

Brighton & Hove City Council

Cabinet

Agenda Item 157

Subject: General Fund Revenue Budget, Capital & Treasury Management Strategy 2025/26

Date of meeting: Cabinet: 13 Feb 2025
Budget Council: 27 Feb 2025

Report of: Cabinet Member for Finance & City Regeneration

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Ward(s) affected: All

Key Decision: Yes

Reason(s) Key: Expenditure which is, or the making of savings which are, significant having regard to the expenditure of the City Council's budget, namely above £1,000,000 and is significant in terms of its effects on communities living or working in an area comprising two or more electoral divisions (wards).

For General Release

1 Purpose of Report and Policy Context

- 1.1 This report includes the proposed General Fund Revenue and Capital Budget 2025/26 together with a Medium-Term Financial Strategy (MTFS) covering the 4-year period 2025/26 to 2028/29.
- 1.2 The 2025/26 budget includes the additional resources provided through the Autumn Statement 2024, and subsequent provisional and final Local Government Financial Settlements. It also includes updated estimates of demographic and cost trends based on the latest information and forecasts. This includes updated Council Tax and Business Rate tax base forecasts as considered by Cabinet at the January 2025 meeting.
- 1.3 The Autumn Statement 2024 issued by the new government included a real-terms increase in Local Government 'core spending power' of 3.8% for 2025/26 but was again a one-year settlement but with the prospect of multi-year settlements to follow next year. The Autumn Statement was followed by a Local Government Finance Policy Statement that confirmed maximum allowable Council Tax increases of up to 4.99%, including an Adult Social Care precept of 2%, and a Business Rates increase of 1.7% in line with

September 2024 CPI. The budget proposals for 2025/26 are based on a 4.99% Council Tax increase.

- 1.4 The increase in core spending power will therefore be shared between national and local taxpayers. However, the combined overall real-terms increase in spending power of 3.8% (which increased to 4.3% by the final Local Government Financial Settlement) falls significantly short of the increases in costs and demands facing the council, particularly in relation to Special Educational Needs, Home to School Transport, Adult Social Care, Children’s Safeguarding and Care, and Homelessness. This is a common picture nationally that is creating severe financial challenges for the majority of councils and which the government recognises. In response, the government has issued a detailed consultation on Local Government Funding Reform and has published the English Devolution White Paper aimed at not only improving local government but also improving its financial sustainability.
- 1.5 The budget report identifies a projected budget shortfall of over £16 million in 2025/26 and almost £61 million over the 4-year period of the Medium Term Financial Strategy to 2028/29. This inevitably requires some very difficult choices to be made given that the council has a relatively low Working Balance and limited risk provisions to help the position in the short term. This is due to cumulative savings and cuts of over £175 million having been required over the last decade resulting from over £100 million grant reductions under previous governments since 2010 and very significant increases in demands and needs for statutory services such as social care over the same period.
- 1.6 The 2025/26 budget includes detailed savings proposals to manage the shortfall next year and the Medium Term Financial Strategy indicates how future predicted shortfalls can potentially be managed through transformation and efficiency savings but also recognising that some reductions in non-statutory services may be required.

2 Recommendations:

That Cabinet recommends to Council the following:

- 2.1 That Council approves the Administration’s proposed General Fund revenue and capital budget and Council Tax increase on the Brighton and Hove element of the council tax for 2025/26, comprising:
 - i) A general Council Tax increase of 2.99%;
 - ii) An Adult Social Care Precept increase of 2.00%;
 - iii) The council’s net General Fund budget requirement for 2025/26 of £264.819m;
 - iv) The 2025/26 budget allocations to services as set out in Appendix 1 incorporating budget savings proposals detailed at Appendix 2;
 - v) The changes to Fees & Charges set out in Appendix 3;
 - vi) The one-off resource allocations as set out in the table at paragraph 6.5.

- vii) A recommended working balance of £9.000m (approximately 3.4% of the net budget) to be maintained or replenished over the period of the Medium Term Financial Strategy.
- 2.2 That Council notes plans to address future projected budget shortfalls set out in the 4-Year Medium Term Financial Strategy at Appendix 4.
- 2.3 That Council approves the Capital Strategy for 2025/26 at Appendix 5 comprising:
- i) Funding for investment in transformation and change, supported by the flexible use of capital receipts as set out in paragraph 10.12;
 - ii) The capital resources and proposed borrowing included at Annex A of the Capital Strategy;
 - iii) The Capital Investment Programme for 2025/26 of £246.946m included at Appendix 5 incorporating allocations to strategic funds.
- 2.4 That Council approves the Treasury Management Strategy Statement as set out in Appendix 6 comprising:
- i) The Annual Investment Strategy;
 - ii) The Prudential and Treasury Indicators;
 - iii) The Minimum Revenue Provision policy;
 - iv) The authorised borrowing limit for the year commencing 1 April 2025.
- 2.5 That Council notes and considers the Equalities Impact Assessments to cover all relevant budget proposals as set out in Appendix 7.
- 2.6 That Council further notes that approval of the budget is an indicative resourcing decision to be taken in the context of the explanation given in the Legal Implications in Section 18.
- 2.7 That Council notes that supplementary information needed to set the overall council tax, including a detailed Budget Book, will be provided for the Budget Council meeting as listed in paragraph 12.1.
- 2.8 That Cabinet agrees that the council's S151 Chief Financial Officer be authorised to make any necessary technical, presentational or consequential amendments to this report before submission to Budget Council.

3 Context and Background Information

- 3.1 The 2025/26 budget and Council Tax is being set under a new national government and in the context of a major policy shift in the form of the English Devolution White Paper which will have far reaching implications for local government with one of the key objectives being to improve financial sustainability of the sector.
- 3.2 The new government is also currently consulting widely and formally on Local Government Finance Reform which may inform multi-year financial settlements anticipated later this year. These are sorely needed by the sector which has seen 6 years of successive one-year settlements, generally announced very late in the year (mid-December), which is hampering effective medium term financial planning.

- 3.3 The 2025/26 budget is being set in the context of steady inflation but with the continuing impacts of high interest rates on the economy, resulting in increased demands due to the cost of living, the impact on private rented housing costs and homelessness in the city, and the continued suppression of incomes from fees, charges and commercial rents, key sources of funding for most councils.
- 3.4 As noted earlier, there are also continued increases in demands in relation to Special Educational Needs, Home to School Transport, Adult Social Care, and children's safeguarding and care. This is a common picture nationally that is creating severe financial challenges for the majority of councils and which the government recognises
- 3.5 In this council, the estimated growth in costs and demands for 2025/26 is approximately £40.524m. Planned management actions and other mitigations put in place this year and continuing next year are expected to manage this down to £33.825m but this still represents an increased budget requirement of approximately 13.7% on the net General Fund budget. This pressure includes the combined impact of projected inflation, increased demands and continued pressure on fees and charges incomes. It also includes an assumption of 2.75% for the nationally set Local Government pay award for 2025/26, yet to be negotiated. In addition, there are increased commitments of £9.034m to fund the financing costs of the 5-year planned capital investment programme together with provision for the higher than budgeted cost of the national 2024/25 local government pay award. In summary, the council is facing increased costs of £42.859m in 2025/26.
- 3.6 The government's Autumn Statement 2024 and subsequent provisional and final Local Government Financial Settlements are expected to provide additional net funding of £11.551m next year. In addition, the government's uplift of business rates based on September CPI of 1.7% together with changes to various reliefs will provide £2.414m. The budget proposes a Council Tax increase of 4.99%, the maximum permitted before requiring a local referendum. This includes an Adult Social Care precept of 2% to fund growing costs and demands alongside additional government grant funding. Together with the estimated increase in the taxbase (increased housing) this is expected to provide £12.532m additional resources. Taking all of these resources into account, this leaves a budget shortfall of £16.289m to manage in 2025/26.
- 3.7 The budget includes savings proposals to address this shortfall in 2025/26 and achieve a balanced budget; a legal requirement for local authorities. However, given the scale of savings and the cumulative impact of successive, large savings programmes over the last decade or more, the budget inevitably comes with risks and consequences including:
- The need to prioritise resources to ensure that core statutory services such as social care and adult, children and young people's safeguarding can be maintained to appropriate and safe standards;
 - As a result, there are, unavoidably, some cuts and reductions to services, council staffing, and support to other organisations;
 - Significantly increased risk of being unable to deliver all budget savings measures successfully;

- Impacts on the council's ability to invest for the future due to challenges to the affordability of future capital investment, and;
- Impacts on the council's strategic partnerships due to funding constraints on both the council and its partners, including the NHS.

3.8 However, the council recognises the necessity of striving for longer term financial sustainability and has therefore developed a more detailed Medium Term Financial Strategy (MTFS) to support the Council Plan and the council's aim of a better Brighton and Hove for all. Service Strategies are included in the MTFS at Appendix 4 that identify the approach that the major service areas of the council will take to working collaboratively and in partnership to develop or transform services to help the council to be efficient and responsive, manage growing demands effectively, and support key council priorities. There are many programmes and workstreams identified including for example:

- development of in-house residential provision for children with complex disabilities by April 2025 to provide better value for money and improved care;
- a strategic review of parking across the city including park and ride;
- developing the Foster Care Plus incentive scheme to grow the number of foster carers locally;
- use of technology-enabled care across Adult Social Care to help people maintain independence;
- developing a new Housing Strategy, including a wholly-owned Housing Company, to optimise the use of the wide range of temporary accommodation and affordable and social housing investments to prevent homelessness and reduce longer term costs;
- continuing to develop the Family Hub model to improve prevention and support for vulnerable families and children;
- undertaking a review of organisational design and staffing structures to ensure that management and administrative costs are optimal, particularly in light of technological investments, and that functionally similar areas are organised as efficiently as possible, eliminating any duplication of effort;
- continuing to optimise (reduce) the use of administrative offices through adopting new ways of working and implementing a new Workspace Innovation Programme, making the best use of new technologies and computing devices, and maximising the layout and use buildings and floor space;
- introduction of food waste collection and responding to the extended responsibilities placed on producers to increase recycling and reduce package waste;
- continuing to identify opportunities (business cases) to modernise services to ensure they are cost effective, utilise available technologies, and deliver services to appropriate standards;

- Consideration will also be given to discontinuation of, or alternative delivery of, non-statutory activities, particularly where these are not directly supporting Council Plan priorities.
- 3.9 The budget report covers the full scope of the General Fund budget and sets out in the main report and appendices the projections, strategies and proposals for the following:
- Resources (funding) and financial planning assumptions with summary information provided in the body of the report and detailed 4-year assumptions provided in the MTFS at Appendix 4;
 - The prioritisation of resources to be invested in protecting core statutory services, meet unavoidable commitments and support key priorities. Detailed information for 2025/26 is provided at paragraph 5.5 and high level estimates over the remainder of the 4-year MTFS period are provided at Appendix 4;
 - Detailed savings proposals to contribute to addressing the projected budget gap in 2025/26 (Appendix 2) together with high level transformation and savings proposals to achieve a balanced position over the 4-year period of the Medium Term Financial Strategy (Appendix 4);
 - Estimates of one-off resourcing requirements and funding for 2024/25 and 2025/26 at paragraph 6.5;
 - A Capital Strategy including a proposed 5-Year Capital Investment Programme and the proposed use of capital receipt flexibilities (Transformation Funding) at Appendix 5;
 - A Treasury Management Strategy including the Annual Investment Strategy at Appendix 6;
 - Implications of the budget proposals for council staffing at Section 9;
 - Detailed Equality Impact Assessments in relation to the savings proposals for 2025/26 (Appendix 7).
- 3.10 The following section summarises the outcome of the Autumn Statement and subsequent provisional and final Local Government Financial Settlements alongside updated estimates of other costs and resources.

4 Resources and Planning Assumptions 2025/26

- 4.1 The MTFS (Appendix 4) outlines the assumptions for the council's resources over the medium term. Local authorities have endured several years of one-year settlements which has impacted on the sector's ability to plan with any certainty over the MTFS period. The government announced in December 2024, its intention to reset the business rate system and re-introduce multi-year settlements for 2026/27.

Final Local Government Financial Settlement (LGFS)

- 4.2 The provisional LGFS for 2025/26 was announced on 18 December 2024 which largely reflected the headline funding announcements made in the Autumn Statement 2024 and the Local Government Finance Policy Statement in November 2024. The final LGFS was then announced on 03

February 2025. The relevant announcements which impact the council's funding position include:

- Confirmation of an allowable 2% Adult Social Care precept for 2025/26. This would provide an additional £3.764m if agreed;
- Confirmation that the threshold at which an increase in Council Tax requires a local referendum will be 5% including a 2% Adult Social Care (ASC) precept. Any proposal to increase core Council Tax by 3% or more would therefore need to be accompanied by an agreed substitute budget, which would need to be implemented if the increase were voted down by the electorate;
- Allocation of additional Social Care funding of £4.046m;
- Allocation of additional Homelessness Prevention Grant of £2.391m;
- New Children's Social Care Prevention Grant of £0.717m, an increase of £0.055m from the provisional LGFS. This has been distributed using a needs-based formula, which will allocate funding according to estimated need for children's social care services;
- A new one-off Recovery Grant was announced of which the council received no allocation. The new grant was distributed on a methodology that took deprivation and the ability to raise council tax into account. Only around half of councils received an allocation of this grant;
- New £1.1 billion national funding for the impact of the Extended Producer Responsibility Scheme which will result in a minimum allocation of £5.363m to this council;
- A removal of the Services Grant of £0.413m. This grant has been removed and repurposed into other new grant allocations;
- An increase in the Revenue Support Grant (RSG) of £0.336m reflecting the application of a CPI inflationary increase of 1.7% and the consolidation of four specific grants, the largest of which was the Extended Rights to Home to School Transport of £0.131m;
- A further one-year extension of the New Homes Bonus (NHB) grant of £1.014m which is once again provided on a one-off basis;
- Confirmation of the extension of the Household Support Fund (HSF) for a further year. Whilst this provides more certainty for 2025/26 (as previous HSF allocations have been six monthly), the allocations have not yet been announced. The total fund for England has been reduced from £0.842bn to £0.742bn, which indicates the council's allocation is likely to reduce from £4.281m to £3.772m;
- Confirmation of the council's allocation of the National Insurance Contribution (NIC) compensation grant at £2.573m. The final settlement has provided an additional £0.073m compared to the estimated grant of £2.500m, which was based on the methodology published with the provisional settlement. This is a shortfall of £1.427m compared to the council's estimated NIC liability.

Excluding the one-off resources of New Homes Bonus and Household Support Fund, the final LGFS provides a net increase in grant funding from government of £11.551m.

Business Rate Retention and Council Tax Income

- 4.3 The expected business rate retention income forecast set out in the report to the 23 January 2025 Cabinet meeting of £86.520m has increased by £0.804m to £87.324m for 2025/26. This is an overall increase of £2.414m compared to 2024/25. This increase includes 1.7% inflation, anticipated growth in business space in the city, an estimate of the expected impact of successful appeals against business rates rateable values and removal of the business rates charitable rate relief for private schools. Note, the council has no control over business rate multipliers which are set by government.
- 4.4 The Council Tax taxbase report was also agreed by Cabinet at its meeting of 23 January 2025. Assuming a Council Tax increase of 4.99% is agreed, and taking into account changes to the tax base, the total projected Council Tax income in 2025/26 is £197.624m. This is an increase of £12.532m compared with 2024/25.

Other Government Grants

- 4.5 The grant allocations for 2025/26 have been included within the summary budget at Appendix 1. Some grant allocations for next year have not yet been announced and where these are critical to the setting of the 2025/26 budget, a rolled-forward estimate has been included.

Fees and Charges

- 4.6 The council's Corporate Fees & Charges Policy requires that all fees and charges are reviewed at least annually and should normally be increased by a minimum of either the assumed corporate standard inflation rate, statutory increases, or actual increases in the costs of providing a service to reflect cost inflation.
- 4.7 Over recent years, fees & charges have become an increasingly important element of the council's financial sustainability following real terms government grant reductions of over £100 million since 2010. Services therefore benchmark non-statutory fees and charges with other providers and councils to ensure that charges are comparable and competitive within the local context and can maximise discretionary income to protect essential services wherever feasible. However, fees & charges must normally be set to recover costs. demand (price elasticity) and, where commercial, market conditions.
- 4.8 Increases to discretionary fees & charges above the assumed corporate rate of inflation (3.0%), and changes to concessions or subsidies, require member approval. Increases in fees and charges above the corporate rate of inflation may generate budget savings and, where this is the case, are normally reflected in savings proposals set out in Appendix 3.

5 Revenue Investment to Support Council Plan Priorities

- 5.1 The Council Plan 2023 to 2027 sets out a vision for Brighton & Hove to be a city to be proud of, a healthy, fair and inclusive city where everyone thrives. To deliver the vision of a Better Brighton and Hove for All, the council aims to be a responsive council with well-run services and will focus on the four key outcomes of the plan over the next four years as detailed in the MTFs at Appendix 4.

- 5.2 A major investment area for the Council Plan continues to be housing and homelessness including further capital investment plans of over £30 million to deliver new build or purchased affordable housing and temporary and emergency accommodation through the self-financing Housing Revenue Account (HRA) and other innovative schemes including the Housing Joint Venture. These plans are set out in detail in the HRA Revenue and Capital Budget which is also reported to the February Cabinet meeting and Budget Council.
- 5.3 Another important area requiring substantial investment concerns services that can help to support a healthy city. Demands on Social Care services continue to increase, reflecting the continuing trend for people to live longer but increasingly with limiting illnesses, disabilities, mental health illnesses or dementia that require increasing social care support to help them remain in their homes and communities. The government has recognised some of the increased costs of Adult Social Care through the Autumn Statement in terms of additional grant and an allowable Adult Social Care precept. However, these continue to fall significantly short of the actual costs and demands being experienced by councils and a longer term funding solution is needed.
- 5.4 In total, there are proposed ongoing investments of £24.011m to support services that contribute to Council Plan outcomes. These necessary revenue investments are enabled by proposed local taxation increases (4.99%), including the 2% Adult Social Care precept, increased government grant support, additional retained business rates income, and the substantial package of savings proposals. These investments are in addition to the provision of inflation to ensure that budgets for critical services are not reduced in real terms.
- 5.5 The full list of proposed investments to support Council Plan priorities and associated outcomes in 2025/26 is set out in the table below. Investments over the remainder of the 4-year Medium Term Financial Strategy are set out in Appendix 4.

Table 1: Investment to support Council Plan Priorities

Priority Supported	Proposed Council Plan Investments	Recurrent Investment 2025/26
		£m
A City to be Proud of:		
	Concessionary Fares Scheme	0.700
	Public Transport (School Bus Routes)	0.050
	Freeze of Parking Charges and changing usage	2.095
	Bulky Waste and Street Cleansing	0.328
	Collections - Bin Replacements	0.260
	Economic Development support	0.041
	Tree Management including Basal Roots	0.234
	New Food Waste Collection & Collections Review	1.210
	City Operations Services – Public Realm	0.250
Total Investments - A City to be Proud of	5.168	

A Fair and Inclusive City	Housing - Emergency Accommodation	1.553
	Housing - Temporary Accommodation	0.054
	Rough Sleeping Prevention Services	0.146
	Total Investments - A Fair & Inclusive City	1.753
A Healthy City where People Thrive	Children's Agency Placements	0.128
	Children's Disability Placements	1.431
	Home to School Transportation	1.078
	Children's Direct Payments and S17 Payments	0.500
	Increased SEN investment	2.660
	Family Hub preventative services	0.299
	Educational Services and Support	0.481
	Unaccompanied Asylum Seekers - Care Leavers	0.200
	Increased support for Adoption	0.000
	Adults with Learning Disabilities (incl. Transitions)	2.997
	Community Care - Physically Disabled 18-64	0.394
	Community Care - Physically Disabled 65+	1.085
	Community Care - Memory & Cognition	1.523
	Community Care - Mental Health	0.080
	Occupational Therapy Services	0.125
	Loss of Housing Benefit Subsidy grant	0.300
	Total Investments - A Healthy City	13.281
A Responsive Council with Well-run Services	Adult Social Work Staffing - Pay Revision	0.332
	Provision for downturn in Planning Fees	0.738
	Corporate Landlord costs including Reactive Maintenance and Building Security	0.987
	Increased Business Rates on council properties	0.400
	Increased Estates costs and service charges	0.289
	Microsoft licencing increases	0.236
	New External Audit 5-Year Contract	0.253
	Maintaining the Schools IT&D Traded Service	0.326
	Loss/withdrawal of funding (various)	0.231
	Other net pressures (various)	0.017
Total Investments to maintain Well-Run Services	3.809	
TOTAL COUNCIL PLAN INVESTMENTS	24.011	

6 Reserves Position and One-Off Funding

Latest Financial Performance in 2024/25

- 6.1 Targeted Budget Management (TBM) is the council's system of budget monitoring and the TBM Month 9 (December) report included in the February Cabinet agenda indicates an improved forecast overspend of £3.310m on the General Fund, which includes a projected overspend of £1.522m on the council's share of NHS controlled Section 75 partnership services. Compared to the previously reported position at month 7 (October) the overall overspend is a substantial improvement of £2.498m across services together with release of the available risk provision of £1.000m to further aid the in-year position.
- 6.2 The improved position has resulted from a combination of escalated recruitment and spending freezes, alongside other ongoing financial management actions.
- 6.3 The TBM report also discusses the council's Collection Funds which provide information on taxation revenues compared to budgeted revenues. The month 9 position indicates a net Collection Fund deficit across Council Tax and Business Rates of £3.139m due to a range of factors including pressures on collection performance, a sustained higher Council Tax Reduction caseload and increased Business Rate appeals against 2017 rateable values. The one-off resources table below indicates that New Homes Bonus funding for 2025/26 will again need to be utilised to mitigate the net Collection Fund deficit.

One-off Resource Liabilities and Proposed Allocations

- 6.4 The Working Balance is recommended to continue at a minimum of £9.000m to meet general risks applicable to a unitary authority. An overspend in 2022/23 resulted in the working balance being reduced by £3.374m to £5.626m. This was subsequently planned to be replenished in instalments of £1.125m over 3 financial years starting in the current year, 2024/25, to support the council's overall financial resilience. The in-year position outlined above indicates significant pressures this year and this may impact on the ability to make a repayment in 2024/25 subject to the final outturn position for the year.
- 6.5 Table 2 identifies the potential one-off resources and liabilities that will need to be taken into account in setting the 2025/26 budget. At this stage, this assumes that spending in 2024/25 will reduce further by at least £1.500m from the TBM Month 9 (December) projection. This is based on the assumption that recruitment and spending controls will continue until at least the end of the financial year and takes into account trends in recent years which saw improvements between the month 9 forecast and the final outturn position of £1.853m (2021/22), £3.553m (2022/23) and £2.257m (2023/24) respectively. Any change to the TBM position by the end of the financial year will be reflected in the 2024/25 outturn report to a meeting of the Cabinet, usually in June.

Table 2: Projected One-off Resources	£m	£m
Revenue Budget position 2024/25 (TBM):		
Forecast outturn overspend (as at TBM Month 9 / December)	-3.310	
Anticipated Business Rate Levy Distribution	+0.495	
Reduced Waste PFI contribution 2024/25	+0.200	
Reprofiled repayment of the Working Balance	+1.125	
Projected further improvement between Month 9 and Outturn due to spending and recruitment controls	+1.490	
Sub-total Estimated Year-end TBM Outturn		+0.000
Collection Fund Position:		
Estimated 2024/25 Council Tax collection fund net deficit	-2.204	
Estimated 2024/25 Business Rates Retention collection fund deficit	-1.575	
Contribution from Section 31 grant timing reserve	0.640	
Sub-total Collection funds net position		-3.139
2025/26 Resources:		
New homes bonus one off allocation		+1.014
Reduced Waste PFI reserve requirement 2025/26		+2.125
Unallocated Local Enterprise Partnership resources		+0.250
Projected One-off Resources from 2025/26		+0.250
One-off Allocations in 2025/26:		
Managing Equal Pay Claims	-0.250	
Total One-off allocations		-0.250
Balance		0.000

6.6 The proposed one-off allocation for 2025/26 is explained in more detail below:

- **Managing Equal Pay Claims (£0.250m):** The council has received a group of equal pay claims which it expects to successfully defend. However, managing equal pay claims involves complying with many legal and regulatory processes which requires significant resources including additional legal and paralegal support.

7 Savings Proposals 2025/26

7.1 As noted above, there is a significant projected budget shortfall next year and for each year of the 4-year MTFs. To balance the budget therefore requires substantial annual savings programmes as has been the case since at least 2010.

7.2 The savings package proposed totals £15.789m for 2025/26. Savings proposals are provided at Appendix 2 and are accompanied by Equality

Impact Assessments (EIAs) at Appendix 7 where appropriate. Medium-term transformation and savings programmes to address future projected budget shortfalls are set out in the Medium-Term Financial Strategy.

8 Medium Term Financial Strategy (MTFS) 2025/26 to 2028/29

8.1 The Medium Term Financial Strategy 2025/26 to 2028/29 has been developed to complement the Council Plan and is an expression of the how the council aims to support its priorities and invest in transformation and change in financial terms. The MTFS (pictured below) is provided at Appendix 4.



8.2 The MTFS sets out key financial planning assumptions over the 4-year period together with high level information about transformation and savings programmes aimed at addressing projected future budget shortfalls and achieving financial sustainability. Key assumptions covered by the MTFS include:

- Known commitments arising from previous approvals;
- The revenue implications of financing the council's Capital Investment Programme;
- Council Tax increases, Adult Social Care precepts and taxbase forecasts;
- Business Rate Retention increases and taxbase forecasts;
- Fees & Charges increases;
- Government Grant funding projections;
- Corporate inflation provisions and assumptions including pay, prices and pensions;
- Anticipated investment requirements to support Council Plan priorities.

8.3 A summary of the 4-year MTFS is provided in the table below:

Table 3: Medium Term Financial Strategy 2025 to 2029	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m
Net Budget Requirement B/Fwd	246.355	264.819	277.504	286.724
Remove net one-off short term funding and expenditure	0.363	0.500	0.000	0.000
Adjusted Budget Requirement B/Fwd	246.718	265.319	277.504	286.724
Standard Pay and Inflation – Expenditure	12.931	12.336	12.573	12.857
Standard Inflation – Income	(3.117)	(3.442)	(3.542)	(3.109)
Investment in priorities across Homes & Adult Social Care services	8.391	8.101	9.342	9.892
Investment in priorities across Families, Children & Wellbeing services	6.777	4.138	4.107	3.392
Investment in priorities across City Operations services	6.216	3.203	3.800	3.000
All other priority investments	2.627	1.500	1.500	1.500
Increase in Social Care funding	(4.046)	0.000	0.000	0.000
Increase in Homelessness Prevention Grant	(2.931)	0.000	0.000	0.000
New Homes Bonus - One-off allocation	(1.014)	1.014	0.000	0.000
Extended Producer Responsibility grant	(5.363)	2.681	2.682	0.000
Net impact of Additional Employer National Insurance	1.427	0.000	0.000	0.000
Other Grant changes	(0.638)	0.000	0.000	0.000
Commitments including impacts of previously approved decisions	11.383	4.794	(1.348)	(0.473)
Expectation of future additional grants (Social Care & Homelessness)	0.000	(4.653)	(4.348)	(4.553)
2025/26 Risk provision	1.747	(1.747)	0.000	0.000
Subtotal	281.108	293.244	302.270	309.230
Available funding (below)	(264.819)	(277.504)	(286.724)	(295.977)
Budget Shortfall	16.289	15.740	15.546	13.253
Use of one-off HSF Funding for Preventative Services	(0.500)	0.000	0.000	0.000
Transformation and Savings Plans	(15.789)	(15.740)	(15.546)	(13.253)
Budget Requirement C/Fwd	264.819	277.504	286.724	295.977
Funding:				
Revenue Support Grant (RSG)	8.789	8.932	9.078	9.258
Locally retained Business Rates	62.185	63.507	64.862	66.468
Net Collection Fund position	(3.779)	0.000	0.000	0.000
Council Tax including Adult Social Care Precepts	197.624	205.065	212.784	220.251
Total Funding	264.819	277.504	286.724	295.977

8.4 The MTFs indicates that transformation and savings programmes will need to deliver savings and efficiencies of £60.828m over the 4-year period to achieve a balanced and sustainable position, including replenishment of the council's Working Balance to the recommended level of £9 million by 2027/28.

9 Staffing Implications (General Fund Services)

- 9.1 An estimate of the posts to be deleted in relation to the budget proposals has been made and indicates that approximately 56 full time equivalent (fte) posts are expected to be deleted from the council's staffing structure, approximately 1.6% of total staffing. Many of these posts will already be held vacant in lieu of savings proposals but some may initially result in staff being potentially placed at risk of redundancy. This is difficult to estimate with certainty but approximately 20 fte staff (not headcount) have been identified as potentially at risk at this stage of the process. The proposals also include the potential TUPE of up to 42 fte staff. This information has been shared with the council's recognised trades unions and the staff affected in advance of the release of this report.
- 9.2 However, the council is continuing to work on an organisational redesign programme that will explore potential savings through functional alignment and/or integration of services including, for example, administrative and business support functions, commissioning and contract management functions, customer services, project management and other areas to identify further potential savings. These may have also staffing implications which will be subject to consultation and could result in further reductions in the overall number of posts.
- 9.3 As in previous years, actual numbers of staff affected will be highly dependent on the detailed options proposed and on the outcome of formal consultation with staff and unions which will often lead to changes to the original proposals. As previously experienced, it is likely that any reductions in posts will be resolved through normal turnover, or through redeployment to other vacancies across the council, thereby minimising the risk of redundancies as far as possible.
- 9.4 If the proposals do potentially place any staff at risk of redundancy the council will support them by:
- Providing appropriate support to staff throughout the change process to enable them to maximise any opportunities available;
 - Controlling recruitment and ensuring there is a clear business case for any recruitment activity;
 - Managing redeployment at a corporate level and maximising the opportunities for movement across the organisation;
 - Managing the use of temporary or agency resources via regular reports to Directorate Leadership Teams (DLT's);
 - Inviting applications for voluntary severance where appropriate to staff affected by budget proposals, subject to viability and approval on a case by case basis.
- 9.5 These measures will remain in place as consultation with trade unions, staff and other stakeholders is undertaken. Where necessary, a targeted voluntary approach to releasing staff in areas undergoing change will be managed to support service redesigns whilst ensuring that the organisation retains the skills that will be needed for the future.

10 Capital Investment Programme and Capital Strategy

Capital Strategy 2025/26

- 10.1 The Prudential Framework requires local authorities to produce a Capital Strategy which is to be presented and approved by full Council each year. The purpose of the Capital Strategy is to provide a single place for transparency and accountability of local authority non-financial investments and its Capital Investment Programme, including any commercial investments in property or loans to third parties.
- 10.2 The aim of the Capital Strategy is to ensure members are fully conversant with the risks of capital investments and are aware of how the risks are proportional to the council's core service activity. The document will include:
- The proposed Capital Investment Programme
 - The Governance & Risk Framework
 - Potential and pending non-financial¹ investments
 - An overview of the council's risk exposure
- 10.3 The new Prudential Code for Capital Finance issued in 2021 prohibits Public Works Loan Board (PWLB) lending to local authorities that plan to borrow to buy commercial assets primarily for yield. The PWLB will still be available to all local authorities for refinancing. In order to borrow from the PWLB, local authorities are now required to submit a summary of their planned capital spending and PWLB borrowing for the following three years. The Capital Strategy and Treasury Management Strategy are compliant with the new code and do not include capital investment activity for commercial yield only.
- 10.4 The Capital Strategy forms part of the General Fund budget report to ensure that the link between capital and revenue decisions is maintained and to ensure that budget resourcing decisions are taken in the context of the full range of proposed revenue and capital budgets, resources, investments and savings.

Capital Investment Programme

- 10.5 As previously, a 5-year capital programme has been developed and the associated capital financing implications will be included in the MTFS.
- 10.6 The capital expenditure estimates incorporate planned rolling investment programmes alongside major infrastructure projects. The creation of a Commercial Asset Investment Fund (CAIF) was approved in December 2023 and this has been incorporated into the capital programme, funded from net capital receipts generated from the commercial property portfolio.
- 10.7 The key rolling programmes, including those re-focused to support Council Plan priorities, are as follows:
- Investment in Housing Stock and acquisition through the Housing Revenue Account;
 - The Education Capital programme, which provides investment from central government for Education Capital Maintenance, High Needs provision and Devolved Formula Capital for schools;

¹ Non-Financial investments are investments in capital assets such as plant, property, equipment, hardware and software.

- Disabled Facilities Grants to help maintain people in their homes;
 - The Local Transport Plan (LTP) to support sustainable transport and transport infrastructure;
 - The Digital, Data and Technology Strategy (DDaT) and other IT&D investments including the Corporate Systems Improvement programme for HR, Finance, Payroll and Procurement systems, to ensure the council is able to continue to improve its on-line services, improve the capture and use of data, and make use of emerging technologies and AI to improve automation and efficiency;
 - The Asset Management Fund (AMF) to ensure the strategic elements of the Asset Management Plan can be supported;
 - The Commercial Asset Investment Fund (CAIF) to protect and enhance the income generated from the existing commercial and farmland property portfolios;
 - Corporate Planned Maintenance (PMB) to ensure the operational elements of the Asset Management Plan are supported and that backlog maintenance does not build up unduly;
 - The Strategic Investment Fund (SIF) to support the advancement of major regeneration schemes and initiatives, and;
 - The Vehicle Fleet and plant replacement annual programme.
- 10.8 Capital receipts from the sale of surplus land and buildings support the capital programme and the projections are regularly reviewed. The Capital Strategy allows for an assessment of the potential social value of surplus or underperforming assets against the potential disposal value and where possible will aim to maximise the use of assets to enhance social value across a 4-year Asset Management Plan. Assets for disposal are also considered for suitability as council housing sites and for potential appropriation to the Housing Revenue Account (HRA) but this must comply with the duty of obtaining best consideration.
- 10.9 The detailed capital programme is set out in Appendix 5 (and will be included in the council’s Budget Book) and shows the approved and proposed capital investments for each corporate directorate.
- 10.10 The overall Capital Investment Programme for 2025/26 is £246.946m. The proposed investments are summarised as follows:

Table 4: Capital Investment Programme 2025/26	£m
Housing including New Homes for Neighbourhoods, the Home Purchase scheme, the Portslade Village Centre project, the Housing Joint Venture, and conversions	97.103
Net Zero Programme including Carbon Neutral and Net Zero investment, Street Lighting, Zero Emission buses, Weekly Food Waste Collections and carbon reduction measures to operational buildings	14.472
Parks & Open Spaces including parks infrastructure and tree replacement	1.060

Sport & Recreation including maintaining and improving the city's swimming facilities and improving leisure centre pitches	4.301
Transport & Highways reflecting the Local Transport Plan (LTP) estimated allocation for 2025/26, Pothole Action funding, A27 Junction Improvements and the major Bus Service Improvement Scheme	15.364
Schools Investment to provide educational places for pupils based on demographic changes in the city	9.575
Regeneration including Madeira Terraces, King Alred Leisure Centre, Valley Gardens, The Royal Pavilion Estate, New England House and Brighton Marina to River Adur Coast protection works	54.436
Tackling Inequality including Disabled Facilities Grant (DFG) projects, Brighton Youth Centre and the Knoll House redevelopment	8.465
Building Maintenance including the Workspace Innovation programme, Planned Maintenance, Education and Social Care Buildings Maintenance, the Asset Management Fund and various security, fire and safety works	29.570
IT&D including the Transformation Fund as well as the Laptop refresh programme, the Corporate Systems Improvement Programme, investment in digital services for customers, and ongoing investment in the IT&D infrastructure and Digital Data & Technology (DDaT) strategy	10.100
Vehicles & Equipment for the council's vehicle fleet replacement programme	2.500
TOTAL CAPITAL INVESTMENT PROGRAMME 2025/26	246.946

10.11 The Capital Strategy at Appendix 5 also sets out the expected profile of investments over the 5-year period and indicates how the programme will be funded from a combination of government capital grants, capital receipts, capital reserves, HRA direct revenue funding, external contributions and prudential borrowing.

Transformation Programme Funding ('Transformation Fund')

10.12 The government has extended the ability of local authorities to use capital receipts to support the transformation of services to deliver savings and efficiencies until March 2030. The table below sets out the expected profile of investments to be supported by capital receipts, indicating a minimum investment of £20million over the 4-year MTFS period in order to support necessary transformation and change.

10.13 The Transformation Fund will be kept under review as budget plans develop and invest-to-save opportunities and investment requirements emerge in more detail over the planning period.

Table 5: 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	2.600	2.600	1.500	1.500
Digital and AI Development	1.000	1.000	1.000	1.000
Managing Staffing Changes	1.250	1.250	0.500	0.500
Enabling Resources (e.g. Project Officers, Workstyles Team, 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

10.14 More detailed information about the Transformation Fund and the areas for investment is provided in the Medium Term Financial Strategy at Appendix 4.

11 Treasury Management and Annual Investment Strategy

- 11.1 The Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy (AIS) are now incorporated in the budget report to ensure that inter-related financial decisions and strategies can be considered together. The council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the Treasury Management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed (liquidity) and that surplus monies are only invested into counterparties and instruments commensurate with the council's risk appetite.
- 11.2 Another important function of the Treasury Management service is the funding of the council's capital plans. The capital plans provide a guide to the council's borrowing need, which is essentially the longer term cash flow plan, to ensure the council can meet its approved capital spending obligations.
- 11.3 The strategy reflects best practice as set out in the CIPFA Prudential code and the CIPFA Treasury management Code of Practice. The Treasury Management Practices and schedules identify the practices and procedures that will be followed to achieve the aims of the TMSS and that underpin the council's Treasury Management function.
- 11.4 The AIS for 2025/26 is also incorporated within Appendix 6 to this report. The AIS gives priority to security and liquidity.
- 11.5 Security is achieved by:
- selecting only those institutions that meet stringent credit rating criteria or, in the case of non-rated UK building societies, have a substantial asset base; and
 - limiting exposure risk by limiting the amount invested with any one institution.

- 11.6 Liquidity is achieved by limiting the maximum period for investment and matching investment periods to cash flow requirements.
- 11.7 There are no changes proposed to the council's AIS or risk appetite for 2025/26.

12 BUDGET BOOK 2025/26

- 12.1 The council produces an annual Budget Book which aims to support understanding and transparency of the council's budget by providing:
- A summary of the overall council budget 2025/26;
 - A detailed list of anticipated government grants;
 - Basic information about each major service area including service statistics;
 - Information at sub-divisional levels to aid understanding of the wide range of services and teams in each service directorate;
 - Analysis of spending and income by category (subjective analysis);
 - Staffing information for each service;
 - Analysis of budget movements between years;
 - Analysis of savings and investments;
 - Summary information on capital investments;
 - Summary MTFS projections and assumptions.
- 12.2 The Budget Book will be provided to Budget Council as an appendix to the Supplementary Information agenda item.

13 COUNCIL TAX SETTING

- 13.1 The Administration is proposing a council tax increase of 4.99% which includes a 2% Adult Social Care precept allowed by government within the local government finance settlement. A council tax increase of 4.99% results in a Band D council tax of £2,076.39 for the council's element, an increase of £98.73 from 2024/25.
- 13.2 In order to propose an overall Council Tax for the city, the Council Tax set by other precepting authorities needs to be known and this information will be included in the Supplementary Information item to Budget Council.

Supplementary Information for Budget Council

- 13.3 Not all of the budget and council tax information needed to set the budget and council tax is available at present. Therefore, additional information will need to be provided for Budget Council. This will include:
- Any other grants that are announced before Budget Council;
 - The agreed Council Tax set by East Sussex Fire Authority and Sussex Police & Crime Commissioner;
 - The statutory Council Tax calculations required under the 1992 Local Government Finance Act;
 - The full budget and Council Tax resolution for Budget Council;

- Other information as necessary including a detailed Budget Book.

14 Report of The Chief Financial Officer (Section 151) Under Section 25 of the Local Government Act 2003

- 14.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Section 151 Officer) of a local authority to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. This report has to be considered by the Cabinet and full Council as part of the budget approval and council tax setting process.

Robustness of Estimates

- 14.2 There is inevitably an element of judgement in drawing up budget estimates of expenditure and income which are made at a point in time and may change as circumstances change. Global and national events affecting macro-economic factors such as inflation and interest rates continue to make this challenging as they can have significant and unexpected impacts on nearly every aspect of the council's budget. This statement on the robustness of estimates cannot therefore give complete assurance about the proposed budget for 2025/26 but aims to provide the council with reasonable assurance that budget estimates have been based on the best information and assumptions available at the time, particularly in relation to economic forecasts and indicators, demand-led budget estimates, and pay award and inflation assumptions.
- 14.3 It also aims to demonstrate that sensitivity and risks have been considered. However, no local authority's reserves and balances are limitless and severe financial shocks can and do destabilise local authorities and can require government intervention (or application for emergency financial support) if this means it can no longer balance its budget and meet statutory duties or contractual commitments.
- 14.4 For 2025/26, further resources of almost £43 million have had to be identified to meet known commitments and support estimated inflationary and demand pressures including for core statutory demand-led services across Adults Social Care, Children's Safeguarding and Care services, and Homelessness services. Although this should ensure that services start from the position of being funded for known and projected cost and demand increases, the impact of some external factors is difficult to predict accurately. As noted above, macro-economic factors can fluctuate significantly but also the impact of increases in the National Living Wage and Employers' National Insurance may play out in different ways across the private, independent and third sectors from which the council procures and commissions over £300 million services each year.
- 14.5 These and other potential risks and sensitivities are considered in the Medium Term Financial Strategy (Appendix 4) which attempts to quantify risks and sets out the main remedies and mitigations available to the council. As seen in the current financial year, there have been significant pressures on finances due, in part, to the very large savings requirement in 2024/25. This required early implementation of recruitment and spending controls alongside other financial management actions to manage the lead-in time (part-year effect) of some savings as well as mitigate increased adult

social care and homelessness demands and a higher than budgeted (or expected) 2024/25 pay award.

- 14.6 The current forecast overspend for 2024/25 is £3.310m or 1.3% of the net General Fund budget (0.6% of gross expenditure) which is expected to improve further by year-end. Although challenging, the budget report indicates that financial balance can be achieved in 2024/25 but, subject to the outturn position, may require deferral of the planned replenishment of the Working Balance to 2025/26. However, of most importance is to avoid overspending and impacting further on the council's Working Balance. This demonstrates that:
- The authority continues to adopt a proactive approach to managing its budget, taking appropriate financial management actions in sufficient time to avert overspending and any unplanned use of reserves or the Working Balance. While not an ideal scenario, given the financial challenges of the sector and successive very large annual savings requirements, the approach to in-year financial management is proving effective and enables the authority to live within very tight resource constraints albeit with some impacts on service delivery.
 - The authority continues to achieve substantial savings, including nearly £19m of the planned £23.6m this year, supported by invest-to-save programmes that are backed by the use of capital receipt flexibilities. The External Auditor has shared concerns in recent Annual Reports that the authority has under-achieved planned savings in recent years but the savings requirement in 2024/25 was the largest in the authority's history and inevitably carried greater risks requiring mitigation.
 - The authority has been able to maintain its reserves and provisions since overspending in 2022/23 and has adequate provisions against known and identified risks and has made provision to restore its minimum recommended Working Balance to £9 million over the MTFS period.
- 14.7 Assuming no other changes, this lessens potential overspending risks in 2025/26 but cannot completely remove all risks, particularly concerning the sufficiency of social care provision, and therefore services will need to continue to contribute to the mitigation of residual risk through management of non-statutory budget areas as normal and/or compliance with any corporate recruitment and spending controls. However, other resources or potential actions also provide assurance that the council can manage its finances in the short term until corrective action is taken in the short to medium term including:
- A current Working Balance of £5.6m which is planned to be replenished over 3 years;
 - A risk provision of £1.747m to enable management of part-year effect savings caused by the longer lead-in time required for the delivery of more complex transformation and savings programmes;
 - Other Earmarked Reserves (excluding Section 106 and Community Infrastructure Levy) of approximately £13m that can be borrowed from internally in the short term;

- Over £15m Section 106 and Community Infrastructure Levy resources held in lieu of agreed schemes that can also be borrowed from internally to manage short term pressures;
- Considerable flexibility provided by the government's capital receipt flexibilities, allowing the council to capitalise more eligible revenue costs, for example, project managers, should it need to;
- Considerable flexibility in the application of unringfenced grants including the Extended Producer Responsibility grant, Shared Prosperity Fund and many other grants that allow administrative costs to be charged to the grant;
- The ability of the council to make in-year decisions to make further savings or reductions to in-house, commissioned or procured services should it be absolutely necessary, and;
- In a worst case scenario, the ability (invitation) to apply to government for Emergency Financial Support (as many councils have now done) to capitalise revenue expenditure and finance this through either capital receipts (if available) or borrowing to alleviate short term pressures.

14.8 Taking into account identified risks as set out in the MTFS (Appendix 4), the council is recommended to maintain and, where utilised in an emergency, replenish its minimum working balance of £9.000m. This is approximately 3.4% of the net General Fund and represents around 2.5 weeks' council tax income. The council should also continue to maintain other earmarked reserves to meet long term commitments and provide additional flexibility to manage any short term pressures. The Working Balance and other usable reserves are held to mitigate exceptional legal and financial risks including appeals and challenges, as well as potential billing failures, civil contingencies and other emergencies.

Adequacy of Reserves

- 14.9 The recommendation on the prudent level of the General Fund Working Balance has been based on the robustness of estimates information and a risk assessment of the budget included in the MTFS (Appendix 4).
- 14.10 As indicated above, current analysis of authority-level risks and past experience indicates that a working balance at a level of £9.000m remains prudent and appropriate having taken into account foreseeable risks in relation to the 2025/26 budget and in the context of other available short-term resources. This is supported by the experience of the current year which has seen the mitigation of significant financial pressures and is not expected to require emergency use of the Working Balance.
- 14.11 Importantly, the 2025/26 budget also includes an additional risk provision of £1.747m, as noted above, to mitigate against potential part-year effect savings.
- 14.12 All specific reserves have been reviewed in detail to ensure they are set at an appropriate level as set out in Annex A of the MTFS. The council's earmarked reserves fulfil specific contractual, legal or financial risk requirements and are not therefore available to support the annual revenue budget. However, as noted above, they can be borrowed from internally to alleviate short term pressures, provided that provision for their

replenishment is built into the budget and MTFs ahead of when they are required.

Assurance Statement of the Council's Section 151 Officer

- 14.13 In relation to the 2025/26 General Fund revenue budget, the Section 151 Chief Financial Officer has examined the budget proposals and considers that the budget is robust and deliverable while accepting that there are inherent risks. However, the resources and flexibilities outlined in paragraph 14.7 above provide assurance that short term pressures are manageable and mean that it is highly unlikely that the authority would reach the point of being issued with a Section 114 report.
- 14.14 In terms of the adequacy of reserves, the Section 151 Chief Finance Officer considers a minimum working balance of £9.000m (or planned replenishment thereof) to be appropriate to manage risks, taking into account other available reserves and resource options.

15 Analysis & Consideration of any Alternative Options

- 15.1 The budget process allows all parties to engage in the examination of budget proposals and to put forward viable alternative budget and council tax proposals to Budget Council on 27 February 2025. Budget Council has the opportunity to debate the proposals put forward by the Cabinet at the same time as any viable alternative proposals. Budget Council will normally be recommended to adopt special procedures at the start of the Budget Council meeting, which set out the procedure applicable to any alternative budget proposals put forward.
- 15.2 In this respect, a 'Budget Protocol' for managing alternative proposals (Budget Amendments) was presented to full Council on 30 January 2025 and determines both the number of allowable Budget Amendments and the process and timeline for their prior assessment and sign off by the council's Section 151 Chief Financial Officer, Chief Executive and Monitoring Officer.

16 Community Engagement & Consultation

- 16.1 Consultation and engagement in respect of budget proposals includes the following:

General Information

- 16.2 General information and advice about the council's budget will continue to be provided through the council's web site which provides information and infographics on how money is spent on services, where the money comes from, the council's capital and transformation investment plans, and a summary of the financial challenges ahead. These materials will continue to be promoted through various media and communications throughout the budget setting period. Frequently asked questions and common themes have previously emerged through the development of the annual budget and have been responded to in our 'Behind the Budget' web page: [Behind the budget \(brighton-hove.gov.uk\)](https://www.brighton-hove.gov.uk/behind-the-budget).

Community and Resident Engagement

- 16.3 A resident survey was launched on the council's Your Voice on-line consultation platform in November to invite residents to share their priorities

for spending the council's budget within the finite resources available. A 'budget simulator' was provided on the platform to both communicate the scale of the financial challenge and gather views from residents, partners, staff and businesses on how they would elect to address the challenge. A summary of the results received to date is as follows:

- 413 people completed the challenge and produced a balance budget for 2025/26. Many more people accessed the simulator but chose not to submit a budget or did not manage to balance the budget.
- 65 comments were received sharing wide ranging views about local government funding, local taxation, the quality of council and other public services and other opinions. Almost 50% commented how difficult the choices were but how interesting and informative the exercise was for them. However, a number of people commented that the simulator was focused on either 'cuts' or 'investments' in services but did not include the ability to include other options such as 'efficiencies' or 'income generation' ideas to balance the budget.
- In terms of choices, the average result of all respondents for each category of the budget was as follows:
 - The average increase in Council Tax chosen was 9.7%.
 - The average increase in Fees & Charges chosen was 4.2%.
 - The average reduction in spending on each major service area was:

○ Adult Social Care	-5.7%
○ Children's Services	-2.7%
○ Housing & Homelessness	-6.8%
○ Public health	-7.4%
○ Transport, Regeneration and Employment	-8.6%
○ Leisure and culture	-9.2%
○ Community services	-5.3%
○ Central support services	-15.6%

16.4 The aim of the simulator and the events described below (which also used the simulator) was to share information about the council's budget and the current financial challenges, and to demonstrate the difficulty of some of the choices required to balance the budget. The results showed that everyone would choose to balance the budget very differently.

16.5 An open access event was also held on 12 December 2024 at Hove Town Hall for residents to come and hear about the budget and the challenges and restrictions facing the council in determining how the budget is spent. The event discussed the little understood but key difference between capital and revenue expenditure and their very different funding sources. This helps to explain how it is that with the revenue budget being under very severe pressure, the council is still able to undertake significant and important capital investments such as replacing the King Alfred Leisure Complex or renovating Madeira Terraces. This event also took attendees through the Budget Simulator and provided delegates with an opportunity to have a go at balancing the revenue budget.

16.6 An engagement event with invited community representatives was also held at Jubilee Library on 16 January 2025 with a similar format for the event.

City Partners

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

Business Engagement

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

Schools Community

- 16.9 The Schools Forum, a consultative body attended by representatives of all school phases, will primarily focus on the allocation of the ring-fenced Dedicated Schools Grant (DSG) funding across the relevant budget 'blocks' but will also be periodically informed about the General Fund budget position and proposed changes to council services where these may have implications for schools. A meeting of the Schools Forum was held on 20 January 2025 where the S151 Chief Financial Officer provided an update on the General Fund position together with presentations from finance officers on the implications of the 2025/26 Dedicated School Grant funding announcement.

Third Sector Engagement

- 16.10 Similarly, officers of the council and members of the Administration met with representatives of the Community & Voluntary Sector on 20 January 2025 to discuss the budget proposals, including areas potentially impacting CVS services, and to provide them with an opportunity to feedback their views to the council and members.

Staff and Union Engagement

- 16.11 Consultation and engagement with staff and unions is also very important. The scale of financial challenge indicates further significant impacts on the configuration and/or provision of services which will inevitably entail staffing changes. Meetings with the council's recognised unions, including appropriate officers and members of the Administration, will be scheduled to keep unions abreast of developing proposals and to ensure they have sight of where support to their memberships may be required. The council's Joint Staff Consultation Forum will continue to provide a formal setting for sharing and raising matters relating to the overall budget process and development.
- 16.12 Detailed proposals with staffing implications are shared with affected staff ahead of formal publication of budget proposals through Departmental Consultative Groups (DCGs) and through line management. Formal consultation and engagement with directly affected staff will be undertaken

as normal, including relevant union representation, under the council's Organisation Change Management Framework.

- 16.13 Wider staff engagement will be provided through 'In conversation' sessions with the Chief Executive and through directorate consultation and engagement. Staff can also complete the Budget Simulator as many are also residents of the city. Further updates and communications for staff will be provided via the council's intranet, corporate email broadcasts and the Chief Executive's communications.

17 Financial Implications

- 17.1 These are contained within the main body of the report.

Finance Officer Consulted: Haley Woollard

Date: 25/01/25

18 Legal Implications

- 18.1 Whilst the Cabinet is being asked to recommend, and subsequently the Council asked to agree, the revenue budget and capital strategy, the budget decision is a resourcing decision and does not necessarily constitute final approval of what policies will be implemented or what sums of money will be saved under the budget proposals.
- 18.2 Any decisions taken as part of the budget setting process are subject to compliance with relevant legal requirements, where appropriate, before implementation. The revenue budget and capital strategy recommendations in the report do not commit the council to implement any specific savings proposal. When specific decisions on budget reductions are necessary, focused consultations and the full equality implications of doing one thing rather than another will be considered in appropriate detail. If it is considered necessary, in light of equality or other considerations, it will be open to those taking the decisions to spend more on one activity and less on another within the overall resources available to the council.
- 18.3 For these purposes, the "budget" includes the allocation of financial resources to different services and projects, and the setting of the council tax.
- 18.4 Section 52ZB of the Local Government Finance Act 1992 requires a billing authority to determine whether its relevant basic amount of council tax is "excessive". If the amount is excessive, the billing authority is required to hold a referendum, with a view to applying an alternative amount if the excessive amount is rejected in a referendum. The determination of whether a relevant basic amount of council tax is excessive must be made in accordance with principles determined by the Secretary of State.
- 18.5 Cabinet has the delegated power to formulate the council's revenue budget proposals, Capital Strategy, including the capital investment programme, and the Treasury Management Strategy Statement, including the Annual Investment Strategy, and to recommend their adoption by full Council as part of the overall budget setting process.

Lawyer Consulted: Elizabeth Culbert

Date: 30/1/25

19 Equalities Implications

- 19.1 In Brighton & Hove City Council a budget Equality Impact Assessment (EIA) process has been used to identify the potential disproportionate impacts of proposals on groups/individuals covered by legislation (the 'protected characteristics' in the Equality Act 2010) and actions to mitigate these negative impacts or promote positive impacts. This is a key part of meeting the requirements of the Act and demonstrating that the council is doing so.
- 19.2 In law, the potential impacts identified, and how far proposed actions mitigate them, must be given due regard by decision-makers when making budget and resource decisions. However, as noted under legal implications above, in setting the budget members are making resourcing decisions which remain subject to compliance with all necessary legal and statutory consultation requirements.
- 19.3 All proposals with a potential equalities impact in 2025/26 will have an EIA completed and provided to members of the relevant Scrutiny Committees and to all Members for the Budget Council. EIAs are cross-referenced with savings proposals in Appendix 2. Detailed EIAs are available at Appendix 7.
- 19.4 Note that, as in previous years, EIAs relating to staffing impacts are not published with the budget report as these may contain sensitive information. Instead, EIAs relating to staffing changes are provided as part of the relevant consultation paper issued to affected staff and recognised trade unions.

20 Sustainability Implications

- 20.1 One of the criteria considered for developing budget proposals, aligned with the Council Plan, is whether or not budget proposals contribute to carbon net zero. This plays out through everything from reviewing the council's use of office buildings and facilitating remote working for staff which can reduce office space, to increasing the number of electric vehicles in its fleet, through to embedding sustainability within its procurement requirements and evaluation criteria.

21 Crime & disorder implications:

- 21.1 The budget includes provision for many services that support the prevention of crime and disorder, in particular, through the Safer Communities budget which includes budgets for supporting Women's Safety including those affected by Domestic Abuse, as well as budgets to promote the council's Anti-Racism Strategy, support efforts to reduce anti-social behaviour and reduce drug related crime. There are also budgets for commissioned or contracted support from third sector organisations also working across these and other areas.

22 Public health implications:

- 22.1 The budget includes the ring-fenced Public Health Grant which is spent on providing priority public health services, including advice and support, in accordance with the Joint Health & Well-Being Strategy (with the NHS) and Annual Public Health Reports both of which link to national research and guidelines and involve considerable engagement and consultation.

- 22.2 Detailed implications of reprioritising Public Health grant to support higher priority services are provided in Appendix 2 together with information about where funds will be applied.

23 Conclusion

- 23.1 The council is under a statutory duty to set its budget and council tax before 11 March each year and must agree a lawfully balanced budget. This report sets out the budget assumptions to be used as the basis for Council Tax calculations in order to meet the statutory duty and the proposals to achieve a balanced budget. The full details of 2025/26 revenue and capital budgets are appended to this report and will be brought together in an annual Budget Book which will be provided to Budget Council as a supplementary information item.

SUPPORTING DOCUMENTATION

Appendices:

1. Budget Allocations 2025/26
2. Detailed Savings 2025/26
3. Fees & Charges 2025/26
4. Medium Term Financial Strategy 2025/26 to 2028/29
5. Capital Strategy including the Capital Investment Programme 2025/26
6. Treasury Management Strategy Statement 2025/26
7. Equalities Impact Assessments (EIAs) – Individual Assessments

Documents in Members' Rooms

1. None

Background Documents

1. Budget files held within Finance

