

£0.776m relates to the financial impact of disaggregating (withdrawing) various services including Business Operations (now part of Welfare, Revenues & Business Support), Finance, and HR. This relates both to the impact of reversing previously integrated roles, resulting in an associated loss of economies, as well as the realisation of unachieved savings in Business Operations due to the divergence of the partners' business requirements, including the procurement of different corporate HR and Finance systems and the associated impact on being able to achieve the planned integration and standardisation of services.

BHCC's contribution to the Partnership has also increased by £0.879m plus inflation in respect of continuing Orbis services. However, this cost primarily relates to IT&D and includes revenue and capital financing costs of addressing infrastructure, digital and service requirements in BHCC, together with an increase in service demands, for which it is required to contribute a higher contribution under the terms of the Inter-Authority Agreement.

4.9 **Corporately-held Budgets:** There is a forecast overspend of £4.703m on corporately-held budgets, however, this is primarily because the projected additional costs of the NJC Local Government pay award are held on this budget line until the pay award is officially confirmed and costs are allocated to directorates. The projected additional cost is £4.545m which is based on the employers' pay award offer of a £1,925 flat-rate increase for all NJC salaries. This is equivalent to a 6.3% increase on the payroll compared with the 2% increase included in the budget for 2022/23. This pressure is after allowing for the £1.260m remaining one-off provision for pay from the 2021/22 outturn.

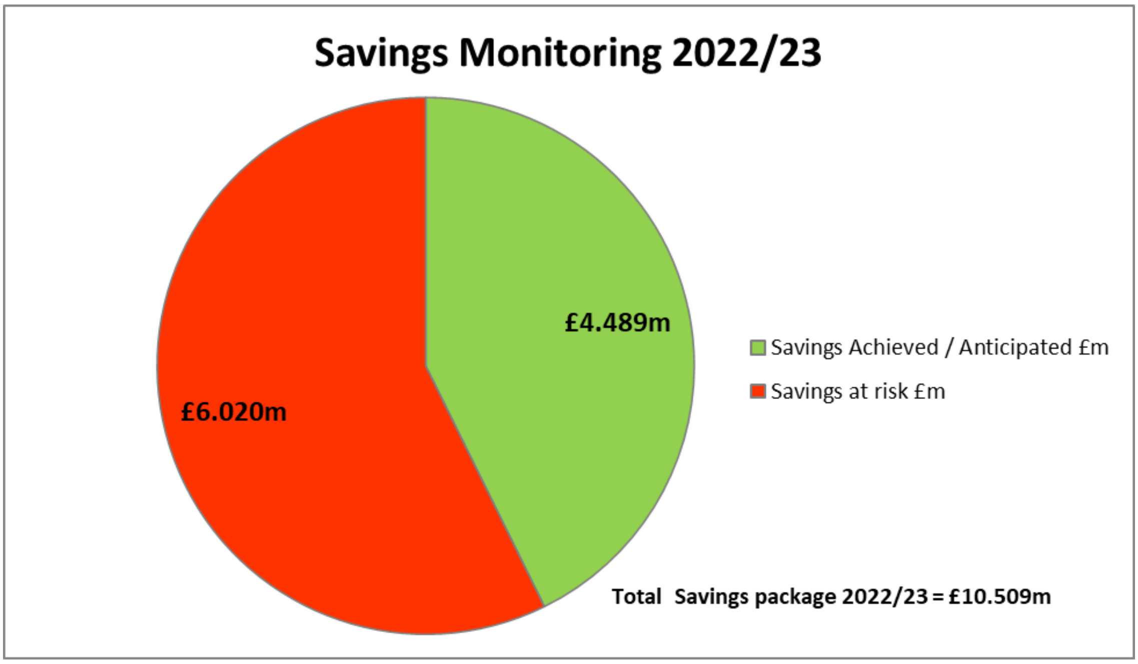
There is also an estimated pressure of £0.781m on Housing Benefit Subsidy income. Of this pressure, £0.482m relates to a particular benefit type for vulnerable tenants (Regulation 13) which is not fully subsidised. This is being investigated to fully understand the reasons for the growth in this area. There is also a pressure of £0.349m on the net recovery of overpayments and other areas. The surplus on the recovery of overpaid former council Tax Benefit is currently forecast at £0.050m.

The above are partially offset by increased investment income from investing cash balances of £0.560m which is predominantly due to the increasing interest rate environment which is driving up investment returns.

Monitoring Savings

4.10 The savings package approved by full Council to support the revenue budget position in 2022/23 was £10.509m following directly on from a £10.687m savings package in 2021/22. This is very significant and follows 12 years of substantial packages totalling over £199m, since government grant reductions commenced in 2009/10, that have been necessary to enable cost and demand increases to be funded alongside managing the reductions in central government grant funding.

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 5. This shows that £6.020m (57%) is currently at risk. 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. The forecast outturn is an overspend of £1.167m and more details are provided in Appendix 4.

5.2 This year will still be challenging for the HRA as the service has to deal with inflationary pressures, the rising costs of utilities, and continues to deal with the rent loss and other costs associated with the remaining backlog of empty properties. The service will continue to review spend to try to reduce this forecast overspend during the year. If this cannot be managed within budget then the overspend can be met from HRA reserves, as outline in the HRA budget report for 2022/23 the level of reserves continues to be monitored. Of this reported overspend £0.284m (24%) relates to the short term pressure on financing costs as a result of borrowing being undertaken early than anticipated in order to take advantage of more favourable interest rates.

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 currently an overspend of £0.313m and more details are provided in Appendix 4. Under the Schools Finance Regulations any underspend or overspend must be carried forward within the schools budget in future years.

7 NHS Managed S75 Partnership Performance (Appendix 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 overspend of £0.088m 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 overspend of £9.030m at this stage.

Forecast Variance Month 2 £'000	Directorate	Reported Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
0	Families, Children & Learning	31,323	31,288	(35)	-0.1%
0	Health & Adult Social Care	455	505	50	11.0%
0	Economy, Environment & Culture	89,136	97,023	7,887	8.8%
0	Housing, Neighbourhoods & Communities	6,725	6,725	0	0.0%

0	Housing Revenue Account	102,980	104,108	1,128	1.1%
0	Governance, People & Resources	2,142	2,142	0	0.0%
0	Total Capital	232,763	241,793	9,030	3.9%

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

8.2 The forecast overspend of £9.030m includes a variance of £7.887m for part of the loan facility agreements that require the council to provide equity loans to Homes for the City of Brighton & Hove LLP (LLP). However, these loans will not be required once the Golden Brick milestone is met at which point the development agreements will be triggered. All loans provided to the LLP are therefore expected to be repaid this year in full and the variance will then be negated. The remaining overspend relates primarily to the Victoria Road sports facilities and housing scheme due to cost over-runs. More details are provided in Appendix 6.

8.3 Appendix 6 shows the changes to the capital budget and Appendix 7 provides details of new schemes for 2022/23 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 5 £'000**
Budget approved as at TBM Month 2 (May)	233,494
Changes reported at other committees and already approved	4,306
New schemes to be approved in this report (see Appendix 7)	2,142
Variations to budget (to be approved)	4,429
Reprofiling of budget (to be approved)	(11,706)
Slippage (to be approved)	0
Total Capital	232,763

8.4 Appendix 6 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.

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.

9.2 The forecast risk at Month 5 indicates a number of underlying pressures, for example, across children's residential care, Adult Learning Disability services, homelessness, Orbis Services and some income targets. Excluding income pressures where every effort will be made to turn the positions around, the majority of expenditure pressures have been reflected in the Medium Term Financial Strategy projections reported to the July meeting of Policy & Resources Committee and will be kept under review as the 2023/24 budget process progresses and further TBM forecasts are provided during the year.

Capital Receipts Performance

9.3 Capital receipts are used to support the capital programme. Any changes to the level of receipts during the year will impact on future years' capital programmes and may impact on the level of future investment for corporate funds and projects such as the Strategic Investment Fund, Modernisation Fund, Asset Management Fund and the Information, Technology and Digital Investment Fund. The planned profile of capital receipts for 2022/23, as at Month 02, is £13.3m which includes receipts expected from the land transferring to the HRA for the Moulsecoomb housing redevelopment, land disposals at Patcham Court Farm, Patcham Place Lodge and Montague Place, plus a number of lease extensions. To date there have been receipts of £0.202m in relation to some minor lease payments and lease extensions. The capital receipts performance will be monitored over the remainder of the year against capital commitments.

9.4 The forecast for the 'right to buy sales' in 2022/23 (after allowable costs, repayment of housing debt and forecast receipt to central government) is that an estimated 40 homes will be sold and net retained receipt 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 £0.500m to fund investment in the HRA capital programme. To date 21 homes have been sold in 2022/23.

Collection Fund Performance

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

9.6 The council tax collection fund forecast deficit has increased by £0.899m to £2.485m for the financial year outside of the 3-year spread of the deficit from 2020/21 that is already funded. The main area resulting in the increased deficit is CTR awards where the caseload numbers have increased by 1.5% throughout June to August against a taxbase forecast that had assumed a reducing caseload as the economy recovered from the pandemic. The cost of living and other global factors would appear to be impacting recovery. The main components of the overall deficit are CTR awards £0.928m, Student exemptions £0.756m and SMI exemptions £0.697m. The council's share of the overall deficit of £2.485m is £2.105m.

9.7 The business rates collection fund forecast continues with a break-even position for the financial year outside of the 3-year spread of the deficit from 2020/21 that is already funded. There are a range of risks that could change this forecast significantly with the main uncertain factors being the level of business failures and any step increase in empty properties. This will, in part, be dependent on government support for business to manage inflationary impacts including energy costs.

Reserves, Budget Transfers and Commitments

9.8 The creation of reserves, the approval of budget transfers (virements) of over £0.250m, and agreement to new financial commitments of corporate financial significance that are not provided for in the approved budget and policy framework require 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 stage.

10 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

10.1 The provisional outturn position on the General Fund is an overspend of £13.114m. This includes a forecast overspend of £0.088m on the council's share of the NHS managed Section 75 services. Any overspend at year-end would normally need to be met from reserves or other one-off resources.

11 COMMUNITY ENGAGEMENT & CONSULTATION

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

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

12.1 The forecast risk at Month 5 of £13.114m represents 6.1% of the net General Fund. This is a very high forecast risk at this stage of the year and is driven by a range of factors including inflationary pressures, continuing economic and supply chain impacts from the pandemic, and other global economic factors such as the Russian war on Ukraine and withdrawal from the EU.

12.2 These factors are not easily overcome and the economic outlook suggests that the UK may enter into recession for a period of time which will put further pressure on many of the council's income streams but will also place continuing pressure on the Council Tax Reduction budget and potentially demand-led services such as social care, housing and homelessness. Directorates will continue to explore all possibilities for mitigating the position and identifying financial recovery measures but this will also need to be supplemented with more widespread financial management action to assist the position. Not making significant in-roads into the overspend has the potential to seriously impact the council's financial sustainability by depleting its reserves and significantly reducing its flexibility to manage large, predicted budget gaps in future years.

12.3 In response, the Executive Leadership Team have introduced widespread vacancy and spending controls to assist the position. These include introducing an automatic delay to recruitment advertising for vacant positions, excluding exemptions such as social care establishments, hostels and social workers, alongside increased spending controls to restrict non-critical spend and increase the level of authorisation required for the purchasing and commissioning of goods and services. All controls will be managed by Directorate Management Teams (DMTs) who will need to consider health & well-being impacts on staff as well as impacts on service delivery to clients and customers in making vacancy (recruitment) and spending decisions and can over-ride controls where necessary. However, some impact on staffing capacity and service delivery is likely but clearly cannot undermine the council's statutory duties and responsibilities.

13 FINANCIAL AND OTHER IMPLICATIONS

<u>Financial Implications:</u>

13.1 The financial implications are covered in the main body of the report. Financial performance is kept under review on a monthly basis by the Executive Leadership

Team and the management and treatment of forecast risks is considered by the Audit & Standards Committee as part of its review of strategic risks.

Finance Officer Consulted: Jeff Coates *Date: 20th September 2022*

Legal Implications:

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

Lawyer Consulted: Elizabeth Culbert *Date: 26th September 2022*

Equalities Implications:

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

Sustainability Implications:

13.4 Although there are no direct sustainability implications arising from this report, the council's financial position is an important aspect of its ability to meet council priorities including Carbon Neutral priorities set out in the Corporate Plan.

Risk and Opportunity Management Implications:

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

SUPPORTING DOCUMENTATION

Appendices:

1. Financial Dashboard Summary
2. Revenue Budget Movement since Month 2
3. Revenue Budget RAG Rating
4. Revenue Budget Performance
5. Summary of 2022/23 Savings Progress
6. Capital Programme Performance
7. New Capital Schemes