

Brighton & Hove City Council

Cabinet

Agenda Item 84

Subject: General Fund Draft Budget and Resources Update – 2026-27 to 2029-30

Date of meeting: Thursday, 11 December 2025

Report of: Cabinet Member for Finance and City Regeneration

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Ward(s) affected: All Wards

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 & Policy Context

- 1.1 This report provides a budget planning and resource update as a key part of the preparation for the 2026/27 annual budget and Council Tax setting process together with Medium Term Financial Plan projections over the next 4-year period, including any changes in assumptions and estimates together with a high level assessment the key impacts of the government's Autumn Statement, announced 26 November 2025, and the Local Government Finance Policy Statement announced 20 November 2025, as far as they can be locally interpreted.
- 1.2 The council aims to align all spending, ringfenced and un-ringfenced, to support the achievement of Council Plan outcomes and priorities. The General Fund budget in particular is an expression of the Council Plan in financial terms and aims to ensure that revenue and capital budgets and investment plans are aligned to achieving the outcomes of the Council Plan for a 'better Brighton and Hove for all'.

2 Recommendations:

That Cabinet:

- 2.1 Note the updated forecasts including funding assumptions and net expenditure projections included in this report.
- 2.2 Note the updated predicted budget gaps totalling over £86 million over the Medium Term Financial Strategy period, including £24.926m in 2026/27.
- 2.3 Note the draft savings proposals totalling £12.446m at Appendix 1.

- 2.4 Note the draft accompanying Equality Impact Assessments (EIAs) at Appendix 4, and note that the final EIAs will be provided to Cabinet and Budget Council in February 2026.
- 2.5 Approve the extension of the Innovation Fund to 2029/30, committing additional total funding of £8.140m, as detailed in Section 6, to ensure the continuation of transformational activity across the full Medium Term Financial Strategy period to 2029/30.
- 2.6 Approve the release of £1.041m of earmarked reserves into a new general risk reserve as set out in Section 8 and Appendix 5.
- 2.7 Note that plans to arrive at a legally balanced budget for 2026/27, and the legal requirement to set a Council Tax will be presented to Cabinet and Budget Council in February 2026.
- 2.8 Note that projections for next year and the Medium Term Financial Strategy (MTFS) will be updated following the announcement of the Provisional Local Government Finance Settlement, expected week commencing 15 December 2025.

3 Context and Background Information

Overview

- 3.1 The General Fund Budget & Resources update to July Cabinet outlined that the context for budget setting remains very challenging. There are significant budget pressures arising from increases in demand from statutory services, particularly temporary accommodation, adults and children's placements, and home to school transport. In addition, there are various other pressures across the council in terms of demand, pressures on income sources and the cost of providing services over and above inflation. These pressures are the key drivers of the budget shortfalls over the MTFS, as the anticipated increase in resources is largely expected to fund the inflationary increase in the cost of delivery services over the period.
- 3.2 Compounding this, the government's review of the allocation of local government resources under the Fair Funding Review, coupled with the Business Rates Reset, is expected to result in the council's core spending power increasing much more slowly than the assumptions within the MTFS, resulting in lower resources than previously anticipated.
- 3.3 Consequently, the July report estimated an expected budget gap of nearly £40 million in 2026/27 and more than £95 million over the 4-year MTFS period.
- 3.4 The council's financial sustainability is also impacted by the low level of reserves held compared to other similar sized authorities. The authority is therefore unable to withstand significant financial shocks at a time where financial risks to councils are arguably greater than they have ever been.
- 3.5 The report in July indicated the authority would need to take a longer-term view and focus on managing the pressures being faced by the authority and taking a transformation approach to planning to meet the budget shortfalls forecast over the 4-year period and to bring the authority into a more sustainable financial position.
- 3.6 A substantial amount of work has taken place between July and December on the Council's budget position, particularly in terms of working to reduce/mitigate pressures. This work, alongside reviewing the capital programme and incorporating the updated pensions employer contributions,

has resulted in an updated budget gap for 2026/27 of £24.926m. Savings proposals have been identified of £12.446m, leaving a remaining gap of £12.480m. Further work is ongoing to identify further savings, as well as assessing the impact of the Fair Funding Review on the Council's funding position. If further savings proposals cannot be found, or if the projected government funding position is not significantly improved, then the Council would need to apply to the government for exceptional financial support.

- 3.7 As well as balancing the budget for 2026/27, the Council needs to develop a comprehensive medium term financial plan that addresses its budget gap over the 4 year period to 2030. The Council's transformation programme is the mechanism for developing this plan. Good progress has been made on this, but there is much more to do, further detail is set out in section 5 of this report.

National Context

- 3.8 The Local Government Finance Policy Statement (policy statement) was published by the government on 20 November 2025, outlining the government's approach to funding local government over the multi-year settlement period of 2026/27 to 2028/29. In addition, the government also published its outcome responses to both the Fair Funding Review 2.0 (FFR) consultation and the Business Rates reset (BRR) consultation; both of which were consulted upon earlier in 2025.
- 3.9 The Provisional Local Government Finance Settlement (Provisional LGFS) is expected to be announced the week commencing 15 December 2025. Whilst this leaves some uncertainty over the council's final funding position for 2026/27 until the provision LGFS is published, the announcement will be the first multi-year settlement since 2016, providing certainty for the council as to its level of resources over the three-year period to 2028/29. This will in turn facilitate planning and provide certainty over the extent of the transformation activity required over the next three years.
- 3.10 The policy statement set out that an additional £3.4 billion new grant funding would be delivered through the multi-year settlement. Taken together with the 2.99% core council tax and 2.0% ASC precept, this will result in a 2.6% real terms increase in core spending power across the multi-year period. It's important to note, however, that this 2.6% is an average increase; the Fair Funding Review and Business rates reset will ultimately redistribute funding across all Local Authorities, and therefore actual changes in core spending power will be very different across local authorities.
- 3.11 Paragraphs 4.2 to 4.9 provide more detail on the announcements within the policy statement, the outcome of the fair funding review consultation and the expected impact on the council. A pressure of £6.000m was included to reflect the expected impact of the FFR on the authority. Whilst there has been some changes in the principles and methodology from what was consulted on, these are not expected to make a significant impact compared to what was already included in the MTFS within the July Report.
- 3.12 The government published its Autumn Budget on 26 November 2025, which announced several changes that will impact on Local Authorities going forwards. Most notably, the budget confirmed that the government's plans for Special Educational Needs & Disabilities (SEND) reforms will be announced early in the new year, including the announcement that the current statutory override will be extended for a year. Additionally, the government will not be

expecting local authorities to meet future funding implications for SEND within the general fund once the override ends at the end of 2027/28.

- 3.13 Paragraph 4.1 provides further information about the government's Autumn Budget

Local Financial Planning Context

- 3.14 The Targeted Budget Management (TBM) Month 7 report (elsewhere on this agenda) shows a forecast overspend of £7.776m for 2025/26. The key drivers for the overspend are adults and children's social services, home to School transport, and Homelessness and Temporary Accommodation. These are the same key drivers of the council's service pressures across the MTFS. In particular, the council has seen a sharp increase in families presenting as homeless and a corresponding increase in the cost of providing temporary accommodation, which is one of the major challenges facing the authority currently.
- 3.15 The Council's reserves are at a critically low level, and one of the lowest levels in the country across unitary authorities. This creates significant issues in terms of the Council's inability to withstand financial shocks (for example unexpected costs or increases in demand for statutory services). Diligent financial management over the past two years has seen the Council's General Fund working balance increase from under £7 million to a current position of £9 million. The target level of un-ringfenced General Fund reserves (i.e. General Fund working balance and General risk reserve) over the MTFS period is £12-£15 million. Given the current overspend position at TBM7, the Council's Chief Finance Officer is undertaking a review of all earmarked reserves and will bring all funds that are not contractually committed into the risk provision, to ensure that these are available to offset in-year overspend position.
- 3.16 The Council has received a few recommendations in respect of its level of reserves and lack of financial sustainability. The external auditors have raised a significant weakness in respect of financial sustainability, and the LGA Corporate Peer Challenge highlighted financial sustainability as the Councils top issue, noting that it needed to prioritise a plan to increase its level of reserves at pace.

4 Resources and Planning Assumptions 2026/27

Autumn Statement 2025

- 4.1 The government published its Autumn Budget on 26 November 2025, which included the following key headlines:
- The abolishment of the two child limit for Universal Credit claimants, which will help the City's poorest households;
 - Extension of the current override for deficits on the Dedicated Schools Grant (DSG) to March 2028, and the announcement that the government does not expect local authorities to continue to fund deficits within the general fund after the override ends. SEND Reform plans will be announced in early 2026;
 - A council tax surcharge to be introduced in April 2028 for high value properties over £2 million, which will be used to support local government services;

- Additional funding of £48 million to go into the Planning system to boost capacity and capability over the next three years;
- Announcement of plans to allow authorities to introduce an overnight visitor levy, along with a consultation regarding the design;

Local Government Finance Policy Statement

- 4.2 The Local Government Finance Policy Statement 2026/27 to 2028/29 (policy statement) was published on the 20 November 2025 alongside the government's outcome response to the Fair Funding Review 2.0 consultation.
- 4.3 The policy statement sets out the government's proposals for the 2026/27 to 2028/29 multi-year local government finance settlement. Whilst the policy statement does not provide individual allocations for authorities, it does provide the principles for allocations ahead of the Provisional Local Government Finance Settlement (LGFS). Uncertainty over actual allocations will remain until the Provisional LGFS is announced, likely to be week commencing 15 December 2025.
- 4.4 The FFR 2.0 aims to align funding with local need and deprivation whilst simplifying and consolidating multiple fundings streams for local authorities. This is the most significant change in local government funding since 2013. In addition, the Provisional LGFS will be the first multi-year settlement announced since the four-year settlement of 2016, allowing local authorities better certainty and ability to plan over the medium term.
- 4.5 As a result of the consultation, the government has made some changes to the formula methodology as well as increasing protections by introducing new funding floors for those authorities losing from the funding reforms. This increase in protection will result in all authorities moving incrementally to their new funding allocations over the settlement period.
- 4.6 The policy statement also confirmed the continuation of the Recovery Grant of £600 million, first distributed in 2025/26 to 50% of authorities based on tax raising ability and deprivation. This will continue to be allocated across the settlement period on the same methodology as 2025/26, which demonstrates the government's objective of distributing funding to those areas that need it most. The council did not receive any of the 2025/26 recovery grant and will therefore not receive any recovery grant over the settlement period.
- 4.7 The government confirmed additional local government funding of £3.4 billion over the settlement period, previously announced in the Spending Review in June 2025. The phasing of this additional funding is yet to be announced. The policy statement did confirm, however, that this funding included specific allocations of £900 million for Adult social care and £547 million for Children's Social Care over the settlement period. MHCLG have also confirmed that new burdens funding for food waste is included in the £3.4 billion.
- 4.8 What is not clear, but is assumed, is whether the total £3.4 billion includes the following allocations:
 - the additional protection floors being provided;
 - the continuation of the Recovery Grant of £600 million as announced as part of the policy statement.
- 4.9 The changes to the funding model are complex, At the time of writing, officers are working with local government finance experts to model and understand the likely impact of these changes will have on the Council's funding for

2026/27 to 2028/29. It is likely that there are changes that will be both favourable and unfavourable to the Council's position, and therefore until the Provisional LGFS is announced, the prevailing assumptions will remain in the MTFS.

Revenue Investment to Support Council Plan Priorities

- 4.10 The Council Plan 2023 to 2027 (as refreshed in July 2025) 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 learning council with well-run services.
- 4.11 Estimates for the need for investment in services, increased cost of delivering services and changes in demand for services in order to deliver the Council Plan are reviewed and updated regularly throughout the year. The below tables compares the estimates included in the July report (using TBM2 data up to May 2025) and current estimates (which use TBM6 data up to September 2025).

Table 1: Council Plan Investments & Service Pressures	Original Recurrent Investment & Pressures 2026/27 (July)	Original Recurrent Investment & Pressures 2026/27 (Nov)	Movement
	£m	£m	£m
A City to be proud of:			
Closure of New England House pending decision on the future of the building	1.200	1.200	-
Tree Disease Management	0.300	0.300	-
Investing in the future of service delivery (including revenue impact of assets to deliver services)	0.832	0.600	(0.232)
All other investments and pressures	0.428	0.580	0.152
A City to be proud of: Total	2.760	2.680	(0.080)
A fair & inclusive city			
Housing - Temporary Accommodation	10.951	11.106	0.155
Loss of Housing Benefit Subsidy	0.400	2.400	2.000
Expected loss of grant funding	0.687	0.700	0.013
All other investments and pressures	0.255	0.549	0.294
A fair & inclusive city: Total	12.293	14.755	2.462
A healthy city where people thrive			
Home to School Transport - Cost & Demand	1.285	1.285	-
Children's Agency Placements	3.378	1.811	(1.567)
Children's Disability Placements	0.583	0.483	(0.100)
Supporting Adults with Physical Needs	2.932	0.793	(2.139)
Supporting Adults with Learning Disability Needs	1.679	0.625	(1.054)
Supporting Adults with Mental Health Needs	3.732	0.891	(2.841)
Supporting children with complex needs in-house	0.452	0.301	(0.151)
Family Hub & preventative children's services	0.580	0.637	0.057
Support for Increased SEN Demand	0.469	0.366	(0.103)
Other Educational Services & Support	1.180	0.547	(0.633)

All other investments and pressures	0.385	-	(0.385)
A healthy city where people thrive: Total	16.655	7.739	(8.916)
A learning council with well-run services			
Loss of Funding from FFR	6.000	6.000	-
Investment in Emergency Planning service	-	0.150	0.150
Estimated cost of changes in Digital Innovation service	0.430	0.390	(0.040)
Income pressure within commercial property portfolio	-	0.201	0.201
New policy announcement re Cllrs in LGPS	-	0.100	0.100
All other investments and pressures	0.802	1.929	1.127
A learning council with well-run services: Total	7.232	8.770	1.538
Total Council Plan Investments & service pressures	38.940	33.944	(4.996)

- 4.12 Pressures are reviewed regularly through the year and updated based on demographic and demand changes, as well as management actions undertaken to mitigate and address pressures.
- 4.13 A number of pressure mitigations are being implemented to get to the budget position set out in this report. For example, automatic fee uplifts will not be made through our adult social care contracts and these will be assessed on a case by case basis looking at market data.

Council Tax

- 4.14 The council tax increase for 2026/27 and future years of the MTFS is currently assumed at 4.99%, which includes the continuation a 2.0% increase for an Adult Social Care Precept. These council tax increase levels were recently confirmed for the next 3 years in the local government finance policy paper as the maximum increases without requiring a referendum.
- 4.15 The impact of the current financial climate on council tax income continues to be difficult to predict. New housing developments have been assumed for 2026/27, with a council tax base increase assumed of 0.87%. Over the last few years, the cost-of-living crisis has impacted on the council tax collection rate. It is therefore assumed to remain at the 2025/26 level of 98.75% rather than reverting to the pre-pandemic level of 99%.

Business Rates

- 4.16 The government is introducing significant changes to the business rates system in 2026/27. This includes:
- The introduction of three new multipliers which will provide a more complex system for assessing the business rates liability of different types of businesses;
 - A full Business Rate Reset, designed to redistribute growth accumulated by authorities since 2013/14;
 - A new rating valuation list. This will update the rateable values for all properties, adding further uncertainty in the level of business rates income.
- 4.17 The Business Rate Reset is expected to result in a loss of locally retained business rates; the business rate income from 2026/27 will be based on the revised settlement funding assessment which will be derived from the changes implemented by the Fair Funding Review. The reduction of business rates

income is included in the £6.000m pressure in 2026/27 for loss of resources in relation to the Fair Funding Review and Business Rates Reset.

- 4.18 Business Rates forecasts continue to be an area of financial risk that is heightened by the unknown impacts of global financial events and the impact of current economic conditions on businesses. In addition, appeals continue to have a significant impact on forecasting business rates and the new valuation list will have its own level of appeal activity to forecast. Therefore, business rates estimates could change significantly ahead of setting the budget.
- 4.19 The provisional Local Government Finance Settlement is due week commencing 15 December 2025 at which time the level of assumed locally retained business rates will become much clearer.

Corporate Planning Assumptions

- 4.20 The July Cabinet report included an Appendix which outlined the corporate planning assumptions within the MTFS at that time. The current assumptions are included in Appendix 2 of this report.
- 4.21 The only change in core planning assumptions compared to those reported in July is the change in the Council's employer pension contribution rate. The council's contribution to the Local Government Pension Fund is agreed every three years based on a triennial actuary review of the fund's assets and expected liabilities. Following the most recent triennial review of the East Sussex Pension Fund by the fund's actuary, the council's pension fund assets are forecast to be in excess of the fund's liabilities by the next triennial review. This has resulted in an agreed reduction of the council's Employer Contribution rate by 4.9% from 19.8% to 14.9% for the next three years. Therefore, the council's cost of employer contributions is expected to reduce by £6.920m per annum from 1 April 2026.

Fees & Charges

- 4.22 The vast majority of Fees and Charges budgets for 2026/27 are assumed to increase by a standard inflation rate of 3.00%. The February Budget report will include an appendix of all fees & charges for 2026/27 that are required to be approved in advance of the financial year.
- 4.23 A number of budget proposals within Appendix 1 report are linked to proposed changes in fees or charges. The changes in fees and charges linked to these draft proposals will be included in the February report.

Commitments

- 4.24 The budget projections for 2026/27 includes commitments of (£1.788m), reflecting corporate changes and decisions already made. This represents a reduction in commitments of £10.019m compared to the commitments included in the July Report.
- 4.25 The below table shows the change in commitments between July & November:

Table 2: Commitments in the 2026/27 budget:	Jul 2025 Estimate	Dec 2025 Estimate	Movement
	£m	£m	£m
Budget Commitments (including capital financing)	3.839	0.740	(3.099)
Mainstream Digital funding	0.550	0.550	-
Change in contribution to reserves	3.015	3.015	-
2025/26 Pay Award above modelled allowance	0.827	0.827	-
Change in Employers Pension Contribution	-	(6.920)	(6.920)
Total Budget commitment	8.231	(1.788)	(10.019)

- 4.26 The primary movement is the change in employer pension contribution rate, as described in 4.21 above. Other significant changes include the impact of the 2025/27 capital programme review, and changes relating to the one-off use of grant to cover core budget expenditure.

5 Annual Budget and Medium Term Finance Plan Estimates

- 5.1 There are significant challenges to being able to balance the 2026/27 and the Medium Term Financial Plan (MTFP). Section 3 gives some wider context on the challenges being faced by the organisation both on a national level and locally. The 2026/27 budget shortfall as reported in July 2025 was the largest seen by the authority, largely due to the cost of and demand for a number of statutory services. This requires the authority to take urgent action to mitigate demand pressures and identify savings and transformation programmes that will address the gap both in 2026/27 and across the medium term. This is necessary to become a financially sustainable organisation. Identifying savings is becoming increasingly more difficult; the organisation has been required to make cumulative savings of more than £248 million since 2010.
- 5.2 In addition, the government have consulted on the largest changes in Local Government Funding since 2013. Whilst estimates have been made as to the council's expected ongoing funding position from both the Fair Funding review and the related Business Rates Reset (BRR), there will not be certainty on the outcome and impact of these changes until the Provisional Local Government Finance Settlement, expected to be announced in the third week of December. However, it must be acknowledged that why this brings uncertainty until announced, when announced, local authorities will have increased certainty over the medium term than has been the case in a number of years due to this being the first multi-year settlement since 2016.
- 5.3 Lastly, the Council Tax Base and Business Rate Tax Base will be set by Cabinet in January 2026.
- 5.4 The table below shows the current estimate for the 2026/27 budget gap and how it's moved from July report.

Table 3: Budget Gap Latest 2026/27	£m
Budget Gap per July Cabinet Report	39.765
Reduction in Council Plan investments & service pressures (table 1)	(4.996)
Impact of Capital Programme Review	(1.309)
Impact of Change in Employer Pension Contribution	(6.920)
Short term borrowing costs for King Alfred Leisure Centre	0.634

Change in use of grants	(2.408)
Other Changes	0.160
Budget Gap before Savings Proposals	24.926
Draft Saving Proposals to date (Appendix 1)	(12.446)
Remaining Budget Gap	12.480

- 5.5 Table below shows that the budget shortfalls is estimated at £86.658m over the MTFS before any savings proposals are considered.

Table 4: Budget Gaps – 2026/27 to 2029/30	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Commitments & decisions already made	(1.788)	2.296	1.323	1.224
Net inflation (on Pay, Prices, Income, Pension)	9.691	9.437	10.191	10.478
Service Pressures (Demand and Cost)	33.944	25.132	25.112	19.661
Funding Changes (RSG & Tax Base)*	(16.921)	(13.845)	(14.258)	(15.019)
Budget Gap before Savings Proposals	24.926	23.020	22.368	16.344
Draft Saving Proposals to date (Appendix 1)	(12.446)	-	-	-
Draft MTFS proposals (Table 5)		(9.075)	(8.025)	(4.259)
Remaining Budget Gap	12.480	13.945	14.343	12.085

**This value will change following the Provisional Local Government Finance Settlement expected to be announced week commencing 15 December 2025. Currently there is a service pressure included to reflect the expected changes from the Fair Funding Review.*

- 5.6 Table 4 shows there would be a remaining shortfall of £52.853m based on current draft proposals within Table 5 and Appendix 1.
- 5.7 There are other options currently being explored to address the remaining gap in 2026/27, which are being developed and will come forward as part of the final budget report in February.
- 5.8 There is clearly still some way to go to ensure that the authority can reach a balanced budget in 2026/27 and a balanced MTFS, which will be addressed in the February report.

Addressing the Budget Gap – 2026/27 and over MTFS

- 5.9 There has been several workstreams and activity to address the budget shortfalls over the MTFS:
- A Capital Programme Review has been undertaken to ensure the programme is properly prioritised and funded over the 5-year Capital Investment Programme, given the current strain on the revenue budget. This workstream has identified areas for prioritisation, de-prioritisation and deferral which provide saving and reprofiling of borrowing costs from the 2026/27 budget;
 - A Transformation & Innovation portfolio containing a number of strategic programmes has been established as described more fully in section 6 and Appendix 3. These programmes will use the Innovation Fund to strategically address areas of pressure and to exploit commercial opportunities which will help transform the council into a financially sustainable organisation by the end of the MTFS;

- An Asset Management Strategy has been developed, which both identifies capital disposals to support the Innovation Fund and Transformation programmes, and which can contribute to ongoing revenue savings via the reduction of the council's property portfolios;
 - A benchmarking exercise has been undertaken across the organisation to identify areas for further investigation. This work has been taken into account in both identifying savings proposals and transformation opportunities;
 - Directorate Leadership Teams (DLTs) have rigorously reviewed service areas for efficiencies and savings, taking into account transformation programmes and service benchmarking.
- 5.10 Appendix 1 provides detailed draft budget proposals that have arisen thus far from the work described above.
- 5.11 A portfolio of strategic programmes (see section 6 and Appendix 3) is being developed that underpins the Council's financial sustainability. It is really important that the Council develops medium and longer term plans to improve efficiency and reduce demand as these programmes take time to implement successfully. They will also lead to better outcomes than short term budget cuts. This will focus on the following:
- Areas of the most significant demand pressures that the Council is facing – emergency and temporary accommodation, adults social care and children's social care. These programmes will focus on preventative work to reduce the need for statutory services, as well as work on things like increasing the supply of temporary accommodation at more affordable rates, and managing the adults and social care markets.
 - Organisational transformation – this will focus on improving the Council's use of operational assets and reducing the associated revenue costs, a digital strategic programme to improve efficiency and reduce demand, as well as making savings through better procurement and contract management.
 - Commercialisation – there are considerable opportunities to increase income across the city, for example through activating the Council's seafront assets, increasing income through advertising, as well as maximising fees and charges across our services.
- 5.12 A summary of the savings already identified from all the workstreams outlined above are set out below. While significant progress has been made, there is still a substantial gap between the potential savings from these programmes and workstreams and the MTFS gap.

Table 5: Savings & Transformation Plans				
	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m
Changes in Delivery Models	0.300	0.200	0.000	0.000
Procurement & contract management efficiencies	0.204	0.317	0.450	0.650
Transformation Programme: Adult Social Care	8.892	4.150	2.900	1.850
Transformation Programme: Homes & Homelessness	4.843	0.664	0.304	0.000
Transformation Programme: Children's Services	0.971	1.386	1.207	1.059
Transformation Programme: Income & Commercialisation	1.305	1.087	1.860	0.260

Other Income & Commercialisation Initiatives	0.160	0.100	0.200	0.000
Digital & Innovation Initiatives	0.030	0.105	0.100	0.100
Service Redesigns and Functional Alignments	0.704	0.255	0.305	0.120
Reduction or reprovision of non-statutory services	0.830	0.199	0.199	
Efficiencies in delivering services	0.284	0.018	0.018	0.018
Other new funding sources or repurposing	0.491	0.366	0.382	0.102
Asset Management Strategy	0.775	0.088	0.000	0.000
Corporate Landlord and Net Zero Programme	0.320	0.140	0.100	0.100
Less: proposals that will reduce pressures already accounted for within the budget gap	(7.663)	0.000	0.000	0.000
Total net savings & transformation proposals	12.446	9.075	8.025	4.259
Budget Gap in each year	24.926	23.020	22.368	16.344
Remaining budget gaps	12.481	13.945	14.343	12.085

- 5.13 The February Report will provide a full MTFS and directorate Budget Strategies which will indicate the overall direction of travel for the delivery of services in each directorate and set out each directorate's approach to supporting Council Plan priorities.

6 The Innovation Fund & Transformation Programmes

- 6.1 Achieving transformation and change often involves significant one-off costs that cannot be afforded from revenue and cannot normally be funded by capital receipts or borrowing, for example, redundancy costs or project and programme management staffing. The government has extended the ability of all Local Authorities to use capital receipts to support the transformation of services to deliver savings and efficiencies (known as the Flexible Use of Capital Receipts) to March 2030.
- 6.2 The 2025/26 Budget approved in February 2025 included a four-year Innovation Fund to 2028/29 with a total investment need of £20 million to support the transformation and change of services and invest-to-save proposals over the period of the MTFS.
- 6.3 The officer-led Savings & Innovation Delivery Board and the Corporate Leadership Team have designed a Transformation & Innovation portfolio containing a number of strategic programmes. This approach will make use of the Innovation Fund to strategically prioritise one off resources towards addressing the budget shortfalls across the MTFS. The overarching strategic programmes are outlined in more detail in Appendix 3. To summarise the strategic aims, the programmes are intended to:
- address areas of high demand, implementing strategies to reduce demand through investing in prevention and reducing the cost of delivery;
 - review delivery models for services across the council to ensure the most effective and efficient models are being used
 - explore the use of Digital Innovation & technology to enhance and transform service delivery;
 - review and maximise the use of assets across the council, primarily it's property portfolio;

- explore opportunities to increase revenue income and reduce the cost of delivering services.

6.4 It is likely that to balance the council's MTFS, the council will further need to take advantage of the ability to fund transformation through the Flexible Use of Capital Receipts to support the MTFS over the four-year period to 2029/30. Therefore, it is recommended that Cabinet approve the Innovation Fund to be extended into 2029/30 on the same basis as 2028/29. In addition, to support the transformation activity across the council, the fund is recommended to be increased to 28.140m in total to 2029/30, which is an increase of £8.140m compared to the current fund commitment of £20.000m to 31 March 2029. This increase recognises that the fund will need to continue for an additional year to 31 March 2030, as well as increase in overall value per year to support the scale of the change necessary for the Council to become a financial sustainable organisation.

6.5 The indicative Innovation Fund, including the use in the current financial year, is shown in Table 6 below:

Table 6: Indicative Innovation Fund					
Category of Investment	2025/26	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m	£m
Transformation & Innovation strategic programmes	1.200	3.300	1.400	0.700	0.700
Invest-to-Save business cases	1.600	0.600	0.200	0.200	0.200
Digital and AI Development	1.906	1.550	1.550	1.550	1.550
Managing Staffing Changes (exit packages)	1.250	1.250	0.500	0.500	0.500
Enabling Resources (e.g Project Officers, Workstyles Team, HR etc)	1.030	1.226	1.226	1.226	1.226
Total	6.986	7.926	4.876	4.176	4.176

6.6 The investments are described in outline below:

- **Transformation & Innovation strategic programmes:** Described further in 6.3 and Appendix 3, a Transformation & Innovation portfolio has been established to address the council's budget gap across the MTFS strategically. The strategic programmes within it will require one off funding of resources and technology to enable the delivery of savings across the MTFS. It is currently estimated that a total of £7.3m is required across the period, which is likely to be front-loaded to maximise the savings across the MTFS.
- **Invest-to-Save Business Cases:** The medium-term planning process encourages innovation and invest-to-save business cases aimed at complementing the council's Transformation & Innovation portfolio, supporting the achievement of Council Plan priorities and, importantly, contributing to the future financial sustainability of the council. Business cases will need to demonstrate a return on investment within a reasonable time period (max 5 years) but ideally within the 4-year medium-term financial plan period.
- **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 £1.550 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 redeployment as far as possible, but otherwise through voluntary severance where this meets the council's business case criteria. This can involve significant redundancy and/or pension strain costs. At least £4.0 million is expected to be required over the period.
- **Transformation Enabling Resources:** 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. Informed by previous experience, the Innovation Fund provides resources of £1.226m per annum to support a wide variety of transformation, change and savings programmes and projects. This will need to be reviewed as future budgets are developed and the level of support for each change proposal is fully understood. The costs are broadly expected to cover the following:

Table 7: Transformation Enabling – Recurrent Annual Costs	
Category of Investment	Annual Cost
	£m
Project & Programme Management Resources	0.766
Workstyles Resources (to rationalise operational buildings)	0.180
HR Management of Change Support	0.128
Leadership Development	0.052
Finance Support	0.100
Total	1.226

7 Capital Strategy and Capital Investment Programme

- 7.1 The detailed capital strategy and capital investment programme will be brought to the February Cabinet & Budget Council as part of the budget report. Many the Council's capital investment plans fall within longer-term programmes to support Council Plan priorities.

A Fair & Inclusive City:

- New Homes for Neighborhoods and Home Purchase Scheme;
- Purchase of and investment in new units for Temporary Accommodation.
- 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) provides project support for major regeneration programmes that draw in substantial private sector investment.

A Healthy City where People Thrive:

- Investment in a new leisure centre at King Alfred site;
- Investment in other leisure facilities such as the Withdean Sports Complex swimming pool and 3G pitches at Moulsecoomb and Hove Park;
- 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 Valley Gardens Phase III;
- The Local Transport Plan (LTP) covering a wide range of transport-related schemes;
- Significant investment in coast protection programmes such as the Brighton marina to River Adur scheme;

A Responsive and Learning Council with Well-run Services:

- The Information Technology & Digital Investment Fund to maintain and upgrade the council's infrastructure and IT architecture;
- The Corporate Systems Improvement (CSI) Programme to improve the council's core HR, Payroll, Finance & Purchasing systems and associated applications;
- 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.

7.2 Investment options and requirements are kept under review, and any new programmes will come forward to February Cabinet meeting subject to the affordability of financing options, viable outline business cases, or available capital resources including capital receipts. The council's financial position requires continual review in terms of affordability, particularly where schemes are financed from borrowing.

Capital Receipts

7.3 Capital receipts from the sale of surplus land and buildings support the capital programme and the Innovation Fund and the projections are regularly reviewed. The Asset Management Strategy and Capital Asset Strategy seek to review both the Council's commercial property portfolio and the operational portfolio to dispose of properties to support the capital programme and Innovation Fund over the medium term and to streamline the cost of managing property estates.

- 7.4 Capital receipts are under severe pressure due to competing demands for the resources and the certainty and speed with which capital receipts can be realised. Additional staff resources have been deployed in Property and Legal services to support the delivery of these capital receipts. In addition to the Innovation fund, capital receipts are committed to annual investment funds including the Asset Management fund, Strategic Investment Fund and the Commercial Asset Investment fund as well as commitments within already approved capital schemes.
- 7.5 The table below reflects agreed capital disposals and commitments against the receipts. Capital Receipt commitments include existing and approved capital schemes together with an assumed minimum investment in the Innovation Fund of £28.140 million (see Section 6). The table shows a shortfall in net capital receipts over the MTFS of £30.2 million. Further options to meet this resource requirement through either additional capital receipts or reduced commitments will be presented to Cabinet in due course.

Table 8: Capital Strategy & Capital Receipts	Year 1	Year 2	Year 3	Year 4	Year 5
	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m
Brought forward balance	0.189	(6.586)	(10.425)	(19.488)	(23.769)
Expected Capital Receipts	12.912	10.445	4.223	2.201	0
Innovation Fund (Table 6)	(6.986)	(7.926)	(4.876)	(4.176)	(4.176)
Investment in Temporary Accommodation		(4.000)	(6.000)		
Other Capital Programme commitments	(12.701)	(2.358)	(2.410)	(2.306)	(2.250)
Carry forward balance (deficit)	(6.586)	(10.425)	(19.488)	(23.769)	(30.195)

8 Reserves Position and One-off resources

Review of Reserves and Provisions

- 8.1 A one-off review of reserves and provisions has been undertaken during November. This is annual exercise, but has been carried out earlier in the year than previous years as a result of recovery measures being implemented to address the 2025/26 forecast outturn overspend.
- 8.2 Reserves and balances have been reviewed to identify balances that can either be released, or held as part of a general risk reserve rather than as individual earmarked balanced. This exercise has identified £1.041m of earmarked balances that is recommended for release to a newly created General Risk Reserve. Table 9 lists the reserves recommended for release:

Table 9: Reserve or Provision	Amount to be Released £'000	Rationale for release
Section 106 Interest Reserve	6	Unrequired residual balance
Legacy LEP funds Revenue Reserve	4	Unrequired residual balance
Winter Maintenance Reserve	540	Pool with other risks under a general risk reserve
East Brighton Parking Surplus Reserve	70	Release of reserves following agreement to un-ringfence surpluses

Preston Park Parking Surplus Reserve	275	Transport & Sustainability committee (6 Feb 2024)
Cemeteries Maintenance Reserve	65	Pool with other risks under a general risk reserve
Insurance Provision	81	Change to reflect revised bi-annual actuarial review
Total Reserves & Provisions to be released	1,041	

- 8.3 A further review will be undertaken before the February budget report, and any further changes will be reported to Cabinet in February.

Latest Financial Performance in 2025/26

- 8.4 The forecast outturn position in the current year is important because it affects the availability of one-off resources. A projected underspend adds to the one-off resources available while a projected overspend will need to be funded from one-off resources or carried forward to the next financial year, adding to the financial challenge.
- 8.5 In-year financial performance is monitored through the council's Targeted Budget Management (TBM) framework and the TBM Month 7 (October) report elsewhere on the agenda shows a projected year-end General Fund overspend of £7.776m. The overall overspend has reduced by £1.630m since TBM Month 5. A one-off risk provision of £1.747m is not included within this forecast. Therefore the TBM forecast needs to improve by at least £6.029m by the end of the current financial year in order for reserves to remain intact and not be drawn down to support the 2025/26 overspend.
- 8.6 The council's share of the net deficit on the Council Tax and Business Rates collection funds, after allowing for Section 31 grant, is forecast to be £1.764m and must also be funded from one-off resources in the 2026/27 budget.
- 8.7 Table 10 summarises the potential resources and liabilities that will need to be taken into account in setting the 2026/27 budget. At this stage, this assumes that spending in 2026/27 will be in line with the TBM Month 7 (October) report projections included elsewhere on this agenda.
- 8.8 The table shows an estimated shortfall in one-off resources of £1.764m after taking account of other expected one-off requirements. This position is expected to change and will be updated for the February budget report. The main factor expected to affect the position is the latest TBM position which will be updated for month 9 (December). As described in paragraph 8.5, the call on one off resources assumes that the TBM forecast for 2025/26 will improve by at least £6.029m, and therefore there is a risk that the need for one off resources will increase.
- 8.9 Additionally, a further review of in-year Collection Fund (tax yield) performance will take place in TBM Month 9. Any improvement will reduce the call on one-off resources and vice versa.

Table 10: Projected One-Off resources	£m	£m
<i>Revenue Budget position 2025/26 (TBM):</i>		
- Forecast outturn overspend (Month 7/October)	-7.776	
- Application of one-off risk provision	1.747	
- Estimated improvement due to recruitment & spending controls	6.029	
Estimated 2025/26 Outturn		-0.000

Collection Fund position 2025/26:		
- Estimated 2025/26 Council Tax collection fund net deficit	- 1.195	
- Estimated 2025/26 Business Rates Retention collection fund position	-1.137	
- Contribution from Section 31 grant timing reserve	0.568	
Sub-total: Projected Collection Funds position		-1.764
Shortfall before allocations		-1.764
Current One-off Resources Shortfall		-1.764

- 8.10 The table above indicates an estimated call on one-off resources of £1.764m. The February budget report will need to identify resources to fund this requirement.
- 8.11 There is a significant risk around the TBM position, with an assumption that the current spending and recruitment controls and directorate financial recovery plans will improve the forecast outturn position for 2025/26 by at least £6.029m. As highlighted elsewhere in this report and previous reports, the council's level of available reserves and balances is very low, and therefore the need for one off resources of this level potentially places the authority at serious risk of requiring Exceptional Financial Support if the estimates of the one-off resources and the forecast for 2025/26 required do not improve significantly.
- 8.12 As indicated above, there are a number of factors that can affect a change to these figures. Further work is also needed to fully understand one-off pressures and consider options for mitigating some of these costs and whether any appropriate temporary funding mechanisms are available to support the one-off costs expected for 2026/27.

9 Staffing Implications (General Fund)

- 9.1 At this stage, the first draft budget proposals indicate that 11.7 full time equivalent (fte) posts could be deleted from the council's staffing structure, which is approximately 0.32% of total staffing. Whilst a number of these posts will be vacant during 2025/26, some proposals may initially result in some staff being placed at risk of redundancy. This is difficult to estimate with any certainty, but approximately 2.8 fte staff (not headcount) have been potentially identified at risk at this stage if budget proposals are agreed. The proposals currently have no TUPE implications for staff. This information was shared with the council's recognised trade unions and the staff affected in advance of the release of this report.
- 9.2 As in previous years, actual numbers of staff affected will be highly dependent on the detailed options proposed, further savings proposals coming forward in the February report 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.
- 9.3 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.

9.4 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 Housing Revenue Account (HRA) Budget & Capital Programme

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

10.2 The Housing Revenue Account is a ring-fenced fund dedicated to the management and maintenance of the council's housing stock. Legislation requires the HRA to remain balanced; the council must demonstrate that projected income will cover planned expenditure, thereby ensuring the account's long-term viability.

10.3 The prevailing economic climate and operational challenges continue to place considerable strain on HRA resources for 2025/26. Consistent with trends across the sector, our authority faces increasing financial pressures. The latest Medium Term Financial Strategy forecasts a deficit for the HRA over the next 5 years. Contributing factors include a rising number and cost of disrepair claims, significant investment requirements to comply with the Building Safety Act, Fire Safety Regulations, and the Social Housing Regulation Bill, alongside the as the impact of inflation on services and financing costs.

10.4 A particular ongoing challenge is the investment required in 8 Large Panel System (LPS) high-rise blocks across the city. While a staggered investment approach was initially planned, the need to maintain short to medium term safety standards now necessitates immediate and substantial revenue investment. In 2025/26, temporary fire safety measures, such as 'waking watch' arrangements, have been introduced at several high-rise blocks. Longer-term options for these LPS blocks are under review, with associated capital investments to be included in future budget proposals when cost estimates are sufficiently robust.

10.5 Recent announcements from central government have introduced a long-term rent policy, enabling social landlords to increase rents by CPI+1% annually for the next decade, with further consultation on rent convergence. The current Medium Term Financial Strategy assumed this increase for only five years; as

such, the extension to ten years should enhance the HRA's financial sustainability over the long term.

- 10.6 The HRA capital programme focuses on two principal areas: improving the quality, safety, and energy efficiency of existing council homes, and expanding the supply of affordable housing. Investment in the existing stock is primarily funded through tenants' rents (including related rent rebates) and HRA borrowing, both supported by rental income over time. In contrast, new supply is largely financed by retained capital receipts (including those from Right to Buy sales and commuted sums), grant funding, and further HRA borrowing.
- 10.7 The capital investment strategy for 2026/27 to 2030/31 will be informed by the latest stock condition surveys and the council's Asset Management Strategy, taking into account emerging priorities. Key objectives include enhancing home safety and quality, ensuring compliance with statutory regulations, and working collaboratively with stakeholders such as the Regulator of Social Housing, East Sussex Fire and Rescue Service, tenants, and leaseholders to shape our planned works. In addition, ongoing investment in carbon reduction initiatives will underpin the council's commitment to achieving carbon neutrality by 2030.
- 10.8 To increase the delivery of affordable council homes, the HRA is progressing a range of initiatives, including the New Homes for Neighborhoods Programme, the Home Purchase Scheme, the Converting Spaces initiative, and the Homes for the City of Brighton & Hove Joint Venture. These programs are designed to ensure that newly delivered homes generate a surplus, thereby supporting the sustainable funding of ongoing maintenance and repairs.
- 10.9 Throughout 2026/27, efforts will continue to develop the housing supply pipeline. The Home Purchase Scheme will seek opportunities to repurchase former council properties sold under Right to Buy, while the extended scheme will pursue 'off the shelf' acquisitions to further expand the affordable housing portfolio within the HRA.
- 10.10 The Housing Revenue Account budget and business plan will be reported to Cabinet for approval in February 2026.

11 Schools Budgets and Funding

- 11.1 The Dedicated Schools Grant (DSG) is a ring-fenced grant that provides funding for Schools, Academies, Early Years, Special Educational Needs and a small number of allowable Central items. The DSG is allocated to schools and academies on the basis of a National Funding Formula (NFF) primarily driven by pupil numbers.
- 11.2 The DSG is divided into four blocks – the Schools Block, the High Needs Block (HNB), the Central School Services Block and the Early Years Block. Each of the four blocks of the DSG are determined by separate national funding formulae (NFF).
- 11.3 In a similar way 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.
- 11.4 Detailed announcements and full allocations regarding the 2026/27 DSG will not be published by Government until mid-December 2025. However, in November 2025, the Department for Education (DfE) published provisional

funding allocations for mainstream schools and local authorities in 2026/27 through the schools and central school services NFFs.

- 11.5 Provisional funding for mainstream schools through the schools NFF will total £50.9 billion in 2026/27. To simplify the funding system, the 2026/27 schools NFF will include funding for pay and national insurance contributions costs that were previously allocated separately.
- 11.6 On top of this rolled-in funding, the core factor values in the 2026/27 schools NFF are rising by 2.1%, to increase the funding available to schools. However, as funding to schools is pupil-led, schools with falling rolls will continue to be in a very challenging financial position next financial year. This is in the context of unavoidable cost pressures such as 2026/27 pay awards that are likely to absorb the benefit of the 2.1% funding uplifts.
- 11.7 Local authorities will continue to be responsible for operating local funding formulae, which will determine the funding that individual schools and academies in their area receive. To support moves to a more consistent funding system, DfE will continue to require those local authorities which are not already “mirroring” the NFF in their local formulae to move closer to the NFF. Brighton and Hove is not currently “mirroring” the NFF and it has been agreed with Schools Forum that local formulae will move 30% closer to the NFF rates in 2026/27.
- 11.8 The central school services block funds local authorities for the ongoing responsibilities they continue to have for all schools, and some historic spending commitments that local authorities face. The central school services NFF for 2026/27 includes funding for pay and national insurance contributions costs that were previously allocated outside the NFF.
- 11.9 Full allocations of schools and central school services funding for 2026/27 will be published in December, taking account of the latest pupil data at that point. The publication of 2026/27 high needs block and early years block allocations will also follow by the end of the year.

Updated School Balances Position

- 11.10 Detailed information relating to the latest school and central DSG balances was contained in the July 2025 budget report, however the most recent school balances position is summarised below:

Table 11: Schools Balances	Nursery £'000	Primary £'000	Secondary £'000	Special £'000	Total £'000
Final 2023/24 balances	24	(1,143)	2,048	(648)	281
Final 2024/25 balances	163	(2,665)	(395)	274	(2,623)
Movement	139	(1,522)	(2,443)	922	(2,904)

- 11.11 At the end of the 2024/25 financial year school balances for maintained schools within the council showed a net deficit position of £2.623m. The net deficit is expected to increase further in 2025/26, with a forecast year-end net deficit in the region of £5.7m. School deficits is an increasing challenge in Brighton and Hove, and active engagement is taking place with schools to address these deficits.

12 Analysis & Consideration of any alternative options

- 12.1 The setting of the General Fund budget in February allows all parties to engage in the examination of budget proposals and put forward viable

alternative budget and council tax proposals, including amendments, to Budget Council on 26 February 2026. Budget Council has the opportunity to debate the proposals put forward by the Cabinet at the same time as any viable alternative proposals.

13 Community Engagement & Consultation

- 13.1 This report will be shared widely with key stakeholders and partners as it signals to all parties the anticipated financial challenge facing the council for next year and beyond, notwithstanding the imperfect funding information available at this stage.
- 13.2 The development of the council's budget and future plans is a major undertaking and proposals can affect a wide range of services and therefore have impacts on residents, businesses, visitors and staff. Appropriate and necessary statutory consultation and engagement will be undertaken with residents, service users, staff, unions, partners, business representatives and the community and voluntary sector.
- 13.3 Detailed consultation and engagement plans will start over coming weeks, in advance of any proposals coming forward for Cabinet in February 2025 for full Council approval. However, consultation and engagement is expected to include the following:

General Information

- 13.4 General information and advice about the council's budget will continue to be provided through the council's website 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.

Engagement on the draft budget

- 13.5 The Council's overarching budget proposals will be published through a range of channels to ensure that residents and community groups have an opportunity to comment on these, and for this feedback to be considered in the final budget report to Cabinet in February 2025.

City Partners

- 13.6 Information will also be shared with City Partners through the City Management Board and other channels. In particular, the council continues to engage fully with the NHS Sussex Integrated Care System to ensure that the budget processes of the two organisations are aligned and communicated as far as practicably possible.

Business Engagement

- 13.7 There is ongoing liaison and discussion with the Economic Partnership that covers potential funding sources and bids, city regeneration, economic growth, employment and apprenticeship strategies. Officers of the council and members of the Administration meet periodically with representatives of the Chamber of Commerce and B&H Economic Partnership to discuss the council's high-level plans and over-arching budget situation. Formal consultation will also take place with business rate payers in line with statutory guidance.

Schools Community

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

Third Sector Engagement

- 13.9 A key stakeholder is the Community & Voluntary Sector, and communications and meetings with representatives of the sector are planned to provide an opportunity to feedback views to the council and members which will inform final budget proposals. The Council funds lots of activity within the voluntary and community sector, through the Thriving Communities Fund, the Household Support Fund (which will become the Crisis and Resilience Fund in 2026/27) and the Fairness Fund. Crisis and Resilience Fund allocations have not yet been announced by government, plans for voluntary and community sector funding will be finalised once these allocations are clear.

Staff and Union Engagement

- 13.10 Consultation and engagement with staff and unions is also very important. The scale of financial challenge indicates further significant impacts on the configuration and/or provision of services which will inevitably entail staffing changes. Meetings with the council's recognised unions, including appropriate officers and members of the Administration, will be scheduled regularly to keep unions abreast of developing proposals and to ensure they have sight of where support to their memberships may be required. The council's Joint Staff Consultation Forum will continue to provide a formal setting for sharing and raising matters relating to the overall budget process and development.
- 13.11 Detailed proposals have been shared with 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.

Specific Consultation

- 13.12 It is recognised that specific consultation will be required for individual proposals. CLT and DLTs will lead on this engagement where there are changes to service delivery models or changes to policy frameworks that underpin how we provide services to residents and businesses.

Timetable

- 13.13 The timetable for final budget proposals is given in the table below. This timetable does not include detailed plans for ongoing consultation with stakeholders as this will be determined in conjunction with those involved.

Table 12: Budget Timetable

Date	Event	Notes
3 Dec 2025	Publication	Publication of Draft Budget proposals on the council's web site
11 Dec 2025	Cabinet	Draft Budget & Resource Update report; Budget Monitoring (TBM) month 7 report.

Dec to early-Jan	Development of further budget proposals	Further work and refinement of draft budget proposals incorporating the impact of the Provisional Local Government Financial Settlement
w/c 15 Dec	Provisional Local Government Financial Settlement	Receipt and analysis of the provisional settlement expected before Parliament recess for Christmas (18 December 2025)
Jan 2026	CFO/HR/Unions	Further sharing of any additional budget proposals affecting staff
19 Jan 2026	Joint Overview and Scrutiny committee	Draft Budget & Resource Update report: presented at both Place & People Overview and Scrutiny Committees
22 Jan 2026	Cabinet	Council Tax Base report; Business Rates tax base report.
By 3 Feb 2026	Department Consultative Group's	Sharing overall final budget package and staffing impacts (assuming publication on 4 Feb)
4 Feb 2026	Publication	Publication of Final Budget proposals on the council's web site
12 Feb 2026	Cabinet	General Fund and HRA Revenue & Capital Budget reports; TBM month 9 report.
26 Feb 2026	Budget Council	General Fund and HRA Revenue & Capital Budget reports.

14 Financial Implications:

- 14.1 The financial implications are contained in the body and appendices of this report.

Finance Officer consulted: Haley Woollard

Date: 02/12/25

15 Legal Implications:

- 15.1 The process of formulating a plan or strategy for the council's revenue and capital budgets falls within the Allocation of Responsibilities for Functions for the Cabinet under Part 2E of the constitution.
- 15.2 This report complies with the Council's process for developing the budget framework, in accordance with the Council's Budget and Policy Framework Procedure Rules as set out in Part 3D of the Constitution.

Lawyer consulted: Elizabeth Culbert

Date: 01/12/25

16 Risk Implications

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

17 Equalities Implications:

- 17.1 The Council's well-established screening process to develop Equality Impact Assessments (EIAs) has been used to assess the impact of significant budget changes included within the proposals in Appendix 1. Draft EIAs have been included in Appendix 4. Key stakeholders and groups will continue to be engaged as final EIAs are developed but it will also be important to consider how members, partners, staff and unions can be kept informed of EIA development and the screening process. In addition, where possible and proportionate to the decision being taken, there may be a need to assess the cumulative impact of the council's decision-making on individuals and groups affected in the light of funding pressures across the public and/or third sectors. The process will ensure that consideration is given to the economic impact of proposals.

18 Sustainability Implications

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

19 Health and Well-being Implications

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

20 Conclusion

- 20.1 The council is under a statutory duty to set its budget and council tax before 11 March each year. This report sets out the latest budget assumptions, process and timetable to meet the statutory duty. The Provisional Local Government Finance Settlement is due to be announced week commencing 15 December 2025, which will provide the certainty for the final envelope of resources that the Council will receive for the three year period to 2028/29, which will provide the basis of the final MTFS which comes to Cabinet and Budget Council in February 2025. The current set of budget proposals do not fully address the Budget Gap in either 2026/27 or across the MTFS, and therefore further options are being explored for the February report. If sufficient proposals cannot be found or agreed, then the Council is at risk of needing to seek Exceptional Financial Support from government in order to produce a legally balanced budget for 2026/27.

Supporting Documentation

Appendices:

1. Detailed savings 2026/27
2. Core Planning Assumptions
3. Transformation Programmes & Innovation Fund

4. Equality Impact Assessments for budget proposals
5. Review of Reserves and Provisions