



Title:	<b>People Overview &amp; Scrutiny</b>
Date:	<b>28 November 2024</b>
Time:	<b>4.00pm</b>
Venue	<b>Hove Town Hall - Council Chamber</b>
Members:	<p><b>Councillors:</b>  O'Quinn (Chair) Sheard  Cattell  Czolak  Helliwell  McLeay  Meadows  Shanks  Simon  Thomson</p> <p><b>Co-optees</b>  Fulford (Older People's Council)  Martindale (CVS)  Muirhead (CVS)  Robinson (PaCC)  Sasidharan (standing invitee)  Hurst (diocesan representative)  Cowler (diocesan representative)  Youth Council</p>
Contact:	<p><b>Luke Proudfoot</b>  Overview &amp; Scrutiny Officer</p>

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# AGENDA

**16** Procedural Business

- (a) **Declaration of Substitutes:** Where Councillors are unable to attend a meeting, a substitute Member from the same Political Group may attend, speak and vote in their place for that meeting.
- (b) **Declarations of Interest:**
- (a) Disclosable pecuniary interests;
  - (b) Any other interests required to be registered under the local code;
  - (c) Any other general interest as a result of which a decision on the matter might reasonably be regarded as affecting you or a partner more than a majority of other people or businesses in the ward/s affected by the decision.

In each case, you need to declare:

- (i) the item on the agenda the interest relates to;
- (ii) the nature of the interest; and
- (iii) whether it is a disclosable pecuniary interest or some other interest.

If unsure, Members should seek advice from the committee lawyer or administrator preferably before the meeting.

- (c) **Exclusion of Press and Public:** To consider whether, in view of the nature of the business to be transacted, or the nature of the proceedings, the press and public should be excluded from the meeting when any of the following items are under consideration.

**NOTE:** *Any item appearing in Part Two of the Agenda states in its heading the category under which the information disclosed in the report is exempt from disclosure and therefore not available to the public.*

*A list and description of the exempt categories is available for public inspection at Brighton and Hove Town Halls and on-line in the Constitution at part 7.1.*

**17** Chair's Communications**18** Public Involvement

To consider the following items raised by members of the public:

- (a) **Petitions:** To receive any petitions presented by members of the public to the full Council or to the meeting itself;

- (b) **Written Questions:** To receive any questions submitted by the due date of 12noon on the 3<sup>rd</sup> October 2024;
- (c) **Deputations:** To receive any deputations submitted by the due date of 12 noon on the 3<sup>rd</sup> October 2024.

## 19 Member Involvement

To consider the following matters raised by Members:

- (a) **Petitions:** To receive any petitions submitted to the full Council or to the meeting itself.
- (b) **Written Questions:** A list of written questions submitted by Members has been included in the agenda papers (copy attached).
- (c) **Letters:** To consider any letters submitted by Members.
- (d) **Notices of Motion:** To consider any Notices of Motion.

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Report of the Cabinet Member for Finance & Regeneration (copy attached).

The City Council actively welcomes members of the public and the press to attend its meetings and holds as many of its meetings as possible in public. Provision is also made on the agendas for public questions to committees and details of how questions can be raised can be found on the website and/or on agendas for the meetings.

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Meeting papers can be provided, on request, in large print, in Braille, on audio tape or on disc, or translated into any other language as requested.

For further details and general enquiries about this meeting contact XX, (01273 29XX – email XX) or email [scrutiny@brighton-hove.gov.uk](mailto:scrutiny@brighton-hove.gov.uk)

Date of Publication Date Not Specified



# Brighton & Hove City Council

## People Overview & Scrutiny Committee Place Overview & Scrutiny Committee

## Agenda Item 20

**Subject:** General Fund Budget Update 2025/26 to 2028/29

**Date of meeting:** 28 November 2024

**Report of:** Cabinet Member for Finance & Regeneration

**Contact Officers: Name:** Nigel Manvell, CFO  
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**Ward(s) affected: (All Wards)**

**Key Decision: No**

### FOR GENERAL RELEASE

#### **1 PURPOSE OF REPORT AND POLICY CONTEXT:**

- 1.1 This report provides an update to the General Fund Budget position reported to September Cabinet as part of the lead-up to the setting of the annual revenue and capital budget, and Council Tax at Budget Council on 27 February 2024.
- 1.2 The report also provides information on the implications of the Autumn Statement for the authority, so far as they can be determined at this stage and provides information on potential areas for budget savings proposals together with expected timelines for finalising the proposals.

#### **2 RECOMMENDATIONS:**

The Overview & Scrutiny Place and Overview & Scrutiny People Committees are recommended to:

- 2.1 Note the updated position on the General Fund budget as set out in the report.
- 2.2 Provide comment and any recommendations to Cabinet in relation to potential areas for budget savings proposals and feedback on the planned Budget Development timetable and approach.

#### **3 BUDGET SETTING AND MEDIUM TERM FINANCIAL PLANNING**

##### **Components of the General Fund Budget**

- 3.1 The council's budget includes capital and revenue resources from a wide range of funding resources including government grants, local taxation and fees & charges. These resources are key to delivering Council Plan priorities and statutory duties, however, there are limitations applicable to all of these funding streams. The ability to meet cost and demand pressures, particularly in statutory

areas, will therefore be key to determining the resources available to transform and innovate and help to put the authority on a more sustainable financial footing over the Medium Term Financial Plan period.

- 3.2 The council's budget includes areas where funding is 'ring-fenced' and must be spent according to relevant government grant funding conditions and/or other statutory regulations. These include the funding of schools and special educational needs provision through the Dedicated Schools Grant (DSG), Housing Benefits, Public Health services, and council housing (Housing Revenue Account) funded primarily by tenants' rents. All other unringfenced funding is used to provide the majority of council services for the city and is provided for in the 'General Fund' Revenue Budget.
- 3.3 The budget update report to Cabinet on 26 September 2024 set out the challenging financial position facing the authority ahead of the Autumn Statement. This indicated a potential budget shortfall in 2025/26 of £36.7 million and a shortfall of nearly £105 million to be addressed over the 4-year medium-term financial planning period.
- 3.4 The report highlighted the need to work on the twin objectives of addressing budget shortfalls while aiming to prudently invest in sustainable change and transformation to improve financial resilience and sustainability for the future. The authority's reserves position is also low relative to most authorities and a further objective should therefore be to build greater resilience and increase overall reserves. The process of making sustainable change has started with a far-reaching Organisational Redesign aimed at not only streamlining senior management but realigning the organisation to ensure that all areas of the council can work together to achieve the Council Plan outcomes for the city.
- 3.5 The report advised that there are four primary components of the General Fund budget as follows:
- **The Medium Term Financial Plan (MTFP)** – this provides high-level spending and funding estimates and proposals over a 4-year planning period at a strategic or programme level;
  - **The Annual Budget and Council Tax** – it is a legal requirement to set a balanced budget and Council Tax each year, funded by taxation, government grants, retained business rates and fees, charges and commercial rents;
  - **The Capital Investment Programme** – this is a rolling 5-year investment programme for the construction, acquisition or improvement of capital assets in support of Council Plan priorities, primarily funded by capital grants, capital receipts, or borrowing;
  - **The Transformation Fund** – a fund that utilises capital receipts from the disposal of capital assets to fund *one-off* revenue costs to support change and transformation. Using capital receipt proceeds to fund revenue costs (e.g. staffing) is not normally allowable but the government have provided 'capital receipt flexibilities' until 2030 provided the use of any capital receipts underpins efficiencies and future revenue savings.

#### **Local Financial Planning Context**

- 3.6 As legally required, the budget setting process will include the development of proposals to achieve a balanced budget in 2025/26 and will set out high-level plans to achieve financial sustainability over the 4-year Medium Term Financial Plan period. This will be important for a number of reasons including:



- Addressing the External Auditor’s concerns in their previous two Annual Reports, which identify the council’s financial sustainability as a ‘significant weakness’, by demonstrating that the council is setting its annual budget and Council Tax in the context of understanding its longer term financial sustainability;
- Demonstrating that any use of reserves or balances in the short-term to support the budget is financially sustainable (i.e. repayable) in the medium term;
- Ensuring that the delivery of Council Plan priorities and associated service planning is aligned with and reflected in medium-term financial planning, and;
- Ensuring that any budget shortfalls (gaps) in future years are identified early to enable longer term programmes of change and transformation to be instigated as soon as possible to generate the necessary savings, efficiencies or income.

### **Autumn Statement 2024**

3.7 The very challenging financial position of Local Government as a sector meant that the government’s Autumn Statement announcement on 30 October was much awaited. The statement provided some additional funding but was again restricted to a one-year settlement although a multi-year announcement is expected in the Spring. The key elements of the Autumn Statement of relevance to councils were:

- Additional new grant funding of £1.3 billion for Local Authority Services for 2025/26. Of this, at least £600 million will be for funding social care and £233 million for tackling homelessness and rough sleeping;
- Referenced “council tax flexibilities” for local authorities which has now been confirmed to mean continuation of an allowable 2.99% increase plus a 2% Adult Social Care precept. It is unclear if this will continue beyond 2025/26;
- Expectation of a Local Government Finance Policy Statement ahead of the Local Government Financial Settlement which is expected to set out the position on the Emergency Financial Support (EFS) regime, New Homes Bonus, Business Rate Relief protections, National Insurance increase protection and other policy matters;
- An increase in Employers National Insurance contribution from 13.8% to 15.0%, and a reduction of the Employer NI threshold from £9,100 to £5,000. The government has stated that the public sector will be protected from this increase but it is unclear how this is intended to be achieved. It is also acknowledged that this may have an impact on private and independent sector care providers and other externally commissioned services;
- Local Authorities should expect to receive £1.1 billion nationally through the Extended Producer Responsibility Scheme;
- The extension of the Household Support Fund (HSF) at £1 billion for 2025/26 including Discretionary Housing Payments (DHPs). This should provide broadly the same level of funding for both HSF and DHP;
- An additional £2.3 billion increase to the core schools budget by increasing per pupil funding, of which £1 billion will go towards supporting Special Educational Needs & Disability support (SEND);
- Additional £6.7 billion new capital investment for schools including schools maintenance;

- Additional funding of £44 million for children’s kinship allowances and to create thousands of Foster placements nationally;
- A boost to the Affordable Homes programme of £500 million;
- A reduction in Right to Buy (RTB) discounts (to £38,000 for BHCC), and an extension of the ability for councils to retain and reinvest full RTB receipts;
- An increase in funding for road maintenance of £500 million;
- Allocating £3.4 billion nationally towards the Warm Homes Plan for decarbonisation and household energy efficiency;
- The statement also set out a £22.6 billion increase in funding for the NHS;
- The National Living wage was confirmed to increase by 6.7% in April 2025 to £12.21 per hour. This does not affect the council’s payroll where the lowest pay rate is £13.26 per hour (which will also increase further in accordance with the nationally agreed NJC pay award for 2025/26 yet to be negotiated). However, it is a significant uplift for many of the council’s providers, particularly social care providers.

### **Impact of the Autumn Statement Locally**

- 3.8 The Autumn Statement provides some welcome additional funding and investment but falls some way short of resolving the short and longer term funding pressures facing Brighton & Hove City Council and all councils, particularly across social care, homelessness and SEN. The current planning assumption locally is for a 5% Council Tax increase, including a 2% Adult Social Care precept, which has now been confirmed as the maximum allowable increase by the government.
- 3.9 Assumptions around pay and prices for next year and beyond are linked primarily to Office of Budget Regulation (OBR) inflation forecasts but local market factors are also taken into account, particularly for procured social care and temporary accommodation provision. Although September 2024 CPI was 1.7%, commissioned provider costs are likely to significantly exceed this level next year due to National Living Wage increases and employer National Insurance increases. Similarly, local government pay awards are assumed at 2.75% as these will take into account labour market factors (i.e. recruitment shortages) as well as cost of living increases.
- 3.10 In relation to the General Fund budget, the funding announced in the Autumn Statement may provide resources or flexibilities as indicated below but many of these are uncertain as noted:
- The additional new grant funding of £1.3 billion for Local Authority Services for 2025/26 could provide between £5.0m and £6.5m or more to BHCC subject to the distribution methodology adopted by the government. The government have indicated that distribution will focus on need but it is unclear what this means in practice. For example, distribution that takes into account more favourable Council Tax and Business Rate taxbases tends to result in a lower distribution for BHCC.
  - The flexibility and distribution of the £1.1 billion funding for the Extended Producer Responsibility Scheme is unclear. This funding is principally to address new statutory responsibilities within the Environment Act 2021, many of which are not due for implementation until 2026. This includes Food Waste collection. It is not clear if this funding can be applied to the latter, for which

the council has a £1.4 million pressure next year, or whether the majority will need to be paid over to producers to implement changes.

- The extension of the Household Support Fund (HSF) is important to help alleviate other demands that may otherwise impact the council arising from increased poverty and hardship, notably additional homelessness. However, a key area to consider is whether or not there is potential flexibility to use the Household Support Fund in a more preventive way that directly alleviates budget pressures such as homelessness. HSF flexibilities are being explored by the Poverty Reduction Steering Group.
- The additional funding of £1 billion for Special Educational Needs & Disability support (SEND) may provide some flexibility however, it is unclear if this funding is all within the Dedicated Schools Grant (i.e. DSG High Needs Block) or if some is available to support General Fund services and thereby alleviate budget pressures. The £1 billion funding is also significantly below the level of High Needs Block SEND deficits of £4 billion already built up by local authorities nationally.
- Additional funding of £44 million for children's kinship allowances and to create thousands of Foster placements nationally could help reduce the costs of providing for children in care but it is unknown how this funding or programme will be distributed.
- The boost to the Affordable Homes programme of £500 million, reduction of Right to Buy (RTB) discounts (to £38,000 for BHCC), and an extension of the ability for councils to retain and reinvest full RTB receipts could all help to increase or sustain housing supply with positive implications for homelessness costs over the medium term but impacts locally are difficult to quantify with accuracy.
- The increase in funding for road maintenance of £500 million will help to alleviate pressures but is very significantly short of the estimated cost of repairs nationally. This could provide one-off additional resources of circa £1.5 million locally but estimated maintenance requirements are at least £6 million per annum.
- The substantial funding increase for the NHS will primarily meet the substantial pay rises agreed in the sector as well as addressing large budget deficits across the acute hospital sector. However, the funding may provide some additional flexibility for the NHS to support the local health and social care system (ICS), particularly in respect of hospital discharge.

3.11 In summary, there are many 'moving parts' and still a significant number of uncertainties with regard to the financial impact of the Autumn Statement on local government and this council. At the upper end, the funding announcements above may reduce identified pressures next year by up to £10 million, leaving a significant shortfall of £26.7 million to be addressed. The conclusion is that the authority will therefore need to deliver significant savings next year and over the medium-term through investment in spend-to-save and transformation programmes to seek to achieve Council Plan aims and financial sustainability.

#### **4-Year Medium Term Financial Planning**

##### ***Addressing Projected Budget Shortfalls***

3.12 There are a number of ways that budget shortfalls can be addressed of which some are within the authority's control but many are not. In particular, it will be important to understand the new government's approach to Council Tax

increases and discounts and whether or not restrictions on the level of increases will continue to apply over the medium-term. The council's budget process will explore all options to address budget shortfalls which, together with funding announcements, include the following:

- Working now to mitigate cost and demand pressures in-year, particularly across demand-led areas such as social care, to bring down the forecast *trend* and reduce the projected budget shortfall next year and beyond;
- Similarly, consulting on and implementing savings in the current financial year, where these are supported by members, to provide more headroom and reduce the budget shortfall next year;
- Working with key partners such as the NHS to jointly address funding and demand challenges;
- Reviewing the Capital Programme, including de-committing some schemes, to reduce associated revenue commitments (capital financing repayments);
- Reviewing taxbases (Council Tax and Business Rates) to ensure expected taxbase growth is properly accounted for;
- Reduction, cessation or closure of non-priority, discretionary services;
- Developing savings proposals including cost/demand reduction measures, efficiency and productivity savings, digital and technological efficiencies, commissioning and procurement savings, delivery model (insourcing or outsourcing) savings, and income generation.

3.13 Any or all of the above can be supported through releasing capital receipts to enable investment in spend-to-save and transformation programmes that can reduce future annual revenue costs.

3.14 The above processes are described in more detail in Appendix 2. Directorate Management Teams (DMTs) and the Corporate Leadership Team (CLT) will also explore all potential options for generating savings and efficiencies on a cross-cutting, council-wide basis.

3.15 A number of potential service changes or delivery model changes have been identified for exploration as part of the budget process. These may have long lead-in times and therefore, if ultimately supported, consultation and engagement would need to start well in advance of next financial year. Potential areas for exploration include:

- Potential development of in-house residential provision for children with complex disabilities by April 2025 to provide better value for money delivery options;
- During 2025, exploring in-sourcing of the highest cost Home-to-School Transport routes (minibuses) to provide better value for money;
- Exploring AI technologies, including predictive analytics, to focus the right support at the right time for Children & Families and reduce administrative support costs;
- Potential use of technology-enabled care across Adult Social Care to maintain independence;
- Managing Adult Social Care demands at the Front Door with improved information and self-assessment options;

- Exploring alternative delivery models for in-house Adult Social Care provision to ensure best value for money;
  - Use of tools which support Adult Social Care brokerage for achieving best market value;
  - Exploring creation of a wholly-owned Housing Company to acquire housing and attract higher rates of welfare benefit (Local Housing Allowance);
  - Further review of the delivery model for the Schools IT&D traded service.
  - Consideration will also be given to discontinuation of, or alternative delivery of, non-statutory activities, particularly where these are not directly supporting Council Plan priorities.
- 3.16 The above will be supported by Outline Business Cases (OBC's) which will set out the temporary staffing and other resources, if any, required in order to deliver these projects and proposals. If agreed, these will be supported by the Transformation Fund utilising the government's capital receipt flexibilities which allow capital receipts to be used for one-off revenue expenses where these will generate future efficiencies and revenue savings. The September Cabinet report identified a minimum investment requirement of £16 million over the medium-term, including provision for staffing changes through voluntary severance. This, however, requires identification and realisation of significant capital asset disposals in order to provide Transformation Funding.
- 3.17 Budget Savings proposals and options are currently being considered ahead of consultation and development of Equality Impact Assessments (where appropriate). However, as noted, much more information is required from government on the various elements of the Autumn Statement before a final budget gap for 2025/26 can be determined. However, the government has announced that the Local Government Financial Settlement will not be issued until 19 December 2024 which will again leave local authorities with limited time to react to the settlement, particularly if a worst-case scenario results.

## **4 ANNUAL BUDGET AND MEDIUM TERM FINANCIAL PLAN ESTIMATES**

### **Medium Term Financial Projections 2025/26 to 2028/29**

- 4.1 The September Cabinet report set out the assumptions and estimates used in developing financial projections over the 4-year Medium Term Financial Planning period as follows:
- Demographic (demand) pressures and above-inflation cost pressures are based on current (TBM) trends for 2025/26 and moderated trends for 2026/27 and later years;
  - 2.99% Council Tax increases over the 4-year period plus a 2.00% Adult Social Care precept for 2025/26, reverting to 0% thereafter;
  - (Average) Pay award of 2.75% in 2025/26 and then 2.5% thereafter;
  - 3% annual income target/generation uplifts over the period (except 2.5% in 2028/29);
  - Average 3.0% social care third party provider payment increases for 2025/26 reducing to 2.5% thereafter;
  - Variable 1.00% to 3.00% cash limits on non-pay budgets over the 4-year period;
  - Business Rate uplifts to follow OBR September CPI inflation forecasts;

- Council Tax taxbase growth of 1.50% (including Second Homes premium) in 2025/26, 0.75% in 2026/27 and 2027/28, and 0.50% in 2028/29.

4.2 In effect, any costs that can be brought in lower than the assumptions above will generate a cost saving and reduce the budget gap whilst any income that achieves greater than a 3% increase will also result in a saving.

4.3 The projections are periodically reviewed and updated, particularly in relation to the cost and demand (demographic) pressures related to priority, demand-led services, which are a key driver of budget shortfalls. Estimates for next year are driven significantly by current trends which are therefore informed by in-year budget monitoring of trends through TBM reports. The latest update (TBM Month 5) indicates a downward movement of only £0.031m in pressures, however, this does mask significant movements as follows:

<b>Directorate</b>	<b>Original Reported</b>	<b>TBM Month 5 Review</b>	<b>Change in Pressures</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Families, Children & Learning	8.713	7.588	(1.125)
Housing, Care & Wellbeing ASC	9.575	8.482	(1.093)
Housing, Care & Wellbeing (Homelessness)	2.493	4.239	1.746
City Services	9.896	9.896	0
Corporate Services	956	1.397	441
Centrally-held Budgets	300	300	0
<b>Grand Total Cost &amp; Demand Pressures</b>	<b>31.933</b>	<b>31.902</b>	<b>(0.031)</b>

4.4 The table above shows that improvements and mitigations have been seen across Families, Children & Learning and Adult Social Care but that Homelessness is under increasing pressure. Compared to the September Cabinet Report the Medium Term Financial Projections therefore look as follows:

**Table: Indicative Medium Term Financial Projections**

<b>Summary Projections and Budget Gaps</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Commitments (incl. previous decisions)	7.972	2.053	(0.970)	1.195
Net Inflation (on Pay, Prices, Income, Pensions)	9.810	8.548	8.732	9.551
<b>Subtotal</b>	<b>17.782</b>	<b>10.601</b>	<b>7.762</b>	<b>10.746</b>
Original Cost and Demand Pressures	31.933	22.577	23.356	22.205
Projected Net Tax Base changes	(12.985)	(9.250)	(9.575)	(9.704)
<b>Predicted Budget Gaps</b>	<b>36.730</b>	<b>23.928</b>	<b>21.543</b>	<b>23.247</b>
Change in Cost and Demand Pressures (Month 5 Review)	(0.031)	0	0	0
<b>Latest Budget Gaps</b>	<b>36.699</b>	<b>23.928</b>	<b>21.543</b>	<b>23.247</b>

4.5 The gap in 2025/26 is projected to be significantly higher than later years because it includes 'catch-up' inflation and pay award costs from 2024/25 as well

as a large increase in capital financing costs arising from decisions made in previous years but where capital schemes have had long lead times or have been delayed. This results in a higher level of 'Commitments' and cost pressures than those expected in future years, particularly as inflation becomes more stable.

- 4.6 The Autumn Statement could provide additional resources of between £5 million (worst case) and £10 million (upper end) leaving a budget gap of between £27 million to £32 million to be addressed. These are clearly substantial shortfalls to manage - among the highest experienced by the authority - given the large savings requirements experienced in recent years due to a range of factors including the indirect impact of the pandemic, the cost of living and high inflation, Brexit impacts on supply chains, labour markets and provider costs, and the impact of high interest rates on homelessness (higher private rental costs). Other demands and prevalence have also increased including mental health illnesses and SEN caseload (increased Education, Health & Care Plans). Some of these are improving or subsiding but the new, higher cost base now experienced by local authorities has far outstripped the increases in national and local funding over the last few years.

### **One-off Resource Requirements 2025/26**

- 4.7 One-off resources may be needed in 2025/26 for a wide range of reasons which could present additional financial challenges as these would require identification of resources to meet any commitments. One-off resources may be required to cover the following:

- Any Collection Fund deficits (TBM Month 5 monitoring indicated a £3.156m net deficit) \*;
- Any General Fund outturn overspend (i.e. TBM overspend – TBM Month 5 indicated a £7.329m forecast overspend risk) \*;
- Any increase to provisions or reserves required \*;
- Any unavoidable/unexpected one-off expenditure or commitments;
- Any one-off allocations for priorities (subject to availability of resources).

\* *The reverse is also true whereby surpluses or underspends could increase the availability of one-off resources or, at least, reduce the call on one-off resources.*

## **5 BUDGET DEVELOPMENT TIMETABLE**

- 5.1 The indicative timetable for developing and approving the 2025/26 budget and MTFP is given below. The timetable is in outline only and does not include all aspects of member involvement or wider consultation that will normally need to be undertaken with staff, unions, partners, service users and residents.

Table: Outline General Fund Budget Planning Timetable

<b>Date</b>	<b>Who</b>	<b>What</b>
26 Sept 2024	Cabinet	General Fund Budget Planning & Resources Update 2025/26 to 2028/29
17 Oct 2024	Cabinet	TBM month 5 (August)
30 Oct 2024	Government	Autumn Statement announcement (1 year only)
Nov 2024	Government	Allocation of the £1 billion Extended Producer Responsibility funding expected

<b>Date</b>	<b>Who</b>	<b>What</b>
End Nov 2024	Government	Local Government Finance Policy Statement
Dec to Mar	CLT	The majority of consultation processes are expected to start in December and continue through to conclusion, usually no later than March. However, consultation can start earlier if appropriate/necessary.
5 Dec 2024	Cabinet	TBM month 7 (October)
19 Dec 2024	Government	Provisional Local Government Finance Settlement 2025/26
23 Jan 2025	Cabinet	Council Tax and Business Rates Tax Base report [Legal requirement] and Council Tax Reduction Scheme Review 2025/26
Jan/Feb 2025	Overview & Scrutiny	A further joint meeting of the Overview & Scrutiny People and Place committees will be diarised to review draft budget proposals
Feb 2025	Government	Final Local Government Financial Settlement 2025/26
13 Feb 2025	Cabinet	2025/26 General Fund and HRA Revenue & Capital Budget reports including the Capital and Treasury Management strategies. TBM month 9 (December).
27 Feb 2025	Budget Council	Approval of the 2025/26 General Fund and HRA Revenue & Capital Budget including the Capital and Treasury Management strategies.
Late Spring 2025	Government	Spring Budget including multi-year Local Government Funding announcements

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

- 6.1 The setting of the General Fund budget in February allows all parties to engage in the examination of budget proposals and put forward viable alternative budget and council tax proposals to Budget Council on 27 February 2025. Budget Council has the opportunity to debate the proposals put forward by the Cabinet at the same time as any viable alternative proposals.

## **7 COMMUNITY ENGAGEMENT AND CONSULTATION**

- 7.1 Detailed consultation and engagement plans will be put in place over coming weeks and months, in advance of proposals coming forward in February 2025 for full Council approval. However, consultation and engagement are expected to include the following:

### **General Information**

- 7.2 General information and advice about the council's budget will continue to be provided through the council's web site which provides information and infographics on how money is spent on services, where the money comes from, the council's capital and transformation investment plans, and a summary of the financial challenges ahead. These materials will continue to be promoted through various media and communications throughout the budget setting period. Frequently asked questions and common themes have previously emerged



through the development of the annual budget and have been responded to in our 'Behind the Budget' web page: [Behind the budget \(brighton-hove.gov.uk\)](https://www.brighton-hove.gov.uk/behind-the-budget).

### **Community and Resident Engagement**

- 7.3 It is also planned to undertake a resident survey to understand residents' priorities for spending the council's budget within the challenging resource limitations experienced by local government for many years. The council will use its 'Your Voice' on-line engagement platform and a 'budget simulator' to both communicate the scale of the financial challenge and gather views from residents, partners, staff and businesses on how they would address the challenge.
- 7.4 An open access event is also planned for 12 December 2024 at Hove Town Hall for residents to come and hear about the budget and the challenges and restrictions facing the council in determining how the budget is spent. The event will discuss the little understood but key difference between capital expenditure and funding compared to revenue expenditure and funding which supports day-to-day services. This can help to explain how it is that with the latter being under very severe pressure, the council is still able to undertake significant and important capital investments such as replacing the King Alfred Leisure Complex or renovating Madeira Terraces. This event will also seek to capture feedback and views from residents.
- 7.5 Consultation with disadvantaged groups and representatives is also planned and appropriate meetings and venues will be provided including a facilitated event at Jubilee Library.

### **City Partners**

- 7.6 Information will also be shared with City Partners through the City Management Board and other channels. In particular, the council continues to engage fully with the NHS Sussex Integrated Care System to ensure that the budget processes of the two organisations are aligned and communicated as far as practicably possible although this presents challenges as NHS funding announcements are normally announced much later than Local Government, often close to or even after the start of the next financial year.

### **Business Engagement**

- 7.7 There is ongoing liaison and discussion with the Economic Partnership that covers potential funding sources and bids, city regeneration, economic growth, employment and apprenticeship strategies. Officers of the council and members of the Administration meet periodically with representatives of the Chamber of Commerce and B&H Economic Partnership to discuss the council's high-level plans and over-arching budget situation.

### **Schools Community**

- 7.8 The Schools Forum, a consultative body attended by representatives of all school phases, will primarily focus on the allocation of the ring-fenced Dedicated Schools Grant (DSG) funding across the relevant budget 'blocks' but will also be periodically informed about the General Fund budget position and proposed changes to council services where these may have implications for schools.

### **Third Sector Engagement**

- 7.9 A key stakeholder is the Community & Voluntary Sector, and communications and meetings with representatives of the sector will therefore be planned to

provide them with an opportunity to feedback their views to the council and members as budget proposals develop.

### **Staff and Union Engagement**

- 7.10 Consultation and engagement with staff and unions is also very important. The scale of financial challenge indicates further significant impacts on the configuration and/or provision of services which will inevitably entail staffing changes. Meetings with the council's recognised unions, including appropriate officers and members of the Administration, will be scheduled regularly to keep unions abreast of developing proposals and to ensure they have sight of where support to their memberships may be required. The council's Joint Staff Consultation Forum will continue to provide a formal setting for sharing and raising matters relating to the overall budget process and development.
- 7.11 Later in the process, detailed proposals will be shared with affected staff ahead of formal publication of budget proposals through Departmental Consultative Groups (DCGs) and through line management. Formal consultation and engagement with directly affected staff will be undertaken as normal, including relevant union representation, under the council's Organisation Change Management Framework.
- 7.12 Wider staff engagement will be provided through 'In conversation' sessions with the Chief Executive and through directorate consultation and engagement event. Further updates and communications for staff will be provided via the council's intranet, corporate email broadcasts and the Chief Executive's communications.

### **Member Engagement**

- 7.13 As noted in Section 6, the budget process allows all Political Groups to submit viable alternative budget proposals. The Executive governance system (Cabinet System) also provides for overview and scrutiny of the budget process and proposals through appropriate briefings and/or meetings.

## **8 Financial Implications:**

- 8.1 These are contained in the body and appendices of the report.

*Finance Officer Consulted: Haley Woollard      Date: 14/11/24*

## **9 Legal Implications:**

- 9.1 Section 9F of the Local Government Act 2000 sets out the statutory functions of Overview and Scrutiny Committees, which includes the power 'to make reports or recommendations to the authority or the executive with respect to the discharge of any functions which are the responsibility of the executive'. This includes the budget setting process, where the role of Overview & Scrutiny Committees is envisaged by [Statutory Overview and Scrutiny Guidance \(April 2024\)](#) to include providing constructive 'critical friend' challenge, amplifying the voices and concerns of the public and driving improved strategic decision making.

*Lawyer consulted: Elizabeth Culbert      Date: 19/11/24*

## **10 Equalities Implications:**

- 10.1 For any significant budget changes proposed in 2025/26, it is proposed to use the council's well-established screening process to develop Equality Impact Assessments (EIAs). Key stakeholders and groups will be engaged in developing EIAs but it will also be important to consider how members, partners, staff and

unions can be kept informed of EIA development and the screening process. In addition, where possible and proportionate to the decision being taken, there may be a need to assess the cumulative impact of the council's decision-making on individuals and groups affected in the light of funding pressures across the public and/or third sectors. The process will ensure that consideration is given to the economic impact of proposals.

## **11 Sustainability Implications**

- 11.1 The council's revenue and capital budgets will be developed with sustainability as an important consideration to ensure that, wherever possible, proposals can contribute to reducing environmental impacts and support progress toward a carbon-neutral city.

## **12 Health and Well-being Implications**

- 12.1 The council's budget includes very substantial provision for expenditure on Adult and Children's Social Care, Public Health, Housing and Homelessness, Welfare Assistance (for example the Council Tax Reduction Scheme), Education and Skills, and many other essential services that support vulnerable people and children, and households on low incomes or experiencing homelessness. These services contribute significantly to the health and well-being of thousands of residents and the wider population, upholding the council's priority to support 'A healthy city where people thrive' and engender 'A fair and inclusive city'.

## **13 Other Implications**

### **Risk and Opportunity Management Implications:**

- 13.1 There are a range of risks relating to the council's short and medium term budget strategy including the ongoing economic impact of the uncertain inflationary environment, the impact of the cost of living crisis, further potential reductions in grant funding, the impact of legislative changes, and/or other changes in demands. The budget process will normally include recognition of these risks and identify potential options for their mitigation. In the current financial climate, the level of risk that the council may be prepared to carry is likely to be higher than in normal circumstances. An indication of potential risks and sensitivities was appended to the Budget Update report to September Cabinet.

## **14 CONCLUSION**

- 14.1 The council is under a statutory duty to set its budget and council tax before 11 March each year. This report sets out information on projected costs, investments and resources for 2025/26 to 2028/29. It also provides an outline timetable for considering options to develop the 2025/26 annual budget and address future budget shortfalls identified in the current MTFP.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Updated Medium Term Financial Assumptions and Projections
2. Components of the Medium Term Financial Planning Process
3. Schedule of Cost and Demand Pressures (based on current trends at TBM Month 5)



**MEDIUM TERM FINANCIAL STRATEGY TABLES**

**Core Planning Assumptions**

The table below sets out the core planning assumptions included in the MTFS projections:

	<i>2024/25</i>	<i>2025/26</i>	<i>2026/27</i>	<i>2027/28</i>	<i>2028/29</i>
<b>Pay inflation and pay related matters:</b>					
- Provision for pay award	<i>3.00%</i>	<i>2.75%</i>	<i>2.50%</i>	<i>2.50%</i>	<i>2.50%</i>
- Employers pension contribution rate change	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
<b>General inflation:</b>					
- Inflation on social care third party payments	<i>3.50%</i>	<i>3.00%</i>	<i>2.50%</i>	<i>2.50%</i>	<i>2.50%</i>
- Inflation on non-pay expenditure	<i>1.00% - 3.00%</i>	<i>1.00% - 3.00%</i>	<i>1.00% - 3.00%</i>	<i>1.00% - 3.00%</i>	<i>1.00% - 3.00%</i>
- Inflation on waste PFI	<i>3.50%</i>	<i>3.50%</i>	<i>3.50%</i>	<i>3.50%</i>	<i>3.50%</i>
- Inflation on income	<i>3.50%</i>	<i>3.00%</i>	<i>3.00%</i>	<i>3.00%</i>	<i>2.50%</i>
- Inflation on parking income	<i>3.50%</i>	<i>3.00%</i>	<i>3.00%</i>	<i>3.00%</i>	<i>2.50%</i>
- Inflation on penalty charge notices	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
<b>Resources:</b>					
Change to Revenue Support Grant (RSG)	<i>6.70%</i>	<i>1.64%</i>	<i>1.63%</i>	<i>1.64%</i>	<i>2.00%</i>
Business rates poundage inflation uplift	<i>6.70%</i>	<i>1.64%</i>	<i>1.63%</i>	<i>1.64%</i>	<i>2.00%</i>
Assumed council tax threshold increase	<i>2.99%</i>	<i>2.99%</i>	<i>2.99%</i>	<i>2.99%</i>	<i>2.99%</i>
Adult Social Care Precept	<i>2.00%</i>	<i>2.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
Council Tax Base	<i>0.90%</i>	<i>1.50%*</i>	<i>0.75%</i>	<i>0.75%</i>	<i>0.50%</i>

\* Includes the introduction of Second Homes Premium which is equivalent to a 0.9% increase in the tax base.

## Summary of Latest MTFS Projections

The table below sets out the latest budget gap (savings requirement) taking into account the anticipated expenditure over the MTFS period and the funding resources available. Please note that this does not yet include additional grant funding expected to flow from the Autumn Statement as the detailed distribution methodology and amounts will not be confirmed until receipt of the Local Government Financial Settlement in December:

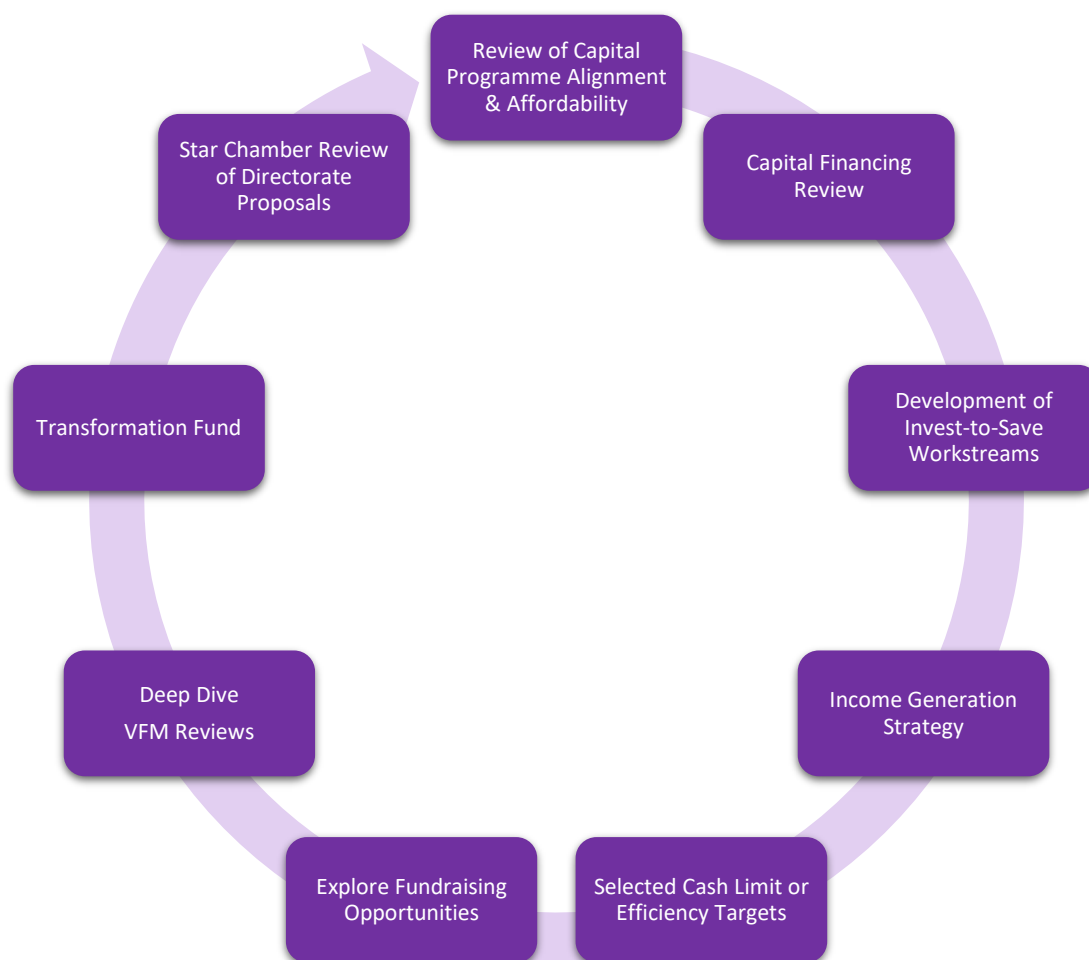
Medium Term Financial Strategy 2025 to 2029	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m
<b>Net Budget Requirement B/Fwd</b>	<b>246.355</b>	<b>269.489</b>	<b>278.339</b>	<b>287.503</b>
Remove net one off short term funding and expenditure	0.000	0.000	0.000	0.000
<b>Net Budget Requirement B/Fwd</b>	<b>246.355</b>	<b>269.489</b>	<b>278.339</b>	<b>287.503</b>
Standard Pay and Inflation – Expenditure	13.093	12.161	12.450	12.811
Standard Inflation - Income	(3.283)	(3.613)	(3.718)	(3.260)
Demographic and inflationary pressures in Adult Social Care including Adult Learning Disabilities	8.100	13.863	14.666	15.019
Demographic and inflationary pressures for Children’s disability, Children in Care, and Care Leavers	2.607	3.444	3.337	3.249
Temporary Accommodation and Rough Sleepers - cost and demand pressures	4.086	0.193	0.198	0.204
Home to School Transport - cost and demand pressures	0.513	0.133	0.138	0.143
Schools PFI contract commitments	0.180	0.561	0.596	0.000
Dedicated Schools Grant (DSG) - High Needs Block - review of usage	3.044	0.000	0.000	0.000
Income Pressures – falling demand	3.026	0.000	0.000	0.000
Increased cost of public realm maintenance and food waste pilot	2.000	0.000	0.000	0.000
Concessionary Bus Fares - increased burden due to change in calculation	1.000	0.000	0.000	0.000
All other pressures across council services	7.346	4.383	4.385	3.590
Mainstream Digital and Transformation Support Functions	2.000	0.000	0.000	0.000
Commitment - Reduction/loss of Services Grant/New Homes Bonus	0.133	0.160	0.000	0.000
Commitment - Change in S31 Grants	10.149	(0.400)	(0.411)	(0.486)
Commitment - Change in contributions to/from reserves	0.320	0.000	(1.125)	0.000
Commitment - Change in financing Costs	4.223	1.033	(0.195)	0.953
Commitment - Pay award 2024/25 above 3% inflation assumption	1.300	0.000	0.000	0.000
Commitment - impact of previous decisions, grant changes and assumptions	(0.004)	0.860	0.350	0.242
Budget Gap (Savings Requirement)	(36.699)	(23.982)	(21.543)	(23.247)
<b>Budget Requirement C/Fwd</b>	<b>269.489</b>	<b>278.339</b>	<b>287.503</b>	<b>296.721</b>

<b>Funded by:</b>				
Revenue Support Grant	8.592	8.732	8.875	9.051
Locally retained Business Rates	67.477	68.911	70.382	72.126
Collection Fund position	0.000	0.000	0.000	0.000
Council Tax including Adult Social Care Precept	193.420	200.696	208.246	215.544
<b>Total Funding</b>	<b>269.489</b>	<b>278.339</b>	<b>287.503</b>	<b>296.721</b>





## Components of the Medium Term Financial Planning Process



The components are described below:

### **Review of Capital Programme Alignment & Affordability**

- 1.1 The council's capital programme was reviewed last year to improve alignment with Council Plan priorities. A number of schemes were decommitted, resulting in reduced capital financing costs. This process needs to continue to further improve alignment, continue to assess affordability, and consider opportunities to invest in new schemes that will support the Council Plan.

### **Capital Financing Review**

- 1.2 Linked to the Capital Programme review above, the associated Capital Financing budget will also be reviewed. The current capital investment plans will see very substantial capital financing costs start to flow from 2025/26, in the form of Minimum Revenue Provision charges for schemes supported by borrowing. Where schemes do not support Council Plan priorities they should therefore be decommitted or reduced as far as practicable to reduce pressure on the revenue budget.

### **Development of Invest-to-Save Transformation Programmes**

- 1.3 There are many potential options that can be explored to improve longer term financial sustainability. Everything from investing in prevention to reduce longer term social care costs, to developing new income sources, to redesigning care pathways, or insourcing or outsourcing services. However, these can take significant capacity and investment to bring to fruition and therefore need to be properly assessed and evaluated before embarking on a whole host of initiatives with questionable returns on investment. They are also likely to need one-off investment through a Transformation Fund. The Budget Update report to September Cabinet identified a minimum requirement of £16 million over the next 4 years but this may increase significantly, particularly if greater staffing reductions are required with concomitant redundancy and pension strain cost implications.

### **Income Generation and Commercialisation Strategy**

- 1.4 Many fees & charges are regulated and in general fees & charges are set to recover costs and overheads of the service provided. However, in some areas the council has more discretion. There are still many areas where the council does not charge but could legally do so. A key concern with fees & charges is the equality impact and impacts on those with low incomes. This can be managed by designing the fee or charge to accommodate such impacts, for example, introducing means tests. Many councils have become increasingly reliant on fees & charges to protect service provision due to the limitations on Council Tax increases and reduced government grant funding. Approximately one third of the council's General Fund council services are now funded by fees & charges. Further opportunities will continue to be explored.

### **Apply Productivity or Efficiency Targets**

- 1.5 Continually improving efficiency is good business practice for any organisation. This can be achieved through continually reviewing and improving processes (i.e. service redesign), using IT, digital and AI technologies to automate workflows and on-line services, and effective procurement, contract management and commissioning strategies to utilise the council's purchasing power to shape local provision or secure more competitive terms. To recognise this, some expenditure categories, e.g. supplies and services, can be cash limited (i.e. provided with a lower or no inflationary budget uplift or even reduced) or services can be targeted with generic efficiency targets (e.g. 1% or 2% cost reduction targets) to ensure that all areas of the council strive for improved value for money. Such targets can therefore also be applied to staffing budgets. These opportunities will be a key area to explore in the forthcoming budget process.

### **Explore Fundraising Opportunities**

- 1.6 The council has been successful over many years in bidding for additional revenue and capital funding including Heritage Lottery funds, Arts Council Funds, Homelessness and Rough Sleeping (RSI) funding, Levelling Up funding, Family Hub funding, Department for Transport funding (e.g. the substantial Bus Partnership bid), Shared Prosperity Funding and so on. However, there may be other opportunities available to the council to attract funding or even to explore changing the funder of some services.
- 1.7 A key area to watch is the Household Support Fund (£2.280m for BHCC) which is due to expire on 30 September 2024 and which has provided limited but important local welfare assistance for low income households. All parties, including the LGA, are currently lobbying for its extension to avoid potentially serious impacts on council services including increased homelessness.

## VFM Reviews

1.8 The council has a Best Value duty under the LG Act 1999 requiring it to ‘make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.’ This is generally referred to as improving Value for Money (VFM). There are many ways to test and assure the value for money of services provided by the council including:

- Comparing the cost and quality of services with similar authorities or service providers;
- Comparing the cost of services per capita of the relevant population groups or service groups e.g. cost of Children’s Services per 1,000 children and young people aged 0 to 24 in the local authority area;
- Using external, independent peer challenge to help identify improvements e.g. LGA peer reviews;
- Utilising best practice research or commissioning new research to improve services provided by the authority;
- Engaging expert consultancy to help identify and design specific services or interventions to help improve VFM;
- Comparing the cost and quality of in-house provision versus contracted or outsourced provision (so-called ‘make or buy’ reviews).

## Transformation Fund

1.9 Transformation funding is discussed in the main report but is now becoming problematic. Funding has been supported by the government’s ‘capital receipt flexibilities’ enabling capital receipts to be used to fund revenue expenditure provided such expenditure supported improved value for money and future revenue savings. These flexibilities have been extended to March 2030, however, the demand on capital receipts across a range of objectives is such that they may not provide sufficient resources. Future invest-to-save transformation activities may therefore need to consider using a range of funding options including:

- Using capital receipt flexibilities subject to availability of capital receipts and any change to the use or extent of flexibilities introduced by the new government;
- Where a clear return on investment can be demonstrated over a reasonable time period (max 5 years), this could potentially be supported by internally borrowing from reserves with subsequent repayment (subject to availability of reserves);
- Alternatively, investment requirements can be netted off against savings proposals, meaning that the saving in the first year or more is reduced but then increases to its full extent in later years once the initial investment is repaid, or;
- If any element of the invest-to-save/transformation proposal is of a capital nature, borrowing could be considered, provided that a return on investment can be evidenced in the business case.

## Star Chamber Review of Proposals

1.10 Star Chambers are common practice across business and local authorities and are effectively a form of internal peer review. They can involve both officers and members as desired. The intention is to utilise a Star Chamber process later in the budget process when proposals are reaching a more developed state to fully test

delivery risks, review the capacity required to achieve change, understand cumulative impacts on equalities and consider any cross-cutting impacts on other council services.

- 1.11 The above processes are in addition to the basic requirement for all services, Directorate Management Teams (DMTs) and the Corporate Leadership Team (CLT) to explore all potential options for generating savings and efficiencies within their directorates, including on a cross-cutting, council-wide basis.

## Detailed Service Pressure Projections 2025/26

(Cost and demand increases above assumed inflation)

Service Area	Pressure type	Brief reason for Cost, Demand or Income Pressure	Projection £'000
<b>Families, Children &amp; Learning:</b>			
<b>FCL Demand Led Budgets:</b>			
Child Agency Placements - Demand	Demand	The overall numbers of children in care have reduced over the last 3 years, bucking the national trend. This has mainly been in the younger cohort, under 10's and we have seen an increase in the number of adolescents both in care and coming into care. At the same time significant reductions in the care budget have been achieved and are on target to be achieved this year. However the rising number of adolescents in care alongside the reduction in budget now create a budget pressure. potential savings have been identified to reduce the numbers of children requiring expensive agency placements reducing this figure by 5 FTE children.	92
Child Agency Placements - Unit Cost	Cost	Significant increase in average unit cost of residential home placements due to market sufficiency pressures and increasing needs of young people.	1,150
Children's Disability Agency Placements - Demand	Demand	The post pandemic period has put increasing pressure on families leading to greater number of children with disabilities entering care due to family breakdowns and crisis. The Personal Assistant workforce shortage is also having an impact as families have less ongoing support within their own home.	653
Children's Disability Agency Placements - Unit Cost	Cost	Significant increase in average unit cost of residential home placements due to market sufficiency pressures and the increasing complex needs of young people.	363
Home To School Transport - Demand	Demand	Increasing numbers of children eligible for Home to school transport linked to growth in EHCPs. 11.6 pupils equates to an increase of 1.8%	795
Home To School Transport - Unit Cost	Cost	Corporate inflation rate for transport is 2%. Prices driven by local taxi market conditions exceed this provision.	130
<b>FCL Other budgets:</b>			
BSO regrading - incremental pressure	Cost	Agreed regrading of business support officers working within Social Care following an HR Review.	0
SEN Casework Officers	Demand	Increase in 1fte SEN casework officer. Growth in EHCPs in the last year is broadly 10%. However, there has been a surge in the last quarter of approximately 53%, this may smooth out over the year. Pressure funding request represents growth in	40

		number of casework officers of only 8.3%. EHCP work is a statutory duty of the LA.	
Shortfall on Schools PFI contract	Cost	The recent rate of inflation has been in excess of that allowed in the PFI model and this has meant costs have increased significantly and that the PFI reserve has been fully used leading to an unavoidable service pressure within the contract.	180
Section 17 (Children with Disabilities)	Demand	The national and local shortage of placements is meaning that we are increasingly supporting parents to have contact with their children with placements outside of the city. This budget is also being used to provide bespoke agency support to children in their homes to prevent them coming into care.	100
Direct Payments	Demand	There is an increasing demand from parents and carers of disabled children requiring an assessment for a financial package of support through Direct Payments. This directly correlates with the national and local increase in the numbers of children diagnosed with neurodiversity or on the pathway for diagnosis.	225
Early help	Demand	Children in Need numbers are increasing. Between 2022/23 and 2023/24 the increase was 13.5% and this is leading to increasing pressure on social care services. To alleviate this pressure investment is needed in early help services to avoid higher cost placements	0
Family Hubs	Loss of grant/partner funding	Loss of Public Health funding. Increasing demand in this area as need increases.	220
Adoption Southeast	Cost	Additional administration costs levied by East Sussex County Council.	51
No Recourse to Public Funds	Demand	Anticipated increase in numbers of families and unaccompanied children needing support and having no recourse to public funds due to changes in legislation.	0
High Needs Block Review	Cost	Change in eligibility of services that are chargeable to the DSG high needs block.	1,726
DSG recharges (HNB usage)	Other	Change in eligibility of services that are chargeable to the DSG high needs block.	1,318
UASC Care Leavers	Loss of grant/partner funding	The Home office grant, given to support the care costs of care leaving UASC may be withdrawn following the introduction of the illegal migration act. Under the act it is highly likely that many of our UASC will not be given leave to remain and therefore support to them as care leavers is expected to be withdrawn under the act.	200
Educational Psychologists (EPs)	Demand	Increase in 1 fte EPs. Growth in EHCPs in the last year is broadly 10%. However, there has been a surge in the last quarter of approximately 53%; this may smooth out over the year. Pressure funding request represents growth in number EP assessments that will need to be undertaken as part of the EHCP process. 1fte represents 7% increase in the permanent EP establishment.	80

Family Hubs - Cleaning contracts	Cost	New pressure identified - Significant increase in the cost of the cleaning contract over the last year for Family Hubs.	79
Impulse & Aspire Contracts	Cost	IT&D has reported an escalation in costs related to software licensing for two systems.	186
<b>Total FCL 2025/26 Pressures</b>			<b>7,588</b>
<b>Housing, Care &amp; Wellbeing:</b>			
<b>ASC Demand Led Budgets:</b>			
Adults with Learning Disabilities	Demand	Increase in numbers of adults with learning disabilities requiring services driven primarily by transitions from children's services.	877
Adults with Learning Disabilities	Cost	There have been significant increases in the average unit costs of placements for adults with learning disabilities. This is the ongoing impact of the period of high inflation and associated costs of delivering services including; rising operational costs, living wage increases, pension costs, increased insurance premiums and the challenges of recruiting sufficient staff. This is against the backdrop of increasing complexity of needs.	2,869
Physical support 18-64	Demand	There are a number of ongoing initiatives designed to reduce the demand for funded services within adult social care. These appear to be relatively successful, and it is currently anticipated that no additional pressure funding will be required in 2025/26.	-317
Physical support 18-64	Cost	There have been significant increases in the average unit costs of placements. This is the ongoing impact of the period of high inflation and associated costs of delivering services including; rising operational costs, living wage increases, pension costs, increased insurance premiums and the challenges of recruiting sufficient staff. This is against the backdrop of increasing complexity of needs.	330
Physical support 65+	Demand	There are a number of ongoing initiatives designed to reduce the demand for funded services within adult social care. These appear to be relatively successful, and it is currently anticipated that no additional pressure funding will be required in 2025/26	255
Physical support 65+	Cost	There have been significant increases in the average unit costs of placements. This is the ongoing impact of the period of high inflation and associated costs of delivering services including; rising operational costs, living wage increases, pension costs, increased insurance premiums and the challenges of recruiting sufficient staff. This is against the backdrop of increasing complexity of needs.	459
Memory & Cognition	Demand	There are a number of ongoing initiatives designed to reduce the demand for funded services within adult social care. These appear to be relatively successful, and it is currently anticipated that no additional pressure funding will be required in 2025/26	-376

Memory & Cognition	Cost	There have been significant increases in the average unit costs of placements. This is the ongoing impact of the period of high inflation and associated costs of delivering services including; rising operational costs, living wage increases, pension costs, increased insurance premiums and the challenges of recruiting sufficient staff. This is against the backdrop of increasing complexity of needs.	1,655
Mental Health Support	Demand	There are a number of ongoing initiatives designed to reduce the demand for funded services within adult social care. These appear to be relatively successful, and it is currently anticipated that no additional pressure funding will be required in 2025/26	172
Mental Health Support	Cost	There have been significant increases in the average unit costs of placements. This is the ongoing impact of the period of high inflation and associated costs of delivering services including; rising operational costs, living wage increases, pension costs, increased insurance premiums and the challenges of recruiting sufficient staff. This is against the backdrop of increasing complexity of needs.	2,051
<b>ASC Other budgets:</b>			
Social Work Staffing	Cost	Recruitment and retention of Social Workers within adult social care including the cost of resolving the recent industrial dispute.	332
Occupational Therapy Service	Demand	Increased demand for children's and adult's OT services, within the integrated team.	125
Legal charges	Cost	Increasing costs of litigation.	50
<b>Housing Temporary Accommodation:</b>			
More units of EA - spot purchase	Demand	Budget 24/25 for 160 units, current average for year so far 320. Assume will have 256 on average in 25/26 (low est). Cost per night budgeted 24/25 as £54, current average £56.14, estimate 25/26 (low) is £57.82 (only 3% increase on 24/25 est) but 5.8% above corporate inflation of 3%.	2,737
Units of BB	Demand	Savings unmet in 23/24 so number of households remains at 340, budget assumed 261. Assumption is numbers remain static for 25/26 as the service manages the higher demand by equal number of prevention/move on.	1,707
Reduction in PSL TA but inflationary increases for new contracts.	Demand	Landlords are requesting properties back. Numbers declining year on year. Loss of 45 properties 23/24. Budget requires realignment; hence this is a pressure reduction.	-403
RSAP/NSAP	Loss of grant/partner funding	These costs were originally covered by grant. However, already have £138k overspend in 23/24 and 24/25 due to higher inflationary increases. Contracts will be renegotiated from 1/4/25 (after 4 years) and are likely to increase by a further 17% - estimated from recent re-commissioning of rough sleeper services. This assumes same level of NSAP/RSAP funding from DLUHC/Homes England.	146



<b>Housing - Other:</b>			
PSH Fine/other income	Income	Unmet saving - fines pay for the enforcement staff but the income target was not possible to meet.	52
<b>Total HCW 2025/26 Pressures</b>			<b>12,721</b>
<b>City Services</b>			
Public Transport	Other	Commitments agreed in December 2023 committee with budget for match funding to be identified.	97
Concessionary Travel	Change in legislation / new burdens	Price increase due to changes in the concessionary fares calculator resulting in uplifts of 12% on current 1 year fixed deals.	1,000
Public Transport	Cost	Retendering and / or additional costs for School Buses (Longhill) could be between £200k to £400k but shared or required by Families, Children & Learning.	400
Public Transport	Cost	Retendering of wider Supported Services to be in place by March 25, though risk around BSIP funding ending in 24/25.	250
Parking Services	Income	Increases in parking tariffs is showing further demand reductions. Maintaining income tariffs could prevent further demand losses, but inflated income target would need to be removed. Based on 3% inflation of income targets.	1,100
Parking Services	Income	Reduced number of visitors, commuters and residents using parking services assets due to hybrid working post lockdown and alternative cheaper travel. Comparison is between 23/24 and 21/22.	1,000
Network Management	Demand	Growth in annual tree root sites on footways treatments required. £20k Budget only allows for 10 sites per year and there are currently 736 sites in the city where tree roots are making footways inaccessible and creating potential trip hazards.	120
Network Management	Demand	Footway Repairs - The reactive maintenance budget for footways is currently being subsidised by £400k of LTP capital footway budget to support a safe network. This is being delivered as a footway Seek and Fix programme which repairs clusters of defects that are identified by our Highway Inspectors. However subsidising the safety maintenance budget in this way means that we are unable to carry out any footway renewal schemes which means that the condition of our footway network will continue to decline.	400
Network Management	Other	The BHCC Skid Policy has been updated in 2024 to reflect industry best practice and to meet the requirements of the Well-managed Highway Infrastructure Code of Practice. The updated approach will be applied to the annual SCRIM survey output this year which will generate a potential programme of remedial actions that are required to ensure safety on the highway. The costs for this will not be known until the analysis is complete but it is estimated that this could be up to a value of £75k on an annual basis.	75

City Clean - Street Cleansing	Cost	Price increases due to market sufficiency pressures and rising contractor costs following retendering exercises.	160
City Clean - Collections (Bulky Waste)	Change in legislation / new burdens	Growth in workloads required by legislation changes of separating out upholstered furniture for bulky collections. Additional staff and vehicles required to adhere to legislation.	263
City Clean - Enforcement	Income	Reduced FPNs issued to generate income to cover costs of the Environment Enforcement service. Low value FPNs such as littering FPNs issued down 339 transactions and high value FPNs such as Industrial and Commercial Waste receptacle offences down 939 transactions.	80
City Clean - Collections	Demand	Growth in bin replacements as current bin infrastructure reaches end of life. Statistics still being collected though on average there are c10,000 bin replacements per year of different capacities including communal replacements. Total budget available is £137K. 23/24 spend was £445k and 22/23 spend was £195K.	450
City Clean - Collections	Change in legislation / new burdens	Requirement to implement and pilot food waste collection to meet a new statutory duty from 1 April 2026.	1,400
City Clean – Environmental Services	Demand	Increase cost of maintaining and cleansing the public realm including weed removal, graffiti removal and other maintenance.	600
CDR - Development Planning	Income	Reduced number of Planning applications and Building Control Fees due to economic climate/cost of living for residents considering major renovations. Statistics still being collected.	750
CDR - Economic Development	Other	Committed expenditure in Economic Development does not have budget to cover the spend following the savings allocation for 23/24. This includes costs for £37k ED contribution to BIPC, £12k living wage, £1.8k vacancy survey.	51
Property - Facilities Management & Building Services	Other	Increasing pressures as a result of facilities management requirements including AV technician support for democratic services and corporate offices, helpdesk function for corporate landlord portfolio, and contractor management and compliance needs relating to the corporate landlord portfolio.	150
Property - Facilities Management & Building Services	Demand	Growth in requirement of reactive maintenance of facilities. £1m permanent pressure funding to ensure appropriate Reactive Maintenance and Compliance. £750k minimum pressure funding if we keep doing the “essential H&S only” approach.	750
Property - Facilities Management & Building Services	Cost	Price increases due to Security contract uplift for real living wage. Uplift percentage is based on 24/25 uplift rates of 10%.	250
Property - Estates	Other	Increases in Business Rates Rateable Value greater than uplifted budget by 16% accounting for £218,000 pressure on our existing operational assets. Vacant units	400

		within commercial accommodation that are difficult to let are resulting in pressures of £237,000 due to Business Rates falling to the authority.	
Property - Estates	Other	Savings on vacating 3rd & 4th floors of Barts is not achieving savings put forward as this was based on a headline rent and estimated occupational savings. The headline rent is expected to be achieved in year 4 of the tenancy when the incentive period has ended and the tenant's business is established. Occupational costs have not reduced as estimated and service charge costs are greater than estimated. Total savings agreed was £485k (£175k in 23/24 and £310k in 24/25).	150
<b>Total City Services 2025/26 Pressures</b>			<b>9,896</b>
<b>Corporate Services</b>			
Policy & Comms - corporate subscriptions	Demand	Corporate Subscriptions (e.g. LGA, Living Wage Foundation, LGiU, Core Cities, etc) are paid by PPS. No permanent funding is allocated for these items which were previously met from one-off resources no longer available.	85
Policy & Comms - partnership funding	Loss of grant/partner funding	NHS (CCG/ICB) previously contributed to B&H Connected but recently withdrew funding due to their own cost pressures.	35
Policy & Comms - Corporate digital platform (Your Voice)	Demand	Pressure funding for PPS team to support the council's new engagement platform (Your Voice).	10
LDS - Democratic	Cost	The estimated cost of the revised Members Allowance Scheme is £1.051m; the current scheme cost is estimated at £0.949m and therefore this represents an increase of £0.102m, or 10.7%. Member allowances were frozen in 2022/23 and 2023/24.	102
LDS - Legal	Income	Loss of income for legal work as part of Accountable Body services to Coast to Capital LEP as the LEP transfer will be complete by April 2025.	44
CMPI - Customer Feedback Team	Demand	36% increase (290 stage 2s, additional 76) in stage 2 complaints causing significant reduction in compliance with the response times (reduced from 70% to 60% against our target of 80%). Benchmarking work completed taking account of Ombudsman workload/FTE (Ombudsman investigators on a higher salary than our managers). Risk to reputation, Ombudsman involvement/escalation, political priority, and unable to meet statutory requirements.	55
Finance	Cost	External Audit fee increase due to the re-tender of the national sector-wide contract. Costs were expected to increase in response to the Redmond Review and the challenging state of LG audit.	220
HROD - Health & Safety	Other	Permanent appointment of specialist Asbestos Resource; this regulatory requirement role will be specialist lead providing strategic advice as well as	57

		leading on operational delivery. The ongoing absence of this expertise remains a gap in the council's compliance arrangements.	
HROD - Unions - GMB	Other	A negotiated position has resulted in a reduction of 1 FTE facilities time support rather than the proposed 2 FTE reduction related to an approved 2024/25 budget saving, therefore creating a budget pressure. This is split 0.5 FTE per union.	48
HROD - Unions - Unison	Other	A negotiated position has resulted in a reduction of 1 FTE facilities time support rather than the proposed 2 FTE reduction related to an approved 2024/25 budget saving, therefore creating a budget pressure. This is split 0.5 FTE each between HROD and City Clean (where part of the budget is held).	24
HROD - L&D	Loss of grant/partner funding	If a local decision by FCL is made with ESCC ceasing the Step Up to Social Work programme it will reduce funding for 3 x Professional Education Consultants post for FCL potentially making these posts unsustainable. Impacting capacity for student placements and NQSW induction year.	20
HROD - Recruitment Team	Loss of grant/partner funding	New safer staffing officer post created in recruitment team, transferred into the team from Business Operations when DCS and DASS agreed to the ongoing need for the post to be focussed on DBS checking and rechecking. Agreement was made to permanent funding from Adults and Children's, but funding has not been transferred to pressure falling to HROD.	35
IT&D - Enterprise Technology	Other	Requirement to provide 150 Microsoft co-pilot licences (additional to the Microsoft licence agreement).	46
IT&D - Enterprise Technology	Cost	The current Crown Commercial Service DTA MOU expires this year. Crown Commercial Services are in the process of renegotiating the agreement with Microsoft. When licenses are renewed next year, it will be under the new DAT24 MOU. The likelihood is a 15% price increase in the Microsoft license costs will occur. Precise cost will not be known until this negotiation is completed. The price increase included here is in line with the price increase that happened at the last DTA MOU and contract renewal.	190
Finance	Cost	Income pressures related to: Schools Forum refusal to accept increased charges. Planned HRA increase recharge not achievable. Loss of GBEB recharge. Loss of core Accountable Body LEP funding.	100
IT&D Traded Service	Other	The targeted efficiency for the Schools Traded Service for 24/25 was only part met. This was due to the unsuccessful consultation to reduce team headcount. The pressure is the residual unmet saving. A review of schools' demand and needs (type of service) and cost overheads will be undertaken during Q4 24/25 and Q1 25/26 to identify a business proposal to remove the general fund contribution .	326

<b>Total Corporate Services 2025/26 Pressures</b>			<b>1,397</b>
<b>Centrally-held Budgets</b>			
HB Subsidy	Demand	The pressure relates to a benefit type for vulnerable tenants which is not fully subsidised by HB Subsidy Grant. Action taken last year was expected to lead to a reduction in this pressure but data from early forecasts suggests that the pressure is continuing to grow. This will be investigated and reviewed when there is sufficient data to make a full forecast of the overall Housing benefit Subsidy Budget.	300
<b>Total Centrally-held 2025/26 Pressures</b>			<b>300</b>
<b>Total All Service Pressures 2025/26</b>			<b>31,902</b>

