Brighton & Hove City Council

Policy & Resources Committee	Agenda Item 123

Subject:		**Targeted Budget Management (TBM) 2022/23: Month 9 (December)**		
Date of Meeting:		**9 February 2023**		
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 9 on the council's revenue and capital budgets for the financial year 2022/23.

1.2 The forecast risk for 2022/23 at Month 9 is a £6.573m overspend on the General Fund revenue budget, approximately 2.7% of the net budget, including a forecast underspend of £0.345m on the council's share of the NHS managed Section 75 Mental Health services. This is a high projection at this late stage of the year and reflects the significant and unexpected inflationary impacts being experienced by the council across its contracts and supplies, together with the cost of the national Local Government NJC pay award. A key factor is the impact that inflation is having on the achievement of savings programmes, particularly across social care, with 45% of the 2022/23 savings package of £10.509m currently forecast to be at risk due primarily to inflationary pressures.

1.3 There are also impacts relating to the cost of living situation and economic conditions which have impacted some income sources such as planning fees, parking permits and commercial rents as well as continuing to drive higher Council Tax Reduction claimant numbers and homelessness.

1.4 The forecast presents a significant financial risk that, if not managed down significantly, will impact on the level of the council's Working Balance which would need to be utilised to fund any overspend. However, strict spending and recruitment controls will now remain in place until the end of the financial year and it is estimated that these will improve the forecast by a further £2m at outturn resulting in an overspend of around £4.5m (1.8%).

2 RECOMMENDATIONS:

2.1 That the committee note the forecast risk position for the General Fund, which indicates a potential forecast overspend risk of £6.573m. This includes an underspend of £0.345m on the council's share of the NHS managed Section 75 services.

2.2 Note that spending and recruitment controls will now remain in place until 31 March 2023 and, together with ongoing financial management actions, this is expected to improve the forecast by a further £2m by 31 March 2023 (outturn).

2.3 That the committee note the forecast for the Housing Revenue Account (HRA), which is currently an overspend of £1.295m.

2.4 That the committee note the forecast position for the Dedicated Schools Grant which is currently an overspend of £0.053m.

2.5 That the committee note the forecast outturn position on the capital programme which is a forecast underspend of £1.002m 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)

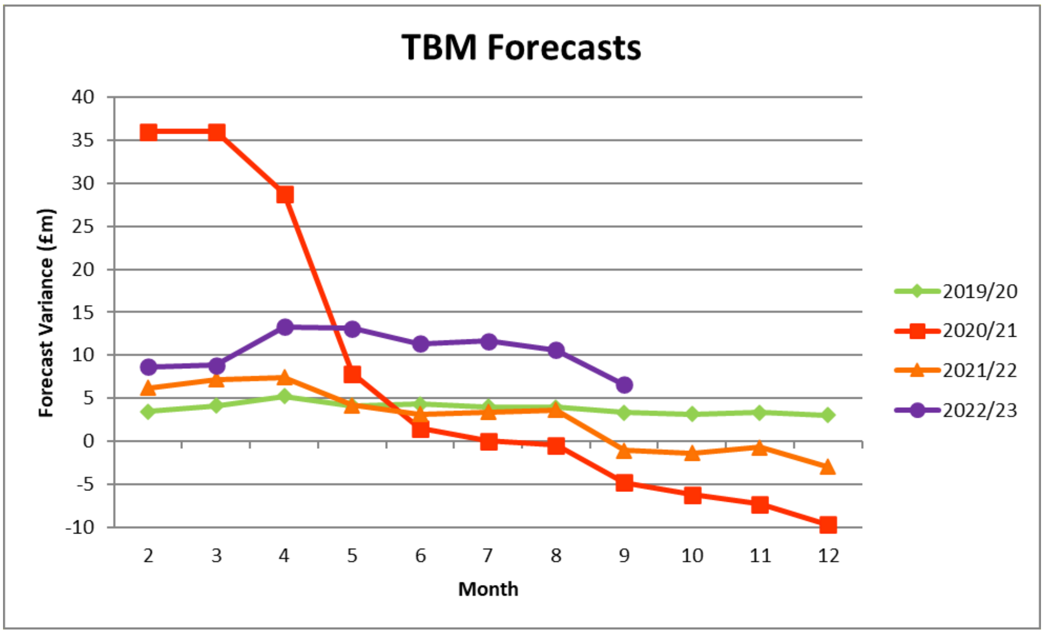
4 General Fund Revenue Budget Performance (Appendix 4)

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		2022/23 Budget	Forecast Outturn	Forecast Variance	Forecast Variance

Month 7 £'000	Directorate	Month 9 £'000	Month 9 £'000	Month 9 £'000	Month 9 %
3,173	Families, Children & Learning	105,568	108,331	2,763	2.6%
587	Health & Adult Social Care	76,799	76,213	(586)	-0.8%
2,447	Economy, Environment & Culture	45,052	45,656	604	1.3%
862	Housing, Neighbourhoods & Communities	26,642	26,786	144	0.5%
1,241	Governance, People & Resources	33,145	34,047	902	2.7%
8,310	Sub Total	287,206	291,033	3,827	1.3%
3,327	Corporately-held Budgets	(40,392)	(37,646)	2,746	6.8%
11,637	Total General Fund	246,814	253,387	6,573	2.7%

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.

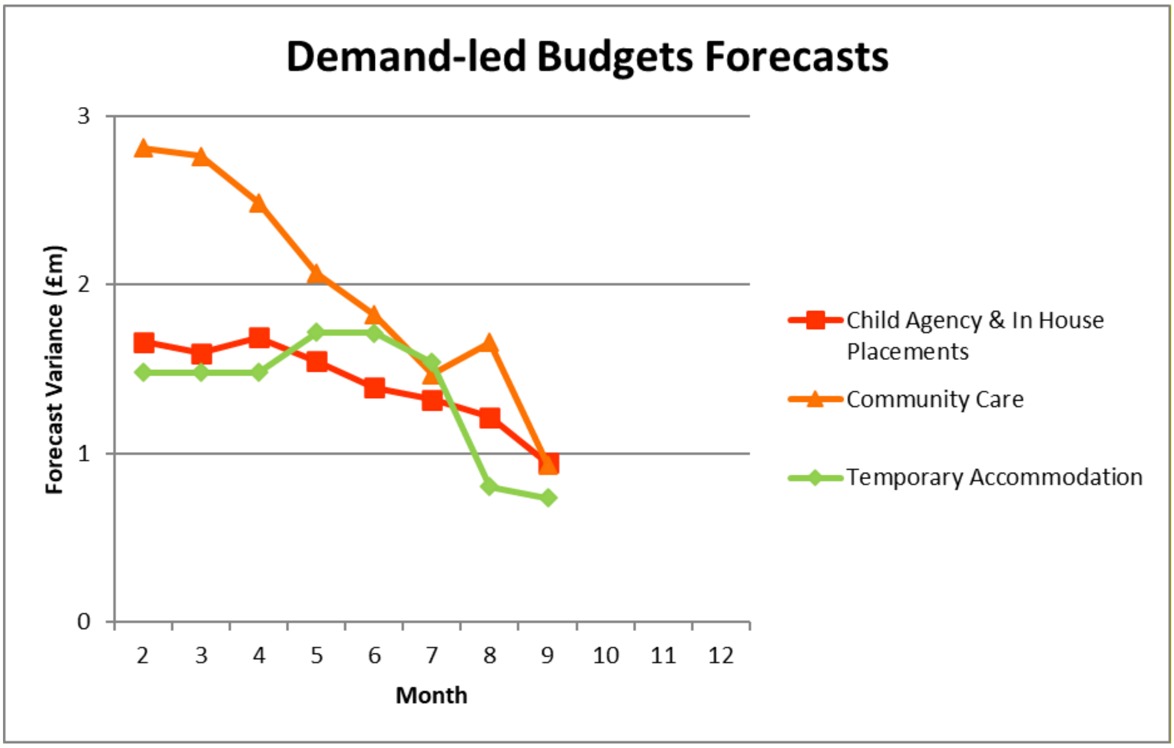


Demand-led Budgets

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 Variance Month 7 £'000	Demand-led Budget	2022/23 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
1,318	Child Agency & In House Placements	24,419	25,362	943	3.9%
1,466	Community Care	86,019	86,952	933	1.1%
1,537	Temporary Accommodation	3,643	4,377	734	20.1%
4,321	Total Demand-led Budget	114,081	116,691	2,610	2.3%

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 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 significant cost pressures: £0.730m on Children's Social Care Services, £0.679m on Adult Learning Disabilities Community Care, £0.442m on in-house adult provision and £1.158m on Home to School transport. These, together with other variances of (£0.246m) result in a forecast overspend of £2.763m overspend as at Month 9. 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 8%. The post-pandemic period has seen children with increasingly complex needs 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 impact of the increasing complexity of need has resulted in a small number of very high-cost placements with a combined cost of £1.848m at an average unit cost of £13,493 per week. The cost pressures on Residential and Semi-independence placements, resulting in a forecast overspend of £2.188m, has had a concomitant adverse impact on the achievement of the 2022/23 savings measures.
  However, a number of the savings programmes have progressed well in terms of implementing the planned actions and changes, but as a direct result of the sufficiency and complexity pressures identified above the result is unachieved savings of £1.100m (2.5% of the Children's Safeguarding & Care budget) being 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 December 2022 there were 151 care leavers in receipt of financial support compared with 127 at the same time last year – a rise of 19%. The result is the forecast overspend of £0.437m for care leaver expenditure.

- **Adults with Learning Disabilities (Community Care**): The 2022/23 community care budget allowed an initial 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 £0.679m (2% of the community care budget). At the same time, the 2022/23 savings programme for Adult LD has progressed well and the gross target of £0.926m is anticipated to be fully achieved

through the specific savings strategies set out in the 2022/23 corporate budget proposals.

- **Home to School Transport:** Pressures on this service are severe and there are several factors contributing to overspending. 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 together with 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.

Elsewhere, the forecast for the 2022/23 central Dedicated Schools Grant is an overspend of £0.053m. More details are provided in Appendix 4.

4.5 **Adults Services:** The service is facing ongoing 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. There have been additional one-off grants allocated to the service to support hospital discharges and reduce associated pressures on the NHS, which has helped mitigate pressures within the directorate this financial year.

At this stage, £1.345m of the £2.353m 2022/23 savings plan are forecast to be unachievable this financial year, and this is accounted for in the forecast underspend of £0.286m. 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 the system due to short-term grant funding and no long-term funding solution;
- Significant pressures on the acute hospital resulting in increased costs to support timely discharge into residential, nursing and home care;
- 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;

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 £0.734m, an improvement of £0.803m since Month 7. The service has made good progress in meeting its budget savings and is just £0.180m short of its £1.780m target due to reductions in the number of households in emergency accommodation happening later than expected. 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. This pressure has now been met by an extra £1.006m Homeless Prevention Grant allocation in December 2022.

A small overspend of £0.024m on employee costs across TA/EA.

An underspend of (£0.100m) relating to the feasibility work for the possible introduction of an ethical lettings agency which Housing Committee agreed not to pursue at this time

Emergency accommodation is forecast to overspend by £0.130m, an improvement compared to a forecast £0.292m at month 7 as a result of the numbers of households in EA reducing throughout the year. There are plans to reduce levels further in the remainder of the year to reduce spend and get closer to the savings target, however, this is proving more difficult in recent months as there have been more placements than forecast and also moves out of emergency accommodation slowed down over the festive period.

The overall cost of private sector leased TA is forecast to overspend by £0.686m. The largest pressure on this budget is the repairs costs for leased TA properties which is forecast to overspend by £0.409m due to inflationary pressures and the backlog of repairs needed in the first half of the year. There is also a forecast overspend on the contribution to the bad debt provision of £0.279m and £0.153m on Housing Benefit Subsidy. 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 still overspending by £0.126m. The rental costs of private sector leased properties for TA have continued to rise as contracts are renewed at higher rates but there are now fewer properties, and so the net rental costs are forecast to underspend by (£0.242m) with further minor overspends across this service of (£0.039m).

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. This budget is now forecast to underspend by £0.900m which alleviates a large proportion of the overspends above but still allows for significant spend for the remainder of the year to prevent homelessness and reduce costs.

Even though numbers of households in Emergency Accommodation (EA) and Temporary Accommodation (TA) have reduced and the majority of the £1.780m of savings have been made, the service is still overspending, largely as a result of inflationary pressures on repairs and rental costs of TA and EA.

Separately to this, Seaside Homes is forecast to overspend by £0.599m due to similar pressures on repairs costs, the contribution to bad debt provision and void rent loss due to backlogs caused by the pandemic and current inflationary pressures.

The Housing service will continue 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 the prevention of homelessness, improve void turnaround times in emergency accommodation, and improving income collection thereby continuing to reduce costs in 2022/23 and future years 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 £1.130m net of pressures is achieved or anticipated to be achieved, with the remaining £1.600m at risk but with signs of improvement.

Price increases have been applied, however the anticipated income has yet to be fully 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, £0.689m for resident permit increases where demand has reduced, £0.070m reduction of agency budgets for

CityClean, £0.057m for increased Development Planning fees & charges 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-pandemic levels.

The directorate also holds 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 these factors is a forecast risk of £0.678m for Month 9.

The Directorate is applying financial recovery measures of reviewing expenditure budgets and income potential throughout the year to address budget overspends within the Venues services. These financial recovery measures will seek to reduce the forecast risk to £0.604m. This is an improvement of £1.843m since Month 7 due to spending and recruitment controls to address the financial position including delayed expenditure and vacancy freezes, as well as positive trends in some income areas.

4.8 **Governance, People and Resources:** There is a forecast pressure of £1.567m relating to current and former Orbis services which is split into three main components as follows:

£0.685m 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 unable to achieve the planned integration and standardisation of services.

BHCC's contribution to the Partnership has also increased by £0.755m in respect of continuing Orbis services. However, this cost primarily relates to IT&D and includes revenue and capital financing costs of addressing historic under-investment including 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.

The separate pressure relating to BHCC's share of an expected Orbis Partnership overspend of £0.300m in 2022/23 is currently £0.127m.

4.9 **Corporately-held Budgets:** There is a forecast overspend of £2.746m on corporately-held budgets, however, this is primarily because the projected additional costs of the NJC Local Government 2022/23 pay award are held on this budget line. The projected additional cost is £5.067m which is based on the employers' pay award offer of a £1,925 flat-rate increase for all NJC salaries plus an uplift of allowances and an additional days' leave.

This is £0.522m higher than initially estimated. 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.

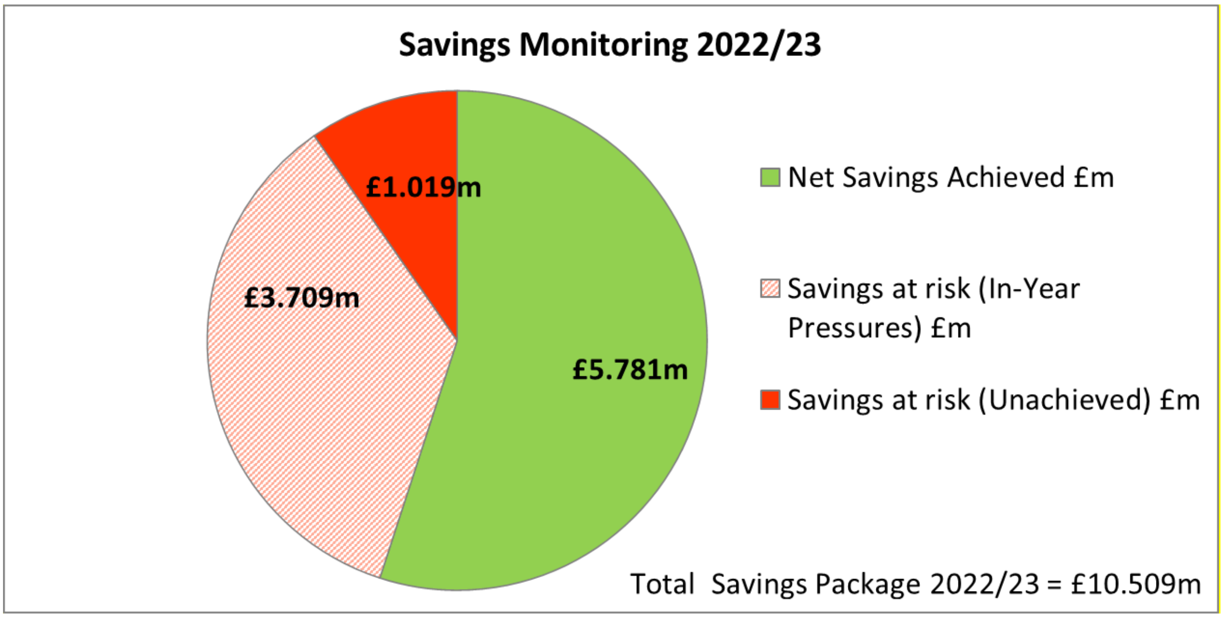
There is also an estimated pressure of £0.761m on Housing Benefit Subsidy income. Of this pressure, £0.550m relates to a particular benefit type for vulnerable tenants (Regulation 13) which is not fully subsidised. This is being investigated to fully understand the reasons for the growth in this area and identify potential actions to minimise future subsidy losses. There is also a pressure of £0.281m on the net recovery of overpayments and other areas. The surplus on the recovery of overpaid former council Tax Benefit is currently forecast at £0.070m.

The above are partially offset by increased investment income from investing cash balances of £2.441m which is predominantly due to the increasing interest rate environment which is driving up investment returns. There is also a saving of £0.406m following the reversal of the National Insurance increase from November and £0.383m following the release of unrequired contingency items.

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 £198m that have been necessary to enable cost and demand increases to be funded alongside managing substantial 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, what has been offset by in year pressures and the net position of savings 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 in total £4.728m (45%) is currently at risk. This is made up of £1.019m of unachieved savings and £3.709m of savings that were achieved but have been offset by in-year pressures detailed earlier. 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 which covers income and expenditure related to the management and operation of the council's housing stock. Expenditure is generally funded by Council Tenants' rents and housing benefits (rent rebates). The forecast outturn is an overspend of £1.295m and more details are provided in Appendix 4.

The HRA is having to manage the rising cost of inflation, including costs of utilities and repairs to tenants' homes alongside increasing support for tenants. Work also continues to address the rent loss and other costs associated with the remaining backlog of empty properties, albeit it is still anticipated that this will exceed the budget set in February 2022. The reported overspend also includes a short term pressure relating to financing costs as a result of borrowing being undertaken early than anticipated in order to take advantage of more favourable interest rates.

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 will be met from other HRA resources including reviewing the revenue contribution to capital and reserves position, as outlined in the HRA budget report for 2022/23 the level of reserves continues to be monitored.

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 £0.053m 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 £0.345m 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 £1.002m at this stage.

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 %
(35)	Families, Children & Learning	10,628	10,593	(35)	-0.3%
50	Health & Adult Social Care	455	513	58	12.7%
7,887	Economy, Environment & Culture	61,870	61,870	0	0.0%
0	Housing, Neighbourhoods & Communities	5,476	5,336	(140)	-2.6%
1,128	Housing Revenue Account	81,208	80,438	(770)	-0.9%
0	Governance, People & Resources	2,057	1,942	(115)	-5.6%
9,030	Total Capital	161,695	160,693	(1,002)	-0.6%

8.2 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.

	Reported Budget Month 9

Summary of Capital Budget Movement	£'000
Budget approved as at TBM month 7 (October)	221,002
Changes reported at other committees and already approved	(11,608)
New schemes to be approved in this report (see Appendix 5)	80
Variations to budget (for approval)	3,100
Reprofiling of budget (for approval)	(47,211)
Slippage (for approval)	(3,668)
Total Capital	**161,695**

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 and Digital Investment Fund. The planned profile of capital receipts for 2022/23, as at Month 9, is £1.3m which includes receipts expected from Patcham Place Lodge, 8-9 Kings Road plus a number of lease extensions. To date there have been receipts of £0.968m in relation to the sale of Patcham Place Lodge plus some minor lease payments and lease extensions. The capital receipts performance will be monitored over the remainder of the year against capital commitments

9.3 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 £3.500m 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 29 homes have been sold in 2022/23.

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 forecast deficit has decreased by £0.377m to £1.798m for the financial year outside of the 3-year spread of the deficit from 2020/21 where the final year repayment is within the budget projection for 2023/24. The main reason for the change is an increased liability from new properties and banding changes. The main components of the overall deficit are Severely Mentally Impaired (SMI) exemptions £0.886m, Council Tax Reduction (CTR) awards £0.636m, student exemptions £0.348m, single person discounts £0.258m and patient exemptions £0.242m, all partially offset by increased liability from new properties and banding changes (£0.690m). The council's share of the overall deficit of £1.798m is £1.523m.

9.6 The business rates retained forecast for 31 March 2023, including S31 compensation grant funding and S31 timing reserve, is due to result in a surplus for the council of £1.573m. The surplus has arisen from a combination of the partial release of appeals provisions for both the 2010 and 2017 lists as well as reduced award of mandatory charity relief and increased liability. There are a range of risks that could change this forecast with the main variable 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

9.7 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. At this stage there are no items requiring approval.

10 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

10.1 The provisional outturn position on the General Fund is an overspend of £6.573m. This includes a forecast underspend of £0.345m on the council's share of the NHS managed Section 75 services. This is estimated to improve further by £2m due to the continued application of spending and recruitment controls until 31 March 2023 alongside ongoing financial management actions.

10.2 Any overspend at year-end would need to be met from available one-off resources or the Working Balance. Use of the latter will require replenishment of the Working Balance to the approved level, currently £9m, over the period of the medium term financial strategy (4 years).

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) AND OTHER MATTERS

12.1 The forecast overspend as at Month 9 is £6.573m which is an important forecast in the context of setting the budget for next year. This is because the month 9 forecast accompanies the annual General Fund Budget Report to Policy & Resources Committee which must demonstrate how the council will achieve a balanced budget for 2023/24 including addressing any implications for one-off resources. An overspend in the current year would need to be met by identified one-off resources. The overall position of one-off resources is therefore set out in the General Fund Budget Report, including any projected overspend in 2022/23.

12.2 However, in this respect, the overspend projection for this year is expected to improve further because current spending and recruitment controls will now need to remain in place through to 31 March 2023. In addition, there are discussions regarding further NHS funding that are expected to alleviate winter pressure further. The estimated improvement by year-end is expected to be approximately £2m and this will be assumed in the General Fund Budget report. The actual funding of one-off resource requirements will not be confirmed until the final revenue budget outturn is determined in May/June alongside the final Collection Fund deficit and any other identified calls on one-off resources.

12.3 The primary sources for meeting any outturn overspend, Collection Fund deficit and other one-off requirements will be:

i) Any reserves able to be released through the normal review of reserves undertaken as part of the budget process;

ii) Any new unallocated one-off resources received by the council and available for general use, and;

iii) Where these are insufficient to meet all one-off demands, use of the council's Working Balance.

Regarding iii) above, any use of the Working Balance would need to be replenished to an agreed level, currently £9m, over the medium term financial strategy period.

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.

Finance Officer Consulted: Jeff Coates *Date: 23rd January 2023*

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: 23rd January 2023*

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. 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:

13.5 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. 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 2022/23 Savings Progress
6. Capital Programme Performance
7. New Capital Schemes

Documents in Members' Rooms:
None.

Background Documents
None