Brighton & Hove City Council

Cabinet — Agenda Item 64

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

Date of meeting: **26 September 2024**

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

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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 a budget planning and resource update as a key part of the preparation for the 2025/26 annual budget and Council Tax setting process together with Medium Term Financial Plan projections over the next 4-year period.

1.2 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 services 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.

1.3 However, the council aims to align all spending, ringfenced and unringfenced, to support the achievement of Council Plan outcomes and priorities. The General Fund budget in particular is an expression of the Council Plan in financial terms and aims to ensure that revenue and capital budgets and investment plans are aligned to achieving the outcomes of the Council Plan for a 'better Brighton and Hove for all', the four main pillars of which are to achieve:

A city to be proud of

A fair and inclusive city

A healthy city where people thrive

A responsive council with well-run services

1.4 This is not without its financial challenges and the report indicates that, at this stage, there is an estimated budget shortfall of over £36 million to be addressed in 2025/26 and over £105 million over the 4-year Medium Term Financial Plan period. In particular, addressing cost of living pressures is currently placing additional demands on council services and welfare support resources and therefore the government's announcement of the extension of the Household Support Fund is a welcome step to help manage demands.

1.5 The budget setting process will therefore be focused on the twin objectives of addressing budget shortfalls while aiming to prudently invest in sustainable change and transformation for the future. This process 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.

1.6 The budget setting process is made up of four primary components 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.

Each of these components is addressed in the report.

2 RECOMMENDATIONS:

The Cabinet is recommended to:

2.1 Note the planning assumption of a Council Tax increase of 2.99% over the 4-year Medium-Term Financial Plan period and an Adult Social Care Precept of 2.00% or the equivalent in grant funding in 2025/26.

2.2 Note the funding assumptions and net expenditure projections for 2025/26 including a projected budget shortfall of £36.730 million.

2.3 Note the Medium Term financial projections for 2025/26 to 2028/29 and the predicted budget gaps totalling over £105 million over the period.

2.4 Note the proposed budget development approach and that members will use this to develop 4-year medium-term service and financial plans and proposals for Budget Council consideration, including detailed budget proposals to set a legally balanced budget in 2025/26 and enable the Council Tax for the year to be set.

2.5 Note the planning assumption of recurrently funding transformation enabling resources of at least £1 million, as set out in paragraphs 7.5 to 7.6, from the revenue budget rather than the previous practice of utilising capital receipts since 2016/17.

2.6 Note that projections for next year and the Medium Term Financial Plan (MTFP) will be updated following government funding announcements expected in Autumn 2024 and Spring 2025.

3 BUDGET SETTING AND MEDIUM TERM FINANCIAL PLANNING

Local Financial Planning Context

3.1 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, having assessed 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.

3.2 The budget setting process will clearly need to track emerging policy decisions and announcements from the newly elected government, particularly where these could have financial implications for local government. The government has announced that it will be moving toward multi-year settlements, which is long overdue and will greatly assist development of a more robust Medium Term Financial Planning process. However, initially, a further one-year announcement is expected as part of the Autumn Statement expected to be provided on 30 October 2024 with the government is aiming to provide multi-year information by Spring 2025.

3.3 A number of key announcements have already been made including the decision not to implement the current version of social care funding reforms, which had been a major concern for local government. While not resolving social care funding it does remove what was expected to be a substantial additional unfunded financial pressure on local authorities in future years. A fundamental reform of Council Tax has been discounted by the new government, but details of council tax flexibilities and any allowable increases are not expected to be announced until the Autumn Statement.

3.4 In almost any scenario, local government will continue to face very significant financial challenges and will need to look to support from central government in the form of additional funding and/or additional financial flexibilities, particularly in respect of local taxation. The Local Government Association’s (LGA) White Paper reported a projected national funding gap of £2.3bn in 2025/26, growing to £3.9bn in 2026/27 for the sector.

3.5 As before, developing estimates and budget proposals in an uncertain funding environment presents its own challenges and whilst preparing for a worst case scenario would go beyond prudence, the council must be cautious in its optimism and work within reasonable scenarios. For 2025/26 the working assumption at present is for a 5% Council Tax increase (including a 2% Adult Social Care precept or equivalent grant funding) subject to full Council approval. Assumptions around pay and prices 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.

3.6 It is necessary to make these assumptions now to determine any potential financial shortfall next year and beyond as budget proposals and savings plans can take a significant amount of time and effort to develop, test and implement. The work on these needs to start now in order to have plans ready to consult and implement in time for next financial year and over the 4-year medium-term financial period.

3.7 The report therefore also includes an indicative assessment of the financial pressures facing priority services in terms of increases in costs and demographic growth in demands, particularly in relation to 'demand-led' services for vulnerable adults, families and children such as social care and homelessness support. When combined with the previous government's grant reductions and restrictions on the allowable level of council tax increases, these demand-led cost pressures have been the main driver of the substantial 'budget gaps' that the council has been experiencing for over a decade. In summary, the system of local government finance has failed to keep up with growing demands and costs.

3.8 The council's budget setting and medium term financial planning process will explore all options for addressing these pressures and the associated budget shortfalls as set out in the report.

Financial Resilience

3.9 In their annual reviews, external auditors are increasingly concerned with local authorities' arrangements for securing value for money which includes demonstrating financial resilience and sustainability and providing evidence of effective medium term planning. The external auditor's Annual Reports since 2021-22 have identified financial sustainability as a 'significant weakness' for this authority and they have made Key Recommendations to the council to take steps to improve its position, in particular, to develop medium term financial plans to address sustainability. The impact of very high inflation over the past two years together with one-year Local Government Financial Settlements (for the past 6 years) has made this very difficult to put in place effectively.

3.10 A key indicator of financial resilience is the level of available reserves and balances held by an authority to manage unexpected financial impacts. This excludes balances held by the Housing Revenue Account and Schools which are not available to the General Fund. It also excludes capital reserves which cannot normally be used for revenue purposes. Levels are currently as follows:

- **Working Balance £6.7m** – this is a permanent risk reserve held to manage financial shocks and therefore any use must be accompanied by a plan for replenishment. Approximately £3.3m was drawn down to manage the 2022/23 outturn overspend which will be repaid at a rate of £1.125m for 3 years, starting in 2024/25, to restore the Working Balance to the recommended level of £9.0m, which represents approximately 4% of the net General Fund budget.

Holding working balances of between 4% and 5% is considered to be standard practice for local authorities.

- **Earmarked Reserves £31m** – earmarked reserves are held in lieu of an approved scheme or expense, or an identified liability, and will usually span more than one financial year. Many are held against contractual commitments (e.g. PFI contracts) while others are held for regeneration projects. Some longer-term earmarked reserves can be 'internally borrowed' from provided they are replenished in time for when they are required to meet their intended purpose.

3.11 Using the Working Balance or Earmarked Reserves to defer decisions or to balance the revenue budget is not sustainable and therefore should be an exceptional practice only, particularly as reserves are generally reducing year-on-year and the authority has not been in a position to improve its overall reserve position for many years. A full list of the council's reserves and balances as at 31 March 2024 is provided at Appendix 9 of the Targeted Budget Management (TBM) Provisional Outturn report to the 27 June meeting of the Cabinet.

3.12 Financial resilience is also concerned with the sensitivity of assumptions and estimates. Previous budget rounds have looked at worst, midpoint and best case estimates for both cost increases (inflation), demographic changes (demand) and funding (government grant and taxation). However, this is a highly theoretical approach and a better approach is to identify the potential range of sensitivities for key areas of the budget. For example, what would be the impact of a Local Government pay award that is 1% higher than assumed in the estimates and what could the council do to mitigate such a risk. These sensitivities are set out in Appendix 3 which considers various potential risks inherent in the budget and how these would normally need to be treated or mitigated.

4-Year Medium Term Financial Planning

3.13 The difference between the estimated cost of services, net of any fees, charges and commercial rents, and the estimated resources available from taxation and government grant funding determines whether or not there will be a predicted budget shortfall/gap each year. In common with many councils, this council has experienced more significant annual budget gaps since 2010/11 as the demand for services has substantially increased while government grant funding was substantially reduced under the previous government's 'deficit reduction' policies. While there has been limited redress in the last few years in terms of increased social care funding or allowable Adult Social Care Council Tax precepts, the resulting loss of funding is approximately £109 million in real terms from 2010/11 to 2024/25.

Addressing Projected Budget Shortfalls

3.14 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. 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;

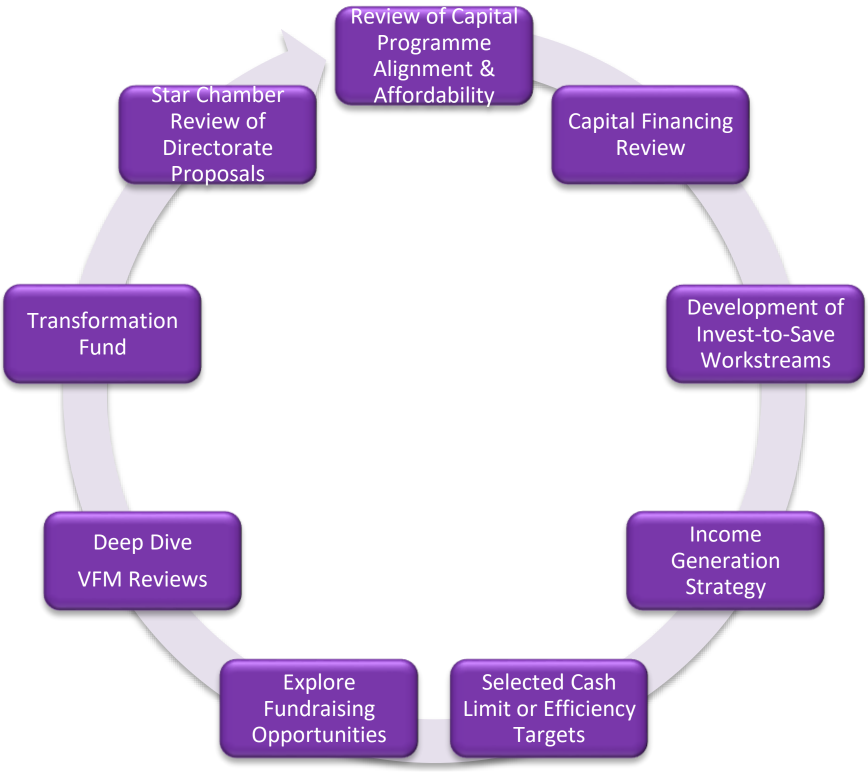
- Similarly, consulting on and implementing savings in the current financial year, where these are supported by members, to provide more headroom and reduce the budget shortfall next year;
- An Autumn Statement that signals an improved local government finance settlement (i.e. increased grant funding) and/or the option to increase local taxation (beyond the 5% assumed) or alter discounts, provided these are supported by full Council;
- Working with key partners such as the NHS to jointly address funding and demand challenges;
- Reviewing the Capital Programme 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 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.

3.15 The latter will be key to addressing budget shortfalls next year and over the medium term financial plan period. Cabinet Members will work with officers to develop proposals over the Autumn in the lead up to consideration of the full budget package in February 2025. Proposals should be multi-year to enable the council to 'financially smooth' out budget gaps over the 4-year medium term period if necessary and many will require up-front investment (invest-to-save) in order to achieve the necessary transformation and savings.

3.16 However, a number of pressures are continuing to increase rapidly, following years of growth, and are a key driver of the severe financial challenges facing the council. This includes Adult Social Care where continued year-on-year growth in cost and demand on the current trajectory is unsustainable and will need significant intervention and demand management to ensure costs do not financially destabilise the authority.

3.17 The graphic below summaries the elements that need to be considered to provide an effective budget planning approach. A key aspect of the approach is to improve the alignment of capital, revenue and transformation funding and financing to ensure that these support both financial sustainability and Council Plan priorities as far as possible. Each of the elements is described in more detail in Appendix 2.

Components of the Medium Term Financial Planning Process



3.18 These 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.

4 RESOURCES UPDATES AND ASSUMPTIONS

Local Government Financial Settlement (LGFS)

4.1 The government will publish an Autumn Statement on 30 October 2024. In addition, the Office for Budget Responsibility (OBR) will release their latest outlook for the economy and public finances which should provide some high-level indication of overall funding across government departments for the remainder of 2024/25 and for 2025/26 and beyond. The government has committed to a multi-year Spending review to conclude in Spring 2025 covering the next 3 years although it is unknown whether this will translate to 3-year settlements for local authorities. The government has also committed to spending reviews every 2 years that provide a minimum 3-year horizon.

4.2 The provisional LGFS for 2025/26 would normally be expected in December, including confirmation of the any restrictions on council tax increases, including increases above which a local referendum may be required.

Government Grants and Precepts

Revenue Support Grant (RSG)

4.3 For 2025/26 RSG is assumed to increase by September 2024 CPI. The Office for Budget Responsibility (OBR) is currently (Mar 2024) projecting 1.64% by the end of quarter 3, 2024 and therefore the assumed RSG will be £8.592m, an increase of £0.139m. For 2024/25, the increase in RSG was funded by reducing the

Services Grant and this is assumed to continue in 2025/26 and therefore there is no net increase in resources.

Services Grant

4.4 Services Grant is an unringfenced grant provided by government. The Council received £0.376m in 2024/25 (down from £2.392m in 2023/24) and it is forecast to receive £0.160m for 2025/26.

Adult Social Care precepts and Better Care Funding (BCF)

4.5 In recent years the government has provided additional resources to support Adult Social Care (ASC) through a combination of increased grant and ASC precepts. The government has stated it will not be implementing the charging reforms set out by the previous government that had been deferred to October 2025. No other announcements have been made for future years. The planning assumption is that the government will recognise the continuing pressure on the cost of these services by providing the equivalent of 2% ASC precept, either through a precept or through additional grant. This equates to £3.756m.

4.6 The table below summarises the overall funding assumption:

Social Care Resources	2022/23	2023/24	2024/25	2025/26
ASC Precept	1%	2%	2%	0%*
Improved BCF	£9.459m	£9.459m	£9.459m	£9.459m
Social Care Grant	£10.815m	£17.856m	£23.535m	£23.535m
ASC Discharge Grant		£1.326m	£2.210m	£2.210m
ASC Market Sustainability and Improvement Fund and Workforce Fund		£4.746m	£5.375m	£5.375m
Assumed additional funding				£3.756m*

* Funding assumed to be either grant or Precept (equivalent to 2%)

New Homes Bonus (NHB)

4.7 The government further extended the NHB scheme for 2024/25 for the 5th year without reform and the council received a one-off allocation of £2.627m based on the net increase in new properties in the city between October 2022 and October 2023 which was used to support the 2024/25 budget. No announcements have been made about the future of this grant and therefore no assumptions have been made on any additional one-off funding.

Business Rates

4.8 For 2025/26 the projections are based on 0.25% growth compared to 2024/25. This reflects the completion of a number of business space developments across the city net of further anticipated impacts on the retail sector.

4.9 Business rates normally increase by September CPI which is forecast by OBR to be 1.64%. In recent years the government has made various policy changes to provide support for business ranging from small business rate relief extensions to Retail, hospitality and Leisure relief schemes. The financial impact of these policy changes have been fully funded by government through Section 31

Compensation grants and this is assumed to continue. Business Rate increases for later years are based on OBR forecasts.

4.10 Business rates were revalued with a new 2023 rating list in place from April 2023 and the government committed to a 3-year cycle of revaluations for the future. Revaluation can cause fluctuations in the level of resources retained by the council.

4.11 Business Rates forecasts continue to be an area of financial risk which is heightened by the unknown impacts of global financial events and the impact of current economic conditions on businesses and therefore these estimates could change significantly.

Council Tax

Council Tax Reduction Scheme

4.12 The current Council Tax Reduction Scheme (CTR) was approved by full Council in February 2022. No changes have been made to the scheme, but the Council has approved the uplifting of earnings band thresholds in line with the changes to the National Living Wage announced by government.

4.13 The number of working age claimants has been risen by 4% since February 2024 however the average award has reduced, partially offsetting the overall increase in awards. The assumption in the projections is that the number of claimants and average awards will remain constant throughout 2024/25 and 2025/26 at the current overall levels. This assumption will be closely monitored throughout the year and will be updated with any changes to the scheme agreed by Council.

Council Tax Estimate 2025/26

4.14 The council tax increase for 2025/26 and later years of the MTFP is currently assumed at 2.99% for planning purposes. The impact of the current financial climate on council tax income remains difficult to predict but new housing developments have been assumed for 2025/26 alongside the introduction of the second homes premium resulting in a significant net increase of the tax base of 1.46%. The collection rate is assumed to remain at the 2024/25 level of 98.75% rather than reverting to the pre-pandemic level of 99%.

Corporate Inflation Provisions & Assumptions

Pay

4.15 At present there is no agreed pay offer for 2024/25 or 2025/26 for the majority of staff. The employers' offer for 2024/25 for all NJC salaries is a £1,290 flat rate increase or 2.5%, whichever is greater, alongside the agreed pay award of 2.50% for JNC Chief Officers. This equates to a 3.8% increase overall however the 2024/25 budget included 3.0% and, if this offer is agreed, therefore creates a pressure of £1.300m when rolled forward into 2025/26.

4.16 The current pay award assumption for 2025/26 is 2.75% on the basis that inflation has significantly reduced during 2024/25 as predicted by the OBR and is expected to remain lower during 2025/26. Pay has been a significant financial risk over the past 3 years during a period of very high inflation. The pay award assumption is higher than predicted CPI and therefore could mitigate this risk. Each 1% increase equates to £1.600m for the General Fund budget. This is also a significant risk area for the separate Schools and Housing Revenue Account budgets.

Pensions

4.17 The recent triennial review of the East Sussex Pension Scheme covered the period 2023/24 to 2025/26 and confirmed the employer contribution rate of 19.80% across the 3 years. The East Sussex Pension Fund, in common with many funds across the country, is currently performing very well in terms of investment performance. If this is sustained, this should be reflected in employer contribution rates in the next triennial review, subject to other factors such as pay awards.

Prices

4.18 The provision for general price inflation ranges between 1.00% and 3.00% as a base position depending on the type of expenditure. The largest type of expenditure is Third Party Payments which covers the majority of non-staffing expenditure within adults and children's social care which has an assumed base position increase of 3.00%. The impact of inflation above these assumed base rates is separately identified as a 'Service Pressure' rather than applying generic increases to all service areas.

Fees and Charges

4.19 Fees and charges budgets for 2025/26 are assumed to increase by a standard inflation rate of 3.00%. Penalty Charge Notices (parking fines) are excluded from this increase as the levels of fines are set by government and cannot be changed independently. Temporary accommodation income is assumed to increase by 2.00% but this will ultimately be determined by government changes to the Local Housing Allowance rates.

Commitments

4.20 The budget projections for 2025/26 include some significant commitments including over £4.200m relating to the costs of previously approved capital investments funded by borrowing. During 2023/24 a review and rationalisation of the capital programme was undertaken to ensure approved projects are deliverable and affordable and this process will continue to inform the MTFP. The financing costs budget is net of investment income from cashflow surpluses which can fluctuate significantly through changes to the Bank of England base rate. The results of the capital programme review and revised investment income projections will be reflected in an updated financing costs budget for 2025/26.

4.21 Other substantial commitments include £1.000m recurrent IT&D resources to support the digital infrastructure and a further £1.000m to provide for transformation enabling resources (see later). The pay award for 2024/25 is estimated to be £1.300m above the allowance in the budget and therefore this becomes a commitment in 2025/26.

4.22 There is no recurrent funding for risk provisions included within the financial projections. For planning purposes, any risk provision would need to be managed by redirecting reserves in the short term.

5 ANNUAL BUDGET AND MEDIUM TERM FINANCIAL PLAN ESTIMATES

5.1 The table below sets out the projected inflationary cost increases, demographic (demand) pressures and commitments for 2025/26. Information for 2025/26 must necessarily be more detailed as the council is required to set a legally balanced budget and set the Council Tax level for the following financial year.

Table: Projected Budget Position 2025/26

Projected Cost and Demographic Pressures:	Estimate
	£m
General Inflation assumptions including 2025/26 Pay Award	9.810
Budget Commitments (mainly capital financing)	5.348
Mainstream Digital and Transformation Enabling Functions	2.000
Grant reductions (New Homes Bonus/Services Grant)	2.760
Change in contribution to reserves	0.320
2024/25 pay award offer above 3.00% budget provision	1.300
Schools PFI contract commitments	0.180
Children's Social Care – provider and other cost increases	1.072
Looked after children and Care Leavers – demographic pressures	2.660
Adult Social Care – provider and other cost increases	8.176
Adult Social Care – demographic pressures	1.017
High Needs Block (SEN/SEMH) Cost and Funding Pressure	3.044
Temporary Accomm/Rough Sleeping – cost and demand pressures	2.340
Home to School Transport – cost and demand pressures	0.513
Increased cost of public realm maintenance & cleaning	2.000
Concessionary Bus Fares - change in funding calculation	1.000
Housing Benefit Subsidy shortfall	0.300
Income pressures (due to falling demands)	3.026
All other pressures across council services	6.605
Total Projected Cost and Demographic Pressures	**53.471**
Projected Funding and Taxation Resources:	
Remove one-off Collection Fund deficits	-2.990
Additional government funding (assumption of 2.00% ASC Precept)	-3.756
Business rates growth and appeals change (+0.25%)	-0.161
Business rates change (+1.60% based on projected OBR Sept CPI)	-1.366
Revenue Support Grant increase (+1.60% based on OBR Sept CPI)	-0.139
Council Tax estimated tax base growth (+1.50%)	-2.711
Council Tax increase (2.99% assumed)	-5.618
Total Assumed/Projected Increase in Funding	**-16.741**
Projected Budget Gap (Savings Requirement) 2025/26	**36.730**

5.2 The estimates and assumptions above, based on the best information available, indicate that a substantial budget gap of £36.730m would need to be addressed in order to balance the budget. However, it must be remembered that all estimates at this stage of the process are subject to change and will be reviewed and updated throughout the budget process.

5.3 For planning purposes, and recognising that it will take some months to develop robust saving and transformation proposals having undertaken all of the processes outlined in paragraph 3.16 above, CLT and DMTs will work on the basis of addressing the £36.730m shortfall identified above. This will also include focusing on managing costs and demands in the current year which can contribute to improving trends together with working up savings, cost reduction and demand management proposals for next year and the following 3 years.

5.4 Excluding capital financing commitments the budget gap almost exactly correlates to cost and demand pressures from services (£31.933m). Therefore, finding ways to manage or mitigate these pressures is key to resolving the council's budget challenges next year and over the medium term.

Medium Term Financial Projections 2025/26 to 2028/29

5.5 The table below summarises the medium term estimates and predicted budget gaps for the next 4 years based on the following key assumptions:

- Demographic pressures are based on current trends for 2025/26 and then moderated estimates for 2026/27 onward;
- 2.99% Council Tax increases over the 4-year period;
- 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.

Table: Indicative Medium Term Financial Projections

Summary Projections and Budget Gaps	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m
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
Subtotal	**17.782**	**10.601**	**7.762**	**10.746**
Net Investment in priority/demand-led services	31.933	22.577	23.356	22.205
Projected Net Tax Base changes	(12.985)	(9.250)	(9.575)	(9.704)
Predicted Budget Gaps	**36.730**	**23.928**	**21.543**	**23.247**

5.6 The medium term projections could be affected by a wide range of factors as follows:

- Higher or lower demands and cost pressures than projected;
- Higher or lower tax base movements;
- Further movements in locally or nationally negotiated pay;
- Higher or lower inflation than assumed;
- More or less favourable government grant settlements;

- Potential changes to the ‘excessive council tax’ capping rules and/or precepting or other more fundamental changes to local government funding;
- Changes in interest rates (impacting on capital financing budgets); and
- Actuarial changes to employers’ LG pension scheme contributions.

Many of these can have significant impacts on medium term projections in either direction. However, it is important to attempt to estimate future costs and resources as this gives early indications of potential future financial challenges and can inform decision-making now, particularly with regard to setting in train longer term transformation programmes to address financial sustainability.

5.7 Based on the analysis above, options to address budget gaps totalling £105.448m over the medium term period 2025/26 to 2028/29 will need to be developed.

One-off Resource Requirements 2025/26

5.8 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 4 monitoring indicates a £3.139m net deficit) *;
- Any General Fund outturn overspend (i.e. TBM overspend) *;
- 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.*

6 CAPITAL STRATEGY AND CAPITAL INVESTMENT PROGRAMME

5 Year Capital Investment Programme

6.1 The current Capital Strategy was approved by Budget Council in February 2024 along with scheme-by-scheme capital programme estimates that were incorporated into the council’s Budget Book. The aim of the Capital Strategy is to ensure that all members can understand and determine the overall long-term policy objectives for the use and deployment of capital resources including borrowing. The capital expenditure estimates incorporate planned rolling investment programmes alongside major infrastructure, housing and sustainability schemes.

6.2 The majority of the council’s capital investment is within longer-term programmes that support Council Plan priorities alongside significant capital projects. The key programmes and projects, aligned to priorities, are as follows:

Homes for Everyone:

- New Homes for Neighbourhoods and Home Purchase Scheme;
- Investment in new build housing through the Housing Revenue Account and Housing Joint Venture (with Hyde Housing);

- Investment in maintaining and improving the Council Housing Stock and building safety through the Housing Revenue Account;
- The Strategic Investment Fund (SIF) to provide project support for major regeneration programmes that draw in substantial private sector investment.

A Healthy City where People Thrive:

- Investment in a new leisure centre at the King Alfred site;
- Investment in the Hove Beach Park supported by Levelling-Up funding;
- The Education Capital programme, which provides investment from central government including New Pupil Places, Education Capital Maintenance and Devolved Formula Capital for schools;
- Disabled Facilities Grant funded adaptations to support independence at home.

A City to be Proud of:

- Renovation and restoration of the Madeira Terraces;
- Development of the Black Rock site and Valley Gardens Phase III;
- Investment in the Royal Pavilion Estate supported by the Heritage Lottery;
- The Local Transport Plan (LTP) covering a wide range of transport-related schemes;
- Significant investment in coast protection programmes;
- The Carbon Neutral investment programme.

A Responsive Council with Well-run Services:

- The Information Technology & Digital Investment Fund to maintain and upgrade the council's infrastructure and IT architecture;
- The Asset Management Fund (AMF) to maintain operational buildings, improve sustainability and reduce long term maintenance costs;
- Corporate Planned Maintenance (PMB) to undertake planned building works and upgrades;
- Vehicle and plant annual replacement programmes.

Capital Receipts

6.3 Capital receipts from the sale of surplus land and buildings support the capital programme and invest-to-save transformation programmes. The projections are regularly reviewed having considered the social value implications of any decision to dispose first. The council's former strategy was to re-balance the property portfolio by disposing of low or non-performing commercial properties and reinvesting in more viable property investments. However, this is now considerably more challenging as borrowing from the Public Works Loan Board is now prohibited for commercial property investment and so the current focus is on investment in existing assets through the Commercial Asset Investment Fund (CAIF) supported by capital receipts.

6.4 Capital receipts are under severe pressure due to competing demands for the resources and the certainty and speed with which capital receipts can be realised. This puts in jeopardy the council's ability to support the following objectives:

- Funding of annual investment funds such as the Strategic Investment Fund (SIF) and Asset Management Fund (AMF) referred to above;

- Investment to maintain the commercial property portfolio (CAIF);
- Support for accelerating housing supply schemes; and
- Funding of a Transformation Fund to support implementation of invest-to-save efficiency programmes, including digital and AI investment, over the Medium Term Financial Plan period (see below).

6.5 A recent exercise to compare projected demands on capital receipts together with known or planned disposals has been undertaken, indicating a significant shortfall of circa £17 million that will require significant further disposals to be identified as follows:

Capital Strategy & Capital Receipts	**Year 1 2024/25 £'000**	**Year 2 2025/26 £'000**	**Year 3 2026/27 £'000**	**Year 4 2027/28 £'000**	**Year 5 2028/29 £'000**
Brought forward balance	77	(3,983)	(511)	(4,389)	(10,884)
Expected Capital Receipts	**15,277**	**11,639**	**2,844**	**30**	**20**
Capital Receipt commitments	(19,337)	(8,167)	(6,722)	(6,525)	(6,500)
Carry forward balance (deficit)	**(3,983)**	**(511)**	**(4,389)**	**(10,884)**	**(17,364)**

6.6 Capital Receipt commitments include existing and approved capital schemes together with an assumed minimum investment in the Transformation Fund of £16 million (see below).

Review of the Existing Capital Programme and Future Requirements

6.7 The Capital programme, agreed at Budget Council in February 2024 included £211.470m investment plans for 2024/25. This included a large number of schemes reprofiled from 2023/24 and in some cases previous years. Further slippage and reprofiling is expected throughout 2024/25.

6.8 As noted in paragraph 3.16 above, a key part of the budget process and in-year budget management will be a review of the capital programme and its affordability and deliverability. This should include further recommendations for rationalising and prioritising schemes, including de-commitment, to ensure approved projects are deliverable and affordable and to continue to strengthen alignment of capital investment to Council Plan priorities. The review will be performed alongside identifying and developing any new investment proposals to support Council Plan priorities or contribute to the council's medium and longer-term financial sustainability.

7 TRANSFORMATION FUND (INVEST-TO-SAVE)

7.1 Previous governments have recognised that in order to make significant changes to services to improve value for money, customer service, efficiency and productivity, councils would need the flexibility to use receipts from the disposal of capital assets to make viable invest-to-save decisions. This is because achieving transformation and change often involves significant one-off costs that cannot be afforded from revenue and cannot normally be funded by capital receipts or borrowing, for example, redundancy costs or project and programme management staffing. The government's 'capital receipt flexibilities', now extended to 2030, allow the use of capital receipts for such purposes enabling the council to build up a Transformation Fund subject to the availability of capital receipts.

7.2 The Transformation Fund will be kept under review as budget plans develop and spend-to-save opportunities and investment requirements emerge in more detail over the planning period. At this stage, the indicative requirement for the Transformation Fund for 2025/26 to 2028/29 is shown in the table below. However, this is considered to be a minimum investment level based on the experience of previous 4-year invest-to-save programmes.

4-Year Indicative Transformation Fund	
Category of Investment	**2025/26 to 2028/29** **£m**
Invest-to-Save business cases for transformation	8.000
Digital and AI Development Resources and Skills Development	4.000
Managing Staffing Changes (exit packages)	3.850
Resources to generate Capital Receipts	0.150
Total	**16.000**

7.3 The investments are described in outline below:

- **Invest-to-Save Business Cases:** The 2025/26 and subsequent budget processes will encourage innovation and invest-to-save business cases aimed at supporting the achievement of Council Plan priorities and, importantly, contributing to the future financial sustainability of the council. Business cases will need to demonstrate a return on investment within a reasonable time period (max 5 years) but ideally within the 4-year medium term financial plan period. A minimum investment of £8 million is anticipated but the profile of this over the 4-year period is likely to be uneven and is most likely to need to be front-loaded.
- **Digital and AI Development & Skills:** Digital and AI is a specific form of invest-to-save. The council has already invested heavily in staff, systems and technologies to provide improved digital and on-line services. However, this process does not stop and as technologies, including AI and robotics, improve and develop, the council will need to move with the technology and ensure appropriate skills are developed to make the most of any investment.
- **Managing Staffing Changes:** Transformation and change inevitably results in significant changes to services which will entail changes to the mix or level of staffing in services. This can lead to potential redundancies which the council attempts to manage through holding vacancies or redeployment as far as possible, but otherwise through voluntary severance where this meets the council's business case criteria. This can involve significant redundancy and/or pension strain costs. At least £1 million per year is expected to be required over the 4-year period supporting severance of around 25 to 30 staff each year. Alongside vacancy management and redeployment this could enable reductions of up to 100 full time equivalent posts each year.
- **Resources to generate Capital Receipts:** Generating sufficient capital receipts in good time to support both the Transformation Fund and Capital Investment Programme will require additional conveyancing and surveyor resources. Disposals are often complex and time-consuming, involving many parties, tenancies or other complications such as lease re-gearing or land and property transfer negotiations. Without additional resources, disposals will not succeed at pace and are unlikely to provide the necessary financial

resources. An estimated investment of £0.150 million for the first two years is included above.

Transformation Enabling Resources

7.4 Ensuring that transformation and change can be delivered requires resources that can be flexibly deployed across different programmes or to ongoing long-term change programmes. Experience has shown that the need for these resources is permanent and has required funding since at least 2016/17 to deliver major changes programmes including substantial reduction of the council's Administrative Buildings through various phases of the Workstyles programme. These resources should therefore ideally be permanently funded by the General Fund revenue budget, particularly given the greater difficulty and complexity in generating future capital receipts.

7.5 As a working assumption, the revenue budget therefore includes recurrent funding for Transformation Enabling resources of at least £1 million p.a. based on current resourcing, but this will need to be reviewed as the budget is developed and the scale of support for change proposals is fully understood. The costs are broadly expected to cover the following:

Transformation Enabling – Recurrent Annual Costs	
Category of Investment	**Annual Cost**
	£m
Project & Programme Management Resources	0.640
Workstyles Resources (to rationalise operational buildings)	0.180
HR Management of Change Support	0.128
Leadership Development	0.052
Total	**1.000**

7.6 By assuming permanent funding, this increases the projected budget gap for 2025/26 by £1 million and therefore increases the savings requirement to balance the budget. Although challenging, this is a recommended approach rather than funding these ongoing resources from scarce capital receipts.

8 HOUSING REVENUE ACCOUNT (HRA) BUDGET & CAPITAL PROGRAMME

8.1 This report is primarily concerned with the development of the General Fund revenue and capital budget. However, there are links to the Housing Revenue Account (Council Housing) revenue budget and capital programme which follow a separate budget setting process. Summary information is provided below.

8.2 The Housing Revenue Account (HRA) is a ring-fenced account which covers the management and maintenance of council owned housing stock. This must be in balance, meaning that the authority must show in its financial planning that HRA income meets expenditure and that the HRA is consequently viable.

8.3 The current economic and operating environment continues impact on the resources available to the HRA during 2024/25. This includes the rising cost of services and investment needs arising in relation to compliance with the Building Safety Act, Fire Safety Regulations and Social Housing Regulation Bill as well as the impact of inflation on services.

8.4 An emerging issue for the council is investment requirement in 8 Large Panel System (LPS) blocks across the city. Whilst investment was anticipated over a longer period of time for these blocks, there is a need to ensure the blocks remain safe in the short term with measures being introduced which require a significant revenue investment for the HRA over the short term. Longer term plans are under consideration for these blocks with required capital investment forming part of future budget papers where reasonable estimates can be made.

8.5 Recent Housing press has indicated that Central Government are due to announce a long-term rent policy whereby social rented landlords will be able to increase by CPI+1% for the next ten years. The 2024/25 Medium Term Financial Strategy assumed an increase of CPI only, therefore the move to a CPI+1% model will have a positive impact on HRA finances. However, at the time of drafting the MTFS for 2024/25, inflation was anticipated to be at a higher level in September 2024 than it was currently forecast to be, therefore there may be a neutral impact in the short term.

8.6 The capital plan for the HRA is split into two main areas in investment, this being improving the quality, safety, and energy efficiency of council homes and in new housing supply. Investment in existing stock is funded from direct revenue funding from tenants' rents (including associated rent rebates) and HRA borrowing that is supported by tenants' rents over a longer period. Whilst investment in new supply is mainly funded from retained capital receipts (including Right to Buy sales and commuted sums), grant funding and HRA borrowing.

8.7 The HRA capital investment programme for 2024/25 to 2028/29 is informed by the most recent stock condition review and survey as well as the existing and emerging priorities of the HRA Asset Management Strategy. Key considerations include improving the safety and quality of homes and ensuring regulatory compliance is met. This includes working in consultation with external bodies such as the Regulator of Social Housing and East Sussex Fire and Rescue Authority, as well as tenants and leaseholders to inform the planned and major works strategy. Investment also continues in carbon reduction initiatives to support the city's commitment of becoming carbon neutral by 2030.

8.8 The HRA continues to look at the range of initiatives it has to deliver additional housing and meet the commitment to deliver new affordable council homes. These initiatives include the New Homes for Neighbourhoods Programme, Home Purchase Scheme, Converting Spaces programmes and the Homes for the City of Brighton & Hove Joint Venture.

8.9 Work will continue through 2024/25 to deliver housing supply pipeline schemes. The Home Purchase Scheme will continue to explore opportunities to buy back ex-right-to-buy properties, whilst the extended Home Purchase Scheme will look at off the shelf purchase opportunities to increase the supply of affordable housing within the HRA.

9 SCHOOLS BUDGETS AND FUNDING

9.1 The Dedicated Schools Grant (DSG) is a ring-fenced grant that provides funding for Schools, Academies, Early Years, Special Educational Needs and a small number of allowable Central items. The DSG is allocated to schools and academies on the basis of a National Funding Formula (NFF) primarily driven by pupil numbers.

9.2 Similarly to the HRA, the development and setting of schools' budgets follows a separate process involving statutory consultation and oversight of the Schools Forum. However, there are links with the General Fund budget setting process as General Fund budget proposals and savings can potentially impact schools and vice versa.

9.3 Announcements regarding the 2025/26 Dedicated School Grant (DSG) allocation would normally have taken place in July. However, this has been delayed due to the General Election and there has been no further update from the Government as to when the 2025/26 settlement will be published. Therefore, an overview of the 2024/25 allocation is provided below.

9.4 The Dedicated Schools Grant (DSG) is divided into four blocks – the Schools Block, the High Needs Block (HNB), the Central School Services Block (which allocates funding to local authorities for their ongoing responsibilities towards both maintained schools and academies), and the Early Years Block. Each of the four blocks of the DSG are determined by separate national funding formulae (NFF).

9.5 In July 2024, the Department for Education (DfE) announced the updated DSG funding settlement for the 2024/25 financial year. This is set out in the table below, together with a comparison to 2023/24.

Financial Year	Schools Block £'000	Central School Services Block £'000	High Needs Block £'000	Early Years Block £'000	Total DSG £'000
2024/25	165,039	2,074	38,849	26,434	232,396
2023/24	159,378	2,136	37,364	15,433	214,311
Increase	**5,661**	**(62)**	**1,485**	**11,001**	**18,085**

Schools Block – Base 2024/25 Allocations

9.6 In 2023/24, schools received a separate mainstream additional grant outside of the main DSG. This equated to £5.364m. For 2024/25, this funding has been rolled into the Schools Block of the DSG meaning the total Schools Block funding is virtually unchanged between the two financial years. In overall terms, after other adjustments are considered, the total funding available to mainstream schools through core formula budget allocations between 2023/24 and 2024/25 will increase by c. £0.500m. This equates to a percentage increase in cash terms of just 0.3%, and an increase in per pupil funding of 2.0%. For presentational purposes the Schools Block figures above are inclusive of funding for non-domestic business rates and are prior to recoupment for academies funding.

9.7 It should be noted that the Schools Block pupil numbers have decreased from 29,451 in October 2022 to 28,972 in October 2023. This is a reduction of 479 pupils and equates to an overall loss of DSG Schools Block funding to the local authority of c. £2.45m. This presents a very challenging financial backdrop for schools.

Updated School Balances Position

9.8 School carry forwards at the end of 2023/24 are £0.281m, a reduction of £4.259m from the £4.540m balance at the end of 2022/23. This is a key indicator of the financial challenges being experienced across all phases.

Schools Balances	Nursery £'000	Primary £'000	Secondary £'000	Special £'000	Total £'000
Final 2022/23 balances	-81	1,185	3,573	-137	4,540
Final 2023/24 balances	24	-1,143	2,048	-648	281
Movement	**105**	**-2,328**	**-1,525**	**-511**	**-4,259**

Final School Budget Plans and Licensed Deficits 2024/25

9.9 Schools submitted their budget plans for 2024/25 during summer term 2024. The latest position shows that 34 schools require licensed deficits totalling £7.1m. This is significantly in excess of the net school surplus balances of £0.281m at the end of 2023/24 and the Chief Finance Officer has advised that a reserve will need to be identified against which this deficit can be internally borrowed.

9.10 In July 2024 the government announced an additional Core School Budget Grant for schools. This is in acknowledgement of the additional cost pressures facing schools in 2024/25 because of higher than anticipated pay awards. It is estimated this will provide another £3.2m of funding to maintained schools in the city whereas additional costs over and above those allowed for in budget plans are estimated at £2.8m, meaning there may be a slight improvement in the overall school budget position in 2024/25 compared to the position set out in final school budget plans.

High Needs Block

9.11 The headline allocation of High Needs Block funding is shown in the table above. The government increase in funding of c. £1.5m (4%) is significantly below the demand and cost pressures the council is experiencing and forecasts show a potential deficit in the 2024/25 high needs block of approximately £0.8m.

9.12 The council continues to seek to provide additional local specialist provision linked to the SEN Sufficiency Strategy, however, costs associated with the establishment of this are high.

9.13 Under current national legislation a statutory override mechanism is place which allows local authorities to keep DSG deficits separate from the General Fund budget, however this statutory override arrangement is due to expire in March 2026. The latest published data shows that approximately 100 out of 150 local authorities are operating with deficits against the high needs block of their DSG allocations.

Early Years Block

9.14 There are significant extensions to free entitlement in 2024/25 resulting in a large increase to Early Years Block funding. For 2024/25 the main early years entitlements are:

- the 15 hours entitlement for eligible working parents of children from nine months to two years old (new entitlement from 1 September 2024);

- the 15 hours entitlement for eligible working parents of two-year-old children (new entitlement from 1 April 2024);
- the 15 hours entitlement for disadvantaged two-year-olds;
- the universal 15 hours entitlement for all three and four-year-olds;
- the additional 15 hours entitlement for eligible working parents of three and four-year-olds.

9.15 Government funding rates are increasing for 2024/25 and there is a requirement for the local authority to pass on a minimum of 95% Early Years Block funding to providers. It is anticipated that the Early Years Block will be in breakeven position in the 2024/25 financial year.

10 BUDGET DEVELOPMENT TIMETABLE

10.1 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

Date	Who	What
Aug – Nov	CLT	Develops Medium Term service and financial plans including the workstreams set out in this report (para 3.16) and budget proposals to address budget gaps for 2025/26 to 2028/29
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 expected (1 year only)
Dec to Mar	CLT	The majority of consultation processes start in December and continue through to conclusion, usually no later than March. However, consultation can start earlier if appropriate/necessary.
12 Dec 2024	Cabinet	TBM month 7 (October) Council Tax Reduction Scheme Review 2025/26
December	Government	Provisional Local Government Finance Settlement 2025/26
23 Jan 2025	Cabinet	Council Tax and Business Rates Tax Base report [Legal requirement]
February 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.

11 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

11.1 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, including amendments, to Budget Council on 22 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.

12 COMMUNITY ENGAGEMENT AND CONSULTATION

12.1 This report will be shared widely with key stakeholders and partners as it signals to all parties the anticipated financial challenge facing the council for next year and beyond, notwithstanding the imperfect funding information available at this stage.

12.2 Whilst no specific consultation has been undertaken in relation to this report, the development of the council's budget and future plans is a major undertaking and proposals can affect a wide range of services and therefore have impacts on residents, businesses, visitors and staff. Appropriate and necessary statutory consultation and engagement will need to be undertaken with residents, service users, staff, unions, partners, business representatives and the community and voluntary sector.

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

General Information

12.4 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).

Community and Resident Engagement

12.5 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 is hoping to use its 'Your Voice' on-line engagement platform and a budget simulator to capture valuable information to inform members' decision-making.

12.6 Similarly, subject to funding and venue availability, it is hoped to provide an open access event 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 a cross-section of our city.

12.7 Consultation with Community & Voluntary Sector groups and representatives is also planned and appropriate meetings and venues will be provided included a facilitated event at Jubilee Library.

City Partners

12.8 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

12.9 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

12.10 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

12.11 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

12.12 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.

12.13 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.

12.14 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.

Specific Consultation

12.15 A number of potential services 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 to explore best value for money delivery options;
- 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 adminstrative 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;
- 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;
- Business Support and Admin functional alignment review.

13 Financial Implications:

13.1 These are contained in the body and appendices of the report.

Finance Officer Consulted: Haley Woollard Date: 28/08/24

14 Legal Implications:

14.1 The process of formulating a plan or strategy for the council’s revenue and capital budgets falls within the Allocation of Responsibilities for Functions for the Cabinet under Part 2E of the constitution.

14.2 This report complies with the Council’s process for developing the budget framework, in accordance with the Council’s Budget and Policy Framework Procedure Rules as set out in Part 3D of the Constitution.

Lawyer consulted: Elizabeth Culbert Date: 28/08/24

15 Equalities Implications:

15.1 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.

16 Sustainability Implications

16.1 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.

17 Health and Well-being Implications

17.1 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'.

18 Other Implications

Risk and Opportunity Management Implications:

18.1 There are a range of risks relating to the council's short and medium term budget strategy including the ongoing economic impact of the higher 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 is given in Appendix 3 of the report.

19 CONCLUSION

19.1 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. MTFS Risks and Sensitivities