

A better Brighton & Hove for all



Medium Term Financial Strategy 2025/26 to 2028/29

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1 A BETTER BRIGHTON & HOVE FOR ALL

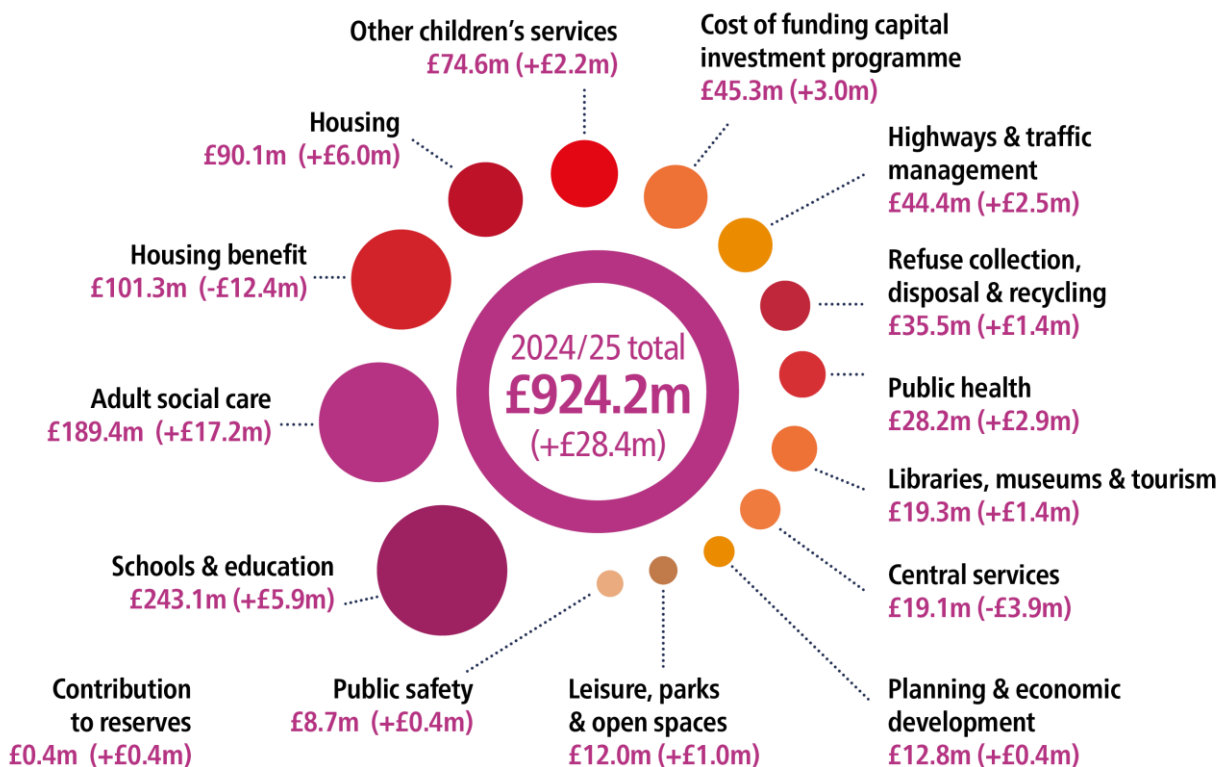
Our Vision and Priorities

- 1.1 Our vision is for Brighton & Hove to be a city to be proud of, a healthy, fair and inclusive city where everyone thrives.
- 1.2 To deliver our vision we will work to be a responsive council with well-run services. We will focus on four outcomes over the next four years as set out in our Council Plan. For each of the outcomes shown below, we set out what we will do and how we will measure progress. The detailed delivery plans are set out in the council's directorate plans and service strategies.
 1. **A city to be proud of**
Investing in our city
An accessible, clean, and sustainable city
 2. **A fair and inclusive city**
An inclusive and more equitable city
A city where people feel safe, included and welcome
Homes for everyone
 3. **A healthy city where people thrive**
A better future for children and young people
Living and ageing well
 4. **A responsive council with well-run services**
- 1.3 To achieve these priorities we recognise that we need to operate as '**one council**' so far as residents, visitors and businesses are concerned, ensuring that we work seamlessly across our services and collaborate effectively with our partners and commissioned providers. The full details of our vision and priorities and how we will measure progress are set out in our Council Plan available here: [Brighton & Hove City Council plan 2023 to 2027](#)
- 1.4 The purpose of the Budget and Medium-Term Financial Strategy (MTFS) is to set out how the council will use its capital and revenue resources to support the priorities above and deliver its core services, many of which are statutory. The priorities above sit at the heart of the budget process, leading the approach to allocating resources and developing investment and transformation plans.

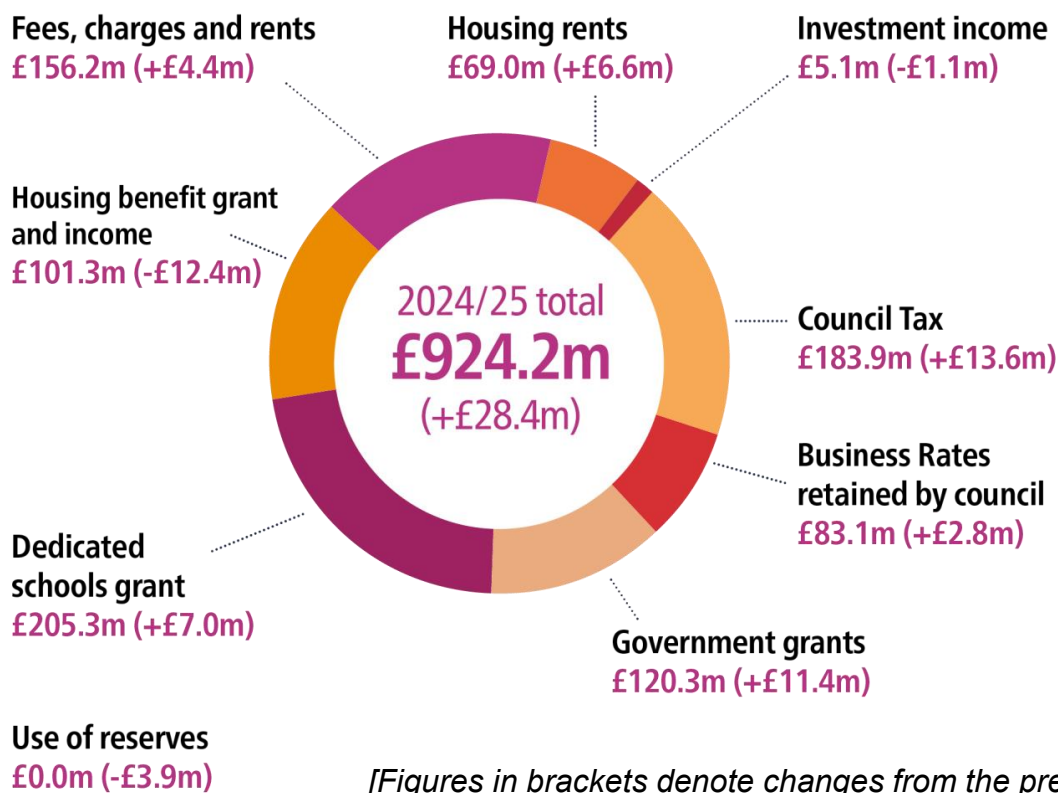
2 OUR CURRENT SERVICES AND BUDGET

- 2.1 Council staff deliver hundreds of different services for residents, businesses and visitors.
- 2.2 We conduct weddings, look after the seafront and downland, maintain the transport network, and maintain the city's parks and green spaces. Services we must provide by law include education services, children's safeguarding, children's and adult social care support, waste collection and disposal, planning and housing services, road maintenance, and library services.
- 2.3 In 2024/25 we are expecting to spend over £924 million delivering services for the city. It therefore costs £2.5 million a day to run council services. We are committed to spending this money as efficiently and economically as possible. The charts below show the major areas of service where money is spent followed by the primary sources of funding.

Where the budget will be spent in 2024/25



Where the funding comes from in 2024/25



3 DEVELOPING THE MEDIUM-TERM FINANCIAL STRATEGY

3.1 The period covered in this strategy represents a challenging time for local authority finances, with inherent uncertainty in the financial planning process and significant

ongoing forecast increases in demand for key services. The potentially far-reaching implications of the English Devolution White Paper also introduces significant uncertainty with regard to the future of current local authority organisations and structures across the County and for the City. However, setting out clear financial plans remains important in the interim and will help with any transition to new models of local government for the area.

- 3.2 Nationally, public finances look to be very challenging over the medium term, which is likely to put continuing pressure on Local Government finances. As a result, the government's Local Government Finance Policy Statement, issued in November 2024, invited local authorities to engage with the government if short-term Emergency Financial Support (EFS) may be needed. In the longer term, the government clearly sees devolution as a major contributor to achieving financial sustainability across the sector alongside the national redistribution of resources to be more closely aligned to deprivation and need; a process which has started with the introduction of the new Recovery Grant.
- 3.3 The financial challenges mean that it is important that the council continues to use its resources efficiently and effectively to ensure that core services are delivered to residents, but it must also find a way to invest in transformation and change to ensure that improvement is continuous and that it is able to achieve the priorities set out in the Council Plan. The Medium Term Financial Strategy sets out the service and financial policies and strategies that can support that aim.

Financial Outlook

- 3.4 The Provisional Local Government Financial Settlement (LGFS) 2025/26 was released on the 18 December 2024, and the Final LGFS settlement was announced on 03 February 2025 by the Secretary of State for Housing, Communities & Local Government.
- 3.5 The LGFS provides for a 3.2% increase in core spending power in 2025/26 but this assumes that councils will make full utilisation of the allowable Council Tax increase (2.99%) and Adult Social Care Precept (2.00%). As the MTFFS sets out later, locally there are projected budget shortfalls of nearly £61 million over the next 4 years, which is a common scenario across the much of the sector, clearly indicating that the Local Government settlement does not go far enough in addressing the financial challenges local authorities continue to face.
- 3.6 The outlook for 2025/26 remains very challenging. Current economic conditions are suppressing many of the council's income sources such as planning incomes and commercial rents, while higher interest rates and the impacts of increased National Living Wage and Employer National Insurance rates will also put increased pressure on commissioned and contracted service costs as suppliers and providers experience a higher cost base. This is likely to impact across many services including social care providers, temporary accommodation lease costs (homelessness), home to school transport services and so on. There is also an ongoing national and local lack of sufficiency for children's and adult learning disability, and mental health social care places, which is also driving up costs.
- 3.7 Many local authorities are highlighting difficulties in balancing the increasing cost of providing services against uncertain funding streams. Funding remains unclear beyond 2025/26, with the LGFS again published on a one-year basis but with the prospect of more certainty in Spring 2025 as the government has indicated that it aims to provide 'multi-year settlements' for the sector. This may not necessarily bring significant additional resources but it would provide more certainty in planning for the future in the lead up to devolution and local government reorganisation.

3.8 The final budget for 2025/26 proposes a total net General Fund Budget of £264.819m; an increase of £18.101m from 2024/25. In order to achieve a balanced position, the budget includes savings proposals of £15.789m and the following recommendations to full Council on Council Tax and the Adults Social Care Precept as follows:

- A 2.99% increase in core Council Tax
- A 2.00% increase in the Adults Social Care Precept

3.9 However, budget shortfalls are expected to continue to grow over the medium term, based on current projections, to the order of £44.539m over the remainder of the MTFs period. The Council recognises that tackling this gap will require a medium-term focus and investment in transformation and change to both improve services and ensure they are as efficient and economic as possible. Although delivering the proposed savings for 2025/26 will be challenging, the process of driving transformation and change for future financial sustainability must not be overlooked and must be initiated now.

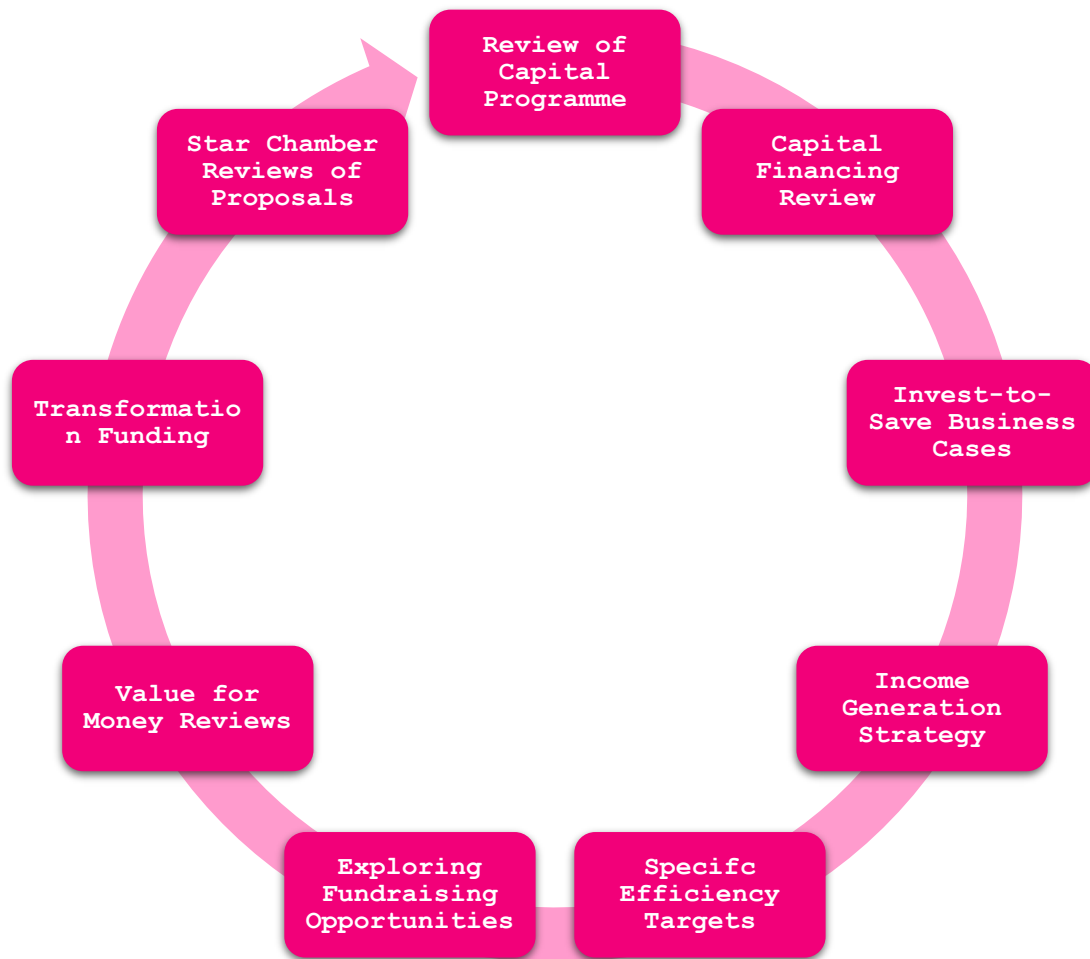
3.10 The final 2025/26 Annual Budget and Medium-Term Financial Strategy 2025/26 to 2028/29 will be presented to Council for approval on the 27 February 2025.

Components of the Medium Term Financial Planning Process

3.11 The budget setting and medium-term planning process is made up of four primary requirements as follows:

- **The Medium Term Financial Strategy (MTFS)** – this provides high-level spending and funding estimates, assumptions 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.

3.12 The main component parts of the budget and medium-term planning process are set out below:



The components are described below:

Review of Capital Programme Alignment & Affordability

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

Capital Financing Review

- 3.14 Linked to the Capital Programme review above, the associated Capital Financing budget will also be reviewed given the significant revenue implications. 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 (MRP) 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 pressures on the revenue budget.

Development of Invest-to-Save Business Cases

- 3.15 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 (see later).

The council has developed Outline Business Case (OBC) templates to capture investment requirements where these can demonstrate a return on investment.

Income Generation and Commercialisation Strategy

- 3.16 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 income thresholds. 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.

Applying Specific Productivity or Efficiency Targets

- 3.17 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. percentage cost reduction or staffing turnover targets) to ensure that all areas of the council strive for improved value for money. The MTFS includes a number of programmes to improve productivity and efficiency.

Exploring Fundraising Opportunities

- 3.18 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.

VFM Reviews

- 3.19 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;
 - Using external, independent peer challenge to help identify improvements e.g. LGA peer reviews. The LGA is currently assisting with identification of best practice around homelessness solutions, adult social care benchmarking and effective Public Health grant usage;
 - 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

- 3.20 Transformation funding is discussed later and is supported by the government's 'capital receipt flexibilities' enabling capital receipts to be used to fund revenue expenditure provided such expenditure supports 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, and alternative financing may need to be considered including:
- 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 Reviews of Proposals

- 3.21 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. Star Chambers are used 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. Most importantly, they also ensure that proposals are aligned with Council Plan priorities as far as practicably possible within the finite resources available.
- 3.22 The above processes are in addition to the basic requirement for all services, Directorate Leadership Teams (DLTs) 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 SERVICE STRATEGIES

- 4.1 As noted above, the council provides hundreds of services across the city. This requires significant organisation and management of a wide range of resources and assets, as well as monitoring the performance of contracted and commissioned services. The council is therefore structured into 3 major corporate directorates headed by a Corporate Director with the objective of working together as one council. The authority and its directorates are supported by corporate support functions including finance, legal, HR, IT&D and other functions.
- 4.2 This section provides information about the major corporate directorates and the service strategies they are putting in place over the medium term to support the achievement of the Council Plan priorities set out in Section 1. The strategies also provide high-level information about the services provided together with identification of the areas for potential savings and efficiencies as well as plans for investment and transformation to achieve continuous improvement and longer term financial sustainability.

5 FAMILIES, CHILDREN & WELLBEING

Supporting a Better Brighton & Hove for All

- 5.1 The Families, Children and Wellbeing Directorate brings together different services for children and families including education and learning, family help and protection, libraries, community safety, Public Health and support for skills and employment. Much of the education and special educational needs provision is funded through the ring-fenced Dedicated Schools Grant (DSG). This budget strategy is focused on General Fund spend.
- 5.2 The main area of General Fund spend relates to the placement costs for children and young people in care. Spend on children's placements is under pressure given the national placement sufficiency issues. There is a national shortage of both foster care placements and residential provision. This has resulted in children being placed in provision based on availability rather than need, often times at an inflated cost.
- 5.3 Nationally the number of children with child protection plans and children being brought into care has reduced slightly over the past 12 months. Over recent years the numbers in Brighton & Hove have been reducing in the context of national rises. During 2023 there was a slight decrease in the number of children subject to a child protection plan locally. The number of children in care, excluding unaccompanied asylum-seeking children, has continued to decrease, although the complexity of need has increased.
- 5.4 There has been a concerning increase in the number of children and young people experiencing emotional health and wellbeing difficulties post pandemic and this together with an increase in the number of children with disabilities and complex needs requiring special residential provision is placing huge pressure on budgets. Both locally and nationally, there has been an increase in the number of adolescents requiring intensive support due to the vulnerability to exploitation in all its forms.
- 5.5 Our vision is for a Directorate that is ambitious and committed to working with others to provide services and support that provide a better Brighton and Hove for all. We want to support Brighton and Hove to be a healthy city, where people thrive; where children, young people and families have a better future. We are committed to operating as One Council, working together and across to both improve outcomes and reduce costs. Inevitably, this will require difficult decisions in balancing untargeted, non-statutory support with preventative, statutory and safeguarding provision.

About the Services

- 5.6 There are four key branches in the directorate as follows:

Education and Learning

This service area includes:

- School Organisation and Access to Education and Hidden Children.
- Education Standards and Achievement.
- Virtual School for children in care and those previously in care.
- Ethnic Minority Achievement Service and Traveller Education Service.
- Inclusion Support Services for Schools including Education Psychology services and Schools Wellbeing services.
- Special Educational Needs services.
- Nurseries and Early Years.

Family Help and Protection

This service area includes:

- Fostering, family placement and permanence services.
- Family Help and Protection services for children in need and those in need of protection.
- Specialist Community Disability services for 0-25 including respite and short breaks provision.
- Children in care and leaving care services.
- Unaccompanied asylum-seeking children services.
- Specialist Adolescence and youth justice services.
- Front Door for Families which includes the MASH (Multi Agency Safeguarding Hub).
- Multi-disciplinary Partners in Change Hub.
- Contact and Family Group Conference Services.

Commissioning and Communities

This service area includes:

- Commissioning services including Children's placements; Home to School Transport.
- Community Safety and Prevent.
- Libraries and customer.
- Children's Safeguarding and Performance.
- Adult Education, Employment and Skills.
- Third Sector commissioning.

Public Health

This service area includes:

- Starting Well and Healthy Child Programme (0-19).
- Mental Health and Suicide Prevention.
- Drug and Alcohol treatment and recovery.
- Sexual Health.
- Healthy Lifestyles.
- Health Protection.
- Aging Well.

Supporting the Council's Priorities

5.7 Below is a summary of work we have planned over the next four years that supports the priorities set out in the Council Plan:

A City to be Proud of

- Develop the use of our libraries to improve access to council services.

A Fair and Inclusive City

- Deliver the Community Safety Partnership strategy.
- Implement the Combatting Drugs Strategy.
- Implement our City of Sanctuary action plan.
- Support schools in delivering equalities curriculums, including anti-racist education.
- Implement the Violence Against Women and Girls, Sexual and Domestic Abuse strategy.
- Support the Community and Voluntary Sector through the delivery of the grants programme.

A Healthy City where people Thrive

- Keep children and young people safe, ensuring no child or family is left behind and deliver our Corporate Parenting Strategy.
- Develop our prevention and family support work including delivering the government's reforms of children's social care.
- Support the provision of high quality and inclusive education from early years through to adult learning.
- Work with partners to deliver ambitious employment, training and apprenticeship opportunities.
- Deliver the SEND Strategy and support inclusive education across the city's schools.
- Improve the mental and physical health of children through the Healthy Child Programme and schools' wellbeing service.
- Enable people to live healthy and happy lives through the reduction of harm through the use of tobacco, alcohol and drugs.
- Help people be physically active and promote good mental health, reducing the risk of suicide.

A Responsive Council with Well-Run Services

- Meeting the needs of our residents and other customers through an improved customer offer.

Medium Term Budget Strategy

- 5.8 We will work collaboratively within and across all directorates and with key partners to deliver safe and whole family services which focus on prevention, improving outcomes for all and provide value for money. We are committed to delivering inclusive and accessible provision.
- 5.9 To achieve this, we will:
- Work across the directorate and wider council to provide efficient, high-quality services that meet need and provide value for money.
 - Explore opportunities to deliver services in partnership with others on both a Sussex and South-East regional basis.
 - Commission services that meet statutory duties whilst supporting the delivery of a better Brighton and Hove for all, ensuring effective contract management is place.

Transforming Services and Managing Demands

- 5.10 The directorate has reviewed all the services it delivers, identifying those that are essential and making efficiency savings wherever possible. Essential services include those that are statutory, those where a business case demonstrates the service is the best use of resources and those that generate income for the council.
- 5.11 The **children's social care reforms** due to be outlined in the forthcoming Children's Wellbeing & Schools Bill will have a significant impact upon how family help and protection is delivered in the city from 2026. This will be an opportunity to expand the scope of our Family Hubs and build upon our outstanding children's social work services, meeting need at earlier point and thereby avoiding escalation into more costly interventions. The Children's Safeguarding Partnership has developed a partnership model of practice and the Right Support, Right Time continuum of need – it is anticipated these will support family help being provided at the earliest point, thereby reducing escalation into statutory services.
- 5.12 The council is part of the Department for Education **Regional Care Co-operative** pilot, a partnership of 18 local authorities across the south-east who have committed to work

together to through a joint commissioning and procurement approach to shape the children's placement market. It is anticipated this joint working and commissioning power will address sufficiency issues, resulting in the right placements for children being available at a cost that reflects market value as opposed to availability.

- 5.13 There are a number of savings that have been proposed in order to support the council's overall financial position. These include
- a reduction in library opening hours;
 - a reduction in the employability service;
 - a reduction in social work resources.

Investment in Services

- 5.14 The following investment in services is planned to meet demographic and other cost increases to maintain investment in priority services and meet statutory requirements:
- Support for Children in Care.
 - Home to School Transport.
 - Support for Children with Disabilities.
 - Schools PFI Contract.
 - Support for Family Hubs.
- 5.15 This investment will ensure the council is able to meet its statutory obligations to keep children safe, promote the education of children with SEND and support the development of a healthy city where people thrive.

6 HOMES AND ADULT SOCIAL CARE

Supporting a Better Brighton & Hove for All

- 6.1 The Homes and Adult Social Care directorate is a newly formed directorate since 1 January 2025. The directorate primarily contributes to the council priorities of being a fair and inclusive city, a healthy city where residents thrive and providing responsive and well-run services. Both Adult Social Care and Housing has seen regulatory inspections and ratings being re-introduced by the Care Quality Commission (for Adult Social Care) and the Regulator for Social Housing and Building Safety Regulator for Housing (for Housing).

About the Services

- 6.2 The Homes and Adult Social Care directorate consists of Housing and Adult Social Care services.

Housing services include:

- Council housing landlord services comprising:
 - Tenancy Services, including the Travellers Service;
 - Housing Repairs & Maintenance;
 - Housing Investment & Asset Management;
 - Increasing the supply of homes in the city
- Regulating the quality of private sector housing.
- Providing temporary and emergency accommodation (homelessness).
- Providing supported accommodation.
- Managing the Housing Register and Allocations Policy.

Adult Social Care services include:

- Services for vulnerable adults with Care Act eligible needs including:
 - Assessment and Commissioning Services.

- Carelink Out of Hours Services.
- Support for Older people including those with memory or cognition conditions;
- Support for physical and sensory disabilities;
- Mental health services in partnership with Sussex Community NHS Foundation Trust;
- Services for adults with learning disability and autism from 25 years;
- Support for carers and all ancillary activities.
- Note, services for adults with learning disability and autism up to 25 years old continue to be delivered through the Families, Children and Wellbeing Directorate, with delegated powers within that Directorate for budget spend for this cohort. However, the whole budget for all adult social care services, including adults with a learning disability are within scope of this strategy.

Supporting the Council's Priorities

A city to be proud of

- Through the Joint Health and Wellbeing Strategy, Adult Learning Disability Strategy, Autism Strategy, and our contribution to the Accessible City Strategy, we are supporting people to have improved lives and access to the city.
- Our commissioning always considers how we can be more sustainable and contribute towards carbon net zero. We also aim to maximise social value through our commissioning.
- Continue to develop strategies and business cases to provide genuinely affordable homes.
- Urgently address building safety and regulatory issues with clear action plans and appropriate resourcing.
- Increase participation in civic and community life through neighbourhood engagement and participatory strategies.

A Fair and Inclusive City

- Reducing health inequalities is at the heart of our Joint Health and Wellbeing Strategy and one of the key priorities of Improving Lives, the Sussex wide Health and Care strategy.
- We are working with the city to develop more age and dementia friendly spaces and developing our combatting drugs strategy with Public Health.
- Through the Safeguarding Adults Board we are looking to continuously improve how we work across multiple agencies in the city to protect those most vulnerable to harm and abuse.
- Improve council housing quality and sustainability through Housing Revenue Account (HRA) investment and make better use of existing housing capacity to meet different housing needs.

A Healthy City Where People Thrive

- Activities Work and Learning is a priority within the Adult Learning Disability Strategy.
- Improve private rented housing quality and sustainability through closer working and oversight of landlords.
- Reduce homelessness and rough sleeping through our preventative approach and increased housing supply.

A Responsive Council with Well Run Services

- We work with partners across the city to focus on the health and wellbeing of our residents. Through meticulous budget management and good governance, we aim to have resilient, safe, and effective services fit for the future.

- Improve customer contact systems throughout the service and provide more accessible information on key services for residents.
- Ensure equalities data is monitored and informs service improvement.

Medium Term Budget Strategy

- 6.3 The budget strategy seeks to ensure that we deliver good quality housing, good experiences when seeking housing or advice about housing as well as adult social care services that promote independence, keep people safe, and prevents the need to visit acute health settings. These delivery intentions are supported by investments and proposals of savings and mitigation against the context of increasing demand, increasing complexity, and increasing costs.
- 6.4 The strategy will require collaborative working across the Integrated Care System with NHS Sussex and joint management of provider sufficiency. Effective management of hospital discharge will be key to avoiding increased acuity and need for social care.
- 6.5 Across the Homes division, ensuring effective use of the Homeless Prevention Grant in tandem with the council's objective of significantly increase housing supply is key to managing and preventing future demand and costs. A wide range of options and incentives to landlords and tenants are being explored and are covered in the MTFs to use every possible method of meeting demands until supply can be improved.

Transforming Services and Managing Demands

Homes:

- 6.6 The demand for, and cost of, temporary accommodation together with the increasing complexity of need amongst those living in temporary accommodation remains the challenge for the General Fund budget of the directorate. It is hoped that the new allocations policy, taking a more holistic approach to finding properties that supports residents to reconnect with family or friends who may live in places other than the city, will help to manage demands. Other saving and mitigation proposals include increasing our housing stock through a new wholly council-owned company as well as continuing the work of the joint venture with Hyde Housing.
- 6.7 The HRA budget aims to balance the priorities of the council and its tenants and leaseholders and reflects a range of council policies and programmes on customer service, repairs and planned maintenance, capital investment in housing and engagement. There are no savings required in the HRA overall, however budget pressures, in particular activities such as building health and safety compliance works, means there will be impacts on other areas of the budget in the medium term.

Adult Social Care:

- 6.8 The demand for services continues to grow and the complexity of need continues to increase due the continued advances in medicine and people living longer with limiting conditions. These challenges mean that the saving proposals are focused on managing demand by triaging referrals so that those who are not eligible for adult social care services are referred to organisations that can help with their identified needs; ensuring that annual reviews of service users take place so that care packages are appropriately designed to meet the current needs of residents as well as managing the annual price reviews of providers whilst finding ways to support the care workforce.
- 6.9 Over the last two or three decades, the funding of Adult Social Care has attracted a lot of debate. The Care Act had two parts: the first related to national minimum standards of expectations and this has been in force since 2014; the second is related to funding; ten years on and this has not been enacted. Meanwhile, the demand for services and the complexity of need continues to grow. Within the context of increasing demand and acuity of need, the council must deliver services within finite resources and

therefore when determining the provision of services to meet need, it must do so in the most cost-effective way possible.

- 6.10 Brighton and Hove has a diverse range of providers – in-house services, not for profit providers and for-profit providers (the latter two types of providers are known as the private and independent sector). In commissioning to meet need and delivering best value, the council will provide services where the private and independent sector cannot deliver or is no more cost effective than the council; where the independent sector can support residents with good quality care at a more cost-effective cost than the council then in order to meet needs within the budget, the council will commission providers in the independent sector. This will see a considerable change in the mix of provision over the medium term.

Investment in Services

- 6.11 Over the 4-years, estimated cost and demand pressures of over £31million are projected across Adult Social Care services. This is in addition to provision for real terms uplifts (inflation provision) of around £16 million. Based on expected increases in Core Spending Power for local authorities of between 2% and 3% over the medium term, these costs would put the authority into financial deficit without clear plans to address costs. Adult Social Care will contribute to this effort but will need to ensure statutory duties are met.
- 6.12 Homelessness costs have been increasing significantly since the pandemic with only some of this being matched by increased Homeless Prevention Grant and Rough Sleeping Grants. The MTFs provides for approximately £4 million investment but as noted above, this will outstrip expected financial settlements and will therefore need to be mitigated by the transformation and savings proposals set out in the MTFs.

7 CITY OPERATIONS

Supporting a Better Brighton & Hove for All

- 7.1 City Operations' focus is on making the city a vibrant place where people want to live, visit and do business, and where the unique character of Brighton and Hove is celebrated and enhanced. This includes making the city an accessible and sustainable place where people are well-connected and can enjoy an attractive, well-maintained built and natural environment.
- 7.2 The focus during 2025/26 is driving the city's progress towards achieving net zero carbon by 2030 and working with partners to create the right conditions for a prosperous Brighton and Hove by supporting investment. Our focus will be on providing reliable, well-run services to the public, as well as protecting and regenerating key assets, and generating key sources of income for the authority. We will support the ambitions of the directorate to preserve the city's resources for future generations and promote pride in place. This is achieved through delivering the services detailed below.

About the Services

Place

- 7.3 Place leads on place-making and many of the council's built environment functions. The service shapes development in the city through the statutory plan making process, development management and building control to ensure good urban design and protection of heritage, as well as compliance with building regulations to ensure safety. Driving the city's progress towards net zero, the focus is on delivery of high impact projects to address the effects of climate change and sustainable development.

- 7.4 The Place directorate also shapes the city through its major regeneration programme and investment in major projects, including development of new affordable homes through the Homes for Brighton & Hove joint venture and New Homes for Neighbourhoods Programme. The team includes the council's in-house Architecture and Design service and has a focus on creating better buildings and public spaces which are more climate resilient.

City Infrastructure

Transport

- 7.5 City Infrastructure develops clear plans to address the city's current and future transport needs, working closely with Transport for The South East (TfSE) and other transport partners to deliver major highway infrastructure projects on key travel routes, such as Valley Gardens. A key priority is to maintain and improve the city's transport network to transform user experience, increase resilience and extend the life of key highway assets, including managing the risks posed by flooding and protecting coastal highway structures. The service also ensures the city keeps moving through regulating road use, managing on-street and off-street parking and ensuring that all works are coordinated on the highway. Influencing people's travel choices to reduce congestion and support improvements in air quality is also an important focus, providing sustainable transport options including enhancements in public transport, walking and cycling schemes, concessionary travel and an electric vehicle charging network.

Regulatory Services

- 7.6 Regulatory Services provides a broad range of services including Food Safety, Environmental Protection, Health & Safety, Licensing, Trading Standards and Animal Licensing.
- 7.7 The budget is linked to statutory functions to provide a wide range of Environmental health and regulatory services which protect public health.
- 7.8 Some areas of regulatory services, such as Food Safety continue to address the backlog of work arising from the pandemic and the focus is on more innovative and efficient methods of working whilst both catching up on the work delayed and continuing to provide the full range of statutory functions as required by the council.

Environmental Services

- 7.9 Environmental Services delivers recycling, refuse and street cleansing services to improve the cleanliness of the city and meet the council's environmental obligations. This includes traded commercial, bulky and garden waste services to residents and businesses across the city. Through delivery of the Fleet Strategy the service is leading the decarbonisation of council vehicles and ensures they are well maintained and legally compliant.

Culture & Environment

- 7.10 Culture & Environment manages the city's visitor economy assets including the Brighton Centre, parks and the seafront to ensure the city remains a leading national and international visitor destination. It oversees an annual programme of varied and inclusive major outdoor events and community events to promote the city, and manages major contracts with key culture providers, including the Royal Pavilion Museums Trust and Brighton Dome & Brighton Festival, to ensure they have a diverse reach and contribute to the city's economic ambitions.
- 7.11 The service also leads the delivery of the council's ten-year plan for revitalising sports facilities and manages contracts with the RNLI for the seasonal beach lifeguards service, leisure contract, and investments in key leisure assets, including the new Hove Beach Park. Supporting artists and creative business in the city to flourish is a

key role of the service, leading on research and strategic growth initiatives , making the case for culture at risk, securing investment for public art initiatives, making the case for investment in culture, heritage and the creative industries and facilitating inclusive communication.

- 7.12 The service is responsible for managing and conserving every park and green open spaces. We have mapped all our rights of way to ensure we can manage our assets effectively. We plan to roll this out to all our green spaces as well as to develop a creative approach to rights of way through our urban environment, flagging more green arteries. Our work includes the delivery of the Open Spaces Strategy, Stanmer Park Masterplan, management of the city's allotments/cemeteries, and managing and protecting tree stocks.
- 7.13 The service leads the delivery of the council's 10-year strategic plan for revitalising and investing in sports facilities, including sports centres, playgrounds, outdoor gyms, pavilions and pitches. It manages major contracts with the RNLI , Freedom Leisure, and investments in key leisure assets such as Hove Beach Park.

IT & Digital (a partnership service)

- 7.14 The IT & Digital (IT&D) service is an in-house function working in partnership with East Sussex County Council and Surrey County Council. The partnership provides economies of scope and scale and a shared leadership structure for the IT and Digital service. The service seeks to enable the council to deliver its operational and strategic priorities through technology, information, and collective expertise. IT & Digital helps people to connect, collaborate and work efficiently from wherever they need to be to get the job done. The end-to-end IT services cover Information to Infrastructure and everything in between. Enabling innovation through digital and data projects and ensuring the technology infrastructure foundations and compliance regimes are in place. Some specific features of the service are provided below:

Supporting the Council's Priorities

- 7.15 Below is a summary of work we have planned over the next four years that supports the priorities set out in the Council Plan.

A City to be Proud of

- Develop Brighton & Hove as a place where people want to live, work, and learn.
- Grow a diverse and sustainable city economy.
- Promote and protect what makes Brighton & Hove unique.
- Keep our city clean and manage waste including introduction of a new food waste collection service.
- Work towards carbon net zero.
- Protect and enhance the city's natural environment.
- Make it easier for people to move around the city through network management, our Bus Partnership and other initiatives such as Park & Ride.

A Fair and Inclusive City

- Create safe public spaces that are accessible for all.
- Support Homes for everyone by increasing supply through Homes for Neighbourhoods, Joint Venture programmes and other regeneration programmes.

A Healthy City where people Thrive

- Support the provision of high quality and inclusive education from early years through to adult learning.

A Responsive Council with Well-Run Services

- Enable the successful delivery of digital improvement projects and programmes through the co-design and co-delivery of underpinning technologies, platforms and services in IT&D to support services in delivering corporate priorities.
- Develop a scalable and resilient IT&D technical architecture which provides a secure, highly available platform for business services.
- Good governance and financial resilience.

Medium Term Budget Strategy

7.16 City Operations fulfils a specific place making role for Brighton and Hove, leading the city towards achieving net zero carbon, building people's pride in place and supporting the growth of a diverse and resilient economy. Key directorate objectives for 2025/26 include:

- Investing in a programme of high impact projects that will increase the city's resilience to, and address, climate change.
- Working across the council and the city to support the transition to a circular and more equitable economy.
- Delivering key improvements to the council's sports facilities in line with the Sports Facilities and Investment Plan.
- Developing a new sustainable local Transport Plan for the city.
- Implementing progressive service changes as part of the City Environmental Improvement Programme including a new Food Waste Collection service and wider Collections Review.
- Embedding a new Economic Growth Strategy for the city.
- Progressing the city's major regeneration and infrastructure projects.
- Working with Homes and Adult Social Care to deliver new council homes and affordable homes through the New Homes for Neighbourhood Programme and Homes for Brighton & Hove joint venture.

7.17 To ensure the directorate can achieve its objectives the budget strategy focuses on reducing costs, maximising income and exploring alternative service delivery models, in particular:

- Delivering core services effectively and efficiently, pursuing all opportunities for collaboration, innovation and streamlining through improved use of technology, or bringing together areas of work, skills and expertise.
- Investing in services to modernise them for the future and ensuring we continue delivering the best for our customers whilst reducing running costs and lowering our carbon footprint, for example, through continued electrification of our fleet.
- Adopting a more entrepreneurial approach to secure new sources of partnership funding and maximise existing income streams.
- Making the best use of council assets, including leasing plus disposing of premises where this is a viable option.
- Reviewing standards of service and exploring new partnerships or contractual arrangements to support service delivery, as well as opportunities to have community-led services.
- Supporting staff and their professional development to ensure the directorate has a diverse, resilient workforce and one with the relevant skills, knowledge and expertise to deliver its core objectives.

Transforming Services

7.18 City Operations has reviewed all the services it delivers identifying opportunities to transform the service through savings and efficiencies. These will be achieved through

a mixture of commercial approaches to generating income, service redesigns and efficiencies, and changes in contractual arrangements.

- 7.19 Redesigning and increasing efficiencies in key business areas, including City Clean, Culture and Environment, parking, planning and sustainability. This involves reorganising staffing structures to streamline decision making. Further savings from the removal of vacant posts across Transport, City Parks, and Place Services will enable these service areas to continue operating within a reduced budget, whilst meeting council priorities.
- 7.20 Taking a more entrepreneurial approach to leisure and tourism facilities and the sale of event and commercial activity space in the city will increase revenues. Coupled with a review of the council's agreements with its cultural partners and options to generate income from cultural consultancy in the planning process, income will be bolstered.
- 7.21 Savings will also be made from ending services that are no longer delivering a sufficient return and looking at opportunities to transfer assets out of the council to partners or communities.
- 7.22 Digital Innovation will continue to review the services delivered ensuring contracts are reviewed and reprocured, ensuring best value is achieved and ensuring best working practices are implemented across the council's networks.
- 7.23 There are limited opportunities for Regulatory Services to make savings; proposed budgets for 2025/26 will ensure services continue following a redesign for the services provided.
- 7.24 As a result of decommitted and delayed spend on capital projects the council's capital programme will diminish, and budget savings on consultancy and professional fees will follow.

Investment in Services

- 7.25 A wide range of capital and revenue investments are planned across City Operations to support the achievement of priorities and help to deliver transformation and savings programmes as follows:
- Investment of over £2 million capital funding and £1.2 million net revenue funding to introduce a new Food Waste collection service for the city.
 - Long term capital investment to renew and strengthen the infrastructure of the city will continue, to ensure effective management of the highway network and improve air quality, along with the delivery of major regeneration projects to bring about quality new affordable housing and business space whilst generating income from land and property assets and increasing business rate and council tax returns.
 - Working with Homes & Adult Social Care to provide continued investment in the development of new Council housing through the New Homes for Neighbourhood Programme and new living wage rent housing through the Homes for Brighton & Hove joint venture.
 - Delivering major regeneration programmes to generate further revenues each year in new council tax and business rates.
 - Investment in Seafront Infrastructure, including £12m investment in the eastern seafront at Black Rock and progressing the restoration of Madeira Terraces.
 - Implementation of the new 10-year Sports Facilities Investment Plan, including progressing the delivery of a new Leisure Centre to replace the King Alfred.
 - Delivery of £1.76m Shared Prosperity Funding to eligible local businesses or communities to improve pride in place and level up people's life chances. For 2025/26 SPF funds will support core programmes and City Operations staffing.

- Implementation of the City Downland Estate Plan with over 60 actions prioritised into a short, medium, and long-term programme of projects, using natural capital and generating income.
- Continued investment in the city's cultural assets including a new creative workspace plan in development to provide workspace for the creative industries in the city and to deliver an income to the council.
- Delivery of the Royal Pavilion Estate Masterplan and £35m capital investment programme.
- Delivery of the Local Transport Plan capital programme to provide integrated transport projects and a maintenance programme of carriage and footway resurfacing works on the transport network.
- Continued investment in the city's electric vehicle charging network utilising government grant funding.
- Continued investment in the Brighton Marina to River Adur coastal protection scheme in partnership with other Authorities and with significant investment from the Environment Agency.
- Investment in the city's playgrounds, parks and open spaces including the Stanmer Park Master Plan restoration project.
- Investment in the Fleet Strategy to progress the decarbonisation of the council's fleet.
- Investment in the city's tree collection to tackle the impacts of elm disease and ash dieback.
- £3m capital investment in the city's public toilets.
- Continued investment in City Environment infrastructure and operational sites to improve the working environment and impact on the service's carbon footprint.
- Investment in business systems to improve service performance and customer experience.

8 SUPPORT SERVICE FUNCTIONS

Supporting a Better Brighton & Hove for All

- 8.1 The majority of the council's Support Service Functions (except IT&D) are headed up by the three corporate roles of the Director of People & Innovation and two statutory directors, the Director of Governance & Law (and Monitoring Officer) and Director of Property & Finance (and S151 Chief Financial Officer). However, some support services are managed in a partnership with East Sussex and Surrey Council Councils including Internal Audit & Counter Fraud and Procurement. A number of front-line services are also managed within these directorships including Electoral Services, Local Land Charges, Welfare Support, Housing Benefit administration, and local tax collection and administration.
- 8.2 The aim of all support service functions is to provide trusted, efficient and expert support to the council to enable it to be *a responsive and well-run council*. This includes providing good quality customer services both internally and externally, and providing the strategic planning, operational support, and management information and insight to drive innovation and change in support of delivering planned transformation and savings programmes. Another key role is to ensure that the council maintains strong governance and internal controls to manage public resources effectively and to take safe, legally compliant decisions and actions.
- 8.3 Support Service functions therefore operate as a 'Strategic Business Partner' to the organisation and its service directorates and support them through complex changes by being involved in the development of options and their evaluation, through to decision-making and supporting implementation.

About the Services

8.4 The primary services provided by support service functions include:

Cabinet Office

- Plays a key role in developing, guiding and internally promoting key strategies and acts as a liaison between the Administration and officers to drive policy development and develop strategic partnerships across the city.

Property, Finance and Internal Audit & Counter Fraud

- Provides strategic planning and management of the council's commercial and operational estates.
- Finance, including the statutory Section 151 Chief Financial Officer role, overseeing the delivery of the council's annual and medium term financial planning processes as well as a wide range of financial advisory and statutory services.
- Internal Audit & Counter Fraud (a partnership service) provides wide ranging reviews of services and systems to ensure effective internal controls and governance are in place and that fraud risks are minimised.

People & Innovation including Communications & Public Relations

- Human Resources and Organisational Development provide advisory, policy development and learning support services to the organisation.
- This area also includes Health & Safety advice and support for all council services and schools together with building maintenance and facilities management for all Corporate Landlord operational buildings.
- The Communications and Engagement service provides a public and internal service that communicates information and other content about the council, it's decisions, policies, priorities and services.
- This area also provides a Programme Management Office to support innovation and improvement and delivery of planned transformation and savings proposals. Customer service improvement including the management of complaints and compliments is also a responsibility of this support service function.

IT & Digital (a Partnership Service)

- See the City Operations Service Strategy.

Legal, Democratic and Electoral Services

- Provides legal advice and representation across all of the council's functions as well as the statutory Monitoring Officer function.
- Provision of a legally compliant, democratic decision-making process including the co-ordination of support to Members and all Council Meetings including training & development and provision of support for the council's Scrutiny function.
- Electoral Services provide end-to-end management of local elections with a primary aim of delivering safe and compliant elections.

Procurement (a Partnership service)

- Supports the development of procurement strategy and policies including sustainability, Environmental, Social & Governance strategy, social value and modern slavery.
- Supports procurement of goods and services to the value of approximately £300m per annum and manages and authorises waivers of Contract Standing Orders.

Welfare, Revenues & Business Support (WRBS)

- Provision of strategic support and policy development for responding to welfare reforms, as well as direct delivery of local welfare support, assistance and advice.
- Collection and recovery of Council Tax (and Council Tax Reduction Scheme), Business Rates, Sundry and Corporate Debts.
- Processing of Housing Benefit claims and managing the transfer to Universal Credit.
- Provision of Payroll Services to the council, schools and other contracted organisations and processing of payments to the council's suppliers and providers (Accounts Payable).
- Provision of banking, purchasing card and urgent payment services.
- Support for the development and management of major corporate financial, HR and Payroll systems.

8.5 Many of the services above are also involved in providing a wide range of traded or contracted services to schools, South Downs National Park Authority, East Sussex Fire & Rescue, district councils and others which generates significant incomes.

Supporting the Council's Priorities

8.6 Support Service Functions play a key role in facilitating other services to deliver against the Council Plan priorities, including the key aim of being a responsive council with well-run services at both a strategic and operational level. Helping the council to develop robust financial strategies, workforce plans, digital customer strategies, conduct effective communication, engagement and partnership working, develop robust and innovative policies, and respond effectively to welfare reforms is critical to maintaining sustainable, financially resilient and accessible council services.

8.7 A key determinant of the demands placed on Support Service Functions is therefore the level of change experienced across the organisation. This has been and remains at very high levels due to the cumulative effect of the growing financial challenges in local government requiring ever greater innovation in everything from digital services to corporate debt management to financing strategies that help resources and services go further. This creates a tension between the need to provide cost effective support functions while ensuring that the council and its services have the support to make sound business judgements and decisions that minimise legal, financial, employment, equality, health & safety, governance, internal control and other risks.

8.8 Support Service Functions underpin the authority's governance framework, ensuring safe and legally compliant decision-making, as well as maintaining reviewing and improving the council's internal control environment. Advisory and Business Partnering services within Finance, HR, IT&D and Procurement help the organisation to maximise its use of resources, fully evaluate options, avoid costly fines, mistakes or non-compliance occurrences, and thereby deliver cashable and non-cashable savings or cost-avoidance. Similarly, Programme Management and other resources ensure effective oversight and delivery of major improvement and innovation programmes funded by the Transformation Fund or Capital Investment.

8.9 These services are integral to front line delivery and work best when operating as a trusted Strategic Business Partner as part of both corporate and directorate leadership teams' roles in developing strategic responses and solutions for delivery. They also ensure collaborative 'one council' working across the council by being able to share or link information to ensure a holistic approach to policy or service development. Over the medium term Support Service Functions aim to support council priorities through:

A City to be Proud of

- Supporting the development of underpinning policies, plans and strategies, such as Devolution, Economic Strategy, and Poverty Reduction.
- Providing a key place-shaping role through effective communication campaigns and channels including priority areas such as waste minimisation, promoting sustainability, publicising and consulting on regeneration and major developments, promoting cultural events and city travel.
- Providing support and oversight for the development of capital investment strategies and the use of capital receipt flexibilities to improve council services and invest in core infrastructure for the city.

A Fair and Inclusive City

- Continuing to develop a new approach to community engagement, including our approach to digital engagement and consultation – enabling a more agile approach to listening and responding.
- Reinvigorating collaborative working across the city to support co-operation across city partnerships and drive positive change.
- Supporting the Poverty Reduction Steering Group to develop a more sustainable, preventative, and holistic welfare response.
- Oversight of the council's Fair and Inclusive Action Plan (FIAP) which supports the organisation to become reflective of the community, and to improve the experience and diversity of all staff, including embedding the council's Anti-Racism Strategy and approach in all council policies.
- Embed policies and practice concerning Social Value, Community Wealth Building, Sustainability and Modern Slavery across all contracts.

A Healthy City where people Thrive

- Supporting the development of the Employment and Skills Plan.
- Providing key financial advice and support to enable School Organisation changes including implications for the DSG, General Fund and/or Capital Resources.
- Ensuring effective legal support and advice to support safeguarding and child protection including through decisions of the court.
- Providing communications plans which are an essential part of promoting health and wellbeing in the city and enabling behavioural change.

A Responsive Council with Well-Run Services

- Proactively listening and responding to resident concerns through increased use of digital channels of communication and engagement to ensure the council becomes a learning organisation able to continually improve services.
- Driving improvement and innovation by martialling project and programme management resources to support transformation and savings programmes.
- Enable the successful delivery of digital improvement projects and programmes through the co-design and co-delivery of underpinning technologies, platforms and services with IT&D to support services in delivering corporate priorities.
- Implementing the Corporate Systems Improvement (CSI) programme to modernise corporate HR, Finance, Payroll and Procurement systems to improve the integration of data, increase automation and efficiency including through the use of emerging AI technologies, and improve customer service.
- Developing a people strategy designed to ensure we are a learning organisation that has an engaged and motivated workforce who are able to deliver their best to the city and enable all priorities to be supported.

- Supporting the organisation to ensure it fulfils its legal and moral health & safety responsibilities to provide a safe working environment where staff are supported to be happy and well.
- Through procurement, ensuring that the city council's spending power is used to secure good value for money and, as far as possible with contract regulations and market conditions, to procure local services, and improve sustainability and social value.

Medium Term Budget Strategy

- 8.10 The directorate's budget strategy will continue to adopt the strategies below in an attempt to meet an increasing volume and complexity of demands efficiently and effectively. However, this is increasingly requiring effective demand management, which is generally managed through prioritisation and risk stratification.
- 8.11 Welfare, Revenues & Business Support has provided significant welfare support, advice and signposting, including through the Community Hub service which also supports the Homes for Ukrainians programme. However, much of the support is funded by one-off government grants and therefore the focus over the medium term will shift to developing collaborative and preventative strategies with other directorates and city partners rather than on granting emergency or hardship provision which does not ultimately provide long-term, sustainable solutions for low income households.
- 8.12 All services continue to explore further opportunities for collaboration, innovation and efficiency through improved use of technology, closer working with other directorates to design improved customer journeys and experience and exploring opportunities to bring services or skills together. In particular, the directorate will be key to supporting proposed 'Organisational Redesign' workstreams which will not only focus on management layers and spans, and the deployment of administrative roles, but will also examine common functional areas across the council to explore possible rationalisation or efficiencies, for example, commissioning and contracting functions or project and programme management roles.
- 8.13 Similarly, continued implementation of systems developments, automation and digital services will be undertaken to improve customer service and deliver potential efficiencies, primarily through the Corporate Systems Improvement programme.
- 8.14 Utilising and supporting external LGA peer challenge and reviews (at corporate and service level) to assist the authority in identifying strategic opportunities for improvement and financial sustainability.
- 8.15 Development and delivery of an updated and revised Corporate Debt Policy will provide for more effective pre-enforcement debt prevention, advice and signposting that minimises the financial and administrative costs of supporting financially vulnerable households across all council services while maintaining collection performance.
- 8.16 There will be a continued focus on maintaining and, where possible, increasing external income streams including renewal of contracts to existing customers including South Downs National Park and East Sussex Fire & Rescue Service alongside the pursuit of new income streams from other authorities. However, this must not be at the expense of service quality to the council and its residents and customers.
- 8.17 Recruiting new trainees, apprentices and internships to improve succession planning and mitigate the longer term cost and challenge of recruiting qualified professional staff which has become increasingly challenging over the last few years.

Transforming Services and Managing Demands

- 8.18 **Supporting Devolution and Local Government Reorganisation:** The government's English Devolution White Paper will have far-reaching implications for provision of future local government services. The council has bid to join the priority programme and, whether admitted to this programme or not, all Support Service Functions will inevitably be required to support the planning process for change.
- 8.19 **Welfare, Revenues & Business Support (WRBS):** The continued roll-out of the Universal Credit caseload to the DWP and continued investment in digital customer developments and automation are required to support the achievement of efficiencies in this service which will accelerate over the next 4 years subject to no further delays to the Universal Credit transfer.
- 8.20 **Corporate Systems Improvement Programme:** This major programme aims to re-procure separate systems that are fit for purpose ('best of breed') but to use them (re-install them) in the way they were designed to be used ('adopt not adapt') rather than tailoring them for unnecessarily complex and superfluous local requirements. The data will be cleansed and new technologies and modules will be used to link data across the systems, automate as many processes as possible, improve the ease of use of the systems and make reporting and decision-making quicker.
- 8.21 **Workspace Innovation Programme:** This programme is an extension of the previous *workstyles* approach aimed at realigning the use of administrative buildings to support new ways of working, providing increased collaboration, flexible and remote working opportunities, delivering flexible and multi-purpose spaces, and installing modern technologies for meetings and data sharing. It will also aim to reduce the council's occupancy of administrative buildings to reduce costs and carbon emissions.
- 8.22 A **corporate disposal programme** of operational and commercial assets will also support the budget strategy. Reviewing the council's operational assets will continue to support changes in service delivery across the council, reducing spend on running costs, delivering potential capital receipts through the sale of vacant properties, and rationalising the council's corporate offices. A review of commercial assets in conjunction with the One Public Estate agenda, working with other public sector organisations, will also release sites for regeneration or comprehensive redevelopment.

Investment in Services

Investment in Support Service Functions will be through a mix of revenue, capital and Transformation Fund resources as follows:

- Capital investment for Phase 1 of the Corporate Systems Improvement programme of £2.750m will be provided as approved by Cabinet in November 2024.
- There will be investment in project and programme management support, the Workspace Innovation Programme, and additional HR and Leadership Development support to drive innovation and change. This will require minimum investment from the Transformation Fund of £1 million per annum over the next 4 years as detailed below.
- There will also be necessary investment to cover the cost of the new 5-year External Audit contract negotiated nationally by PSAA. The cost has increased substantially (151%) in recognition of the need to provide a more effective local authority audit regime and address the substantial problem of audit backlogs.
- More generally and where appropriate, support services will develop invest-to-save business cases where these can help services to improve customer satisfaction, improve efficiencies and/or achieve future financial savings.

Programmes aimed at reducing the cost of agency staffing and absence management (sickness), achieving economies through improved procurement and contract management, and reducing Corporate Landlord (estates) costs are planned over the medium term.

- Investment into commercial property assets through the CAIF fund to maintain assets and optimise income.
- Investment in energy efficiency measures for the council's operational estate with further phases of the Solar PV and decarbonisation programmes on the council's corporate buildings.

9 MEDIUM TERM FINANCIAL STRATEGY 2025/26 TO 2028/29

MTFS Financial Planning Principles

- 9.1 Local Government financial sustainability and medium term financial planning has been severely hampered by delayed reforms to Local Government funding and, in particular, six successive years of 1-year financial settlements. The current government has pledged to introduce multi-year financial settlements next year which, notwithstanding the impact of devolution and local government reorganisation, is long overdue. Although there remains considerable uncertainty, it is clear that national and local finances will remain severely straitened over the medium term and it is important to plan for this reality.
- 9.2 The council's Medium Term Financial Strategy will therefore adopt a prudent and realistic approach to financial planning but will recognise that investment in transformation and change will be critical to achieve longer term financial sustainability. The broad principles adopted in development of the MTFS include:
- A focus on ensuring that capital and revenue resources and investment support Council Plan priorities;
 - Development of associated Service Strategies to link revenue, capital and transformation plans and programmes across the council;
 - Realistic, evidenced-based funding and inflationary assumptions using government OBR forecasts where local evidence is not available;
 - A balanced MTFS and balanced annual revenue budgets with only planned drawdowns of reserves and balances;
 - A fully funded 5-Year Capital Investment Programme including provision of a corporate Transformation Fund held centrally;
 - Regular reviews of reserves and the Working Balance to ensure appropriate coverage for emerging risks and provision of appropriate risk reserves and balances;
 - Budget envelopes ('blocks') set for each Corporate Directorate and Support Service Functions to ensure delivery of services within available resources;
 - An assessment of cost and demand pressures that are identified and agreed as part of the MTFS to ensure scrutiny, ownership and accountability;
 - Robust savings, efficiency and mitigation plans which are owned, tracked, and monitored;
 - Identification and assessment of budget risks to ensure an effective risk management and mitigation strategy;
 - Reviews of fees & charges to ensure all charges consider commercialisation and current rates of inflation.

MTFS Resource Assumptions

9.3 In the context of the provisional settlement and national economic forecasts, this section sets out the key resource assumptions to be adopted over the 4-year planning period. These will inevitably change with expected longer-term settlements and any change in the structure of Local Government funding and financing including Council Tax referendum principles.

Council Tax increases and Tax base Changes

9.4 Current Council Tax referendum principles, as set out in the Local Government Finance Policy Statement, are assumed to apply until further notice, which currently allows for a 2.99% annual increase to Council Tax and a 2% Adult Social Care precept. The assumption regarding the latter is that either precepts will continue to be allowable or, if not, that the equivalent in additional social care grants will be provided given the severe and ongoing increase in cost and demand for social care services.

9.5 Tax base growth estimates are based partly on historic trends and partly on known and expected housing developments over the next few years. Note that no changes to the Working Age Council Tax Reduction Scheme (CTRS) are assumed for the period while caseload is projected to fall by 0.3% in 2025/26 and remain at this level thereafter.

Council Tax Assumptions	2025/26	2026/27	2027/28	2028/29
Council Tax Increase	2.99%	2.99%	2.99%	2.99%
Adult Social Care Precept	2.00%	2.00%	2.00%	2.00%
Tax base increase (growth)	1.7%*	0.75%	0.75%	0.50%
Council Tax Collection Rate	98.75%	98.75%	98.75%	98.75%

* Includes 0.8% from introduction of the second homes premium from 1/4/25

An additional taxbase increase of £0.250m per annum (approx. 0.1%) from 2026/27 is also assumed to cover average under-estimates in recent years that can be related to new or higher than estimated premia, higher than estimated dwellings, or lower than estimated discounts including Student Numbers, Single Person Discounts or Council Tax Reduction caseload.

9.6 Potential risks and issues include:

- Confirmation of the impact of Second Homes and increased empty homes premiums;
- Council Tax collection rates and bad debt provisions;
- Delays in developments creating overstatement of CT taxbase;
- Council Tax Reduction caseload numbers (dependent on economic conditions).

Business Rates Increases and Tax base

9.7 The main changes to Business Rates announced in the Autumn Statement 2024 included:

- A freeze of the small business rate multiplier at 49.9p;
- Government will compensate local authorities for the lost income due to the freezing of multipliers through S31 compensation grants;
- An increase of the standard multiplier in line with CPI to 55.5p per £1 rateable value;
- The Retail, Hospitality and Leisure relief scheme will be extended for one year for 2025/26 with the same eligibility but with a reduced level of relief at 40%, and up to a cash cap of £110,000 per business.

The council retains 49% of Business Rates collected (1% is retained by East Sussex Fire Authority). Business Rate Retention forecasts follow government OBR inflation forecasts on the assumption that if government chooses to cap increases or introduce new reliefs, councils are compensated through Section 31 grants. BRR tax base growth is based on historic trends for the city.

Business Rate Assumptions	2025/26	2026/27	2027/28	2028/29
BRR CPI Increase (OBR)	1.70%	1.60%	1.60%	2.00%
Tax base increase	0.75%	0.75%	0.75%	0.75%

9.8 Potential risks and issues include:

- The risk that appeals provisions could be understated requiring additional one-off resources;
- Empty property reliefs higher than normal due to economic conditions;
- Collection performance impacted by economic conditions and prosperity.

Fees and Charges

9.9 Fees and charges budgets are assumed to increase by the standard corporate inflation rate assumed in the MTFs. The MTFs assumption sets a target uplift that includes a combination of economic growth, ongoing commercialisation and generation of new incomes. However, Penalty Charge Notices (parking fines) are excluded from this increase as the levels of fines are set by government and cannot be changed independently. Similarly, Temporary accommodation income is assumed to increase by a lower amount (2.00%) to average out historic changes to Local Housing Allowance (LHA) rates.

Fees & Charges Assumptions	2025/26	2026/27	2027/28	2028/29
General increases	3.0%	3.0%	3.0%	2.5%
Parking Penalty Charge Notices	0.0%	0.0%	0.0%	0.0%
Temporary Accommodation	2.0%	2.0%	2.0%	2.0%

Government grants

Revenue Support Grant (RSG), Services Grant and Recovery Grant

9.10 RSG is assumed to increase by September CPI inflation each year (based on OBR inflation forecasts). For 2024/25, the increase in RSG was funded by reducing the Services Grant and this has continued in 2025/26 resulting in a net loss of resources of £0.197m.

9.11 As noted, the Services Grant has been used to protect or fund increases to other grants and has gradually reduced. The council received £0.376m in 2024/25 (down from £2.392m in 2023/24) and will receive zero in 2025/26 and beyond.

9.12 The Autumn Budget included a new Recovery Grant with a national total of £600m. This funding is allocated on the basis of the Index of Multiple Deprivation combined with Council Tax income. This council received no funding through this allocation with only approximately half of Local Authorities receiving a Recovery Grant allocation. The MTFs assumes there will be no grant in future.

General Government Grants	2025/26	2026/27	2027/28	2028/29
RSG (consolidated)	£8.789m	£8.932m	£9.078m	£9.258m
Services Grant	£0	£0	£0	£0

Recovery Grant	£0	£0	£0	£0
Total	£8.789m	£8.932m	£9.078m	£9.258m

Adult Social Care precepts and Better Care Funding (BCF)

- 9.13 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. Through the Local Government Finance Policy Statement the government have confirmed that a 2% ASC precept is allowable for 2025/26 but for later years this is less certain but the equivalent in ASC grant or alternative support, for example through Local Government Funding Reform, is assumed.
- 9.14 The table below shows how social care funding has grown in recent years and the assumption remains that grants will eventually be rolled into the local government finance settlement to become part of the permanent funding base, however, no assumption of any future inflationary increases has been made.

Social Care Resources	2022/23	2023/24	2024/25	2025/26
<i>ASC Precept</i>	1%	2%	2%	2%
Improved Better Care Fund	£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 & Improvement Fund and Workforce Fund		£4.746m	£5.375m	£5.375m
New Social Care Grant 2025/26				£4.008m
Total	£20.274m	£33.387m	£40.579m	£44.587m

- 9.15 The figures above do not include resources generated by the ASC precepts which are included in Council Tax assumptions. The 2% precept in 2025/26 will generate additional taxation of £3.756m.
- 9.16 Beyond 2025/26 funding for Adult Social Care is unknown. However, the Local Government Association (LGA) and the Association of Directors of Adult Social Services (ADASS) have presented a substantial body of evidence to demonstrate how adult social care costs will escalate over time with changing population demographics. The government have not indicated a timeline for a further review of the long-term funding of Adult Social Care but some consideration of the funding impact on local authorities will inevitably need to be made by government. As noted above, in lieu of any detailed information, a prudential assumption of additional Adult Social Care funding equivalent to a 2% Adult Social Care precept is assumed in the MTFS projections from 2026/27 to 2028/29.

Children's Services Grants

- 9.17 The government is providing £250 million of new funding nationally for a new Children's Social Care Prevention Grant. This will be used to invest in the national rollout of Family Help and is allocated according to estimated need for children's social care services in each authority area. The government also confirmed that it is rolling other Children & Families grants into a consolidated grant. This provides the same level of resources as previously. No assumptions about future inflationary uplifts of these grants are made in the MTFS.

Children & Families Grants	2024/25	2025/26	Change
Children's Social Care Prevention Grant	n/a - new	£0.717m	+£0.717m
Children's and Families Grant (consolidation)	£2.141m	£2.141m	£0.000m
Total	£2.141m	£2.858m	+£0.717m

Homelessness Funding

- 9.18 Homelessness and Rough Sleeping have become significant pressures in the city linked to housing demand and other issues such as the cost of private renting, substance misuse and mental health. The Autumn Statement 2024 has provided significant additional resources, but this will be more than offset by demand trends over the current year. Homelessness funding includes a clear preventative element and therefore future funding levels are uncertain and are likely to be dependent on outcomes and the effectiveness of national and local housing supply policies.

Homelessness Funding	2024/25	2025/26	Change
Homelessness Prevention Grant	£7.976m	£10.907m	+£2.931m
Rough Sleeping Prevention and Recovery Grant	£2.364m	£2.364m	£0.000m
Rough Sleeping Accommodation Programme	£0.813m	£0.856m	+£0.043m
Total	£11.153m	£14.127m	+£2.974m

New Homes Bonus (NHB)

- 9.19 The government has extended the NHB scheme for 2025/26 for the 6th year without reform and the council will receive a one-off allocation of £1.014m based on the net increase in new properties in the city between October 2023 and October 2024. No announcements have been made about the longer term future of this grant and therefore no assumptions have been made on any additional one-off funding for future years. The one-off funding for 2025/26 will be required to offset a forecast Collection Fund deficit of over £3m for 2024/25.

Other Grants

- 9.20 There are many other grants received across a whole range of services including Public Health grant, Domestic Abuse grants, Housing Benefit Subsidy, Household Support Fund and a new Extended Producer Responsibility (EPR) grant aimed at increasing recycling rates. Many of these are ringfenced, carry specific conditions or are one-off resources. The MTFs is primarily concerned with unringfenced funding and does not therefore include information or projections on these grants although many can help to relieve pressures on General Fund budgets and services.

Corporate Inflation Provisions & Assumptions

Pay

- 9.21 The pay award for 2024/25 for all NJC salaries was 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 creates a pressure of £1.300m when rolled forward into 2025/26.
- 9.22 The current pay award assumption for 2025/26 is 2.75% on the basis that inflation has 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.

Local Government Pensions

- 9.23 The last 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 well in terms of investment performance. If this is sustained, this could be reflected in employer contribution rates in the next triennial review, subject to other factors such as pay awards. This may provide some flexibility in managing pay awards.

Prices

- 9.24 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% for 2025/26 and 2.5% thereafter. 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.

Inflation Provision	2025/26	2026/27	2027/28	2028/29
Employee costs	2.75%	2.50%	2.50%	2.50%
Premises costs	2.50%	2.50%	2.50%	2.50%
Transport	2.50%	2.50%	2.50%	2.50%
Supplies and Services	1.00%	1.00%	1.00%	1.00%
Third Party Payments	3.00%	2.50%	2.50%	2.50%
Transfer Payments	3.00%	2.50%	2.50%	2.50%
Waste PFI	3.50%	3.50%	3.50%	3.50%

Employers National Insurance

- 9.25 The increase in Employer’s National Insurance rate of 1.2%, coupled with the reduction in the threshold on which employers start paying NI to £5,000 (from £9,100) is estimated to result in additional cost in 2025/26 of £4.0m to General Fund council services, £0.7m to the Housing Revenue Account (HRA) and at least £3.6m to Schools. This represents a 28% increase for the General Fund/HRA and a 34% increase for Schools. The Local Government Financial Settlement provides only £2.573m funding for the General Fund, leaving a funding gap of £1.427m.
- 9.26 The settlement therefore falls far short of the protection promised by the government, which the council raised in its response to the formal consultation on the provisional settlement. It is also now confirmed that HRAs will need to absorb the additional cost of NICs while the position for Schools is not yet known in relation to the Dedicated Schools Grant (DSG) settlement.

Commitments

- 9.27 Budget Commitments capture unavoidable contractual costs or other known changes in expenditure, resources or income arising from previous decisions made by the council including the capital financing costs arising from previous and proposed Capital Investment Programme approvals. Other commitments can arise from legislative changes, function and funding changes, or changes above the expected or budgeted costs such as national pay awards or changes to employers’ pension or NIC contributions. Changes to Section 31 grants are also captured under commitments, for example, due to changes in the level of Business Rate reliefs which government

compensates local authorities for through S31 grants. Known commitments over the next 4 years are shown below.

Commitments	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m
Change in capital programme financing costs	3.631	1.417	(0.029)	(0.079)
Funding release of i360 loan security	1.000	0.000	0.000	0.000
Change in Section 31 grants (NNDR reliefs) *	4.054	(0.530)	(0.544)	(0.644)
Cost of 2024/25 pay award above the budgeted assumption	1.300	0.000	0.000	0.000
Impacts of previously approved decisions	4.456	0.892	0.350	0.250
Change in contributions to/from reserves	(3.058)	3.015	(1.125)	0.000
Total Commitments	11.383	4.797	(1.348)	(0.473)

* Note, this relates to the reduction in Section 31 Grant from government in relation to compensation for Business Rate reliefs which will be reducing next year, therefore requiring lower compensation. However, there will be a compensating increase in the Business Rates collected and retained by the council due to removal of the reliefs.

9.28 Impacts of previously approved decisions covers a wide range of financial implications including reversals of decisions to use one-off resources to support previous budgets, changes in insurance premia, planned repayments of specific reserves and so on.

Investment to Support Service Strategies and Council Plan Priorities

9.29 Medium term financial planning requires an assessment of the investment requirements to support Council Plan priorities including an assessment of the financial pressures ('Service Pressures') facing priority services in terms of increases in costs and demographic growth in demands. This applies particularly to 'demand-led' statutory services for vulnerable adults, families and children such as adult and children's social care and homelessness support.

9.30 Over the last decade or more, there has been significant growth in demand for services with increasing prevalence of mental health issues in children and adults, growing numbers of children with Education Health & Care Plans, a growing homelessness problem due to housing supply issues and the cost of renting, and increased complexity of care across adult social care as people live longer with complex and limiting health conditions.

9.31 When combined with the previous government's long-term 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. Alongside efficiencies and economies, this has required substantial service savings and income generation programmes to achieve balanced budgets. Current estimates are based on recent trends, forecast demographic changes, and projections around market sufficiency and pricing for externally commissioned services and contracts. High level projections over the MTFS period are currently as shown below:

Council Plan Priority Investments	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m
A City to be Proud of:				
City Operations Services	3.958	3.213	3.800	3.000
New Food Waste Collection & Collections Review	1.210			

A Healthy City where People Thrive:				
Housing - Emergency Accommodation	1.553	0.131	0.485	0.543
Housing - Temporary Accommodation	0.054	0.078	0.454	0.622
Rough Sleeping Prevention Services	0.146			
A Fair and Inclusive City:				
Adult Social Care Services	6.204	7.892	8.403	8.727
Children's Social Care Services	1.559	3.444	3.373	3.249
Other Children & Family Services	0.999			
Home to School Transportation	1.078	0.133	0.138	0.143
Educational Services and Support	0.481	0.561	0.596	0.000
Increased SEN investment	2.660			
Loss of Housing Benefit Subsidy grant	0.300			
A Responsive Council with Well-Run Services:	3.809	1.490	1.500	1.500
TOTAL COUNCIL PLAN INVESTMENTS	24.011	16.942	18.749	17.784

9.32 Together with provision for inflation, including nationally negotiated pay awards, the above investment requirements are not expected to be fully matched by available resources which include:

- Council Tax increases, precepts or taxbase growth
- Business Rate Retention increases or taxbase growth
- Increases in Fees & Charges or new income generation
- Increased Government Grant Funding

This means that there are anticipated to be substantial budget shortfalls in future years, continuing the trend over the last decade or more. This requires identification of savings and transformation programmes that can help the council to provide services more efficiently and at lower cost but may also require some difficult choices regarding the services the council is able to offer in future, particularly where these are not a statutory requirement.

Projected Budget Shortfalls (Summary MTFs Projections)

9.33 Bringing together all of the resource assumptions, inflation assumptions and Council Plan Investments set out in this section enables an overall projection of the council's budget position to be estimated for each of the next 4 years. This includes commitments arising from previous decisions including the financing of approved capital investment programmes.

Summary Projections and Budget Gaps	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m
Commitments (incl. from previous decisions)	11.383	4.794	(1.348)	(0.473)
Net Inflation (on Pay, Prices, Income, Pensions)	9.814	8.894	9.031	9.748
Government Grant Funding	(11.551)	(3.903)	(4.098)	(4.303)
Other Funding Changes & Assumptions	(1.514)	2.945	2.432	(0.250)
Sub-total	8.132	12.730	6.017	4.722
Net Investment in Priority Services	24.011	16.942	18.749	17.784
Risk provision 2025/26	1.747	(1.747)	0.000	0.000
Projected Net Tax Base changes	(18.101)	(12.185)	(9.220)	(9.253)
Savings Requirements (Budget Gaps)	15.789	15.740	15.546	13.253

9.34 The projected budget shortfalls above indicate the savings and efficiencies required over the next 4 years in order to legally balance the budget. The total projected

savings requirement over the next 4 years is £60.328m. However, there is still significant uncertainty over these projections until the government issues the expected multi-year settlements in Spring 2025. The MTFs will be updated when setting out the planning assumptions for the 2026/27 budget setting process.

Transformation and Savings Programmes

- 9.35 To address the projected budget savings requirement identified in the MTFs projections above, the council will need to identify savings from efficiencies and economies, or from reductions in services, or alternative delivery of the services provided. To ensure that statutory duties can be met and to be able to continue to provide local services that residents and visitors rely on, the council will look to challenge all costs, consider potential sources of income, and review the affordability of services and capital investments as set out in sections 3.12 to 3.22 above.
- 9.36 However, managing the scale of identified budget shortfalls over the MTFs period requires step changes in the delivery of services, a clear approach to managing demands through increased use of data analysis, technology and emerging AI, and changes in the way partnerships and collaboration work across the city and the council to improve prevention and support. This requires significant transformation and change programmes that will require one-off investment as necessary changes would not otherwise be delivered within the timeframes required to achieve the council's priorities or achieve financial sustainability.
- 9.37 Previous governments have recognised that 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 transformation and change often involves significant one-off costs that cannot be afforded from already straitened annual revenue budgets 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 resource a Transformation Fund, subject to the availability of capital receipts.
- 9.38 The transformation and savings programmes currently identified over the next 4-years are summarised below but further business cases for invest-to-save initiatives are being developed and can come forward at any time. The proposals for 2025/26 are provided in more detail in the annual budget report to Cabinet and Budget Council as these must be specifically approved as part of the annual budget proposals and the setting of the Council Tax. For future years, programmes and estimated savings are only for noting and will change and evolve as the council's financial position changes with updated estimates, funding announcements from government including expected multi-year settlements, and, later, the impact of devolution and local government reorganisation.

Transformation & Savings Programmes	2025/2 6 £m	2026/2 7 £m	2027/2 8 £m	2028/2 9 £m
Changing delivery models for services:				
Learning Disability Service Delivery model	0.400	0.300	0.200	0.100
Adult Social Care Service Delivery model		0.400	0.400	0.400
Ireland Lodge Short Term Care Remodelling	0.200			
New In-house SEN Provision (Rainbow Lodge)	0.200	0.200	0.200	0.100
Discharge Priority (Craven Vale)	0.200	0.200		
City Parks delivery model		0.378	0.578	

New Temporary Accommodation Leasing Model	0.195	0.195		
New Housing Allocations Policy Implementation	0.950	0.950		
Housing Company Temporary Accommodation Model		0.775	0.250	0.250
Remodelling Welfare Support	0.290			
Lifeguard Service Alternative Provision	0.110			
Procurement and Commissioning economies:				
Adult Social Care Provider Management	5.076	0.900	0.600	0.300
Review of commissioned Housing Services	0.350			
Contract Management Invest-to-Save Programme		0.240	0.400	0.400
Category spending review e.g. transport, training, supplies & services, etc.		0.150	0.100	0.100
Demand management and Prevention Programmes:				
Transforming Adult Social Care (ICS)		4.000	4.100	4.100
Children's Social Care Reform		0.300	1.900	1.750
Housing and Temp. Accom. Relocation Initiatives	0.705	0.660		
Foster Care Recruitment programme	0.874	0.600	0.580	0.552
Income & Commercialisation Initiatives	1.063	2.516	0.811	0.675
Efficiency, Automation & Digital Programmes:				
Digital, Data & Technology Investment Strategy	0.030	0.235	0.350	0.350
Corporate Systems Improvement Programme		0.192	0.380	
Adult Social Care Assessment Service Redesign	0.140			
Housing Benefit Admin Caseload transfer to DWP	0.300	0.170	0.200	0.200
Service Redesigns and Functional Alignments	1.791	0.470	0.510	0.500
Cessation or reduction of non-statutory services:				
Reduction or reprovision of non-statutory services	1.173	0.506	0.500	0.500
Supported Employment Service Funding Review	0.275			
Library Service Review	0.111	0.118		
Alternative Funding of Services:				
CIL Strategic Investment for Thriving Communities	0.184			
Reprioritising Public Health Investment	1.002			
Other new funding sources or repurposing	0.090	0.150	0.250	0.250
Corporate/Cross-Cutting Programmes:				
Corporate Landlord and Net Zero Programme		0.100	0.265	0.214
Workspace Innovation Programme		0.535	0.472	0.162
Absence Management and Agency Staffing Changes		0.400	0.400	0.250
Review of council device estate	0.080	0.100	0.100	0.100
Further Transformation Business Cases required			2.000	2.000
Totals	15.789	15.740	15.546	13.253

Planned Programmes of Work

- 9.39 The above table includes high level estimates of savings from potential transformation, efficiency or income generation programmes together with planned reductions in non-statutory or discretionary services. Some estimates are based on more detailed business cases, for example, the Workspace Innovation programme, while others require more information but are based on prudential assumptions using best practice case studies and research, industry standard assumptions, or reasonable estimates and projections. A brief commentary on each area is provided below.

Changing delivery models for services

- 9.40 This area covers a wide range of initiatives aimed at either providing services differently or changing the model of service to either manage demands more effectively or reduce overall costs. This can involve insourcing or outsourcing decisions, changes in the type of support or provision, and changes driven by advances in technology or practice.

Procurement and Commissioning Economies

- 9.41 The council procures and commissions goods and services of over £300 million annually as it does not provide all services in-house. For example, the large majority of adult and children's social care is commissioned from the private and independent sectors. Ensuring competitive tender processes, effective contract management and appropriate service specifications and performance monitoring are therefore key to achieving good value for money. The council plans to focus on Adult Social Care provider costs which have increased markedly in recent years and where the cost of provision in the city benchmarks unfavourably with comparators.
- 9.42 There will also be investment in Contract Management resources to ensure the council is receiving the services and performance it is paying for from higher value contracts as well as category spending reviews to explore whether improved procurement and/or spending controls could bring down spend across a number of expenditure headings such as supplies and services or travel costs.

Demand management and Prevention Programmes

- 9.43 Key areas of focus will include Adult Social Care, Homelessness and Children in Care where transformation will require work with key strategic partners in the city. These programmes focus on changing care pathways, working holistically with city partners to provide multi-disciplinary support and solutions, and working hard to ensure that prevention and early help and support can contribute to managing demands and reducing medium term costs. An example is investing in Foster Care recruitment which not only results in more stable care settings and better outcomes for children and young people but can significantly reduce costs over the longer term.
- 9.44 Adult and Children's Social Care programmes are also supported by significant national research programmes, funding and clear policy direction including the forthcoming Children's Social Care reform. The latter is aimed at changing the cycle of crisis through more holistic multi-agency support and preventative work and providing powers to tackle the inordinately high cost of some private and independent sector care provision, particularly where care quality and outcomes for children, young people and care leavers are below expectations.

Income Generation & Commercialisation Initiatives

- 9.45 A wide range of income generation ideas are being put forward to either generate more income from existing fees & charges through appropriate uplifts, or extending service offers, alongside other commercially focused activities. Examples in 2025/26 include expanding the Trade Waste and popular Garden Waste collections services to

generate income, promoting greater use of 3G pitches by sports clubs, generating donations to help improve our parks and green spaces, marketing 'The Wing' at the Brighton Centre to increase business and delegate use, and increasing income from the Carelink Out of Hours service. Note however that Parking Charges are being frozen partly because traffic in the city has reduced since the pandemic (a key objective of Sustainable Transport policies), partly to balance the impact on the visitor and business economies, and partly because other alternatives for disincentivising car use in the urban area (including Park & Ride) are being developed.

Efficiency, Automation & Digital Programmes:

- 9.46 These programmes cover savings expected to accrue from major investments in digital, data and systems improvements provided through either the Capital Investment Programme, Transformation Fund and/or IT&D Future Fund. The council has invested significantly in a Digital, Data & Technology (DDaT) strategy which can be seen in the Capital Investment Programme alongside significant investment in Phase 1 of a Corporate Systems Improvement (CSI) programme to re-procure and enhance corporate HR, Finance, Payroll and Procurement systems. Other smaller investments including upgraded applications and digital developments and increasing use of AI to collate and generate data and information, will help to support service redesign and automation over the MTFS period.

Cessation or reduction of non-statutory services

- 9.47 While every effort will be made to protect and improve essential local services, particularly those that support Council Plan priorities, the financial situation inevitably means that the continued provision, subsidy or funding of some non-statutory or discretionary services needs to be kept under review in the context of overall priorities. This may also mean exploring the concept of providing 'statutory minimum' services in some areas to assist the council's financial sustainability and enable a balanced budget and MTFS. Detailed savings proposals are included in the budget report for 2025/26 and for later years, an assumed saving is included based on a minimum contribution.

Alternative Funding of Services

- 9.48 In 2025/26 there are two key proposals; the first is regarding the repurposing of Public Health funding to rigorously challenge the current use of the £22.6m ringfenced grant and ensure that it is applied to priority areas of preventative support that have the greatest impact. More details are provided in the budget report which sets out the areas identified for dis-investment and the areas for re-investment. The key principle being applied is to focus Public Health funds on core mandated services such as Sexual Health and Healthy Child Programmes but to refocus other available funds to support core preventative services, for example Family Hubs, to both improve outcomes for children and families but also, critically, to prevent higher longer term care and support costs. This necessarily involves very difficult decisions regarding where dis-investment will be targeted.
- 9.49 The second proposal is similarly to identify key areas of increased cost or demand where the Household Support Fund can be applied to support prevention and help to avoid greater costs in the longer term, particularly in respect of homelessness and emergency accommodation. This is not shown as a saving because it is direct additional funding from the Household Support Fund 2025/26.
- 9.50 For future years, a prudential assumption of further savings opportunities is included in the MTFS supported by planned recruitments to Funding Officer and Donation Schemes Officer roles on an invest-to-save basis.

Cross-Cutting Programmes

- 9.51 Cross-cutting programmes can impact council-wide and can involve change management and staff development programmes. Opportunities have been identified in respect of continued energy efficiencies and carbon reduction measures across the Corporate Landlord estate, linked to the Net Zero Programme and the council's Workspace Innovation Programme aimed at providing modern, collaborative workspaces but also reducing overall administrative buildings occupancy. Savings in relation to Absence Management and Agency Staffing will require significant service redesign, improved reporting and oversight, and potential policy changes to ensure the council compares well with comparator authorities and other industries where it is currently falling short. Many other cross-cutting opportunities are possible and will continue to be explored over the MTFS period.

Transformation Fund

- 9.52 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 (using Capital Receipts Flexibilities)				
Category of Investment	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m
Invest-to-Save business cases for transformation	2.600	2.600	1.500	1.500
Digital and AI Development Resources	1.000	1.000	1.000	1.000
Managing Staffing Changes (exit packages)	1.250	1.250	0.500	0.500
Enabling Resources (PMO, Workspace, HR, etc)	1.000	1.000	1.000	1.000
Resources to generate Capital Receipts	0.150	0.150	0	0
Total Transformation Fund	6.000	6.000	4.000	4.000

- 9.53 The investments are described in summary below:

Invest-to-Save Business Cases

- The medium term planning process encourages 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 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 £8.2 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. Provision of at least £1 million each year is included but some of this cost could potentially be transferred to revenue in later years if this is affordable within the overall budget envelope.

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 redeployments 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 £3.5 million is expected to be required over the 4-year period supporting severance of an average of 25 to 30 staff each year. Alongside vacancy management and redeployment this could enable reductions of between 50 to 100 full time equivalent posts each year from the council's staffing establishment, currently around 3,559 full time equivalent posts. This relies on the necessary efficiencies through service redesign or technological improvements being deliverable.

Resources to generate Capital Receipts:

- Generating sufficient capital receipts in good time to support both the Transformation Fund and the 5-year 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. In particular, there is a present urgency to generate receipts due to a number of disposals being delayed and decisions on a new pipeline of disposals being required by Cabinet. An estimated investment of £0.150 million for the first two years is included above.

Transformation Enabling Resources

- 9.54 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.
- 9.55 Informed by previous experience, the Transformation Fund provides resources of £1 million p.a. to support a wide variety of transformation and savings programmes and projects, but this will need to be reviewed as future budgets are developed and the scale of support for each change proposal is fully understood. The costs are broadly expected to cover the following:

Transformation Enabling Costs (4-Years)	
Category of Investment	Annual Cost
	£m
Project & Programme Management Resources	0.640
Workspace Innovation Resources (to rationalise operational buildings) *	0.180
HR Management of Change and Policy Support	0.128
Contribution to Leadership Development Support	0.052
Total	1.000

* This resource will also be supported by additional, eligible capital funding through the Asset Management Fund as this team works on capital asset disposals and

modernisation and refurbishment of office spaces, expected to be circa £0.140m per annum.

Reserves & Risk Mitigation Strategy

- 9.56 The council is required to maintain an adequate level of reserves to deal with future forecast or unexpected pressures. Councils are not permitted to allow spend to exceed available resources which would result in an overall deficit and potential Section 114 report to the full Council. Sections 32 and 43 of the Local Government Finance Act 1992 require authorities to have regard to the level of reserves to meet estimated future spend when calculating the budget requirement.
- 9.57 Reserves can be held for three main purposes:
- A Working Balance to help cushion the impact of uneven cash flows, unexpected events and avoid unnecessary temporary borrowing;
 - Additional risk provisions to mitigate against specific, identified risks; and
 - A means of building up funds (i.e. earmarked reserves) to meet known or predicted liabilities.
- 9.58 A summary of earmarked reserves and the forecast of reserves and balances can be found in [Annex A](#).
- 9.59 The appropriate level of reserves is a judgement based on a number of factors including the level of risk inherent in the budget planning cycle, the availability of resources and other recourses to support such as the government's offer to local authorities to engage with MHCLG if Emergency Financial Support is needed. Holding very high levels of reserves and balances in light of current financial challenges would not be appropriate given the need to support and maintain service delivery as far as possible. Similarly, very low levels of reserves or balances may leave the authority exposed to cash flow difficulties.
- 9.60 An assessment of the risk environment is required in order to determine the suitability of the baseline reserves and balances position. This assessment should include consideration of the robustness of efficiency plans, levels of uncertainty regarding cost estimates (demand / price inflation), consideration of national and local policy changes and wider national economic and political factors.
- 9.61 The MTFS includes the following principles for the management of reserves:
- Reserves should not normally be used as a substitute for permanent efficiencies to meet permanent spending pressures;
 - Reserve levels and contributions should be reviewed at least twice annually at budget and outturn to ensure contributions are equal to planned use over the medium-term;
 - Over the medium-term, the Working Balance should be maintained at the minimum recommended level of £9 million. Where it falls below this, the MTFS should be updated to show how the Working Balance will be restored;
 - Earmarked Reserves must be approved and should only be held if absolutely necessary and where there is a clear future and/or multi-year commitment or liability;
 - Additional risk provisions should ideally be built up where specific or enhanced risks are identified. This can be provided through either:
 - Setting aside resources from a planned or fortuitous outturn underspend;
 - Building in provision for an additional risk provision in the Annual Budget; or
 - Building in provision over a longer period through the MTFS.
- 9.62 As noted below, the authority has a comparatively low level of overall reserves (i.e. the Working Balance plus earmarked reserves) but has managed successfully with the

exception of 2022/23 which saw an overspend of £3.3 million which reduced the Working Balance to around £5.6 million. The MTFS aims to ensure the Working Balance is restored and that sufficient risk provisions are provided to support the significant savings programmes required to balance the budget and MTFS over the 4-year period.

- 9.63 The council's external auditor has commented on the financial sustainability of the authority and has highlighted this as a significant weakness over the past two years. A strategy to restore the Working Balance and provide sufficient risk provisions will therefore help to address the auditor's improvement recommendations.

One-off Resource Requirements

- 9.64 Additional one-off resources may be needed in 2025/26 or later years 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 need to be identified to cover the following:

- Any Collection Fund deficits (current monitoring indicates a £3.139m net deficit for 2024/25) *;
- Any General Fund outturn overspend (i.e. TBM overspend) *;
- Any increase to provisions or reserves required to cover increased cost estimates *;
- 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.*

- 9.65 Projected one-off resource requirements for 2025/26 will be reported within the main budget report to Cabinet and Budget Council, reflecting latest estimates and projections from in-year TBM budget monitoring and monitoring of Collection Funds together with any additional identified one-off funding requirements or additional available one-off resources.

CIPFA Resilience Index Update

- 9.66 The Cipfa Resilience Index compares a council's position across a range of measures associated with financial risk, highlighting where additional scrutiny may be required. The data for the latest resilience index is obtained from the Revenue Expenditure and Financing England Outturn Report 2023-24 ('RO Forms') and reflects figures submitted by Local Authorities to MHCLG, published on 12 December 2024.
- 9.67 The findings of the Resilience Index 2024 indicate that reserves have fallen nationally and that social care expenditure is still increasing well beyond inflation. This is in line with other evidence from the sector and while it may not be unexpected it is crucial to understand that these two indicators play an important part in the sustainability and health of the local government sector.
- 9.68 The snapshot below (please enlarge for improved legibility) compares BHCC with 'nearest neighbour' comparator authorities (mainly similar sized unitary authorities). It shows that reserves are relatively low (13.8% of net budget) and compare unfavourably with comparators although it is clear that more authorities, including counties, are now exhausting reserves at a very fast rate. Social care spend as a proportion of the net budget appears to be average while borrowing (Gross External Debt) is also close to the average, recognising that more than 50% of BHCC's debt is related to the HRA (Council Housing Stock).



CIPFA FM Code of Practice

- 9.69 CIPFA has developed a Financial Management Code (FM Code), designed to 'support good practice in financial management and to assist local authorities in demonstrating and maintaining their financial sustainability.
- 9.70 It is for individual authorities to determine whether they meet the standards and to make any changes that may be required to ensure compliance. Officers have carried out a review of practices and reported on the findings against the standards set out in the code to the former Audit & Standards Committee in June 2023.
- 9.71 The overview of the Authority's level of assessed compliance indicated that there were no Red (Minimal) compliance areas, 7 Amber (Partial) areas of compliance and 10 Green (Substantial) areas of compliance.
- 9.72 Overall, the council's self-assessment therefore indicated a reasonable-to-good level of compliance with the underlying principles of the FM Code but even for areas where there is full or substantial compliance, the aim is to strive for continuous improvement and therefore some improvement actions were identified and continue to be implemented.

10 CAPITAL INVESTMENT PROGRAMME

- 10.1 This section provides information on the 5-Year Capital Investment Programme for 2025/26 to 2029/30, however, the detailed governance and approach to capital investment is set out in an annual **Capital Strategy**, provided with the annual budget report, which is a requirement of CIPFA's Prudential Code for Capital Finance in Local Authorities and MHCLG's Investment Guidance.

Capital Strategy

- 10.2 The Capital Strategy must be approved by the full Council and aims 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 Strategy therefore provides detailed information on capital resource projections, capital financing need, and the approach to non-treasury investments (e.g. commercial property) and the management of risk.
- 10.3 An officer-led, Capital Programme Board (CPB), ensures that the framework for setting the Capital Investment Programme continues to focus on Council Plan priorities, deliverability and affordability, and adheres to the Capital Strategy approved by full Council. The CPB also monitors financial performance and service outcomes.

- 10.4 Officers work closely with Cabinet to shape the development of the Capital Programme on an ongoing basis. Cabinet approve the addition of new schemes through Targeted Budget Management reports or through separate scheme reports, or through the annual budget approval process. Governance structures, processes and procedures of the Capital Programme are continually assessed to strengthen financial management, decision making, and accountability.
- 10.5 The recommended Capital Strategy outlines the process for the prioritisation and evaluation of capital investment projects. The Capital Strategy aims to:
- Seek to protect as far as possible capital grant funding for education, housing, transport network and public realm investment.
 - Pool all remaining non ring-fenced capital resources and allocate these to priority areas for investment.
 - Allocate capital resources to key strategic investment funds as follows:
 - £0.250m per annum for 'major projects' investment through a **Strategic Investment Fund (SIF)**. These projects support the economy through regeneration of key sites which can often also lever in housing development.
 - £1.000m per annum towards the **Information Technology & Digital Future Fund** from 2027/28 onward to provide continued investment in the Digital Data and Technology Strategy alongside Transformation Fund resources.
 - £0.750m per annum towards the **Commercial Assets Investment Fund (CAIF)** to support essential property repairs, maintenance and improvements to existing commercial and agricultural properties to protect and potentially enhance commercial revenue income.
 - £1.000m per annum to the **Asset Management Fund (AMF)** to support essential property improvements, minimise backlog maintenance, improve sustainability and energy efficiency of buildings where possible, and reduce longer term maintenance costs;
 - A minimum of £2.000m per annum through borrowing to support investment in **planned maintenance in operational and social care buildings**.
 - Assess the potential social value of surplus or underperforming assets against the potential disposal value and where possible maximise the use of assets to enhance social value across a 4-year asset management plan.
 - Subject to an assessment of the potential social value, generate capital receipts from the disposal of surplus or under-performing assets and to deploy the proceeds from the sale of capital assets as follows:
 - for investment in transformation and change programmes to improve services and contribute to financial sustainability by using the government's 'capital receipt flexibilities' that allows revenue costs to be capitalised and funded from capital receipts where this generates efficiencies (savings) and improvements, or;
 - for reinvestment in capital investment programme schemes, or;
 - for repayment of debt or for investment, for example, to offset any loss of rental income in the revenue budget.
 - Use the net receipts from 'right to buy' sales from council housing to reinvest directly into additional housing supply.
 - Use unsupported borrowing for:
 - service improvements where a business case has been developed and approved, and can demonstrate that the investment will provide value for money or return on investment and that the additional financing costs are reflected in the revenue budget;

- purchase of vehicles and plant where an options appraisal demonstrates that borrowing provides the best value for money and the financing costs are reflected in the revenue budget;
- investment to support Council Plan priorities where the financial impact of any decision is treated as a commitment in future years' budgets and is affordable;
- restructuring the funding of the approved capital programme when this provides a more efficient use of capital and revenue resources;
- Explore all funding options including partnerships and one-off bidding processes. The council can bid for capital investment through funding streams such as the National Heritage Lottery Fund, Arts Council, Homes England grants, and the Local Authority Housing Fund (LAHF). The council can also use its land or property to facilitate private sector or partnership based investments or funding bids including brownfield land release schemes.
- Explore capital investment opportunities to support the city's net zero carbon objectives and incorporate in future capital investment plans.

5-Year Capital Investment Programme

10.6 In summary, the majority of the council's capital investment is within longer-term programmes that support Council Plan priorities. The key programmes and projects, aligned to Council Plan priorities, are as follows:

Homes for Everyone:

- Housing supply schemes including 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 legal and project management resources to support 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 Net Zero investment programme.

A Responsive Council with Well-run Services:

- The Information Technology & Digital Future 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.

10.7 A summary of the 5-Year Capital Investment Programme and the projected capital resources available to fund and finance the programme is set out in the table below.

Summary of the 5-Year Capital Investment Programme 2025/26 to 2029/30

Summary of Programmes and Funding	Profiled Budget 2025/26 £m	Profiled Budget 2026/27 £m	Profiled Budget 2027/28 £m	Profiled Budget 2028/29 £m	Profiled Budget 2029/30 £m
Approved Schemes					
Families, Children & Wellbeing	10.262	1.419	-	-	-
City Operations	55.328	14.345	6.810	5.123	2.540
Homes & Adult Social Care – HRA	45.275	-	-	-	-
Homes & Adult Social Care	6.898	0.500	0.500	0.500	0.500
Corporate Support Functions	14.968	0.532	-	-	-
Identified Schemes Not Yet approved					
Families, Children & Wellbeing	4.700	4.650	4.600	4.600	4.600
City Operations	33.442	23.610	9.924	12.487	6.550
Homes & Adult Social Care - HRA	65.823	169.075	88.287	56.749	54.731
Homes & Adult Social Care	1.500	1.500	1.500	1.500	1.500
Corporate Support Functions	8.750	8.750	6.750	6.750	3.750
Total	246.946	224.381	118.371	87.709	74.171
Funded by:					
Government Grants (un-ringfenced)	18.446	13.731	8.900	8.900	8.900
Government Grants (ringfenced)	52.815	9.074	2.530	2.282	2.180
Capital Receipts	25.768	15.170	8.550	7.404	2.500
Capital Reserves	0.222	-	-	-	-
Specific Reserves	1.560	1.000	1.000	1.000	1.000
External Contributions	1.358	3.270	2.050	0.467	-
Direct Revenue Funding - General Fund	0.625	0.500	0.500	0.500	0.500
HRA Revenue Contribution to Capital	16.449	16.778	17.114	17.456	17.805
Borrowing	129.703	164.858	77.727	49.700	41.286
Total Funding	246.946	224.381	118.371	87.709	74.171

Capital Receipts

- 10.8 Capital receipts from the sale of surplus land and buildings are an important capital resource that not only provides funding for the capital investment programme but also supports critical invest-to-save transformation programmes using the government's capital receipt flexibilities.
- 10.9 Capital receipt 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 commercial 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.
- 10.10 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 the Transformation Fund to support implementation of invest-to-save efficiency programmes, including digital and AI investment, over the Medium Term Financial Strategy period. A minimum investment of £20 million has been identified over the next 4 years.
- 10.11 Taking into account capital programme approvals already made and projected commitments for funding the above continuing objectives, the current expected requirement for capital receipts (which constantly changes) over the MTFS period is as shown below.

Capital Receipt Requirements	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Capital Programme Commitments					
Capital Programme approvals	(5,842)	(8,179)	(300)	(50)	
Commercial Property Investment Strategy					
Disposal Costs	(25)	(25)	(25)	(25)	0
Loss of Rent (capitalised)	(639)	(1,082)	(197)	0	0
Commercial Asset Investment Fund (CAIF)	(750)	(750)	(750)	(750)	(750)
Capitalisation for Modernisation / Transformation Investment					
<i>Outgoing Modernisation Fund:</i>					
Managing Staff Changes 2024/25	(1,900)	0	0	0	0
Current Modernisation Fund commitments	(3,410)	0	0	0	0
<i>New Transformation Fund:</i>					
Estimated programme expenditure		(6,000)	(6,000)	(4,000)	(4,000)
Corporate Investment Funds					
IT&D Fund		(500)	(500)	(500)	(500)
Asset Management Fund		(1,000)	(1,000)	(1,000)	(1,000)

Strategic Investment Fund (Regeneration)		(250)	(250)	(250)	(250)
Total Commitments	(12,566)	(17,786)	(9,022)	(6,575)	(6,500)

10.12 Comparison of existing commitments and projected demands on capital receipts with known or planned disposals has been undertaken as shown in the table below, indicating a significant shortfall of circa £24 million that will require substantial further disposals to be identified.

Capital Receipt Projections	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Brought forward balance	77	(647)	(5,249)	(11,467)	(18,042)
Expected Capital Receipts	11,842	13,184	2,804	0	0
Capital Receipt commitments	(12,566)	(17,786)	(9,022)	(6,575)	(6,500)
Carry forward balance (deficit)	(647)	(5,249)	(11,467)	(18,042)	(24,542)

Future pipeline of disposals

10.13 Identifying a pipeline of disposals to generate capital receipts is therefore important to support the council's ambitions and sustainability. A recent review of the council's assets identified a programme of disposals having assessed risk/difficulty and timeframes for realisations. Over the short term, considered to be 1-3 years, 12 properties have been identified for disposal with a varying degree of risk and complexity totalling approx. £8m. Over the medium term, 3-5 years, 9 further properties have been identified mainly comprising of heritage assets. Over the longer term, 5-10 years, 15 assets have been identified with a high degree of complexity / risk and are mainly urban fringe sites. A new Disposals Strategy is currently in development to identify further potential asset disposals to support competing demands. This is expected to come forward to Cabinet for March 2025.

10.14 In summary, key opportunities to generate capital receipts are likely to come from:

- Reducing Administrative/Civic buildings and disposing of part or whole buildings;
- Lease re-gearing opportunities – but likely to need to compromise housing ambitions;
- Further Commercial Asset disposals – however, this forgoes revenue income which is highly problematic and adds to future budget gaps. There may also be debt to pay off (capitalise) reducing the available receipt.
- School sites – this is a major potential area for generating receipts following closure of two school sites owned by the council;
- Further rationalisation of service-led operational buildings and access points.

11 HOUSING REVENUE ACCOUNT (HRA) BUDGET & CAPITAL PROGRAMME

11.1 The MTFs 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.

- 11.2 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.
- 11.3 The introduction of self-financing in 2012 provided additional resources from the retention of all rental income and, through greater control locally, enabled longer term planning to improve the management and maintenance of council homes. Since that introduction there have been a number of factors which have compromised the financial stability of the HRA leading to a projected deficit position from 2026/27.
- 11.4 Understanding the demands on resources over the coming years remains key to ensuring the financial viability for the HRA. There are several challenges which are impacting on the financial viability over the medium to long term. 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. In addition to these the rise in National Insurance costs will have a direct impact for the HRA although it is expected that this will be in part funded via a separate funding arrangement. Further information will be provided by government regarding the funding arrangements in due course.
- 11.5 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.
- 11.6 The Autumn Statement 2024 announced that the rent settlement allows landlords to raise rents by CPI plus 1%. This currently extends to April 2026, with a view to be able to increase rents by CPI +1% for the 4 years succeeding 2025/26. This has been factored into the HRA's MTFS. However, it is clear that this will fall short of being able to address the HRA's financing cost pressures and support the large increases that the HRA has faced over the last few years.
- 11.7 Further to this 5-year settlement it is reported that Central Government is considering a 10-year rent settlement. Whilst this would be a welcome boost for the long-term financial forecast, it will not address the current financial issues that the HRA is facing. A strategy needs to be developed to be able to manage those issues in the short term.
- 11.8 The capital plan for the HRA is split into two main areas of investment for improving the quality, safety, and energy efficiency of council homes and for the supply of new housing. 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. Investment in new supply is mainly funded from retained capital receipts (including Right to Buy sales and commuted sums), grant funding and HRA borrowing.
- 11.9 The Programme reflects the delivery of planned maintenance, improvement programmes and major capital projects informed by a recent stock condition survey and ongoing surveys of the council's housing stock. This is alongside 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.

- 11.10 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 (NHFN), Home Purchase Scheme, Converting Spaces programmes and the Homes for the City of Brighton & Hove Joint Venture.
- 11.11 Work will continue through 2025/26 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. The NHFN Programme is a longer term approach to the delivery of new homes; work will continue on approved projects and to bring forward new projects for consideration by Cabinet.

12 SCHOOLS BUDGETS AND FUNDING

- 12.1 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.
- 12.2 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.
- 12.3 The 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).
- 12.4 On 18th December 2024 the DfE published initial DSG allocations for 2025/26. These are summarised in the table below, together with comparisons to the 2024/25 allocations:

Financial Year	Schools Block £'000	Central School Services Block £'000	High Needs Block £'000	Early Years Block £'000	Total DSG £'000
2025/26	176,362	2,277	41,979	41,079	261,697
2024/25	165,039	2,091	39,332	27,351	233,813
Increase	11,324	186	2,647	13,727	27,884

Whilst funding allocations across all blocks have increased in 2025/26 it is difficult to draw direct comparisons with the prior year due to changes in accounting arrangements, particularly within the Schools Block. For 2025/26, a number of former specific grants are being rolled into core Schools block funding (these equated to approximately £9.4m in 2024/25) meaning the true increase in Schools block funding is significantly lower than the £11.324m shown in the table above.

Schools Block – Base 2025/26 Allocations

- 12.5 As set out in the paragraph above there are significant presentational changes to the way mainstream schools are being allocated funding in 2025/26. Once these changes

are allowed for the level of increase in funding to schools is estimated to only be between 0.5% and 1% for 2025/26. As funding to schools is pupil-led, schools with falling rolls are likely to be faced with a very challenging budget allocation for 2025/26, in the context of unavoidable cost pressures such as pay award increases. The government has advised there will be an affordability assessment to consider the impact of pay awards for both teachers and support staff in 2025/26.

- 12.6 It should be noted that the Schools Block pupil numbers have decreased from 28,972 in October 2023 to 28,545 in October 2024. This is a reduction of 427 pupils and equates to an overall loss of DSG Schools Block funding to the local authority of c. £2.03m.

Schools Balances Position

- 12.7 School carry forwards at the end of 2023/24 were £0.281m (net surplus), a reduction of £4.259m from the £4.540m balance at the end of 2022/23. Forecasts for the end of the 2024/25 financial year suggest that the school balances position will move to a net deficit of approximately £5.5m. 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

School Budget Plans 2025/26

- 12.8 Schools are required to submit draft budget plans for 2025/26 by the end of February 2025. At that stage there should be a clear indication of the likely budget position of schools for the 2025/26 financial year. However, it is anticipated, there will be further pressure in terms of schools' budgets and license deficit requirements in 2025/26. Current deficits are running at between £6m to £7m which clearly exceeds the level of school balances. This will therefore require cashflow management until deficits are addressed. Additional resources have been provided to Education and Finance to work with schools to assist them in addressing financial challenges alongside other advisory support such as DfE accredited Schools Resource Management Advisers (SRMA).

High Needs Block

- 12.9 The headline allocation of High Needs Block funding for 2025/26 is shown in the table above. The government increase in funding of c. £2.6m (6.8%) is more favourable than in 2024/25 but is still below the level of the demand and cost pressures the council is experiencing, and initial forecasts show a potential in-year deficit in the 2025/26 high needs block of approximately £1.7m.
- 12.10 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.
- 12.11 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 107 out of 149 local authorities are operating with deficits against the high needs block of their DSG allocations.

Early Years Block

- 12.12 There are further extensions to free entitlement in 2025/26 resulting in a large increase to Early Years Block funding. For 2025/26 the main early years entitlements are:
- the 15 hours entitlement for eligible working parents of children from the age of nine months;
 - the additional (expanded) 15 hours entitlement for eligible working parents of children from the age of nine months from September 2025;
 - 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.
- 12.13 Government funding rates are increasing for 2025/26 and there is a requirement for the local authority to pass on a minimum of 96% Early Years Block funding to providers. It is anticipated that the Early Years Block will be in breakeven position in the 2025/26 financial year.

Employers' National Insurance Increase

- 12.14 The 2025/26 DSG settlement currently includes no information regarding funding for the increase in Employers' National Insurance contributions. For schools and other areas within the DSG it is expected that this will be provided as a separate grant, over and above the core DSG funding. Further details are due to be published by government regarding the arrangements of this grant in due course.

13 BUDGET SENSITIVITIES & MEDIUM-TERM RISK MITIGATION

- 13.1 The Medium Term Financial Strategy of a large public sector organisation with many demand-led services and complex, uncertain funding streams will always contain significant and varying degrees of risk. The cost of living crisis, higher inflation and higher interest rates have significantly impacted the council's expenditure and income throughout 2023/24 and continues into 2024/25. This includes higher than anticipated pay awards, higher costs of social care, impacts on fees & charges due to economic conditions, continued high levels of Council Tax Reduction claimants (i.e. taxation losses), and continued high levels of support for homelessness.
- 13.2 These pressures have resulted in current forecast overspends in-year requiring ongoing recruitment and spending controls to help mitigate the financial position alongside other financial recovery measures. This highlights the need to recognise the financial risks of unexpected events and the impact this has on the resilience of the authority.
- 13.3 The pressures experienced in recent years, including increases in the cost of living, may continue well into the medium term given the growth in Education, Health & Care Plans (EHCPs), growing Learning Disability demands, a national obesity crisis, and the national and local challenges in tackling housing demand. To assist with the cost of living, for businesses the government has provided ongoing Business Rates reliefs to help certain sectors, whilst for individuals, the government is providing additional funding through the Household Support Fund. However, business rate reliefs are reducing in 2025/26 and the Household Support Fund is at a lower level than previously. The corollary is that current predictions indicate that the council will not only need to make substantial savings in 2025/26 but also over the MTFS period.

- 13.4 The new government announced a one-year settlement for 2025/26 on 18 December 2024 with no information for 2025/26 onwards, however, the government has indicated that multi-year settlements will be announced in Spring 2025.
- 13.5 In general, other factors that can have a material effect on the medium term financial position of an authority include:
- The lack of certainty in future resource levels;
 - Changes in function and/or funding;
 - Changes in the economy including the impact on business rates income and/or Council Tax Reduction claimant numbers or collection rates;
 - Similarly, impacts on the levels of house building which affects both Council Tax and New Homes Bonus or a successor mechanism;
 - The level of future successful appeals against the business rating list;
 - Changes in employer costs e.g. pension or national insurance changes;
 - Achievement of performance targets for performance related grant or partnership funding;
 - Delivery and achievement of savings and transformation programmes;
 - Ability to manage identified demand-led service pressures;
 - Decisions on council tax increases and the council tax reduction scheme;
 - Democratic support for change including partnership working, integration or devolution.
- 13.6 Risks to the MTFS arise from both external and internal factors. External risks include, for example, government policy decisions that can have positive or negative impacts on costs or national or local economic conditions that can affect income sources up or down. External risks are generally the most difficult to manage or plan for.
- 13.7 Internal risks can also arise for a number of reasons, such as cost overruns, underachievement of savings plans, changing priorities or ineffective systems of demand management. They may also be influenced by external factors. It is vital to have adequate mechanisms to manage internal risks if financial stability is to be achieved. There are a number of ways in which the effects of risks can be managed and these are set out in the following risk table. Furthermore, the council's MTFS, by taking a longer term planning approach, aims to minimise the impact of some of the major financial risks and the impact on investment in support of the council's priorities.
- 13.8 The forecasts within the MTFS are based on prudential assumptions that reflect the most likely position based on current knowledge and data. There are therefore risks of over or under stating expenditure or income estimates which have been considered.
- 13.9 The identified risks are scored for Likelihood (L) and Impact (I). The scores are multiplied to give a resulting risk score. The key to the scores is given in **Annex B** together with assessed Risk Scores for identified risks, including the potential financial sensitivity.

ANNEX A: RESERVES AND PROVISIONS

Summary of Key Reserves & Balances

Balance	Estimated Balance as at 01/04/25 £'000	Planned Use 2025/26 £'000	Estimated Balance as at 31/03/26 £'000	Review Process	Conclusion
General Fund Reserves					
General Fund Working Balance/General Reserves	6,749	1,125	7,874	Reviewed against the register of financial risks, taking into account the requirements of the Local Government Act 2003.	A minimum working balance of £9.000m is recommended by the Chief Finance Officer in accordance with the requirements of Section 25 of the Local Government Act 2003. The Working Balance is being replenished over three years with the final repayment due in 2026/27. The report highlights that a reprofiling of the 2024/25 repayment may be required to assist the in-year position, which would reduce the bought forward balance to £5.625m.
Library PFI Reserve	660	-143	517	Following closure of accounts.	Use for funding the project over the lifetime of the PFI scheme. Expected to be increased contributions from reserves, due to inflationary pressures. Contributions to the reserve may be required in future years.
Waste PFI Project Reserve	7,932	-1,227	6,705	Following closure of accounts.	Use for funding the project over the lifetime of the PFI. This reserve has been used to fund the Term Time only costs and will be replenished in time to meet existing Waste PFI commitments.
Section 106 Receipts (Revenue)	320	0	320	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.

Balance	Estimated Balance as at 01/04/25 £'000	Planned Use 2025/26 £'000	Estimated Balance as at 31/03/26 £'000	Review Process	Conclusion
Developer Contributions Unapplied (S106 Capital)	171	0	171	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
ICT Investment Reserve	472	-230	242	Following closure of accounts.	Held to support planned IT&D expenditure over the next two years.
Winter Maintenance	500	0	500	Following closure of accounts.	Held to fund exceptional costs of extreme weather.
Dome Planned Maintenance	178	0	178	Following closure of accounts.	Retain - subject to lease agreement with Brighton Dome & Festival Society.
Hove Park 3G Pitch Renewal	15	0	15	Following closure of accounts.	Held to replace pitch at the end of its useful life. Timing to be confirmed.
Surface Water Management Reserve	382	39	421	Following closure of accounts.	Retain to support planned SWMP related works, emergency work and to contribute to any carbon neutral opportunities. This reserve is retained to meet our statutory obligations as the Lead Local Flood Authority.
Sports Facilities Reserve	549	-200	349	Following closure of accounts.	Retain to support Sports Facilities.
Licensing - other reserve	8	-8	0	Following closure of accounts.	Retain for specified purpose - to fund potential future deficits or repayment to licensees. Reserve smooths out fluctuations in volumes of licences issued each year.
Taxi Licensing	41	-20	21	Following closure of accounts.	Retain for specified purpose - to fund potential future deficits or repayment to licensees. This smooths out fluctuations in volumes of licences issued each year.
Trading Standards Seized Goods	7	0	7	Following closure of accounts.	Retain for specified purpose - to fund potential repayments.

Balance	Estimated Balance as at 01/04/25 £'000	Planned Use 2025/26 £'000	Estimated Balance as at 31/03/26 £'000	Review Process	Conclusion
Stanmer Park Parking Surplus	250	0	250	Following closure of accounts.	Ringfenced to support expenditure on Stanmer Park as part of the Heritage Lottery funding agreement.
East Brighton Parking Surplus	70	0	70	Following closure of accounts.	Retain to support expenditure on East Brighton Park.
Preston Park Parking Surplus	360	0	360	Following closure of accounts.	Retain to support expenditure on Preston Park.
Overdown Rise Footpath Maintenance	20	0	20	Following closure of accounts.	Hold for future years maintenance costs of the foot path at Overdown Rise
HMO Licensing Fees Reserve	492	-78	414	Following closure of accounts.	Retain to support annual inspections of HMO licenses - this is a statutory function
Phoenix House Sinking Fund	60	-60	0	Following closure of accounts.	Tenants contributions to be retained for maintenance requirements at Phoenix House.
Damage Deposit Guarantee Scheme	94	0	94	Reviewed during the year as part of budget monitoring process	Retained for specific purpose but required level will continue to be reviewed.
RP&M Trust Sinking Fund	210	0	210	Following closure of accounts.	Retain - subject to lease agreement with RPMT
Travellers Site Capital Reserve	79	-79	0	Following closure of accounts.	Contribution each year to reserves for future major works costs of the Travellers site.
Restructure Redundancy Reserve	126	0	126	As part of closure of accounts.	Restructure & Redundancy costs are funded within the capital programme as part of the capitalisation direction.
CIL - Neighbourhood reserve	612	0	612	Following closure of accounts.	Allocations from the Neighbourhood Reserve will be made in accordance with the agreed process which involves ward councillors.

Balance	Estimated Balance as at 01/04/25 £'000	Planned Use 2025/26 £'000	Estimated Balance as at 31/03/26 £'000	Review Process	Conclusion
CIL - Strategic reserve	1,565	-184	1,381	Following closure of accounts.	Allocations from the Strategic reserve will be made in line with the strategic objectives set out in the initial scheme and will be approved by Cabinet.
Total General Fund Reserves	21,922	-1,065	20,857		
Schools / DSG Reserves					
Schools LMS Balances	-5,500	0	-5,500	Following closure of accounts.	Balances are held by school governing bodies. Position unclear for future years.
Total Schools / DSG Reserves	-5,500	0	-5,500		
TOTAL RESERVES	16,422	-1,065	15,357		
General Fund Provisions					
Hostel Accommodation Dilapidations	82	0	82	Following closure of accounts.	Held for dilapidation costs for West Pier Hostel following retendering of service.
10 Year lease revenue costs Provision	75	0	75	Review of annual contribution to this provision at closedown.	This is required to pay back the borrowing costs when 10 year leases finish in 2032/33. These are 30 properties leased through Rough Sleeping Accommodation Programme partly funded by DLUHC.
Voluntary Severance Provision	600	-600	0	Following closure of accounts.	To fund cost of potential severance agreements from 2025/26 Budget plans.
Insurance Provision	3,871	0	3,871	The Insurance Fund is subject to a bi-annual health check by the actuaries. The last health check was completed in March 2023.	The level of the Insurance Provision will be adjusted in line with the recommendations of the next actuary report due in March 2025.

Balance	Estimated Balance as at 01/04/25 £'000	Planned Use 2025/26 £'000	Estimated Balance as at 31/03/26 £'000	Review Process	Conclusion
Total General Fund Provisions	4,628	-600	4,028		
TOTAL ALL FUNDS	21,050	-1,665	19,385		

ANNEX B – RISK AND SENSIVITY ANALYSIS

Risk Scoring Key:

Likelihood (L) (of occurrence):	1 – Almost impossible 2 – Unlikely 3 – Possible 4 – Likely 5 – Almost certain
Impact (I):	1 – Insignificant 2 – Minor 3 – Moderate 4 – Major 5 – Catastrophic or fantastic
Risk Score (L) x (I): (Overall rating)	1 to 3 Low 4 to 7 Moderate 8 to 14 Significant 15 to 25 High

Risk	Likelihood (L)	Impact / Sensitivity (I)	Risk = (L) x (I)	Possible Impact on Financial Strategy	Mitigation / Management
Council Tax base is lower than anticipated e.g. higher caseload for CTRS (Council Tax Reduction Scheme) discounts /lower number of new properties / more student exempt properties / more SMI exemptions / more discounts awarded, resulting in a deficit on the collection fund	3	3 0.1% reduction in council tax base = £0.198m	9	Would require reductions in budgets (increased savings) for the following year	Close monitoring of the collection fund and checking validity of exemptions and discounts particularly new property developments, student numbers, CTRS discounts and empty property discounts.
Collection of council tax, including CTRS claimants, falls due to its impact on household budgets alongside other Welfare Reform impacts, resulting in a deficit on the collection fund	3	3 0.1% reduction in council tax collection = £0.198m	9	Would require reductions in the budget (increased savings) for the following year	Close monitoring of the collection fund, including claimants under CTRS. Appropriate communications, advice (linked to Welfare Reform advice services) and collection strategies have been agreed to minimise impact.
Services fail to operate within set budgets due to increased service	3	4 1% gross expenditure on demand led	12	Excess service pressures would have to be met through	Close monitoring and analysis of demand-led budgets and overall

Risk	Likelihood (L)	Impact / Sensitivity (I)	Risk = (L) x (I)	Possible Impact on Financial Strategy	Mitigation / Management
demands or weak systems of demand management		budgets = £3.1m		additional resources, such as reserves, or through unplanned savings having to be made elsewhere. Possible need for emergency spending and/or recruitment restrictions with potential impacts on service delivery and quality. Reduction in reserves / working balance.	budget through budget monitoring (TBM). Identify action plans to mitigate cost pressures. Strategic MTFS investments provided for ASC, Children's Social Care and Homelessness demand-led pressure areas.
Services fail to operate within set budgets due to unachievable income or poor collection performance	3	3 1% of fees and charges income = £1.2m	9	Income pressures that can only be met through additional resources, such as using reserves, or savings being made elsewhere in the budget. Possible need for emergency spending and/or recruitment restrictions with potential impacts on service delivery and quality. Reduction in reserves / working balance.	Monitoring of income budgets and collection performance (rates) through TBM reporting. Identify action plans to mitigate unachievable income, price variations and exceptional legal costs. In-year review of charging policy and revised charges approved if absolutely necessary. Internal Audit review of services where appropriate.
Services fail to operate within set budgets due to increased labour or supply chain costs, contract price	4	4 1% gross expenditure = £5.2m	16	Excess costs would have to be met through additional resources, such as reserves, or through	Close monitoring of budgets and overall spend through budget monitoring (TBM). Identify Financial Recovery action

Risk	Likelihood (L)	Impact / Sensitivity (I)	Risk = (L) x (I)	Possible Impact on Financial Strategy	Mitigation / Management
variations or other inflationary impacts				unplanned savings having to be made elsewhere. Possible need for emergency spending and/or recruitment restrictions with potential impacts on service delivery and quality. Reduction in reserves / working balance.	plans to mitigate specific areas experiencing cost pressures. Focus contract management resources to areas of concern. Financial management controls such as vacancy management and additional spending controls.
Services fail to operate within set budgets due to unachievable savings arising from: - Over-estimate of the savings potential; - Higher than estimated costs to implement the savings opportunity.	3	3 5% of GF savings = £1.2m	9	Overspending that can only be met from additional resources such as reserves or savings being made elsewhere in the budget. Possible need for emergency spending and/or recruitment restrictions with potential impacts on service delivery and quality. Reduction in reserves / working balance.	Monitor savings through TBM and identify action plans and/or alternative measures to mitigate the unachievable savings. Potentially refer back to members for decisions on alternative savings proposals where these are significant or cannot be mitigated elsewhere.
Pay assumptions are lower than finally agreed pay awards and other pay related costs.	3	3 0.5% change in pay award = £0.8m for the General Fund	9	Pay award pressures can only be met through additional resources, such as reserves, or savings being made elsewhere in the budget. Possible need for emergency spending and/or	Monitor progress on pay award negotiations and wider national settlements. Lobby government for more funding if nationally negotiated pay awards are significantly higher than local or national

Risk	Likelihood (L)	Impact / Sensitivity (I)	Risk = (L) x (I)	Possible Impact on Financial Strategy	Mitigation / Management
				recruitment restrictions with potential impacts on service delivery and quality. Reduction in reserves / working balance.	assumptions (e.g. Spending Review assumptions). Excess pay award costs need to be addressed in-year through financial management controls and then built into budget planning (MTFS) for future years.
PFI Waste tonnages higher than projected resulting in additional disposal costs	2	3 1% increase in tonnage per annum = £0.2m p.a. over life of PFI contract	6	Would increase the waste disposal budget and compensating savings would need to be identified elsewhere in the budget.	Provision (contingency) for higher tonnages made in the assessment of the waste PFI reserve for future years. Monitor and identify specific areas of growth and undertake waste minimisation and further recycling measures. Trends are monitored and reflected in the MTFS for future years.
Inflation continues to impact on contracted social care provider costs	4	4 1% increase in contract prices = £1.8m	16	Excess costs would have to be met through additional resources, such as reserves, or through unplanned savings having to be made elsewhere. Possible need for emergency spending and/or recruitment restrictions with potential impacts on service delivery and	Identify Financial Recovery action plans to mitigate specific areas experiencing cost pressures. Focus contract management resources to areas of concern. Consider financial management controls such as vacancy management and additional spending controls.

Risk	Likelihood (L)	Impact / Sensitivity (I)	Risk = (L) x (I)	Possible Impact on Financial Strategy	Mitigation / Management
				quality. Reduction in reserves / working balance.	
The uncertainties within the housing market, changes in housing benefit and welfare reform, or ongoing impacts of the cost of living crisis create spending pressures within the budget e.g. homelessness	4	3 10% increase in net temporary accommodation and rough sleeping budget = £1.3m	12	Would create additional pressures in the Housing Strategy and potentially other related budgets which would need to find compensating savings.	Continue to assess and monitor the potential impact of changes to the welfare benefit system and plan and respond to government consultations accordingly. Lobby Government for additional funding.
Increased property related insurance premiums as a result of national or international storm damage claims over the longer term	3	2 10% further increase = £0.3m	6	Would require compensating savings to be identified in 2025/26 and future years.	Insurance premiums have been retendered and are reviewed annually. Budget has planned increases in 2025/26 as price increases are expected. Continued emphasis on risk management to help prevent future claims.
Major civil incident occurs e.g. storm, flooding, riot	2	3 Estimated "Bellwin" threshold = £0.5m	6	Budget overspend / reduction in reserves / working balance. Pressures on other budgets. The council would have to meet the costs of uninsured risks in addition to the "Bellwin" threshold.	Ensure adequate levels of useable reserves and working balance to cover threshold expenditure. Ensure appropriate insurance cover is in place and that the Insurance Fund is sufficient to cover uninsured risks.
Severe winter weather places additional spending pressures on winter maintenance and	2	3 Depends on severity of weather event	6	Need to use Working Balance and/or reserves.	Advance planning to minimise possible disruption. A plan to replenish the Working Balance in

Risk	Likelihood (L)	Impact / Sensitivity (I)	Risk = (L) x (I)	Possible Impact on Financial Strategy	Mitigation / Management
other budgets across the council					future years would be required.
Cost overruns occur on schemes in the agreed capital programme	3	2 1% cost overrun on total 2024/25 programme = £2.1m	6	Reserves or other capital resources redirected to fund overspend. Unable to meet capital investment needs. Increased borrowing requirement.	Effective cost control and expenditure monitoring. In the first instance, use flexibility within or across programmes to re-profile expenditure if necessary. Flexing Capital Financing Strategy or HRA self-financing strategy as appropriate.
Capital receipts lower than anticipated	3	3 10% reduction in planned 2024/25 receipts = £1.6m	9	Fewer resources available for regeneration programmes, Transformation Fund and corporate Capital Funds	Flexible capital programme that allows plans to be reduced, re-profiled or decommitted. Alternative site disposal plans are capable of being accelerated if necessary. Borrowing is an option for invest-to-save schemes.
Income from business rates is lower than expected due to successful rating appeals / higher levels of relief awarded / redevelopment of existing sites gives temporary reduction / collection performance declines	3	3 1% of forecast retained business rates income = £0.9m	9	Would require an increased budget gap to be addressed in the following financial year.	Make appropriate provisions in resource forecasts. Detailed monitoring of business rates yield and collection to ensure it reflects the latest known position. Corporate approach to economic development and city regeneration.