

<b>Subject:</b>	<b>Targeted Budget Management (TBM) 2017/18: Month 2</b>		
<b>Date of Meeting:</b>	<b>13 July 2017</b>		
<b>Report of:</b>	<b>Executive Director of Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Nigel Manvell</b>	<b>Tel:</b> 29-3104
	<b>Email:</b>	<b>Nigel.manvell@brighton-hove.gov.uk</b>	
<b>Ward(s) affected:</b>	<b>All</b>		

Note: The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that key financial information needed to finalise the month 2 Targeted Budget Management, position were not available in time to meet the statutory reporting deadline.

## **FOR GENERAL RELEASE**

### **1 SUMMARY AND POLICY CONTEXT:**

- 1.1 The Targeted Budget Monitoring (TBM) report is a key component of the council's overall performance monitoring and control framework. This report sets out an early indication of forecast risks as at Month 2 on the council's revenue and capital budgets for the financial year 2017/18.
- 1.2 As set out in the General Fund Revenue Budget 2017/18 report to Budget Council, £14.7m was provided for in the budget to meet identified service pressures across social care and homelessness services. This sum substantially covered identified demand led pressures. As a result, maintaining a risk provision at £1.500m, as in previous years, was considered adequate to meet potential demand risks and/or difficulties in delivering savings targets. The report highlighted that with demand led pressures funded, the focus in 2017/18 would be on strengthening budget accountability, managing demand effectively and localising risk management in services wherever possible, rather than reliance being placed on corporate mitigations or controls.
- 1.3 The forecast risk for 2017/18 at this early stage is £1.375m on the General Fund reflecting the situation outlined above. This includes a forecast breakeven position on the council's share of the NHS managed Section 75 services.
- 1.4 This position compares to early forecasts in previous years of £9.430m in 2015/16 and £3.745m in 2016/17 and therefore indicates an improved starting position for the financial year by comparison. Taking into account the available risk provisions of £1.500m, the council's financial position is therefore in a manageable position at this point in the year, however, utilising risk provisions

should be avoided if at all possible as these resources are highly likely to be required for future years as the financial challenges increase.

- 1.5 The report also indicates that a significant element of the substantial savings package in 2017/18 of £21.367m is on track with £19.288m either achieved or anticipated to be achieved. Savings at risk (£2.107m) are included in the overall service forecasts.

## **2 RECOMMENDATIONS:**

- 2.1 That the Committee note the forecast risk position for the General Fund, which indicates a budget pressure of £1.375m. This includes a break-even position on the council's share of the NHS managed Section 75 services.
- 2.2 That the Committee note that total recurrent and one-off risk provisions of £1.500m are available to mitigate the forecast risk if the risks cannot be completely eliminated by year-end.
- 2.3 That the Committee note the forecast for the Housing Revenue Account (HRA), which is currently a break-even position.
- 2.4 That the Committee note the forecast risk position for the Dedicated Schools Grant which is an overspend of £0.242m.
- 2.5 That the Committee note the forecast outturn position on the capital programme and approve the variations and slippage in Appendix 4 and the new schemes as set out in Appendix 5.
- 2.6 That the Committee approve a virement within the ring-fenced HRA transferring £0.750m from the revenue repairs and gas services budgets to investment in the HRA capital programme (paragraph 3.11).
- 2.7 That the Committee approve the allocation of the available 2016/17 outturn underspend as set out in paragraph 3.26.
- 2.8 That the Committee approve the allocation of the additional £0.250m Concessionary Fares saving as set out in paragraph 3.27.
- 2.9 That the Committee approve a virement allocating Improved Better Care Funding of £4.643m to Health & Adult Social Care and £0.450m to Families, Children & Learning (see Adult Social Care section of Appendix 2).
- 2.10 That the Committee note that the Chief Executive exercised urgency powers in accordance with the constitution, after consultation with the Chair of this Committee, to provide £0.030m of short term loan financing to the Saltdean Lido Community Interest Company (paragraph 6.3).

## **3 RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:**

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

- 3.1 The TBM framework focuses on identifying and managing financial risks on a regular basis throughout the year. This is applied at all levels of the

organisation from Budget Managers through to Policy, Resources & Growth Committee. Services monitor their TBM position on a monthly or quarterly basis depending on the size, complexity or risks apparent within a budget area. TBM therefore operates on a risk-based approach, paying particular attention to mitigation of growing cost pressures, demands or overspending through effective financial recovery planning together with more regular monitoring of high risk demand-led areas as detailed below.

3.2 The TBM report is normally split into 8 sections as follows:

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

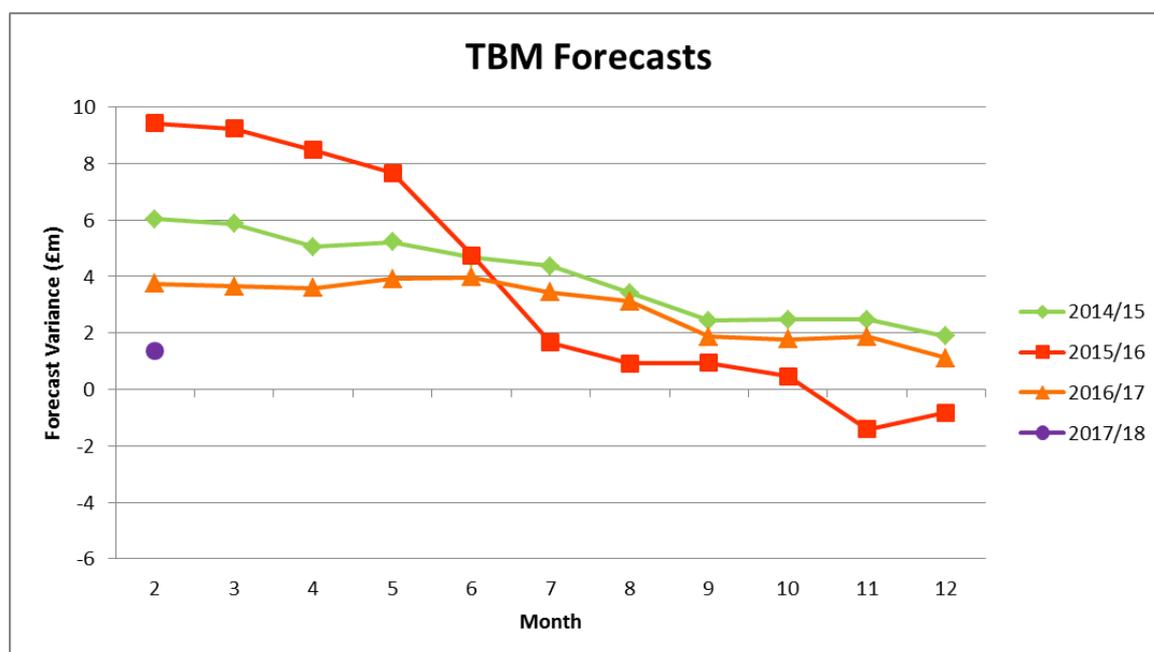
### **General Fund Revenue Budget Performance (Appendix 2)**

3.3 The table below shows the provisional outturn for Council controlled revenue budgets within the General Fund. These are budgets under the direct control and management of the Executive Leadership Team. More detailed explanation of the variances can be found in Appendix 2.

<b>2016/17 Outturn Variance £'000</b>	<b>Directorate</b>	<b>2017/18 Budget Month 2 £'000</b>	<b>Forecast Outturn Month 2 £'000</b>	<b>Forecast Variance Month 2 £'000</b>	<b>Forecast Variance Month 2 %</b>
3,945	Families, Children & Learning	83,170	84,827	1,657	2.0%
1,354	Health & Adult Social Care	50,390	50,390	0	0.0%
(1,885)	Economy, Environment & Culture	28,549	28,824	275	1.0%
724	Neighbourhood, Communities & Housing	15,239	15,239	0	0.0%
(879)	Finance & Resources	18,085	17,615	(470)	-2.6%
(300)	Strategy, Governance & Law	4,795	4,795	0	0.0%
2,959	<b>Sub Total</b>	<b>200,228</b>	<b>201,690</b>	<b>1,462</b>	<b>0.7%</b>
(4,309)	Corporate Budgets	8,738	8,651	(87)	-1.0%
(1,350)	<b>Total General Fund</b>	<b>208,966</b>	<b>210,341</b>	<b>1,375</b>	<b>0.7%</b>

3.4 The General Fund includes general council services, corporate budgets and central support services. Corporate budgets include centrally held provisions and budgets (e.g. insurance) as well as some cross-cutting value for money savings targets. Note that General Fund services are accounted for separately

to the Housing Revenue Account (Council Housing). Note also that although part of the General Fund, financial information for the Dedicated Schools Grant is shown separately as this is ring-fenced to education provision (i.e. Schools). The chart below shows the monthly forecast variances for 2017/18 and the previous three years for comparative purposes.



### Demand-led Budgets

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

2016/17 Outturn Variance £'000	Demand-led Budget	2017/18 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
2,346	Child Agency & In House Placements	20,835	22,631	1,796	8.6%
3,824	Community Care	54,932	55,429	497	0.9%
1,062	Temporary Accommodation	2,884	2,884	-	0.0%
7,232	Total Demand-led Budget	78,651	80,944	2,293	2.9%

### Summary of the position at Month 2

Clearly, the main pressures identified at Month 2 are across the Families, Children & Learning directorate but pressures in other directorates are being contained as summarised below:

- 3.6 **Families, Children & Learning:** The initial forecast budget risk across Families, Children and Learning was £3.024m primarily resulting from increased demand pressures on services for Children in Care, particularly adolescents with very complex needs and adults with learning disabilities. This pressure continued to build during the last quarter of 2016/17 at a faster rate than estimated at the point of Budget Council on 23 February. As a result, some of the social work cost pressures have continued through from last year.

Subsequently the directorate has put together a financial recovery plan to address the financial risks. However, there still remain significant financial pressures on services for Children in Care and adults with learning disabilities. In addition there are a number of significant, although smaller emerging financial risks in Able & Willing, respite services for children with disabilities, nurseries, and supporting families with no recourse to public funds. These are being closely monitored but have had an adverse impact on the Families, Children and Learning Directorate 2017/18 budget position.

The current projected position has identified potential cost pressures of £0.726m on services for adults with learning disabilities, £0.100m on council nurseries and children's centres and £1.803m on children's placement budgets. Together with other overspending budgets of £0.147m, this explains the gross forecast risk of £2.776m as at Month 2.

After taking into account financial recovery measures of £1.119m the net position currently shows an overspend of £1.657m. Details of the areas targeted for financial recovery are in appendix 2. Further actions and ongoing demand management are taking place to reduce this level of projected overspend further over the course of the year.

- 3.7 **Adults Services:** The service is facing significant challenges in 2017/18 in mitigating the risks arising from increasing demands from client needs, supporting more people to be discharged from hospital when they are ready and maintaining the provider market. This is alongside delivering a significant budget savings programme and developing integration plans through the Better Care Fund. However, the service has received significant additional funding and is currently able to forecast a break-even position at Month 2. This also reflects the implementation of a number of initiatives to improve the financial stability of the directorate in previous years, which have helped to contain the forecast risk. These initiatives focused on attempting to manage the demands on, and costs of, community care placements across Assessment Services and making the most efficient use of available funds.

In particular, 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 may not always meet people's aspirations. This forms a key part of savings implementation plans. Through regional and other social care networks the service will continue to adopt best practice for the delivery of cost effective services in order to influence future direction - this includes demand management strategies and identifying opportunities through Housing provision for example.

At this stage, all the approved budget savings of £4.873m are anticipated to be achieved in this financial year.

This forecast position is not however without risk and there remain concerns over the costs of increasing complexity of need, increasing numbers of older people being discharged from hospital requiring social care services for the first time, pressures on the in house older people resource centres and the cost of managing Deprivation of Liberty Standards (DoLS) cases.

- 3.8 **Housing Services and Temporary Accommodation:** Temporary Accommodation overspent by £1.062m in 2016/17. This was driven by a combination of external factors including a large decant programme, a shortage of alternative contracted accommodation and high replacement housing costs. In 2017/18 the temporary accommodation budget has been supported by additional funding to address the budget pressures. However, the service has also been given substantial budget savings to deliver.

Notwithstanding the above, the latest forecast position for 2017/18 is that Temporary Accommodation is expected to be able to break-even.

Following the introduction of the new housing allocation policy both the costs and volumes of spot purchasing of emergency accommodation have already significantly reduced. The £1.300m trailblazer project initiatives should deliver initial reductions in accommodation volumes by the final quarter of 2017/18 and then the planned substantial reduction in households in temporary accommodation by the end of 2018/19. There are risks associated with this in terms of the roll out of Universal Credit and the impact this may have on homelessness in the city, and the likely introduction of the Homeless Reduction Act which places more duties upon the local authority but these will be closely monitored.

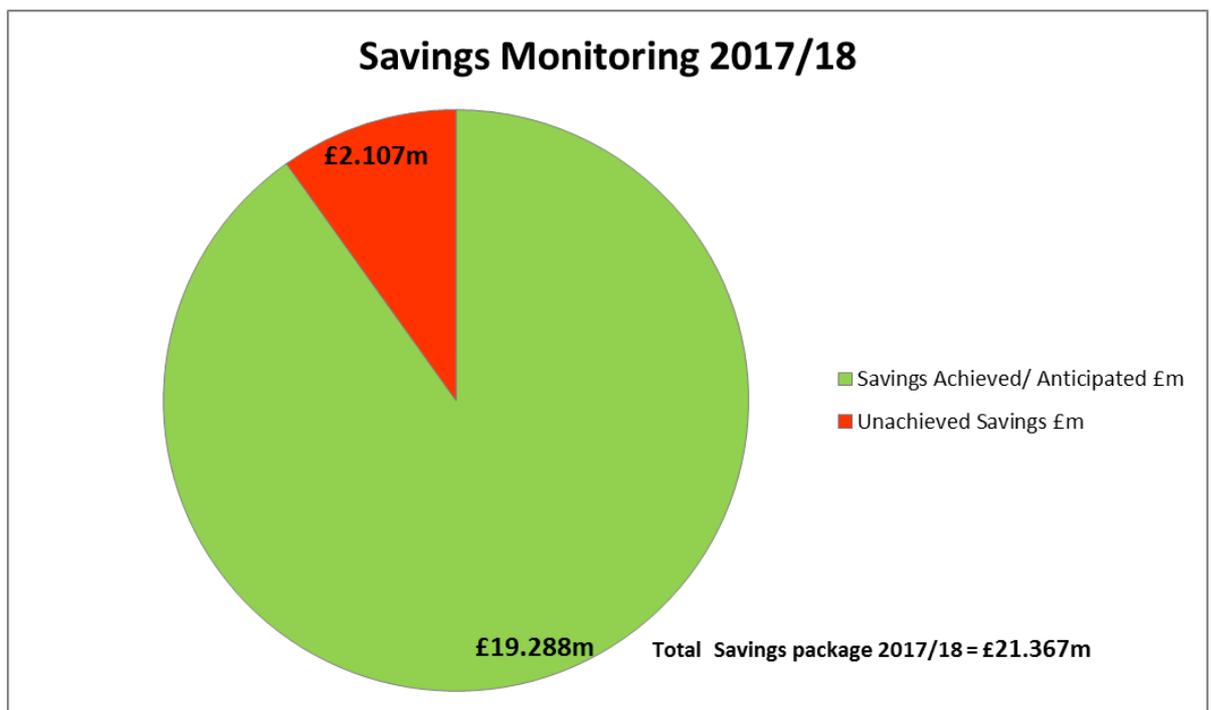
Housing Benefit for households in temporary accommodation changed this year so that the £60 per week management element has been replaced by the Flexible Homelessness Support Grant. The forecast number of households in temporary accommodation requires £4.500m of this grant to enable the service to break-even. An additional allocation of £0.200m is required to cover unmet savings in the short term, in order to allow lead in time for the delivery of the Trailblazer project and the transformation of the service.

Overall, the break-even forecast is therefore subject to the following risks:

- Potential delays in the delivery of the Trailblazer project (mobilisation time);
- Increased void costs in temporary accommodation (a greater volume of move on into permanent housing creates more churn and hence more voids);
- A budget pressure may arise as a result of the transfer of budgets to Housing which may prove to be insufficient for the work carried out to house Adults and Children's Services clients;
- The roll out of Universal Credit from autumn 2017 (reduction in benefit recovery from clients);
- External pressures outside of the service control (higher than forecast private sector rent increases, greater numbers of homeless acceptances).

### **Monitoring Savings**

- 3.9 The savings package approved by full Council to support the revenue budget position in 2017/18 was £21.367m following directly on from a similar-sized savings package in 2016/17. This is very significant and follows 6 years of substantial packages totalling nearly £119m that have been essential to enable cost and demand increases to be funded.
- 3.10 Appendix 2 provides a summary of savings in each directorate and indicates in total what is anticipated/achieved or is at risk. Appendix 3 summarises the position across all directorates and presents the entire savings programme. The graph below provides a summary of the position as at Month 2 which is an early indication. This shows that delivery is broadly on track with £2.107m (10%) currently at risk. Mitigation of these risks is included in the development of services' financial recovery actions.



*Note: Savings Achieved/Anticipated includes an overachievement of savings of £0.028m*

### **Housing Revenue Account Performance (Appendix 2)**

- 3.11 The Housing Revenue Account is a separate ring-fenced account which covers income and expenditure related to the management and operation of the council's housing stock. Expenditure is generally funded by Council Tenants' rents. The forecast outturn is currently a break even position and more details are provided in Appendix 2.

The 2017/18 HRA budgets are being realigned by transferring £0.750m from the revenue repairs and gas services budgets to investment in the HRA capital programme. The principal reason for this realignment is that, over the last few years, the spend on responsive repairs has been consistently lower than budgeted as a result of the substantial capital investment in renovating the dwelling stock, and reduced stock numbers from Right to Buys and stock transfer to Seaside Homes. The transfer has been reflected in the figures presented in Appendix 2.

## Dedicated Schools Grant Performance (Appendix 1)

- 3.12 The Dedicated Schools Grant (DSG) is a ring-fenced grant which can only be used to fund expenditure on the schools budget. The schools budget includes elements for a range of services provided on an authority-wide basis including early years education provided by the Private, Voluntary and Independent (PVI) sector, and the Individual Schools Budget (ISB) which is divided into a budget share for each maintained school. The forecast outturn is an overspend of £0.242m and more details are provided in Appendix 2. Under the Schools Finance Regulations any underspend must be carried forward to support the schools budget in future years.

## NHS Managed S75 Partnership Performance (Appendix 2)

- 3.13 The NHS Trust-managed Section 75 Services represent those services for which local NHS Trusts act as the Host Provider under Section 75 Agreements. Services are managed by Sussex Partnership Foundation Trust (SPFT) and include health and social care services for Adult Mental Health and Memory and Cognitive Support Services.
- 3.14 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. A breakeven position is currently forecast and more details are provided in Appendix 2.

## Capital Programme Performance and Changes

- 3.15 The table below provides a summary of capital programme performance by Directorate and shows that there is a forecast underspend of £1.124m at this early stage. More details are provided in Appendix 3.

2016/17 Outturn Variance £'000	Capital Budgets	2017/18 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
4	Families, Children & Learning	23,720	23,720	0	0.0%
34	Health & Adult Social Care	320	320	0	0.0%
70	Economy, Environment & Culture	53,703	53,703	0	0.0%
0	Neighbourhood, Comms & Housing	2,574	2,574	0	6.9%
(780)	Housing Revenue Account	47,808	46,684	(1,124)	-2.4%
(6)	Finance & Resources	4,019	4,019	0	0.0%
0	Strategy, Governance & Law	0	0	0	0.0%
0	Corporate Services	0	0	0	0.0%
<b>(678)</b>	<b>Total Capital</b>	<b>132,144</b>	<b>131,020</b>	<b>(1,124)</b>	<b>-0.9%</b>

(Note: Summary may include minor rounding differences to Appendix 3)

- 3.16 Appendix 4 shows the changes to the budget and Appendix 5 provides details of new schemes for 2017/18 to be added to the capital programme which are included in the budget figures above. Policy, Resources & Growth Committee's approval for these changes is required under the council's Financial Regulations. The following table shows the movement in the capital budget since approval at Budget Council.

<b>Summary of Capital Budget Movement</b>	<b>2017/18 Budget £'000</b>
Budget approved at Budget Council	63,534
New schemes included in the Budget Report where further reports to Policy Resources & Growth Committee were needed before their inclusion in the capital programme	60,579
Slippage and reprofiles approved in the Outturn report	8,597
Reported at other Policy, Resources & Growth Committees for inclusion into 2017/18 year	4,359
New schemes to be approved in this report (see appendix 4)	149
Variations to Budget (to be approved)	2,578
Reprofiling of Budget (to be approved)	(2,546)
Slippage (to be approved)	(5,106)
<b>Total Capital</b>	<b>132,144</b>

- 3.17 Appendix 3 also details any slippage into next year. However, project managers have forecast that £5.106m of the capital budget will slip into the next financial year at this early stage, which equates to 3.9% of the budget.

### **Implications for the Medium Term Financial Strategy (MTFS)**

- 3.18 The council's MTFS sets out resource assumptions and projections over a longer term. It is periodically updated including a major annual update which is included in the annual revenue budget report to Policy, Resources & Growth Committee and Full Council. This section highlights any potential implications for the current MTFS arising from in-year TBM monitoring above and details any changes to financial risks together with any impact on associated risk provisions, reserves and contingencies. Details of Capital Receipts and Collection Fund performance are also given below because of their potential impact on future resources.

### **Capital Receipts Performance**

- 3.19 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, Asset Management Fund and Digital First. The planned profile of capital receipts for 2017/18, as at Month 2, is £6.480m excluding the receipt associated with the disposal of Kings House which is ring-fenced to support Workstyles and supporting the Integrated Service and Financial Plans. To date there have been receipts of £0.013m in relation to some minor lease extensions at the Marina and

improvement grant repayments. The capital receipts performance will be monitored over the coming months against capital commitments.

- 3.20 The forecast for the 'right to buy sales' in 2017/18 (after allowable costs, repayment of housing debt and forecast receipt to central government) is that an estimated 50 homes will be sold with a maximum useable receipt of £0.500m to fund the corporate capital programme and net retained receipt of £4.610m available to re-invest in replacement homes. To date 10 homes have been sold in 2017/18.

### **Collection Fund Performance**

- 3.21 The collection fund is a separate account for transactions in relation to council tax and business rates. Any deficit or surplus forecast on the collection fund relating to council tax is distributed between the council, Sussex Police and Crime Commissioner and East Sussex Fire Authority, whereas any forecast deficit or surplus relating to business rates is shared between the council, East Sussex Fire Authority and the government.
- 3.22 The council tax collection fund is forecast to be in surplus by (£2.405m) at year end which incorporates a brought forward surplus of (£1.029m). The main change from the in year forecast is a reduction of (£1.500m) in the amount set aside for losses in resources from changes to the contribution to bad debt provision and previous year's liability whereby the collection rate on the tax base is being amended to 99% from 98.33%. This change in assumption follows a review of the amount the council ultimately collects which demonstrated that the current rate used is too low. Other changes are a greater than forecast reduction in Council Tax Reduction awards (£0.200m), higher than forecast increase in Severely Mentally Impaired (SMI) exemptions of £0.225m and other exemptions £0.100m. The council's share of the overall forecast council tax surplus is (£2.062m).
- 3.23 The business rates collection fund is forecast to be in deficit by £0.106m at year-end which relates entirely to a brought forward deficit. At this stage the in year business rates collection fund is forecast to breakeven. New business rates relief schemes were announced at the Spring Budget to deal with the impact of business rates revaluation on individual ratepayers which include a £300m discretionary fund over four years from 2017/18, supporting small businesses from large increases due to loss of relief and eligible pubs receiving a £1,000 discount. The discretionary business rates relief fund is to be used on local schemes to assist businesses that are facing rising bills as a result of the revaluation and the allocation for Brighton & Hove ratepayers over the four years is £1.925m of which £1.123m is in 2017/18. With the introduction of the new 2017 rating list and spring budget changes there are still a number of methodology adjustments to the business rates forecasts, tariff payments and section 31 grants that need to be confirmed between central government and local authorities. The council's share of the overall forecast business rates deficit is £0.052m.
- 3.24 The council's share of the combined collection funds is a surplus of (£2.010m) and is included in the budget forecast for 2018/19.

## Allocation of 2016/17 Outturn Underspend

- 3.25 The outturn underspend on the General Fund Revenue Account for 2016/17 was £0.812m as reported to the committee on 4 May 2017. However, approval of budget amendments at Budget Council required the use of £0.170m one-off resources which were agreed as a first call on any improvement to the outturn position. This therefore reduces the available additional one-off resources to £0.642m, the allocation of which is for consideration by the Policy, Resources & Growth Committee. As reported to the May Committee, due to the announcement of a General Election and purdah, any allocation of these resources was necessarily deferred until July.
- 3.26 The allocation of the available one-off 2016/17 outturn underspend resources of £0.642m is proposed as follows:

Theme	Item	Sum £'000	Reason for proposal
Supported LGA Peer Review Findings	Ward Member Community Budget Scheme	270	To set aside resources to support a new scheme in 2017/18 (providing £5,000 per ward member) subject to approval of the scheme's detailed principles by this Committee in October. Future ongoing funding for the scheme will be considered as part of the annual budget setting process however it is intended that this will be recurrent.
	Ward Member Community Budget Scheme set-up and admin costs	25	Initial set-up costs of £15,000 and ongoing administration costs of £10,000 per annum.
Agreed at Leaders Group	Shoreham Memorial contribution	15	To approve BHCC's contribution towards design and feasibility for the Shoreham Air crash memorial.
	Saltdean Lido loan	30	To reflect the decision made under urgency powers as per paragraph 6.3 of this report
Responses to changing circumstances	Trade Union Facility Time	50	To defer the approved 2017/18 budget saving subject to further review and negotiation. This is due to increased current demands on Trade Union support for complex staffing changes including the outsourcing of a range of Learning Disability Services, the transfer of Royal Pavilion services to a Trust, re-structures relating to the Orbis partnership with Surrey and East Sussex county councils, and the potential increased integration of

			health and adult social care services.
	Safeguarding	20	To respond to an Internal Audit review of building and access controls and specifically a recommendation relating to staff who require access to the homes of residents.
Priority Items	Weekend park manager and grass-cutting	50	Funding for Park Manager cover at weekends at busier parks in response to growing anti-social behaviour concerns in some of the busiest city parks, most notably The Level. Additional summer grass cutting: the service is currently struggling to keep up with grass cutting across the city and it is proposed to emulate the model used for the seafront and beach where additional, temporary staff are recruited. For the future, these changes will be reviewed to inform the annual budget setting process.
	Madeira Terraces project costs	80	Project funding to continue the next stage of plans to restore and refurbish the Madeira Terraces including the establishment of a Crowdfunding campaign and the preparation of future bids for grant funding to support the project as required.
	Parks & Playgrounds	102	Improvements for parks and playgrounds including inter alia paving, seating, general environment e.g. planting, play equipment etc. as identified and subject to the funding available.
<b>Total</b>		<b>642</b>	

3.27 Fixed deal reimbursements on the Concessionary Fares budget, as reported to Committee in May 2017, have resulted in a further ongoing annual saving of £0.250m. It is proposed to reallocate this as shown in the table below. Treatment of the “one-off” allocations in this table would need to be reviewed as part of the 2018/19 budget setting process.

Theme	Item	Sum £'000	Reason for proposal
Priority Items	Public Transport	150	Recurrent funding to secure supported bus routes on an ongoing basis.
	Parks & Open Spaces	50	One-off additional resources to address large unauthorised tented encampments in parks and open spaces.
	Community Safety	50	One-off additional support for victims of domestic violence to meet additional demand pressures on support services
	<b>Total</b>	<b>250</b>	

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

- 4.1 The provisional outturn position on the General Fund is an overspend of £1.375m. This includes a forecast breakeven position on the council's share of the NHS managed Section 75 services. Risk provisions of £1.500m are available to substantially mitigate the position. Any overspend at the year-end would need to be funded from general reserves which would then need to be replenished to ensure that the working balance did not remain below £9.000m. Any underspend would release one off resources that can be used to aid budget planning for 2018/19.

#### **5 COMMUNITY ENGAGEMENT & CONSULTATION**

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

#### **6 CONCLUSION AND COMMENTS OF THE DIRECTOR OF FINANCE & RESOURCES (\$151 OFFICER)**

- 6.1 This early forecast is a marked improvement on forecasts for the same period in the last 3 years. This reflects the fact that the approved budget provided significant service pressure funding of £14.7m to substantially meet identified cost and demand increases across social care and homelessness budgets. Additional funding for Adult Social Care and Homelessness has also been received since the budget was set in February 2017 further aiding the situation. However much of this additional funding is time-limited one-off funding and therefore a key objective will be to ensure that it is used to reduce costs building up again in later years.
- 6.2 The forecast risk at Month 2 is therefore manageable in the context of available risk provisions. It is also important that it is early in the financial year and there is sufficient time to plan and undertake further financial recovery action if further risks emerge.
- 6.3 On a separate matter the Chief Executive has exercised urgency powers under the constitution, after consultation with the Chair of this Committee, to provide £0.030m of loan financing to the Saltdean Lido Community Interest Company. The loan is intended to support a short term cash flow deficit and will be repaid by 30<sup>th</sup> November 2017.

#### **7 FINANCIAL AND OTHER IMPLICATIONS**

##### Financial Implications:

- 7.1 The financial implications are covered in the main body of the report. Financial performance is kept under review on a monthly basis by the Cross-Party Budget Review Group and the management and treatment of forecast risks is considered by the Audit & Standards Committee.

Finance Officer Consulted: Jeff Coates Date: 20/06/17

##### Legal Implications:

- 7.2 The urgency powers referred to at paragraph 6.3 of the report are set out at Part 6.2 A (7) of the Council's constitution, enabling Chief Officers to exercise any of the functions within the service area of the officer in cases of urgency

where it is not reasonably practicable to obtain prior approval of a Committee or Sub-Committee. The loan will be subject to a formal written agreement with the Council.

In relation to the virements for which approval is sought in the report, the proposals are in accordance with the Council's Standard Financial Procedures.

Lawyer Consulted: Elizabeth Culbert

Date: 26<sup>th</sup> June 2017

Equalities Implications:

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

Sustainability Implications:

- 7.4 Although there are no direct sustainability implications arising from this report, the council's financial position is an important aspect of its ability to meet Corporate Plan and Medium Term Financial Strategy priorities. The achievement of a break-even position or better is therefore important in the context of ensuring that there are no adverse impacts on future financial years from performance in 2017/18.

Risk and Opportunity Management Implications:

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

## **SUPPORTING DOCUMENTATION**

**Appendices:**

1. Revenue Budget RAG Rating
2. Revenue Budget Performance
3. Summary of 2017/18 Savings Progress
4. Capital Programme Performance
5. New Capital Schemes

**Documents in Members' Rooms:**

None.

**Background Documents**

None.