

# A better Brighton & Hove for all



**Medium Term Financial Strategy  
2026/27 to 2029/30**

# Contents of the Medium Term Financial Strategy

1	A BETTER BRIGHTON & HOVE FOR ALL .....	3
	Our Vision and Priorities.....	3
2	OUR CURRENT SERVICES AND BUDGET.....	3
	Where the budget will be spent in 2025/26.....	4
	Where the funding comes from in 2025/26.....	4
3	DEVELOPING THE MEDIUM-TERM FINANCIAL STRATEGY.....	4
	The Financial Outlook .....	5
	Components of the Medium Term Financial Planning Process .....	6
4	SERVICE STRATEGIES .....	7
5	FAMILIES, CHILDREN & WELLBEING.....	7
6	HOMES AND ADULT SOCIAL CARE.....	11
7	CITY OPERATIONS .....	14
8	CENTRAL HUB .....	18
9	MEDIUM TERM FINANCIAL STRATEGY 2026/27 TO 2029/30.....	23
	MTFS Financial Planning Principles .....	23
	MTFS Resource Assumptions .....	24
	Commitments .....	27
	Investment to Support Service Strategies and Council Plan Priorities .....	28
	Projected Budget Shortfalls (Summary MTFS Projections).....	29
	Transformation and Savings Programmes .....	29
	Planned Programmes of Work .....	31
	Strategic Transformation Portfolio .....	31
	Transformation Fund .....	35
	Reserves & Risk Mitigation Strategy .....	37
	CIPFA Resilience Index Update .....	38
10	CAPITAL INVESTMENT PROGRAMME .....	39
	Capital Strategy .....	39
	5-Year Capital Investment Programme.....	40
	Capital Receipts .....	41
	Future pipeline of disposals.....	42
11	HOUSING REVENUE ACCOUNT (HRA) BUDGET & CAPITAL PROGRAMME..	42
12	SCHOOLS BUDGETS AND FUNDING.....	43
	Schools Block – Base 2026/27 Allocations.....	44
	Schools Balances Position .....	44
	School Budget Plans 2026/27 .....	44
	High Needs Block .....	45
	Early Years Block .....	45
13	BUDGET SENSITIVITIES & MEDIUM-TERM RISK MITIGATION .....	46
	ANNEX A: RESERVES AND PROVISIONS .....	48
	Summary of Key Reserves & Balances.....	48
	ANNEX B – RISK AND SENSIVITY ANALYSIS.....	52

## 1 A BETTER BRIGHTON & HOVE FOR ALL

### Our Vision and Priorities

- 1.1 Our vision is for Brighton & Hove to be a city to be proud of, a healthy, fair and inclusive city where everyone thrives.
- 2.1 To deliver our vision we will work to be a responsive council with well-run services. We will focus on four outcomes over the next four years as set out in our Council Plan. For each of the outcomes shown below, we set out what we will do and how we will measure progress. The detailed delivery plans are set out in the council's directorate plans and service strategies.

#### 1. A city to be proud of

- Investing in our city
- An accessible, clean, and sustainable city

#### 2. A fair and inclusive city

- An inclusive and fairer city
- A city where people feel safe and welcome
- Homes for everyone

#### 3. A healthy city that helps people to thrive

- A better future for children and young people
- Living and ageing well

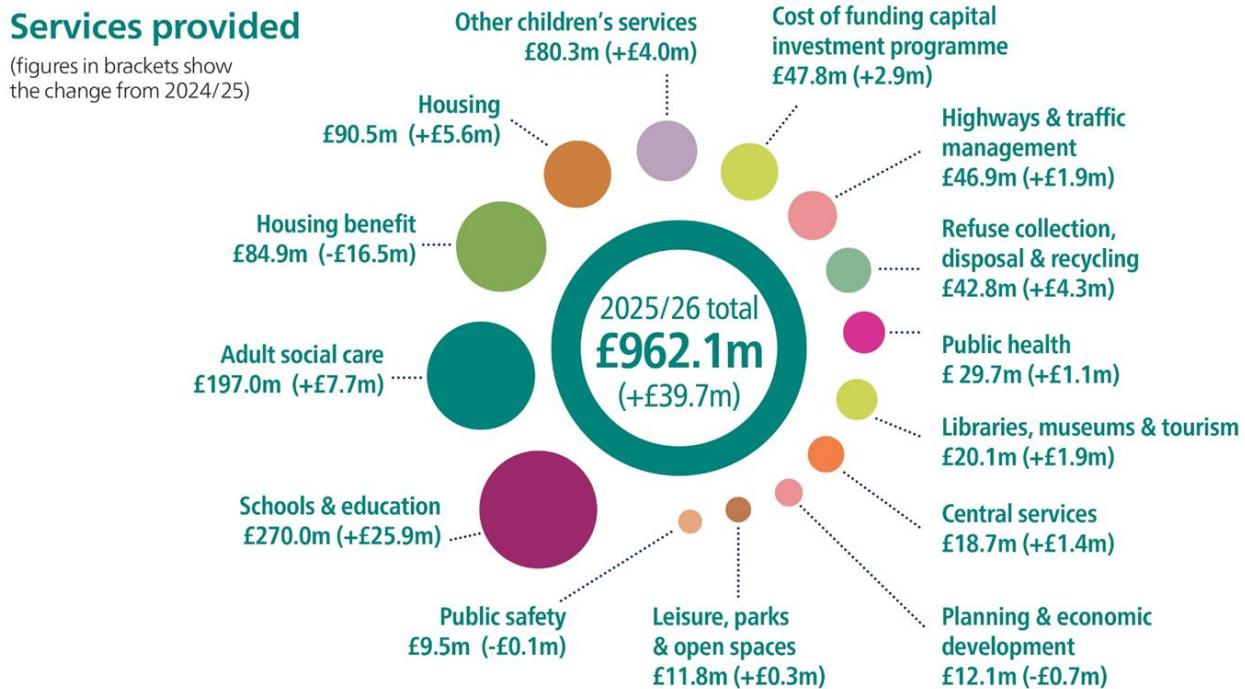
#### 4. A responsive and learning council with well-run services

- 3.1 To achieve these priorities we recognise that we need to operate as '**one council**' so far as residents, visitors and businesses are concerned, ensuring that we work seamlessly across our services and collaborate effectively with our partners and commissioned providers. The full details of our vision and priorities and how we will measure progress are set out in our Council Plan available here: [Brighton & Hove City Council plan 2023 to 2027](#)
- 4.1 The purpose of the Budget and Medium-Term Financial Strategy (MTFS) is to set out how the council will use its capital and revenue resources to support the priorities above and deliver its core services, many of which are statutory. The priorities above sit at the heart of the budget process, leading the approach to allocating resources and developing investment and transformation plans.

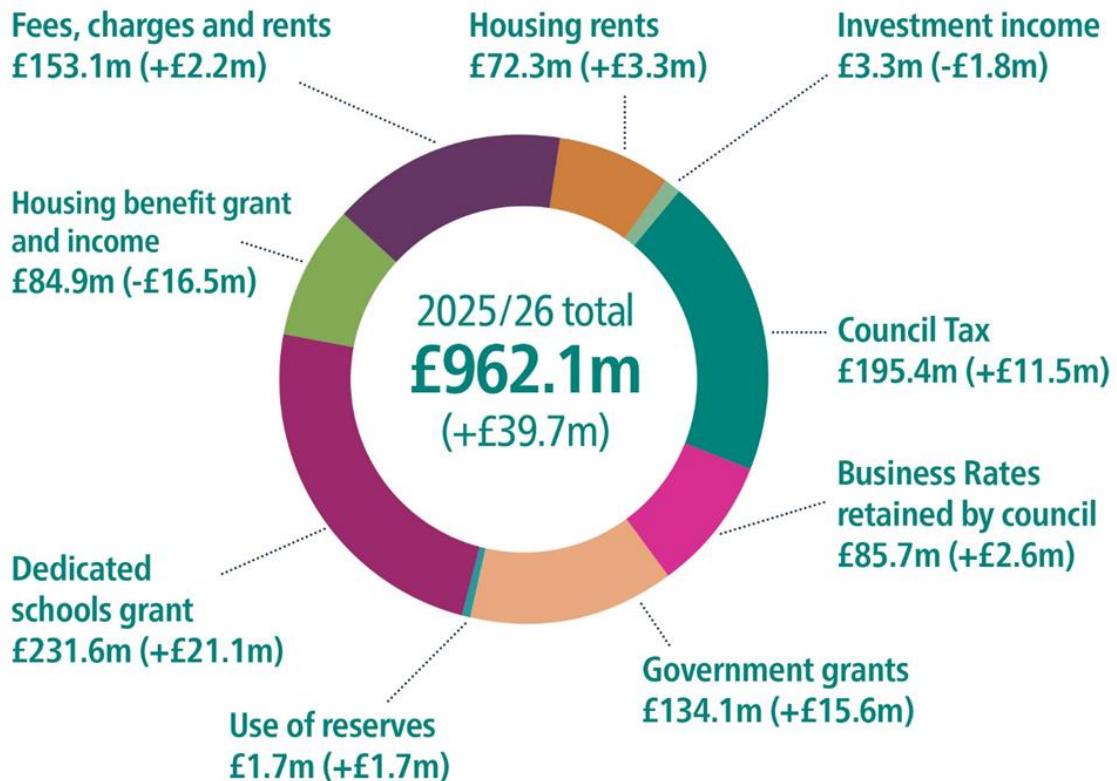
## 2 OUR CURRENT SERVICES AND BUDGET

- 2.1 Council staff deliver hundreds of different services for residents, businesses and visitors.
- 2.2 We conduct weddings, look after the seafront and downland, maintain the transport network, and maintain the city's parks and green spaces. Services we must provide by law include education services, children's safeguarding, children's and adult social care support, waste collection and disposal, planning and housing services, road maintenance, and library services.
- 2.3 In 2025/26 we are expecting to spend over £962 million delivering services for the city. It therefore costs £2.6 million a day to run council services. We are committed to spending this money as efficiently and economically as possible. The charts below show the major areas of service where money is spent followed by the primary sources of funding.

## Where the budget will be spent in 2025/26



## Where the funding comes from in 2025/26



### 3 DEVELOPING THE M

[Figures in brackets denote changes from the previous year]

3.1 The period covered in this strategy represents a challenging time for local authority finances, with inherent uncertainty in the financial planning process and significant ongoing forecast increases in demand for key services. This also represents the most

challenging time for Brighton and Hove City Council's finances in its history. Setting out clear financial plans is an absolute priority as the Council moves towards greater financial sustainability over the next 4 years.

- 3.2 Nationally, public finances look very challenging over the medium term, which has put continuing pressure on Local Government finances. The government's review of the allocation of local government resources under the Fair Funding Review, coupled with the Business Rates Reset, has resulted in the Council's core spending power increasing much more slowly than the assumptions within the MTFS.
- 3.3 The Council is currently experiencing significant and unprecedented pressures on statutory services, particularly in respect of emergency and temporary accommodation, adults and children's social care and home to school transport. These pressures place a huge strain on the Council's budget. In response, a comprehensive transformation programme has been developed to ensure that the Council can remain financially sustainable over the coming years. This includes programmes to reduce demand for statutory services (emergency and temporary accommodation, adults and children's social care), to drive commercialisation and income generation, to reduce spend on contract and buildings, and to drive greater efficiency across the Council through digital innovation and functional alignment. The budget strategy identifies funding to resource these programmes, and is also underpinned by asset disposals to generate capital receipts (as the Council continues to use flexible use of capital receipts to fund transformation activity).

## **The Financial Outlook**

- 3.4 The provisional Local Government Financial Settlement (LGFS) was announced on the 17 December 2025, which resulted in the council receiving £27.416m less resources over the multi-year settlement period of 2026/27 to 2028/29 compared to the previous MTFS assumptions.
- 3.5 LGFS provides for a 2.1% real-terms increase in core spending power in 2026/27 but this assumes that councils will make full utilisation of the allowable Council Tax increase (2.99%) and Adult Social Care Precept (2.00%). As the MTFS sets out later, locally there are projected budget shortfalls of more than £93 million over the next 4 years, which is a common scenario across the much of the sector, clearly indicating that the Local Government settlement does not go far enough in addressing the financial challenges local authorities continue to face.
- 3.6 The outlook for 2026/27 remains very challenging. The Council is still experiencing the impact of recent economic conditions, suppressing many of the council's income sources such as planning incomes and commercial rents, while higher interest rates and the impacts of increased National Living Wage and Employer National Insurance rates have also put increased pressure on commissioned and contracted service costs as suppliers and providers experience a higher cost base. This has disproportionately impacted the cost of and demand for the Council's Homelessness and Temporary and Emergency Accommodation services, where there is an impact of higher rents for tenants, compounded by landlords exiting the rental market due to the new burdens under the Renters Rights Bills. In addition, the cost of social care providers and home to school transport services are particularly affected. There is also an ongoing national and local lack of sufficiency for children's and adult learning disability, and mental health social care places, which is also driving up costs.
- 3.7 The level of pressures, particularly in emergency and temporary accommodation, means that it has been incredibly challenging to balance the 2026/27 budget without impacting on the Council's financial resilience to an unacceptable level. Savings proposals have been identified to reduce the gap, but given the exceptional demand pressures on emergency and temporary accommodation and social care, alongside

very low levels of reserves, the Council has requested Exceptional Financial Support (EFS) of £15 million from the government. This is part of a strategy to fully fund service pressures going into 2026/27, protect and increase levels of reserves, and provide sufficient time for savings to be delivered through the transformation portfolio. The MTFS is fully balanced over a 4 year period, and has taken account of the costs associated with EFS borrowing.

3.8 The final budget for 2026/27 proposes a total net General Fund Budget of £341.476m, an increase of £8.672m from 2025/26. The budget includes savings proposals of £20.749m and the following recommendations to full Council on Council Tax and the Adults Social Care Precept as follows:

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

3.9 The final 2026/27 Annual Budget and Medium-Term Financial Strategy 2026/27 to 2029/30 will be presented to Council for approval on the 26 February 2026.

## **Components of the Medium Term Financial Planning Process**

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

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

- **The Medium Term Financial Strategy (MTFS)** – this provides high-level spending and funding estimates, assumptions and proposals over a 4-year planning period at a strategic or programme level.
- **The Annual Budget and Council Tax** – it is a legal requirement to set a balanced budget and Council Tax each year, funded by taxation, government grants, retained business rates and fees, charges and commercial rents.
- **The Capital Investment Programme** – this is a rolling 5-year investment programme for the construction, acquisition or improvement of capital assets in support of Council Plan priorities, primarily funded by capital grants, capital receipts, or borrowing.
  - The council's capital programme has been substantially reviewed to improve alignment with Council Plan priorities. A number of schemes were decommitted, resulting in reduced capital financing costs. This process will continue into 2026/27 and future years, overseen by an officer-led Capital Programme Board, to further improve alignment with priorities, continue to assess affordability, and consider opportunities to invest in new schemes that will support the Council Plan.
  - A Capital Programme review would entail a review of the Capital Financing budget in terms of the revenue implications of changes in capital decisions. The current capital investment plans results in substantial capital financing costs in the form of both interest and Minimum Revenue Provision (MRP) charges for schemes supported by borrowing. Where schemes do not support Council Plan priorities they should therefore be decommitted or reduced as far as practicable to reduce pressures on the revenue
- **The Innovation Fund** – a fund that utilises capital receipts from the disposal of capital assets to fund *one-off* revenue costs to support change and transformation. This fund therefore enables the Strategic Transformation Portfolio, new Invest-to-Save business cases and other costs to underpin the delivery of council wide transformation and savings to achieve a balanced MTFS.

## 4 SERVICE STRATEGIES

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

## 5 FAMILIES, CHILDREN & WELLBEING

### **Supporting a Better Brighton & Hove for All**

- 5.1 The Families, Children and Wellbeing Directorate brings together different services for children and families including education and learning, family help and protection, libraries, community cohesion, Public Health and support for skills and employment. Much of the education and special educational needs provision is funded through the ring-fenced Dedicated Schools Grant (DSG). This budget strategy is focused on General Fund spend.
- 5.2 The main area of General Fund spend relates to the placement costs for children and young people in care. Spend on children's placements is under pressure given the national placement sufficiency issues. There is a national shortage of both foster care placements and residential provision. This has resulted in children being placed in provision based on availability rather than need, often at an inflated cost.
- 5.3 Nationally the number of children with child protection plans and children being brought into care has continued reduced slightly over the last reported 12 months. Over recent years the numbers in Brighton & Hove have been reducing in the context of national rises. During 2025 the number of children subject to a child protection plan has remained relatively steady. The number of children in care, including unaccompanied asylum-seeking children, has risen slightly with the complexity of need increasing.
- 5.4 There has continued to be high numbers of children and young people experiencing emotional health and wellbeing difficulties and this together with an increase in the number of children with disabilities and complex needs requiring special residential provision continues to place huge pressure on budgets. Both locally and nationally, there has been an increase in the number of adolescents requiring intensive support due to the vulnerability to exploitation in all its forms.
- 5.5 Our vision is for a Directorate that is ambitious and committed to working with others to provide services and support that provide a better Brighton and Hove for all. We want to support Brighton and Hove to be a healthy city, where people thrive; where children, young people and families have a better future. We are committed to operating as One Council, working together and across to both improve outcomes and reduce costs. Inevitably, this will require difficult decisions in balancing untargeted, non-statutory support with preventative, statutory and safeguarding provision.

## **About the Services**

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

### **Education and Learning**

This service area includes:

- Education including partnerships, school organisation, Access to Education and Hidden Children.
- Virtual School for children in care and those previously in care and those open to children's social work services.
- Inclusion Support Services for schools including Education Psychology services and Schools Wellbeing services.
- Special Educational Needs statutory service.
- Nurseries and Early Years.

### **Family Help and Protection**

This service area includes:

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

### **Commissioning and Communities**

This service area includes:

- Commissioning services including children's placements; Home to School Transport.
- Community cohesion services including community safety, Prevent and Violence Against Women & Girls
- Libraries and customer.
- Safeguarding Children Partnership, Quality Assurance and Performance Management.
- Adult Education, Employment and Skills.
- Third Sector commissioning.

### **Public Health**

This service area includes:

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

## **Supporting the Council's Priorities**

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

### **A city to be proud of**

- Develop a Library Sustainability Plan to ensure a thriving provision of services for residents across the city

### **A fair and inclusive city**

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

### **A healthy city that helps people to thrive**

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

### **A responsive and learning council with well-run services**

- Meet the needs of our residents and other customers through an improved customer offer in libraries.

### **Medium Term Budget Strategy**

5.8 We will work collaboratively within and across all directorates and with key partners to deliver safe and whole family services which focus on prevention, improving outcomes for all and provide value for money. We are committed to delivering inclusive and accessible provision.

5.9 To achieve this, we will:

- Work across the directorate and wider council to provide efficient, high-quality services that meet need and provide value for money.
- Explore opportunities to deliver services in partnership with others on both a Sussex and South-East regional basis.
- Commission services that meet statutory duties whilst supporting the delivery of a better Brighton and Hove for all, ensuring effective contract management is place.

### **Transforming Services and Managing Demands**

5.10 The directorate has reviewed all the services it delivers, identifying those that are essential and making efficiency savings wherever possible. Essential services include those that are statutory, those where a business case demonstrates the service is the best use of resources and those that generate income for the council.

5.11 The children's social care reforms as outlined in the forthcoming Children's Wellbeing & Schools Bill will have a significant impact upon how family help and protection is delivered in the city from 2026. This will be an opportunity to expand the scope of our Family Hubs and build upon our Outstanding children's social work services, meeting need at earlier point and thereby avoiding escalation into more costly interventions. The Brighton & Hove Children's Safeguarding Partnership has developed a partnership model of practice and the Right Support, Right Time continuum of need – it is anticipated these will support family help being provided at the earliest point, thereby reducing escalation into statutory services.

5.12 The council is part of the Department for Education's Regional Care Co-operative pilot, a partnership of 15 local authorities across the south-east who have committed to work together to through a joint commissioning and procurement approach to shape the children's placement market. It is anticipated this joint working and commissioning power will address sufficiency issues, resulting in the right placements for children being available at a cost that reflects market value as opposed to availability.

5.13 There are a number of savings that have been proposed in order to support the council's overall financial position. These include

- Identification of alternative funding streams to enable non statutory services to children and families to continue to be provided.
- Children's Social Care transformation.
- Youth Arts and Participation.
- Family Help.
- Adoption Allowances.
- Transfer of Council run Nursery to an alternative early years provider.
- Libraries savings.
- General Efficiencies.

### **Investment in Services**

5.14 The following investment in services is planned to meet demographic and other cost increases to maintain investment in priority services and meet statutory requirements:

- Support for Children in Care.
- Home to School Transport.
- Support for Children with Disabilities.
- Schools PFI Contract.

5.15 This investment will ensure the council is able to meet its statutory obligations to keep children safe, promote the education of children with SEND and support the development of a healthy city where people thrive.

## 6 HOMES AND ADULT SOCIAL CARE

### Supporting a Better Brighton & Hove for All

6.1 The Homes and Adult Social Care directorate was created in January 2025. The directorate primarily contributes to the council priorities of being a fair and inclusive city, a healthy city where residents thrive and providing responsive and well-run services. Both Adult Social Care and Housing have seen regulatory inspections and ratings being re-introduced by the Care Quality Commission (for Adult Social Care) and the Regulator for Social Housing (RSH) and Building Safety Regulator for Housing (for Housing). Following engagement with the RSH, the safety and quality of our housing stock was rated C3 and for ASC our inspection by CQC led to a rating of Requires Improvement.

#### About the Services

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

#### Housing services include:

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

#### Adult Social Care services include:

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

#### Supporting the Council's Priorities

##### A city to be proud of

- Through the Joint Health and Wellbeing Strategy, Adult Learning Disability Strategy, Autism Strategy, and our contribution to the Accessible City Strategy, we are supporting people to have improved lives and access to the city.

- Our commissioning always considers how we can be more sustainable and contribute towards carbon net zero. We also aim to maximise social value through our commissioning.
- Continue to develop strategies and business cases to provide genuinely affordable homes.
- Urgently address building safety and regulatory issues with clear action plans and appropriate resourcing.
- Increase participation in civic and community life through neighbourhood engagement and participatory strategies.

### A fair and inclusive city

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

### A healthy city that helps people to thrive

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

### A responsive and learning council with well-run services

- We work with partners across the city to focus on the health and wellbeing of our residents. Through meticulous budget management and good governance, we aim to have resilient, safe, and effective services fit for the future.
- Improve customer contact systems throughout the service and provide more accessible information on key services for residents.
- Ensure equalities data is monitored and informs service improvement.

### Medium Term Budget Strategy

6.3 The budget strategy seeks to ensure that we deliver good quality housing, good experiences when seeking housing or advice about housing as well as adult social care services that promote independence, keep people safe, and prevents the need to visit acute health settings. These delivery intentions are supported by investments and proposals of savings and mitigation against the context of increasing demand, increasing complexity, and increasing costs.

6.4 The strategy will require collaborative working across the Integrated Care System with NHS Sussex and joint management of provider sufficiency. Effective management of hospital discharge will be key to avoiding increased acuity and need for social care.

6.5 Across the Homes division, ensuring effective use of the Homeless Prevention Grant in tandem with the council's objective of significantly increasing housing supply is key to managing and preventing future demand and costs. A wide range of options and

incentives to landlords and tenants are being explored and are covered in the MTFS to use every possible method of meeting demands until supply can be improved.

## **Transforming Services and Managing Demands**

### **Homes:**

- 6.6 The demand for, and cost of, temporary accommodation together with the increasing complexity of need amongst those living in temporary accommodation remains the challenge for the General Fund budget of the directorate. Radical actions have been taken to enable the council to meet the increasing demand in an affordable way whilst ambitious solutions such as increasing housing supply take place. Other saving and mitigation proposals include increasing our housing stock through a new wholly council-owned company as well as continuing the work of the joint venture with Hyde Housing.
- 6.7 The HRA budget aims to balance the priorities of the council and its tenants and leaseholders and reflects a range of council policies and programmes on customer service, repairs and planned maintenance, capital investment in housing and engagement. There are no savings required in the HRA overall, however budget pressures, in particular activities such as building health and safety compliance works, means there will be impacts on other areas of the budget in the medium term.

### **Adult Social Care:**

- 6.8 The demand for services continues to grow and the complexity of need continues to increase due to the continued advances in medicine and people living longer with limiting conditions. These challenges mean that the saving proposals are focused on managing demand by triaging referrals so that those who are not eligible for adult social care services are referred to organisations that can help with their identified needs; ensuring that annual reviews of service users take place so that care packages are appropriately designed to meet the current needs of residents as well as managing the annual price reviews of providers whilst finding ways to support the care workforce.
- 6.9 Over the last two or three decades, the funding of Adult Social Care has attracted a lot of debate. The Care Act had two parts: the first related to national minimum standards of expectations and this has been in force since 2014; the second is related to funding; ten years on and this has not been enacted. Meanwhile, the demand for services and the complexity of need continues to grow. Within the context of increasing demand and acuity of need, the council must deliver services within finite resources and therefore when determining the provision of services to meet need, it must do so in the most cost-effective way possible.
- 6.10 Brighton and Hove has a diverse range of providers – in-house services, not for profit providers and for-profit providers (the latter two types of providers are known as the private and independent sector). In commissioning to meet need and delivering best value, the council will provide services where the private and independent sector cannot deliver or is no more cost effective than the council; where the independent sector can support residents with good quality care at a more cost-effective cost than the council then in order to meet needs within the budget, the council will commission providers in the independent sector. This will see a considerable change in the mix of provision over the medium term.

### **Investment in Services**

- 6.11 Over the 4-years, estimated cost and demand pressures of over £31 million are projected across Adult Social Care services. This is in addition to provision for real terms uplifts (inflation provision) of around £16 million. Based on expected increases in Core Spending Power over the medium term, these costs would put the authority into

financial deficit without clear plans to address costs. Adult Social Care will contribute to this effort but will need to ensure statutory duties are met.

6.12 Homelessness costs have been increasing significantly since the pandemic with only some of this being matched by Homeless Prevention and Rough Sleeping Grants. There is an £11 million investment in 2026/27 to reflect the increase in the cost of homelessness, but there is also a significant programme of transformation to address the cost of and demand for Temporary & Emergency Accommodation in 2026/27 and future years.

## 7 CITY OPERATIONS

### **Supporting a Better Brighton & Hove for All**

7.1 City Operations' focus is on making the city a vibrant place where people want to live, visit and do business, and where the unique character of Brighton and Hove is celebrated and enhanced. This includes making the city an accessible and sustainable place where people are well-connected and can enjoy an attractive, well-maintained built and natural environment.

7.2 The focus during 2026/27 is driving innovation and the sustainable transformation of service delivery, ensuring our services are reliable, well-run and support the continued improvement to the look and feel of the city. We will work in partnership to make progress towards our net zero ambitions, seeking to work with others to bring forward innovative projects such as the development of a solar farm, and seeking to secure a strategic energy partnership. As we work with others, we will collaborate to with our residents and businesses to find improvements to the services we offer, offer new paid for services and finding opportunities to work with the amazing army of volunteers across the city. More widely, we will develop our commercial strategy, bringing forward new ideas that capitalise on the unique assets and heritage of our city, and drive income through our venues and events, whilst protecting our open spaces and aligning our income ambitions with the place we want to become, A Better Brighton and Hove for All. Our focus will also be on working with partners to prepare for the opportunities that a new Sussex & Brighton Combined Mayoral Authority will bring to our place-based ambitions.

### **About the Services**

#### **Place**

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

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

#### **City Infrastructure - Transport & Regulatory Services**

7.5 City Infrastructure develops clear plans to address the city's current and future transport needs, working closely with Transport for The South East (TfSE) and other transport partners to deliver major highway infrastructure projects on key travel routes, such as Valley Gardens. A key priority is to maintain and improve the city's transport

network to transform user experience, increase resilience and extend the life of key highway assets, including managing the risks posed by flooding and protecting coastal highway structures. The service also ensures the city keeps moving through regulating road use, managing on-street and off-street parking and ensuring that all works are coordinated on the highway. Influencing people's travel choices to reduce congestion and support improvements in air quality is also an important focus, providing sustainable transport options including enhancements in public transport, walking and cycling schemes, concessionary travel and an electric vehicle charging network.

7.6 Regulatory Services provides a broad range of services including Food Safety, Environmental Protection, Health & Safety, Licensing, Trading Standards and Animal Licensing. The budget is linked to statutory functions to provide a wide range of Environmental health and regulatory services which protect public health.

### **Environmental Services**

7.7 Environmental Services delivers recycling, refuse and street cleansing services to improve the cleanliness of the city and meet the council's environmental obligations. This includes traded commercial, bulky and garden waste services to residents and businesses across the city. Through the delivery of major projects, focused on reducing waste, maximising recycling and minimising waste sent to landfill, the service delivers ongoing and significant projects. This focus will continue with ongoing changes to increase the materials that can be recycled, further embed behaviour change linked to the new food waste collection service, and ongoing improvements to the service through digital and cultural transformation.

### **Culture & Environment**

7.8 Culture & Environment manages the city's visitor economy assets including the Brighton Centre, parks and the seafront to ensure the city remains a leading national and international visitor destination. It oversees an annual programme of varied and inclusive major outdoor events and community events to promote the city, and manages major contracts with key culture providers, including the Royal Pavilion Museums Trust and Brighton Dome & Brighton Festival, to ensure they have a diverse reach and contribute to the city's economic ambitions. The service is responsible for managing and conserving every park and green open spaces, ensuring that our spaces are accessible whilst conserving and managing habitats and spaces where plants and animals can thrive, and biodiversity is restored.

7.9 The service also leads the delivery of the council's ten-year plan for revitalising sports facilities and manages contracts with the RNLI for the seasonal beach lifeguards service, leisure contract, and investments in key leisure assets.

### **Digital Innovation**

7.10 The IT & Digital (IT&D) service has been an in-house function working in partnership with East Sussex County Council and Surrey County Council. This partnership has delivered significant savings, but as we approach a period of significant transformation, with digital at the heart of the changes in many services, 26/27 will be about embedding a new sovereign service, tailored to the needs of Brighton & Hove. The service has supported digital innovation across the council, supporting the trialling of new technologies that will enable transformation of council services, both in terms of efficiency and in terms of managing demand.

### **Supporting the Council's Priorities**

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

## A city to be proud of

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

## A fair and inclusive city

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

## A healthy city that helps people to thrive

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

## A responsive and learning council with well-run services

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

## Medium Term Budget Strategy

7.12 City Operations fulfils a specific place making role for Brighton and Hove, leading the city towards achieving net zero carbon, building people's pride in place and supporting the growth of a diverse and resilient economy. Key directorate objectives for 2026/27 include:

- Delivering a programme of digital innovation that will see significant savings over the next 4 years.
- Delivering a new events strategy that will be underpinned by community engagement and priorities, whilst driving increased income in areas such as filming.
- Delivering key improvements to the council's sports facilities in line with the Sports Facilities and Investment Plan, which ensure increases in income and capitalising on new trends on sport and leisure activity.
- Developing a new sustainable local Transport Plan for the city, and ensuring investment in road maintenance provides the greatest value for money and alignment with the cities transport priorities.
- Implementing progressive service changes as part of the Environmental Services improvement programme including a new model of collection, increases in recycling and ongoing improvements in the service.
- Progressing the city's major regeneration and infrastructure projects.
- Working with Homes and Adult Social Care to deliver new council homes and affordable homes through the New Homes for Neighbourhood Programme and Homes for Brighton & Hove joint venture.

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

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

### **Investment in Services**

7.14 A wide range of capital and revenue investments are planned across City Operations to support the achievement of priorities and help to deliver transformation and savings programmes as follows:

- Long term capital investment to renew and strengthen the infrastructure of the city will continue, to ensure effective management of the highway network and improve air quality, along with the delivery of major regeneration projects to bring about quality new affordable housing and business space whilst generating income from land and property assets and increasing business rate and council tax returns.
- Working with Homes & Adult Social Care to provide continued investment in the development of new Council housing through the New Homes for Neighbourhood Programme and new living wage rent housing through the Homes for Brighton & Hove joint venture.
- Delivering major regeneration programmes to generate further revenues each year in new council tax and business rates.
- Investment in Seafront Infrastructure, including £8m investment in progressing the restoration of Madeira Terraces.
- Implementation of the new 10-year Sports Facilities Investment Plan, including progressing the delivery of a new Leisure Centre to replace the King Alfred.
- Implementation of the City Downland Estate Plan with over 60 actions prioritised into a short, medium, and long-term programme of projects, using natural capital and generating income.
- Continued investment in the city's cultural assets including working with the creative industries in the city around future workspaces and income generating opportunities.
- Delivery of the Royal Pavilion Estate Masterplan, to ensure the city's heritage assets life is protected and remains accessible to residents and visitors to the city.
- Delivery of the Local Transport Plan capital programme to provide integrated transport projects and a maintenance programme of carriage and footway resurfacing works on the transport network.
- Continued investment in the city's electric vehicle charging network utilising government grant funding.

- Investment of £8m in the Brighton Marina to River Adur coastal protection scheme in partnership with other Authorities and with significant investment from the Environment Agency.
- Investment in the city's playgrounds, parks and open spaces including the Stanmer Park Master Plan restoration project.
- Investment in the Fleet Strategy to ensure services are delivered efficiently through the use of the council's fleet.
- Investment in the city's tree collection to tackle the impacts of elm disease and ash dieback.
- £1m capital investment in the city's public toilets.
- Continued investment in Environmental Services infrastructure and operational sites to improve the working environment and impact on the service's carbon footprint.
- Investment in business systems to improve service performance and customer experience.

## 8 CENTRAL HUB

### Supporting a Better Brighton & Hove for All

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

### About the Services

- 8.4 The primary services provided by Central Hub include:

## Cabinet Office

- Plays a key role in developing, guiding and internally promoting key strategies and acts as a liaison between the Administration and officers to drive policy development and develop strategic partnerships across the city.
- Leading the Council's application for local government reorganisation under the government's devolution priority programme, and liaising with external stakeholders within and outside the public sector.

## Property & Finance (including WRBS, procurement, internal audit & counter fraud)

- Provides strategic planning and management of the council's commercial, agricultural, heritage and operational property portfolio.
- Finance, including the statutory Section 151 Chief Financial Officer role, overseeing the delivery of the council's annual and medium term financial planning processes, ensuring sound financial management across the Council, as well as a wide range of financial advisory and statutory services.
- Internal Audit & Counter Fraud provides wide ranging reviews of services and systems to ensure effective internal controls and governance are in place and that fraud risks are minimised.
- The procurement service supports the development of procurement strategy and policies including sustainability, Environmental, Social & Governance strategy, social value and modern slavery. It also supports procurement of goods and services to the value of approximately £300m per annum and manages and authorises waivers of Contract Standing Orders.
- Welfare, Revenues and Business Support (WRBS) which includes:
  - Provision of strategic support and policy development for responding to welfare reforms, as well as direct delivery of local welfare support, assistance and advice.
  - Collection and recovery of Council Tax (and Council Tax Reduction Scheme), Business Rates, Sundry and Corporate Debts.
  - Processing of Housing Benefit claims and managing the transfer to Universal Credit.
  - Provision of Payroll Services to the council, schools and other contracted organisations and processing of payments to the council's suppliers and providers (Accounts Payable).
  - Provision of banking, purchasing card and urgent payment services.
  - Support for the development and management of major corporate financial, HR and Payroll systems.

## People & Innovation including Communications & Public Relations

- Human Resources sets our workforce policies and strategies, recruitment and employee relations, so we can recruit, retain and support the talent we need to deliver high quality services now and into the future.
- Health, Safety, Wellbeing, Facilities and Building Services provides operational and strategic support to the council under the Health and Safety at Work etc. Act, including policy development and monitoring, governance and assurance and complete management of our corporate landlord portfolio of properties including reactive repairs and maintenance so we provide a safe working environment to deliver public services.
- The Strategic Communications and Engagement service provides two-way public and internal communications and engagement that share information about the

council's decisions, policies, priorities and services and ensures residents' voices are heard and reflected in the council's work, alongside managing content on our website, upholding the integrity of our brand, and meeting our statutory warning and informing duties to support community and organisational resilience.

- The Innovation service drives transformation and improvement initiatives across the organisation including enabling delivery of financial strategy. It seamlessly integrates Corporate Programme Management Office, Business Improvement, Corporate Performance and Risk Management, Customer Experience (including complaints handling) and Information Rights functions, ensuring a synergistic approach to driving change, efficiencies and corporate governance oversight.
- Learning, Inclusion and Organisational Development works to operationalise our Learning Framework throughout our organisational culture so we can be a more connected, confident, creative and innovative, diverse and inclusive and healthy and psychologically safe organisation to deliver our best for the city. We support the organisation's development through work on skills and capability, training, leadership and workforce development, apprenticeships and strategic Equality, Diversity and Inclusion programmes.

### **Legal, Democratic and Electoral Services**

8.5 Legal and Democratic Services ensure Members, officers and the public can rely on strong democratic governance and lawful exercise of Council functions. The Teams deliver solution-focused legal advice and support ethical and transparent decision-making, keeping our committee system moving smoothly, supporting effective scrutiny, and providing the foundations for accessible, inclusive civic participation across the city.

8.6 Alongside this, the service delivers high-impact operational functions that touch residents at key moments in their lives. Electoral Services run safe, secure and well-organised elections; Registration Services support births, deaths and memorable ceremonies; Local Land Charges enable property transactions with accuracy and pace; and the Coroners and Mortuary teams investigate sudden or unexplained deaths and provide dignified, secure mortuary and post-mortem facilities with professionalism, independence and care.

8.7 Together, these teams provide services that are legally robust, customer-focused and essential to the effective delivery of Council functions.

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

### **Supporting the Council's Priorities**

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

8.10 A key determinant of the demands placed on Central Hub is therefore the level of change experienced across the organisation. This has been and remains at very high levels due to the cumulative effect of the growing financial challenges requiring ever greater innovation in everything from digital services to corporate debt management to financing strategies that help resources and services go further. This creates a tension between the need to provide cost effective support functions while ensuring that the

council and its services have the support to make sound business judgements and decisions that minimise legal, financial, employment, equality, health & safety, governance, internal control and other risks.

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

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

#### **A city to be proud of**

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

#### **A fair and inclusive city**

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

#### **A healthy city that helps people to thrive**

- Supporting the development of the Employment and Skills Plan.
- Providing key financial advice and support to enable School Organisation changes including implications for the DSG, General Fund, Housing Revenue Account and/or Capital Resources.
- Ensuring effective legal support and advice to support safeguarding and child protection including through decisions of the court.

- Providing communications plans which are an essential part of promoting health and wellbeing in the city and enabling behavioural change.

### **A responsive and learning council with well-run services**

- Proactively listening and responding to resident concerns through increased use of digital channels of communication and engagement to ensure the council becomes a learning organisation able to continually improve services.
- Driving improvement and innovation by marshalling project and programme management resources to support transformation and savings programmes.
- Enable the successful delivery of digital improvement projects and programmes through the co-design and co-delivery of underpinning technologies, platforms and services with IT&D to support services in delivering corporate priorities.
- Implementing the Corporate Systems Improvement (CSI) programme to modernise corporate HR, Finance, Payroll and Procurement systems to improve the integration of data, increase automation and efficiency including through the use of emerging AI technologies, and improve customer service.
- Developing a people strategy designed to ensure we are a learning organisation that has an engaged and motivated workforce who are able to deliver their best to the city and enable all priorities to be supported.
- Supporting the organisation to ensure it fulfils its legal and moral health & safety responsibilities to provide a safe working environment where staff are supported to be happy and well.
- Through procurement, ensuring that the city council's spending power is used to secure good value for money and, as far as possible with contract regulations and market conditions, to procure local services, and improve sustainability and social value.

### **Medium Term Budget Strategy**

8.13 The MTFS delivery strategy for the Central Hub will be delivered under the following key heading:

8.14 Strengthened, Commercially Minded Asset Management

- Central Hub will adopt a more commercially minded approach to managing the council's assets.
- Disposal of selected assets will generate essential capital receipts to support the MTFS.
- Operational buildings will be used more efficiently through targeted rationalisation.
- Planned investment will be prioritised to ensure resources deliver maximum value.
- The wider estate will be managed strategically, with a stronger focus on financial performance.

8.15 Transformation of Service Delivery

- All contractual arrangements will undergo systematic review to ensure value for money and alignment with council priorities.
- Improvements to corporate systems will streamline workflows and unlock new income opportunities.
- These changes will enhance responsiveness, efficiency, and financial resilience across services.

8.16 Adoption of New Delivery Models

- Central Hub will maximise the use of existing digital platforms to reduce manual effort and improve productivity.
- Services will expand income and commercial opportunities through new models, partnerships, and innovative approaches.
- Operating models will be refreshed to ensure services remain efficient and fit for purpose.

#### 8.17 Refocus Resources on Core Priorities

- Funding and activity across services will be reassessed to ensure alignment with strategic priorities.
- Resources will be redirected to critical outcomes, with services stepping back from lower priority activities where necessary.
- This reshaping of effort will support long term MTFS sustainability and improve organisational support.

#### **Investment in Services**

Investment in Central Hub will be through a mix of revenue, capital and Innovation Fund resources as follows:

- Investing in additional resources to restructure and build resilience in the Emergency Planning Function;
- Investing in the core finance and payroll systems, including the Corporate Systems Improvement Programme;
- Investment in the Commercial Property Portfolio:
  - Stabilising the income received from commercial properties;
  - Transformation programme investment which will review and dispose of surplus or underperforming assets;
  - Capital investment through the Commercial Asset Investment Fund to ensure retained assets are properly maintained to optimise income;
- There will be Innovation Fund investment in project and programme management support, the Workspace Innovation Programme, and additional HR and Leadership Development and Finance support to drive innovation and change.
- Transformation Programmes managed by the directorate that aim to:
  - Drive organisational change through digital innovation, functional alignment and review of delivery models;
  - Achieve economies through improved procurement and contract management;
  - Reduce Corporate Landlord (estates & facilities) costs over the medium term, and dispose of surplus assets.

## **9 MEDIUM TERM FINANCIAL STRATEGY 2026/27 TO 2029/30**

#### **MTFS Financial Planning Principles**

9.1 Local authorities have operated with single year settlements for a number of years, which has hampered the ability to set Medium Term Financial Strategies with the uncertainty of changes in funding beyond the coming financial year. The 2026/27 budget is being set in the context of a three year settlement, which provides certainty over the level of resources and therefore enables more sound planning over the medium term.

9.2 The council's Medium Term Financial Strategy will need to recognise that investment in transformation and change will be critical to achieve longer term financial sustainability. The broad principles adopted in development of the MTFS include:

- A focus on ensuring that capital and revenue resources and investment support Council Plan priorities;
- Development of associated Service Strategies to link revenue, capital and transformation plans and programmes across the council;
- Realistic, evidenced-based funding and inflationary assumptions using government OBR forecasts where local evidence is not available;
- A balanced MTFS and balanced annual revenue budgets with only planned drawdowns of reserves and balances;
- A fully funded 5-Year Capital Investment Programme including provision of a corporate Innovation Fund held centrally;
- Regular reviews of reserves and the Working Balance to ensure appropriate coverage for emerging risks and provision of appropriate risk reserves and balances;
- Budget envelopes ('blocks') set for each Directorate to ensure delivery of services within available resources;
- An assessment of cost and demand pressures that are identified and agreed as part of the MTFS to ensure scrutiny, ownership and accountability;
- Robust savings, efficiency and mitigation plans which are owned, tracked, and monitored;
- Identification and assessment of budget risks to ensure an effective risk management and mitigation strategy;
- Reviews of fees & charges to ensure all charges consider commercialisation and current rates of inflation.

### **MTFS Resource Assumptions**

9.3 In the context of the provisional settlement and national economic forecasts, this section sets out the key resource assumptions to be adopted over the 4-year planning period.

#### **Council Tax increases and Tax base Changes**

9.4 Current Council Tax referendum principles were announced by the government as being maintained over the multi-year settlement period until 2028/29. The MTFS assumes that the referendum principles will continue into 2029/30. This allows for a 2.99% annual increase to Council Tax and a 2.00% Adult Social Care precept.

9.5 Tax base growth estimates are based partly on historic trends and partly on known and expected housing developments over the next few years. Note that no changes to the Working Age Council Tax Reduction Scheme (CTRS) are assumed for the period.

<b>Council Tax Assumptions</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
Council Tax Increase	2.99%	2.99%	2.99%	2.99%
Adult Social Care Precept	2.00%	2.00%	2.00%	2.00%
Tax base increase (growth)	1.21%	0.86%	0.86%	0.86%
Council Tax Collection Rate	98.75%	98.75%	98.75%	98.75%

9.6 Potential risks and issues include:

- Changes in Second Homes and increased empty homes premiums;

- Reduction in Council Tax collection rates leading to increased bad debt provisions;
- Delays in developments creating overstatement of Council Tax taxbase;
- Council Tax Reduction caseload numbers (dependent on economic conditions).

### Business Rates Increases and Tax base

9.7 The Business Rates system has been reset for 2026/27 with the accumulation of growth in the system so far redistributed to local authorities based on the Fair Funding Review assessment of need. The 2026/27 budget includes no inflationary increase or growth assumptions due to the reset. The below table details the growth and inflation assumed over the remaining MTFS.

Business Rate Assumptions	2026/27	2027/28	2028/29	2029/30
BRR CPI Increase (OBR)	n/a*	2.29%	2.02%	1.98%
Tax base increase	n/a	0.50%	0.50%	0.50%

*\*note: no Inflationary increase included in 2026/27 due to a full business rates reset in the year.*

9.8 Potential risks and issues include:

- Growth or inflation assumptions are overestimated, impacting on future income level;
- The risk that appeals provisions could be understated requiring additional one-off resources;
- Collection performance impacted by economic conditions and prosperity.

### Fees and Charges

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

Fees & Charges Assumptions	2026/27	2027/28	2028/29	2029/30
General increases	3.0%	3.0%	3.0%	3.0%
Parking Penalty Charge Notices	0.0%	0.0%	0.0%	0.0%
Temporary Accommodation	2.0%	2.0%	2.0%	2.0%

### Government grants

#### Revenue Support Grant (RSG)

9.10 As described in the Budget Report, several funding streams have been rolled into RSG within the Fair Funding Review (FFR) from 1 April 2026. In addition, there are four consolidated funding streams (Public Health Grant, The Crisis & Resilience Fund, Homelessness, Rough Sleeping & Domestic Abuse Grant, and the Children, Families & Youth Grant).

9.11 The below table shows the provisional Local Government Finance Settlement (LGFS) allocations over the three year settlement period, and the equivalent total for 2025/26.

9.12 The multi-year settlement to 2028/29 transitions local authorities to their new funding allocations by the end of the three year period through changes in the RSG. The reductions in 2027/28 and 2028/29 reflect the second and third year transition over to the council's new funding allocation.

Government Grants	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
RSG (2025/26 adjusted for rolled in grants)	76.774	75.522	66.480	57.591	57.591
The Better Care Fund	11.669	11.669	11.669	11.669	11.669
Public Health Grant	29.375	29.751	30.006	30.288	30.288
Crisis & Resilience Fund	4.503	3.982	3.980	3.841	3.841
Homelessness, Rough Sleeping and Domestic Abuse Grant	10.726	9.353	8.924	8.068	8.068
Children, Families and Youth Grant	2.687	3.827	3.794	3.364	3.364

The above table includes the following assumptions:

- All grants received in 2029/30 will be the same value as in 2028/29 on the basis that the Council will fully transitioned to its revised FFR allocation;
- The Better Care Fund is presented within RSG in the Governments presentation from 2027/28 onwards temporarily due to upcoming reform. This has been presented as a separate line for the purposes of comparison.

### *Other Grants*

9.13 There are other grants received across a whole range of services such as the Housing Benefit Subsidy, Extended Producer Responsibility (EPR) grant, PFI Credits, Bus Service Improvement Grant, Asylum grant, and a number of grants to support schools & education such as Dedicated Schools Grant, School Meals and Pupil Premium. These are provided by government outside of the LGFS, and are budgeted for individually depending on the relevant government announcements of those grants.

### *Corporate Inflation Provisions & Assumptions*

#### *Pay*

9.14 The pay award for 2025/26 for all NJC salaries and JNC Chief Officers was 3.2% for all grades. However, the 2025/26 budget included 2.75% and creates a pressure of £0.827m when rolled forward into 2026/27.

9.15 The current pay award assumption for 2026/27 is 2.75% on the basis that inflation has reduced during 2025/26 as predicted by the OBR and is expected to remain lower during 2026/27. Pay has been a significant financial risk over the past 3 years during a period of very high inflation. The pay award assumption is higher than predicted CPI and therefore could mitigate this risk. Each 1% increase equates to approximately £1.650m of additional cost to the General Fund budget. This is also a significant risk area for the separate Schools and Housing Revenue Account budgets.

### *Local Government Pensions*

9.16 The East Sussex Pension Scheme has just undertaken a triennial review covering the period 2026/27 to 2028/29. The East Sussex Pension Fund, in common with many funds across the country, is currently performing well in terms of investment performance, which has resulted in a reduced employer contribution rate of 14.90% (down from 19.80%).

## Prices

9.17 The provision for general price inflation ranges between 1.00% and 3.50% as a base position depending on the type of expenditure. The largest type of expenditure is Third Party Payments which covers the majority of non-staffing expenditure within adults and children's social care which has an assumed base position increase of 2.5% across the MTFS. The impact of inflation above these assumed base rates is separately identified as a 'Service Pressure' rather than applying generic increases to all service areas.

Inflation Provision	2026/27	2027/28	2028/29	2029/30
Employee costs	2.75%	2.50%	2.50%	2.50%
Premises costs	2.50%	2.50%	2.50%	2.50%
Transport	2.50%	2.50%	2.50%	2.50%
Supplies and Services	1.00%	1.00%	1.00%	1.00%
Third Party Payments	2.50%	2.50%	2.50%	2.50%
Transfer Payments	2.50%	2.50%	2.50%	2.50%
Waste PFI	3.50%	3.50%	3.50%	3.50%

## Commitments

9.18 Budget Commitments capture unavoidable contractual costs or other known changes in expenditure, resources or income arising from previous decisions made by the council including the capital financing costs arising from previous and proposed Capital Investment Programme approvals. Other commitments can arise from legislative changes, function and funding changes, or changes above the expected or budgeted costs such as national pay awards. Known commitments over the next 4 years are shown below.

Commitments	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m
Change in capital programme financing costs	0.913	1.618	0.620	(0.172)
Financing costs associated with EFS	0.000	1.250	0.000	0.000
Reversal of one-off New Homes Bonus received in 2025/26	1.014	0.000	0.000	0.000
Reversal of 2025/26 one off risk provision	(1.747)	0.000	0.000	0.000
Reduction in Employer Pension Contributions	(6.832)	0.000	0.000	0.000
One off Risk Provision for 2026/27	1.125	(1.125)	0.000	0.000
Cost of 2025/26 pay award above the budgeted assumption	0.827	0.000	0.000	0.000
Loss of Homelessness Funding	1.373	0.428	0.857	0.000
Impacts of previously approved decisions	(0.137)	0.817	(0.174)	0.298
Reduction in Flexible Use of Capital Receipts	0.000	0.000	1.000	1.000
Reduction in Crisis & Resilience Fund to support General Fund Expenditure	0.200	0.000	0.000	0.300
Change in contributions to/from reserves (total)	(0.608)	0.730	0.000	0.000
<b>Total Commitments</b>	<b>(3.872)</b>	<b>3.718</b>	<b>2.303</b>	<b>1.426</b>

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

## Investment to Support Service Strategies and Council Plan Priorities

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

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

9.22 When combined with reductions in grant funding by previous governments and previous restrictions on the allowable level of council tax increases, these demand-led cost pressures have been the main driver of the substantial 'budget gaps' that the council has been experiencing for over a decade. Alongside efficiencies and economies, this has required substantial service savings and income generation programmes to achieve balanced budgets. Current estimates are based on recent trends, forecast demographic changes, and projections around market sufficiency and pricing for externally commissioned services and contracts. High level projections over the MTFS period are currently as shown below:

Council Plan Priority Investments	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m
<b>A city to be proud of:</b>				
City Operations Services	2.580	0.351	0.185	0.139
Closure of New England House	1.200			
<b>A healthy city which helps people to thrive:</b>				
Housing - Emergency & Temporary Accommodation	11.106	1.100	1.762	1.650
Loss of Housing Benefit Subsidy	2.400			
Other investments and pressures	0.365			
<b>A fair and inclusive city:</b>				
Adult Social Care Services	1.809	12.644	13.480	14.320
Children's Social Care Services	3.232	1.620	1.771	1.396
Other Children & Family Services	0.068	0.300		
Home to School Transportation	1.285	0.670	0.738	0.809
Educational Services and Support	0.606	0.434	0.126	
Increased SEN investment	0.239	0.050	0.050	
<b>A responsive and learning council with well-run services:</b>				
<b>TOTAL COUNCIL PLAN INVESTMENTS</b>	<b>28.098</b>	<b>18.625</b>	<b>19.162</b>	<b>19.661</b>

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

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

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

### Projected Budget Shortfalls (Summary MTFS Projections)

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

Summary Projections and Budget Gaps	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m
Commitments (incl. from previous decisions)	(3.872)	3.718	2.303	1.426
Net Inflation (on Pay, Prices, Income, Pensions)	9.668	9.389	9.817	10.103
<b>Sub-total</b>	<b>5.796</b>	<b>13.107</b>	<b>12.120</b>	<b>11.529</b>
Net Investment in Priority Services	28.098	18.625	19.162	19.661
Reversal of Collection Fund net deficit funding	0.000	1.768	0.000	0.000
Projected net resourcing changes	(8.672)	(7.591)	(5.266)	(14.893)
<b>Savings Requirements (Budget Gaps)</b>	<b>25.222</b>	<b>25.909</b>	<b>26.016</b>	<b>16.297</b>
Exceptional Financial Support	(4.473)	4.473	0.000	0.000
<b>Revised Savings Requirements (Budget Gaps)</b>	<b>20.749</b>	<b>30.382</b>	<b>26.016</b>	<b>16.297</b>

9.25 The projected budget shortfalls above indicate the savings and efficiencies required over the next 4 years in order to legally balance the budget. The total projected savings requirement over the next 4 years is £93.444m.

### Transformation and Savings Programmes

9.26 To address the projected budget savings requirement identified in the MTFS projections above, and to ensure that the reliance on EFS is on a one off basis, the council has identified savings plans across the MTFS from efficiencies and economies, or from reductions in services, or alternative delivery of the services provided. To ensure that statutory duties can be met and to be able to continue to provide local services that residents and visitors rely on, the council will look to challenge all costs, consider potential sources of income, and review the affordability of services and capital investments.

9.27 The Council has received feedback from both the external auditors and the Corporate Peer Challenge (LGA Peer Review) highlighting that the MTFS requires a deliverable plan to enable the Council to transition to a financially sustainable position. As a result, a significant amount of work has already taken place during 2025/26 to establish programmes to address the budget shortfalls across the MTFS. A new Savings and Innovation Delivery Board has been established during the year to be a cross-council officer board to work collaboratively to drive through and monitor the programmes and the delivery of savings arising from the programmes.

9.28 The transformation and savings programmes currently identified over the next 4-years are summarised below but further business cases for invest-to-save initiatives are being developed and can come forward at any time. The proposals for 2026/27 are provided in more detail in the annual budget report to Cabinet and Budget Council,

specifically within the Detailed Savings appendix (Appendix 2) as these must be specifically approved as part of the annual budget proposals and the setting of the Council Tax. For future years, programmes and estimated savings are likely to change and evolve. However, given that certainty over funding has been provided with the multi-year settlement, it's imperative that the programmes for delivering the savings in future years are planned and executed in a timely way to ensure a medium-term delivery approach is taken.

Transformation & Savings Programmes	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
<b>Changing delivery models for services:</b>				
Adult Social Care Service Delivery model	0.700	1.100		
Environmental Services Delivery Model	0.375	0.275		
Grounds maintenance Delivery model			0.100	0.100
Review of Traded services delivery models		0.040	0.068	
<b>Procurement and Commissioning economies:</b>				
<i>Transformation Programme:</i> Procurement, Commissioning & Contract Management		2.000	1.000	1.000
Procurement & contract management efficiencies	0.204	0.317	0.450	0.650
<b>Demand management and Prevention Programmes:</b>				
<i>Transformation Programme:</i> Adult Social Care	9.392	5.650	4.900	1.850
<i>Transformation Programme:</i> Homes & Homelessness	4.843	1.764	2.104	1.576
<i>Transformation Programme:</i> Children's Services	1.021	1.818	1.673	1.226
Strategy to address Housing Benefit Subsidy shortfall		2.000	1.000	
<b>Income &amp; Commercialisation Initiatives:</b>				
<i>Transformation Programme:</i> Income & Commercialisation	1.265	0.990	1.560	1.860
Transport & Parking Initiatives	2.500	1.475	1.350	0.600
Other Income & Commercialisation Initiatives	0.231	0.875	0.225	
<b>Efficiency, Automation &amp; Digital Programmes:</b>				
<i>Transformation Programme:</i> Digital Innovation & Technology*				
Corporate Systems Improvement Programme		0.100	0.100	0.100
Other Digital & Innovation Initiatives	0.030	0.005	0.050	
Efficiencies in delivering services	1.015	0.189	0.018	0.018
Service Redesigns and Functional Alignments	1.137	0.558	0.297	0.144
<b>Cessation or reduction of non-statutory services:</b>				
Reduction or reprovision of non-statutory services	0.796	2.500	2.500	1.000
<b>Alternative Funding of Services:</b>				
Reprioritising Public Health Investment	0.648	0.500		
Flexible Use of Capital Receipts	2.000			
Other new funding sources or repurposing	0.535	1.298	1.171	0.123
<b>Corporate/Cross-Cutting Programmes:</b>				
<i>Transformation Programme:</i> Asset Strategy	0.475	0.288	0.600	0.700
<i>Transformation Programme:</i> Organisational Change*	1.125	5.000	5.000	5.000
Other Asset Management Strategy	0.300			
Corporate Landlord and Net Zero Programme	0.320	0.140	0.100	0.100
Capital Programme Reviews; Future years		1.500	1.500	
Review of Council Tax Base assumptions			0.250	0.250
<b>Subtotal</b>	<b>28.912</b>	<b>30.382</b>	<b>26.016</b>	<b>16.297</b>

Less: Proposals that reduce service pressures already accounted for	(8.163)			
<b>Total Transformation and savings plans</b>	<b>20.749</b>	<b>30.382</b>	<b>26.016</b>	<b>16.297</b>

*\*the Transformation Programmes for Digital Innovation and Organisational Change are intrinsically linked; the Digital Innovation a key enabler to effect the organisational change required. Therefore, the expected savings are shown as a single line and described further below.*

## Planned Programmes of Work

9.29 The above table includes high level estimates of savings from future transformation, efficiency or income generation programmes together with planned reductions in non-statutory or discretionary services. Some estimates are based on more detailed business cases, while others require more information but are based on prudential assumptions using best practice case studies and research, industry standard assumptions, or reasonable estimates and projections. A brief commentary regarding each specific Transformation Programme is described below.

## Strategic Transformation Portfolio

9.30 The council has agreed a Strategic Transformation & Innovation portfolio of programmes and projects to support delivery of the Council Plan and drive savings and cost reduction in the MTFS. Through the portfolio, we will reimagine what we do and how we do it – building a Learning Organisation that is agile, inclusive and future-ready. By 2030, we will deliver smarter services, co-create change and embed innovation as a way of working. The portfolio will strength financial resilience through bold savings and strategic investments, achieving our vision of a better Brighton & Hove for all.

9.31 The programmes are categorised to deliver within the following themes:

- **Key Demand Led Pressures** programmes will work to address the most critical pressures in the council, primarily in Homelessness and Temporary Accommodation, Adult Social Care and Children's Services.
- **Financial Lever** programmes will assist in underpinning the Council's financial sustainability through commercialisation, asset management and procurement commissioning and contract management activity.
- **Strategic Enablers** will ensure the organisation is geared up to deliver transformation over the medium term.

9.32 The delivery of the programmes will be kept under review by the officer-led Savings & Innovation Delivery Board and CLT to ensure the programmes keep track on delivering the outcomes required.

### Key Demand Led Pressures

#### Adult Social Care Demand

9.33 This strategic programme covers the key areas of improvement in Adult Social Care (ASC) for Brighton & Hove. When compared to statistical neighbours, the council is an outlier in the number of residential placements (particularly for working age), completed annual reviews and reablement offer. The prevention offer at the entry point to ASC services, in line with national best practice, is another area of focus. Key areas

of improvement were also reflected in the recent regulatory outcome by Care Quality Commission (CQC).

The strategic programme comprises the following workstreams:

- Market management: Reducing permanent residential and nursing care admissions and taking a more targeted approach in responding to provider fee uplift requests
- Targeted reviews of the care needs of service users to ensure care needs are met and appropriate;
- Increased Community Reablement to promote independence;
- Improved prevention offer at the ASC front door.

### *Homes and Homelessness*

9.34 The programme will deliver on one of the most challenging areas for Brighton & Hove with deepening homelessness crisis and managing increasing demand for Temporary Accommodation (TA). Brighton & Hove's use of TA is increasing, with increased reliance on spot purchased accommodation. The financial cost is coupled with challenging outcomes for individuals who have much higher needs year on year. The trajectory is unsustainable and the council is now considering bold, strategic action to address the issue.

The strategic programme comprises the following workstreams:

- Increasing the supply of more affordable TA to reduce the use of spot purchased accommodation.
- Reducing the unit cost of existing TA.
- Improving effectiveness in prevention of homelessness.
- Accelerating move on from TA.

### *Children's Services*

9.35 This programme covers the key areas of improvement and transformation in Children's Services for Brighton & Hove. When compared to statistical neighbours, the council has a lower number of children in residential care but also significantly fewer homes in the south compared to north. Children are at risk of residential care due to a combination of complex need and sufficiency issues. The council is keen to bring

down spend on placements at the same time as keeping children local, improving placement quality and keeping children in families.

The strategic programme comprises the following workstreams:

- Development of new accommodation for separated children;
- Reunification of children to their families;
- Expanding the Mockingbird and Fostering Plus Programmes and innovating to enable children with more complex needs to remain local in foster families and increase fostering households within the city;
- Improved prevention offer through investing in Families First transformation;
- Investment in Early Help to reduce the number of children needing social work intervention and entering care;
- Reviewing the Home to School transport model.

### **Financial Levers**

#### ***Asset Management Strategy***

9.36 The strategic programme aims to have a coherent and data driven Asset Strategy. This will allow the council to maximise capital receipts, reduce liabilities and risk, and retain income generating and strategic property. The focus of the programme is to

- Produce capital receipts of at least £50 million over four years;
- Identify and produce more capital receipts for subsequent years;
- Rationalise operational buildings;
- Increase the number of active transactions in each stage of the pipeline;
- Generate efficiency gains and enable better strategic decisions through better data management;
- Reduce the cost of running operational buildings through disposals.

#### ***Procurement, Commissioning and Contract Management***

9.37 The strategic programme will:

- Identify indicative savings and deliver savings strategies.
- Increase the use of spend analysis to inform strategic decisions and identify savings.
- Consolidate contracts and reduce duplication.
- Improve social value and contract outcomes.
- Create a centralised, comprehensive contract register with reporting solution.
- Produce training, templates, and guidance with clear, published roles and responsibilities for procurement, commissioning and contract management.
- Enhance collaboration between Procurement, Legal, Finance and service teams.

9.38 A piece of work was commissioned to undertake a short, urgent review of all aspects potentially within the scope of the strategic programme, the outcome of which will be used to define the parameters of the programme, and provide prioritisation of the programme to first target the areas of spend which will deliver the greatest results.

#### ***Income & Commercialisation***

9.39 The strategic programme aims to embed a business mindset and commercial strategy across services, exploiting market opportunities and harnessing the city's unique

identity and environment to deliver new income streams. It will deliver the following outcomes:

- Increased net positive income for the council;
- Sustainable commercial culture and capability;
- Clear governance and risk management for all commercial activities

A phased approach will be taken:

- Phase 1: Focus on quick wins within City Operations and expanding current services within available capacity.
- Phase 2: Incubate and refine commercial models, then scale to other directorates and more complex areas.

Phase 1 is already in progress, with a number of workstreams identified for exploration and implementation within 2026/27.

### **Strategic Enablers**

#### *Organisational Change*

9.40 The strategic programmes aims for the Council to be a more connected, confident, innovative, inclusive, and resilient organisation so we can be a sustainable council, ready for the future. Through this we will:

- Build a learning culture that is connected, confident, innovative and creative, diverse and inclusive, healthy and psychologically safe;
- Deliver financial savings and service improvements;
- Create the workforce required to deliver a better Brighton and Hove for all;

9.41 Delivery will be achieved through:

- Organisational design, seeking efficiencies by exploring functional alignment workstreams (i.e. bringing together similar activities to reduce duplication across the organisation) and using Digital Innovation to enable the exploration of different ways of working;
- Review of Delivery Models across council services to ensure the most efficient and appropriate delivery model is in place for each service;
- Operationalising our Learning Framework and developing our capability as an organisation
- Improvements in staff wellbeing and reducing sickness absence.

## Digital Innovation

9.42 This strategic programme aims to deliver a refreshed digital and technology strategy, focusing on innovation, operational efficiency, and economic engagement.

This programme includes:

- Managing the disaggregation of Orbis IT&D
- Refreshing the IT&D strategy
- Improving technology and processes to increase efficiency and reduce costs
- Turbocharging innovation pilots to identify and realise savings
- Delivering for the local tech economy

## Devolution and Local Government Reorganisation

9.43 The Devolution and Local Government Reorganisation (LGR) strategic programmes prepare the council and its partners for two connected but distinct areas of reform to local governance.

9.44 The devolution programme focuses on establishing the Sussex and Brighton Combined County Authority and supporting the transfer of strategic powers and funding from central government. This creates an opportunity to strengthen local democracy, unlock investment, improve long term financial resilience, and support economic growth across Sussex

9.45 The LGR programme focuses on the possible restructuring of councils and any related changes to local boundaries. It ensures the council is ready for a safe and lawful transition, protects the city's identity and democratic voice, and supports continuity of services for residents.

9.46 Together, the programmes ensure the council is fully engaged in shaping proposals, coordinating evidence, assessing risks and opportunities, and aligning local activity with the government's priority timelines for delivering both devolution and reorganisation across Sussex.

## Transformation Fund

9.47 The Transformation Fund is a key resource to enable and support transformation across the organisation. The size of the fund was increased in December 2025 to reflect the scale of the transformation required across the organisation in order to balance the authority's budget over the period of the MTFS.

9.48 The Fund will continue to be kept under review as budget plans develop further and spend-to-save opportunities and further investment requirements emerge in more detail over the planning period. At this stage, the indicative requirement for the Transformation Fund for 2026/27 to 2029/30 is shown in the table below. However, this is considered to be a minimum investment level based on the experience of previous 4-year invest-to-save programmes.

4-Year Indicative Transformation Fund (using Capital Receipts Flexibilities)				
Category of Investment	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m
Transformation & Innovation Strategic Programmes	3.400	1.900	0.600	0.600
Invest-to-Save business cases	0.700	0.100	0.300	0.300
Digital and AI Development Resources	1.550	1.550	1.550	1.550
Managing Staffing Changes (exit packages)	1.250	0.500	0.500	0.500

Enabling Resources (PMO, Workspace, HR, etc)	3.326	3.326	2.326	1.326
<b>Total Transformation Fund</b>	<b>10.226</b>	<b>7.376</b>	<b>5.276</b>	<b>4.276</b>

9.49 The investments are described in summary below:

#### Strategic Transformation Programmes

The above section describes in detail the strategic programmes that have been established to address the council's financial challenge over the period of the MTFS. The current estimate of the investment requirement in order to deliver those programmes is a minimum of £6.500m over 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 £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 £2.750 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. As a result of the considerable amount of transformation required, the support has been scaled up compared to previous years.

Innovation Fund provides additional resources of £1.326 million per annum to support a wide variety of transformation and savings programmes and projects alongside £5.000 million across 2026/27 - 2028/29 to fund existing transformation expenditure within services. The additional resources are broadly expected to cover the following:

Transformation Enabling Costs (4-Years)	
Category of Investment	Annual Cost

	£m
Project & Programme Management Resources	0.766
Workspace Innovation Resources (to rationalise operational buildings)	0.180
HR Management of Change and Policy Support	0.128
Contribution to Leadership Development Support	0.052
Finance Support	0.200
<b>Total</b>	<b>1.326</b>

## Reserves & Risk Mitigation Strategy

9.50 The council is required to maintain an adequate level of reserves to deal with future forecast or unexpected pressures. Councils are not permitted to allow spend to exceed available resources which would result in an overall deficit and potential Section 114 report to the full Council. Sections 32 and 43 of the Local Government Finance Act 1992 require authorities to have regard to the level of reserves to meet estimated future spend when calculating the budget requirement.

9.51 Reserves can be held for three main purposes:

- A Working Balance to help cushion the impact of uneven cash flows, unexpected events and avoid unnecessary temporary borrowing;
- Additional risk provisions to mitigate against specific, identified risks; and
- A means of building up funds (i.e. earmarked reserves) to meet known or predicted liabilities.

9.52 A summary of earmarked reserves and the forecast of reserves and balances can be found in Annex A.

9.53 The appropriate level of reserves is a judgement based on a number of factors including the level of risk inherent in the budget planning cycle, the availability of resources and other recourses to support such as the government's offer to local authorities to engage with MHCLG if Emergency Financial Support (EFS) is needed.

9.54 An assessment of the risk environment is required in order to determine the suitability of the baseline reserves and balances position. This assessment should include consideration of the robustness of efficiency plans, levels of uncertainty regarding cost estimates (demand / price inflation), consideration of national and local policy changes and wider national economic and political factors.

9.55 The MTFS includes the following principles for the management of reserves:

- Reserves should not normally be used as a substitute for permanent efficiencies to meet permanent spending pressures;
- Reserve levels and contributions should be reviewed at least twice annually at budget and outturn to ensure contributions are equal to planned use over the medium-term;
- Over the medium-term, the Working Balance should be maintained at the minimum recommended level of £12 - 15 million. Where it falls below this, the MTFS should be updated to show how the Working Balance will be restored;
- Earmarked Reserves must be approved and should only be held if absolutely necessary and where there is a clear future and/or multi-year commitment or liability;
- Additional risk provisions should ideally be built up where specific or enhanced risks are identified. This can be provided through either:
  - Setting aside resources from a planned or fortuitous outturn underspend;

- Building in provision for an additional risk provision in the Annual Budget; or
- Building in provision over a longer period through the MTFS.

9.56 The authority has a low level of reserves compared to other councils of a similar size. The authority has been forecasting significant overspends since the pandemic, and with the exception of 2022/23 (which saw an overspend of £3.3 million which reduced the Working Balance to around £5.6 million), strong financial management and implementation of mitigations and spending controls has meant that reserves have not reduced further.

9.57 The MTFS aims to ensure the Working Balance is restored and that sufficient risk provisions are provided to support the significant savings programmes required to balance the budget and MTFS over the 4-year period.

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

9.59 It is recommended within the budget report that the working balance is increased to a minimum level of £12 million in the medium term, with the creation of a further General Risk Reserve, which will be undertaken through the setting aside of some of the EFS requested to support the 2026/27 budget.

### One-off Resource Requirements

9.60 Additional one-off resources may be needed in 2026/27 or later years for a wide range of reasons which could present additional financial challenges as these would require identification of resources to meet any commitments. One-off resources may need to be identified to cover the following:

- Any Collection Fund deficits (current monitoring indicates a £1.768m net deficit for 2025/26) \*;
- Any General Fund outturn overspend (i.e. TBM overspend) \*;
- Any increase to provisions or reserves required to cover increased cost estimates \*;
- Any unavoidable/unexpected one-off expenditure or commitments;
- Any one-off allocations for priorities (subject to availability of resources).

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

9.61 Projected one-off resource requirements for 2026/27 are reported within the main budget report to Cabinet and Budget Council, reflecting latest estimates and projections from in-year TBM budget monitoring and monitoring of Collection Funds together with any additional identified one-off funding requirements or additional available one-off resources.

### CIPFA Resilience Index Update

9.62 The CIPFA Resilience Index compares a council's position across a range of measures associated with financial risk, highlighting where additional scrutiny may be required. The data for the latest resilience index is obtained from the Revenue Expenditure and Financing England Outturn Report 2024-25 ('RO Forms') and reflects figures submitted by Local Authorities to MHCLG.

9.63 The findings of the Resilience Index 2025 indicate that reserves have fallen nationally and that social care expenditure is still increasing well beyond inflation. This is in line with other evidence from the sector and while it may not be unexpected it is crucial to understand that these two indicators play an important part in the sustainability and

health of the local government sector. A new indicator measuring homelessness spend ratio has been introduced recognising the growing issue of the cost and demand for homelessness in many local authorities.

9.64 The snapshot below (please enlarge for improved legibility) compares BHCC with all other unitary authorities for 2024/25. The resilience highlights that the most pressing financial risk for the council is the level of reserves, where the council's position is amongst the lowest of all Unitary Authorities at 13.14% of net revenue budget, as well as the council's change in reserves.

9.65 Social care spend as a proportion of the net budget appears to be average while borrowing (Gross External Debt) is also close to the average, recognising that more than 50% of BHCC's debt is related to the HRA (Council Housing Stock).



## 10 CAPITAL INVESTMENT PROGRAMME

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

### Capital Strategy

10.2 The Capital Strategy must be approved by the full Council and aims to ensure that all members can understand and determine the overall long-term policy objectives for the use and deployment of capital resources including borrowing. The Capital Strategy therefore provides detailed information on capital resource projections, capital financing need, and the approach to non-treasury investments (e.g. commercial property) and the management of risk.

10.3 An officer-led, Capital Programme Board (CPB), ensures that the framework for setting the Capital Investment Programme continues to focus on Council Plan priorities, deliverability and affordability, and adheres to the Capital Strategy approved by full Council. The CPB also monitors financial performance and service outcomes.

10.4 Officers work closely with Cabinet to shape the development of the Capital Programme on an ongoing basis. Cabinet approve the addition of new schemes through Targeted Budget Management reports or through separate scheme reports, or through the annual budget approval process. Governance structures, processes and procedures of the Capital Programme are continually assessed to strengthen financial management, decision making, and accountability.

10.5 The recommended Capital Strategy outlines the process for the prioritisation and evaluation of capital investment projects, as well as the aims that the Capital Strategy sets out to achieve.

## **5-Year Capital Investment Programme**

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

### **Homes for Everyone:**

- Housing supply schemes including New Homes for Neighbourhoods and Home Purchase Scheme;
- Investment in new build housing through the Housing Revenue Account and Housing Joint Venture (with Hyde Housing);
- Investment in maintaining and improving the Council Housing Stock and building safety through the Housing Revenue Account;
- The Strategic Investment Fund (SIF) to provide legal and project management resources to support major regeneration programmes that draw in substantial private sector investment.
- Investment in new supply of Temporary Accommodation

### **A Healthy City where People Thrive:**

- Investment in a new leisure centre at the King Alfred site;
- 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;
- Valley Gardens Phase III;
- Investment in the Royal Pavilion Estate supported by the Heritage Lottery;
- The Local Transport Plan (LTP) covering a wide range of transport-related schemes;
- Significant investment in coast protection programmes;
- The Carbon Net Zero investment programme.

### **A Responsive Council with Well-run Services:**

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

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

## Capital Receipts

10.8 Capital receipts from the sale of surplus land and buildings are an important capital resource that not only provides funding for the capital investment programme but also supports the Innovation Fund, that fund the council's Strategic Transformation portfolio and Invest-to-save initiatives using the government's capital receipt flexibilities.

10.9 Capital receipt projections are regularly reviewed having considered the social value implications of any decision to dispose first.

10.10 Capital receipts are becoming an increasingly critical element for balancing the council's budget over the medium term. A major programme of property disposals has been approved by Cabinet and are planned for future years to meet the demand for capital receipts.

10.11 Taking into account capital programme approvals already made and projected commitments for funding the above continuing objectives, the current expected requirement for capital receipts (which are periodically updated and reported to Cabinet) over the MTFS period is as shown below.

Capital Receipt Requirements	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000
<b>Capital Programme Commitments</b>					
Capital Programme approvals	(12,129 )	(228 )	(27,860 )	(47 )	
<b>Innovation/Transformation Investment</b>					
Managing Staff Changes	(1,250 )	(1,250 )	(500 )	(500 )	(500 )
Transformation enablers	(1,030 )	(3,326 )	(3,326 )	(2,326 )	(1,326 )
Digital Resources	(1,948 )	(1,550 )	(1,550 )	(1,550 )	(1,550 )
Invest to Save/Transformation	(2,200 )	(4,100 )	(2,000 )	(900 )	(900 )
Investment in Temporary Accommodation		(10,000 )			
Modernisation schemes ending	(810 )				
<b>Corporate Investment Funds</b>					
IT&D Fund		(380 )	(500 )	(500 )	(500 )
Commercial Asset Investment Fund		(500 )	(500 )	(500 )	(500 )
Asset Management Fund		(1,000 )	(1,000 )	(1,000 )	(1,000 )
Strategic Investment Fund (Regeneration)		(250 )	(250 )	(250 )	(250 )
<b>Total Commitments</b>	<b>(19,367 )</b>	<b>(22,584 )</b>	<b>(37,486 )</b>	<b>(7,573 )</b>	<b>(6,526 )</b>

10.12 Comparison of existing commitments and projected demands on capital receipts with known or planned disposals has been undertaken as shown in the table below, indicating a significant shortfall of circa £35 million that will require substantial further disposals to be identified.

Capital Receipt Projections	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000
Brought forward balance	189	(7,398 )	(18,184 )	(23,128 )	(28,956 )
<b>Expected Net Capital Receipts (approved)</b>	<b>11,780</b>	<b>11,798</b>	<b>32,542</b>	<b>1,745</b>	<b>0</b>
Capital Receipt commitments	(19,367 )	(22,584 )	(37,486 )	(7,573 )	(6,526 )

<b>Carry forward balance (deficit)</b>	<b>(7,398)</b>	<b>(18,184)</b>	<b>(23,128)</b>	<b>(28,956)</b>	<b>(35,482)</b>
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### Future pipeline of disposals

10.13 Cabinet has approved a range of property disposals during 2025/26 that are included in the table above. The next tranche of property disposals are planned to be presented to Cabinet in April 2026 which will reduce the currently projected shortfall of £35 million. Further disposal opportunities will still be required and will be presented to Cabinet in due course.

10.14 The key opportunities to generate capital receipts are likely to come from:

- Rationalisation of the operational portfolio of buildings;
- Lease re-gearing opportunities – but likely to need to compromise housing ambitions;
- Further Commercial Asset disposals – however, this forgoes revenue income which is highly problematic and adds to future budget gaps. There may also be debt to pay off (capitalise) reducing the available receipt.
- School sites – this is a major potential area for generating receipts following closure of two school sites owned by the council;
- Identifying opportunities for capital receipts within the agricultural estate;

## 11 HOUSING REVENUE ACCOUNT (HRA) BUDGET & CAPITAL PROGRAMME

11.1 The MTFS is primarily concerned with the development of the General Fund revenue and capital budget. However, there are links to the Housing Revenue Account (Council Housing) revenue budget and capital programme which follow a separate budget setting process.

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

11.3 The introduction of self-financing in 2012 provided additional resources from the retention of all rental income and, through greater control locally, enabled longer term planning to improve the management and maintenance of council homes. Since that introduction there have been a number of factors which have compromised the financial stability of the HRA leading to a projected deficit position from 2026/27.

11.4 Understanding the demands on resources over the coming years remains key to ensuring the financial viability for the HRA. There are several challenges which are impacting on the financial viability over the medium to long term. This includes the rising cost of services and investment needs arising in relation to compliance with the Building Safety Act, Fire Safety Regulations and Social Housing Regulation Bill as well as the impact of inflation on services.

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

11.6 The Autumn Statement 2025 announced a 10-year rent settlement allowing landlords to raise rents by CPI plus 1%. This currently extends to April 2036, with a view to be able to increase rents by CPI +1% for the 10 years succeeding 2026/27. This has been factored into the HRA's MTFS. However, whilst this is a welcome boost for the long-term financial forecast, it will not address all of the current financial issues that the HRA is facing. A strategy needs to be developed to be able to manage those issues in the short term.

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

11.8 The Programme reflects the delivery of planned maintenance, improvement programmes and major capital projects informed by a recent stock condition survey and ongoing surveys of the council's housing stock. This is alongside the existing and emerging priorities of the HRA Asset Management Strategy. Key considerations include improving the safety and quality of homes and ensuring regulatory compliance is met. This includes working in consultation with external bodies such as the Regulator of Social Housing and East Sussex Fire and Rescue Authority, as well as tenants and leaseholders to inform the planned and major works strategy. Investment also continues in carbon reduction initiatives to support the city's commitment of becoming carbon neutral by 2030.

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

11.10 Work will continue through 2026/27 to deliver housing supply pipeline schemes. The Home Purchase Scheme will continue to explore opportunities to buy back ex-right-to-buy properties, whilst the extended Home Purchase Scheme will look at off the shelf purchase opportunities to increase the supply of affordable housing within the HRA. The NHFN Programme is a longer term approach to the delivery of new homes; work will continue on approved projects and to bring forward new projects for consideration by Cabinet.

## **12 SCHOOLS BUDGETS AND FUNDING**

12.1 The Dedicated Schools Grant (DSG) is a ring-fenced grant that provides funding for Schools, Academies, Early Years, Special Educational Needs and a small number of allowable Central items.

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

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

12.4 On 17th December 2025, DfE published initial DSG allocations for 2026/27. These are summarised in the table below, together with comparisons to the 2025/26 allocations:

Financial Year	Schools Block £'000	Central School Services Block £'000	High Needs Block £'000	Early Years Block £'000	Total DSG £'000
2025/26	176,362	2,316	41,300	40,809	260,787
2026/27	181,164	2,332	43,409	49,385	276,290
<b>Increase</b>	<b>4,802</b>	<b>16</b>	<b>2,109</b>	<b>8,577</b>	<b>15,503</b>

Whilst funding allocations across all blocks have increased in 2026/27 it is difficult to draw direct comparisons with the prior year due to changes in accounting arrangements, particularly within the Schools and High Needs Block. For 2026/27, a number of former specific grants are being rolled into core funding, and the impact of these presentational changes are referred to in the paragraphs below.

### Schools Block – Base 2026/27 Allocations

12.5 As set out in the paragraph above there are significant presentational changes to the way mainstream schools are being allocated funding in 2026/27. In 2025/26, mainstream schools received separate funding via national insurance and school budget support grants linked to pay pressures. These have been allocated outside of the main DSG in 2025/26 and equate to approximately £5.1m. For 2026/27, this funding has been rolled into the Schools Block of the DSG and will be allocated as part of core budget funding. This means, on a like-for-like basis, funding in the Schools Block has actually reduced in 2026/27. The overriding reason for this is that Schools Block pupil numbers have decreased from 28,545 in October 2024 to 27,852 in October 2025. This is a reduction of 693 pupils and equates to an overall loss of direct DSG Schools Block pupil funding of c. £3.8m.

### Schools Balances Position

12.6 School balances at the end of 2024/25 were a net deficit of £2.623m, a reduction of £2.904m from the £0.281m net surplus balance at the end of 2023/24. Forecasts for the end of the 2025/26 financial year suggest that the school balances position will move to a net deficit of approximately £5m. This is a key indicator of the financial challenges being experienced.

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)
<b>Movement</b>	<b>139</b>	<b>(1,523)</b>	<b>(2,443)</b>	<b>922</b>	<b>(2,904)</b>

### School Budget Plans 2026/27

12.7 Schools are required to submit draft budget plans for 2026/27 by the end of February 2026. At that stage there should be a clear indication of the likely budget position of schools for the 2026/27 financial year. However, it is anticipated, there will be further pressure in terms of schools' budgets and license deficit requirements in 2026/27.

12.8 Staff within Education and Finance will continue to work with schools to assist them in addressing financial challenges alongside other advisory support such as DfE accredited Schools Resource Management Advisers (SRMA).

## High Needs Block

12.9 The headline allocation of High Needs Block (HNB) funding for 2026/27 is shown in paragraph 12.4. The initial settlement results in an increase in allocation to Brighton and Hove of c. £2.1m however this is entirely due to the transfer in of previous grant funding. A key aspect of the December 2025 DSG announcement is that, for 2026/27, DfE are temporarily suspending the high needs national funding formula (NFF), which in previous years has been used to calculate local authorities' high needs allocations. Instead, local authorities' allocations for 2026/27 will be based on their 2025/26 allocations, with some presentational adjustments (transfer in of former grant funding), as described above. This means that the current published high needs block allocation for 2026/27 contains no inflationary uplift from 2025/26 i.e. it is at a cash flat level.

12.10 The wider reforms to the SEND system, which the government will set out in early 2026, DfE has advised that they will review the methodology for allocating high needs funding so that it supports the SEND reforms. As part of the local government financial settlement the written statement included the following extracts:

*We recognise that local authorities are continuing to face significant pressure from DSG deficits on their accounts. In June this year, we announced a two-year extension to the DSG Statutory Override to support local authorities to manage these impacts. The government has also confirmed that it will bring forward a full Schools White Paper early in the new year. This will set out substantial plans for reform of special educational needs (SEND) provision to deliver a sustainable system which – first and foremost – supports children and families effectively, and which is also financially sustainable.*

*We recognise that the size of deficits that some councils may accrue while the Statutory Override is in place may not be manageable with local resources alone, and will bring forward arrangements to assist with them as part of broader SEND reform plans. Whilst we do not expect local authorities to plan on the basis of having to meet deficits in full, any future support will not be unlimited. Councils must continue to work to keep deficits as low as possible. We will provide further detail on our plans to support local authorities with historic and accruing deficits and conditions for accessing such support later in the settlement process.*

12.11 For Brighton and Hove, the previous HNB forecast for the 2026/27 financial year showed a potential in-year overspend of £3m but this assumed a real terms increase in HNB funding of c. £1.9m. Therefore, as it stands, there is a potential 2026/27 in-year deficit of almost £5m against the HNB, which would increase the estimated cumulative overspend on the central DSG to approximately £7.5m by the end of 2026/27.

12.12 The council will need to update its DSG management plan but further information regarding the government's funding plans will be critical to this process.

## Early Years Block

12.13 The Early Years Block has seen further increases in terms of funding in 2026/27. This is partly as a result of a full year effect of the new 30-hour entitlement for Under 2s, but, also, after many years of lobbying, DfE has taken the cap off the 3 and 4-year old funding allocation to Brighton and Hove. This will mean a significant increase in the hourly funding rate paid to early years providers in the city.

## 13 BUDGET SENSITIVITIES & MEDIUM-TERM RISK MITIGATION

13.1 The Medium Term Financial Strategy (MTFS) of a large public sector organisation with many demand-led services and complex and changing funding streams will always contain significant and varying degrees of risk. The cost of living crisis, higher inflation and higher interest rates and the demand for the council's services have significantly impacted the council's expenditure and income in recent years. The most significant emerging challenge is the cost of and demand for Temporary and Emergency Accommodation. In addition, the council has seen higher than anticipated pay awards, higher costs of social care, impacts on fees & charges due to economic conditions, continued high levels of Council Tax Reduction claimants (i.e. taxation losses).

13.2 These pressures have resulted in current forecast overspends in-year requiring ongoing recruitment and spending controls to help mitigate the financial position alongside other financial recovery measures. This highlights the need to recognise the financial risks of unexpected events and the impact this has on the resilience of the authority.

13.3 The pressures experienced in recent years, including increases in the cost of living, may continue well into the medium term.

13.4 The government announced a three-year provisional settlement for 2026/27 to 2028/29 on 17 December 2025, providing certainty for local authorities on funding allocations. However, this Council has seen a reduction in resources under the Fair Funding Review compared to the prevailing assumptions in the MTFS.

13.5 In general, other factors that can have a material effect on the medium term financial position of an authority include:

- Changes in function and/or funding – for example the impact of Local Government Reorganisation and Devolution;
- Changes in the economy including the impact on business rates income and/or Council Tax Reduction claimant numbers or collection rates;
- Similarly, impacts on the levels of house building which affects Council Tax;
- The level of future successful appeals against the business rating list;
- Changes in employer costs e.g. pension or national insurance changes;
- Achievement of performance targets for performance related grant or partnership funding;
- Delivery and achievement of savings and transformation programmes;
- Ability to manage identified demand-led service pressures;
- Decisions on council tax increases and the council tax reduction scheme;
- Democratic support for change including partnership working or integration.

13.6 Risks to the MTFS arise from both external and internal factors. External risks include, for example, government policy decisions that can have positive or negative impacts on costs or national or local economic conditions that can affect income sources up or down. External risks are generally the most difficult to manage or plan for.

13.7 Internal risks can also arise for a number of reasons, such as cost overruns, underachievement of savings plans, changing priorities or ineffective systems of demand management. They may also be influenced by external factors. It is vital to have adequate mechanisms to manage internal risks if financial stability is to be achieved. There are a number of ways in which the effects of risks can be managed and these are set out in the following risk table. Furthermore, the council's MTFS, by taking a longer term planning approach, aims to minimise the impact of some of the major financial risks and the impact on investment in support of the council's priorities.

- 13.8 The forecasts within the MTFS are based on prudential assumptions that reflect the most likely position based on current knowledge and data. There are therefore risks of over or under stating expenditure or income estimates which have been considered.
- 13.9 The identified risks are scored for Likelihood (L) and Impact (I). The scores are multiplied to give a resulting risk score. The key to the scores is given in Annex B together with assessed risk scores for identified risks, including the potential financial sensitivity.

## ANNEX A: RESERVES AND PROVISIONS

### Summary of Key Reserves & Balances

	Estimated Balance as at 01/04/26 £'000	Planned Use 2026/27 £'000	Estimated Balance as at 31/03/27 £'000	Review Arrangements	Conclusion
<b>General Fund Reserves</b>					
General Fund Working Balance/General Reserves	7,840	4,160	12,000	Reviewed against the register of financial risks, taking into account the requirements of the Local Government Act 2003.	A minimum working balance of £12-15m is recommended by the Chief Finance Officer in accordance with the requirements of Section 25 of the Local Government Act 2003. The 2026/27 budget is being set with the assumption of EFS being granted from government, which will contribute to the working balance, increasing it to £12.000m.
General Fund Working Balance/General Reserves - held for specific future commitments	175	(175)	0	Following closure of accounts.	Balance will be used to fund ongoing corporate commitments.
General Risk Reserve	0	3,899	3,899	Following outturn position.	A new reserve created to provide a more prudent buffer for risks and unforeseen costs within the revenue budget
Library PFI Reserve	520	(156)	364	Following closure of accounts.	Use for funding the project over the lifetime of the PFI scheme. Expected to be increased contributions from reserves, due to inflationary pressures. Contributions to the reserve may be required in future years.
Waste PFI Project Reserve	6,688	(343)	6,345	Following closure of accounts.	Use for funding the project over the lifetime of the PFI and to bridge the gap for when PFI credits stop. This reserve has been used to fund the Term Time only costs and will be replenished in time to meet existing Waste PFI commitments.
Section 106 Receipts (Revenue)	501	0	501	Reviewed throughout the year to reflect agreed liabilities and	Retain for specified purpose.

	Estimated Balance as at 01/04/26 £'000	Planned Use 2026/27 £'000	Estimated Balance as at 31/03/27 £'000	Review Arrangements	Conclusion
				new agreements.	
Developer Contributions Unapplied (S106 Capital)	747	0	747	Reviewed throughout the year to reflect agreed liabilities and new agreements.	Retain for specified purpose.
ICT Investment Reserve	334	(125)	209	Following closure of accounts.	Held to support planned IT&D expenditure over the next two years.
Local Elections Reserve	0	700	700	Following closure of accounts.	Hold for costs of local elections
Dome Planned Maintenance	103	(53)	50	Following closure of accounts.	Retain - subject to lease agreement with Brighton Dome & Festival Society.
Hove Park 3G Pitch Renewal	0	15	15	Following closure of accounts.	Held to replace pitch at the end of its useful life. Pitch replaced in 2025/26 and was funded by existing reserve. Future contributions will be received to replace the newly replaced pitch at the end of its useful life.
Surface Water Management Reserve	421	39	460	Following closure of accounts.	Retain to support planned SWMP related works, emergency work and to contribute to any carbon neutral opportunities. This reserve is retained to meet our statutory obligations as the Lead Local Flood Authority.
Sports Facilities Reserve	453	0	453	Following closure of accounts.	Retain to support Sports Facilities.
Licensing - other reserve	26	0	26	Following closure of accounts.	Retain for specified purpose - to fund potential future deficits or repayment to licensees. Reserve smooths out fluctuations in volumes of licences issued each year.
Taxi Licensing	82	0	82	Following closure of accounts.	Retain for specified purpose - to fund potential future deficits or repayment to licensees. This smooths out fluctuations in volumes of licences issued each year.

	Estimated Balance as at 01/04/26 £'000	Planned Use 2026/27 £'000	Estimated Balance as at 31/03/27 £'000	Review Arrangements	Conclusion
Overdown Rise Footpath Maintenance	20	0	20	Following closure of accounts.	Commuted sum held for future years maintenance costs of the foot path.
HMO Licensing Fees Reserve	531	41	572	Following closure of accounts.	Retain to support annual inspections of HMO licenses - this is a statutory function (Mandatory HMO Licensing Fees income needs to be used only for the running of the Mandatory HMO Licenses.)
Damage Deposit Guarantee Scheme	94	0	94	Reviewed during the year as part of budget monitoring process	Retained for specific purpose but required level will continue to be reviewed.
RP&M Trust Sinking Fund	50	0	50	Following closure of accounts.	Retain - subject to lease agreement with RPMT
HMO Additional Licensing Fees	833	(192)	641	Following closure of accounts.	Additional HMO Licensing Fees income needs to be used only for the running of the Additional HMO Licenses. Each license is for 5 years. The fee income is therefore used for that 5-year period.
Selective Licensing Fees	1,736	(390)	1,346	Following closure of accounts.	Selective Licensing Fees income needs to be used only for the running of the Selective Licenses. Each license is for 5 years. The fee income is therefore used for that 5-year period.
Travellers Site Capital Reserve	79	0	79	Following closure of accounts.	Held to fund future major works costs of the Travellers site.
Restructure Redundancy Reserve	130	124	254	As part of closure of accounts.	Restructure & Redundancy costs are funded within the capital programme as part of the capitalisation direction.
CIL - Neighbourhood reserve	384	0	384	Following closure of accounts.	Allocations from the Neighbourhood Reserve will be made in accordance with the agreed process which involves ward councillors.
CIL - Strategic reserve	1,217	0	1,217	Following closure of accounts.	Allocations from the Strategic reserve will be made in line with the strategic objectives set out

	Estimated Balance as at 01/04/26 £'000	Planned Use 2026/27 £'000	Estimated Balance as at 31/03/27 £'000	Review Arrangements	Conclusion
					in the initial scheme and will be approved by Cabinet.
<b>Total General Fund Reserves</b>	<b>22,964</b>	<b>7,544</b>	<b>30,508</b>		
<b>Schools / DSG Reserves</b>					
Schools LMS Balances	(5,600)	0	(5,600)	Following closure of accounts.	Balances are held by school governing bodies. Position unclear for future years.
<b>Total Schools / DSG Reserves</b>	<b>(5,600)</b>	<b>0</b>	<b>(5,600)</b>		
<b>TOTAL RESERVES</b>	<b>17,364</b>	<b>7,544</b>	<b>24,908</b>		
<b>General Fund Provisions</b>					
10 Year lease revenue costs Provision	105	0	105	Review of annual contribution to this provision at closedown.	This is required to pay back the borrowing costs when 10 year leases finish in 2032/33. These are 30 properties leased through Rough Sleeping Accommodation Programme partly funded by MHCLG.
Voluntary Severance Provision	1,250	(750)	500	Following closure of accounts.	To fund cost of potential severance agreements from 2026/27 Budget plans.
Insurance Provision	3,940	0	3,940	The Insurance Fund is subject to a bi-annual health check by the actuaries. The last health check was completed in March 2025.	The level of the Insurance Fund will be adjusted in line with the recommendations of the actuary report which enables £81k to be released to support the 2025/26 in year position. The next health check is due in March 2027.
<b>Total General Fund Provisions</b>	<b>5,295</b>	<b>(750)</b>	<b>4,545</b>		
<b>TOTAL ALL FUNDS</b>	<b>22,659</b>	<b>6,794</b>	<b>29,453</b>		

## ANNEX B – RISK AND SENSIVITY ANALYSIS

### Risk Scoring Key:

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

Risk	Likeli-hood (L)	Impact / Sensitivity (I)	Risk = (L) x (I)	Possible Impact on Financial Strategy	Mitigation / Management
Council Tax base is lower than anticipated e.g. higher caseload for CTRS (Council Tax Reduction Scheme) discounts /lower number of new properties / more student exempt properties / more SMI exemptions / more discounts awarded, resulting in a deficit on the collection fund	3	3 0.1% reduction in council tax base = £0.210m	9	Would require reductions in budgets (increased savings) for the following year	Close monitoring of the collection fund and checking validity of exemptions and discounts particularly new property developments, student numbers, CTRS discounts and empty property discounts.
Collection of council tax, including CTRS claimants, falls due to its impact on household budgets alongside other Welfare Reform impacts, resulting in a deficit on the collection fund	3	3 0.1% reduction in council tax collection = £0.210m	9	Would require reductions in the budget (increased savings) for the following year	Close monitoring of the collection fund, including claimants under CTRS. Appropriate communications, advice (linked to Welfare Reform advice services) and collection strategies have been agreed to minimise impact.
Services fail to operate within set budgets due to increased service	3	4 1% gross expenditure on demand led	12	Excess service pressures would have to be met through	Close monitoring and analysis of demand-led budgets and overall

Risk	Likeli-hood (L)	Impact / Sensitivity (I)	Risk = (L) x (I)	Possible Impact on Financial Strategy	Mitigation / Management
demands or weak systems of demand management		budgets = £3.4m		additional resources, such as reserves, or through unplanned savings having to be made elsewhere. Possible need for emergency spending and/or recruitment restrictions with potential impacts on service delivery and quality. Reduction in reserves / working balance.	budget through budget monitoring (TBM). Identify action plans to mitigate cost pressures. Strategic MTFS investments provided for Homelessness, ASC, Children's Social Care and demand-led pressure areas.
Services fail to operate within set budgets due to unachievable income or poor collection performance	3	3 1% of fees and charges income = £1.2m	9	Income pressures that can only be met through additional resources, such as using reserves, or savings being made elsewhere in the budget. Possible need for emergency spending and/or recruitment restrictions with potential impacts on service delivery and quality. Reduction in reserves / working balance.	Monitoring of income budgets and collection performance (rates) through TBM reporting. Identify action plans to mitigate unachievable income, price variations and exceptional legal costs. In-year review of charging policy and revised charges approved if absolutely necessary. Internal Audit review of services where appropriate.
Services fail to operate within set budgets due to increased labour or supply chain costs, contract price	4	4 1% gross expenditure = £5.5m	16	Excess costs would have to be met through additional resources, such as reserves, or through	Close monitoring of budgets and overall spend through budget monitoring (TBM). Identify Financial Recovery action

Risk	Likeli-hood (L)	Impact / Sensitivity (I)	Risk = (L) x (I)	Possible Impact on Financial Strategy	Mitigation / Management
variations or other inflationary impacts				unplanned savings having to be made elsewhere. Possible need for emergency spending and/or recruitment restrictions with potential impacts on service delivery and quality. Reduction in reserves / working balance.	plans to mitigate specific areas experiencing cost pressures. Focus contract management resources to areas of concern. Financial management controls such as vacancy management and additional spending controls.
Services fail to operate within set budgets due to unachievable savings arising from:  - Over-estimate of the savings potential; - Higher than estimated costs to implement the savings opportunity.	3	3 5% of GF savings = £1.0m	9	Overspending that can only be met from additional resources such as reserves or savings being made elsewhere in the budget. Possible need for emergency spending and/or recruitment restrictions with potential impacts on service delivery and quality. Reduction in reserves / working balance.	Monitor savings through TBM and identify action plans and/or alternative measures to mitigate the unachievable savings. Potentially refer back to members for decisions on alternative savings proposals where these are significant or cannot be mitigated elsewhere.
Pay assumptions are lower than finally agreed pay awards and other pay related costs.	3	3 0.5% change in pay award = £0.9m for the General Fund	9	Pay award pressures can only be met through additional resources, such as reserves, or savings being made elsewhere in the budget. Possible need for emergency spending and/or	Monitor progress on pay award negotiations and wider national settlements. Lobby government for more funding if nationally negotiated pay awards are significantly higher than local or national

Risk	Likeli-hood (L)	Impact / Sensitivity (I)	Risk = (L) x (I)	Possible Impact on Financial Strategy	Mitigation / Management
				recruitment restrictions with potential impacts on service delivery and quality. Reduction in reserves / working balance.	assumptions (e.g. Spending Review assumptions). Excess pay award costs need to be addressed in-year through financial management controls and then built into budget planning (MTFS) for future years.
PFI Waste tonnages higher than projected resulting in additional disposal costs	2	3 1% increase in tonnage per annum = £0.2m p.a. over life of PFI contract	6	Would increase the waste disposal budget and compensating savings would need to be identified elsewhere in the budget.	Provision (contingency) for higher tonnages made in the assessment of the waste PFI reserve for future years. Monitor and identify specific areas of growth and undertake waste minimisation and further recycling measures. Trends are monitored and reflected in the MTFS for future years.
Inflation continues to impact on contracted social care provider costs	4	4 1% increase in contract prices = £2.0m	16	Excess costs would have to be met through additional resources, such as reserves, or through unplanned savings having to be made elsewhere. Possible need for emergency spending and/or recruitment restrictions with potential impacts on service delivery and	Identify Financial Recovery action plans to mitigate specific areas experiencing cost pressures. Focus contract management resources to areas of concern. Consider financial management controls such as vacancy management and additional spending controls.

Risk	Likeli-hood (L)	Impact / Sensitivity (I)	Risk = (L) x (I)	Possible Impact on Financial Strategy	Mitigation / Management
				quality. Reduction in reserves / working balance.	
The uncertainties within the housing market, changes in housing benefit and welfare reform, or ongoing impacts of the cost of living crisis create spending pressures within the budget e.g. homelessness	4	3 10% increase in net temporary accommodation and rough sleeping budget = £2.0m	12	Would create additional pressures in the Housing Strategy and potentially other related budgets which would need to find compensating savings.	Officer working group is set up specifically monitoring the strategic measures to mitigate the increase in cost and demand of TA. Continue to assess and monitor the potential impact of changes to the welfare benefit system and plan and respond to government consultations accordingly. Lobby Government for additional funding.
Increased property related insurance premiums as a result of national or international storm damage claims over the longer term	3	2 10% further increase = £0.4m	6	Would require compensating savings to be identified in 2026/27 and future years.	Insurance premiums have been retendered and are reviewed annually. Budget has planned increases in 2026/27 as price increases are expected. Continued emphasis on risk management to help prevent future claims.
Major civil incident occurs e.g. storm, flooding, riot	2	3 Estimated "Bellwin" threshold = £0.7m	6	Budget overspend / reduction in reserves / working balance. Pressures on other budgets. The council would have to meet the costs of uninsured risks in addition to the	Ensure adequate levels of useable reserves and working balance to cover threshold expenditure. Ensure appropriate insurance cover is in place and that the Insurance Fund is sufficient to cover uninsured risks.

Risk	Likeli-hood (L)	Impact / Sensitivity (I)	Risk = (L) x (I)	Possible Impact on Financial Strategy	Mitigation / Management
				“Bellwin” threshold.	
Severe winter weather places additional spending pressures on winter maintenance and other budgets across the council	2	3 Depends on severity of weather event	6	Need to use Working Balance and/or reserves.	Advance planning to minimise possible disruption. A General Risk Reserve has been created in 2026/27. A plan to replenish the Working Balance in future years would be required.
Cost overruns occur on schemes in the agreed capital programme	3	2 1% cost overrun on total 2025/26 programme = £1.4m	6	Reserves or other capital resources redirected to fund overspend. Unable to meet capital investment needs. Increased borrowing requirement.	Effective cost control and expenditure monitoring. In the first instance, use flexibility within or across programmes to re-profile expenditure if necessary. Flexing Capital Financing Strategy or HRA self-financing strategy as appropriate.
Capital receipts lower than anticipated	3	3 10% reduction in planned 2025/26 receipts = £1.2m	9	Fewer resources available for regeneration programmes, Transformation Fund and corporate Capital Funds	Flexible capital programme that allows plans to be reduced, re-profiled or decommitted. Alternative site disposal plans are capable of being accelerated if necessary. Borrowing is an option for invest-to-save schemes.
Income from business rates is lower than expected due to successful rating appeals / higher levels of relief awarded / redevelopment of existing sites gives	3	3 1% of forecast retained business rates income = £0.8m	9	Would require an increased budget gap to be addressed in the following financial year.	Make appropriate provisions in resource forecasts. Detailed monitoring of business rates yield and collection to ensure it reflects the latest known position.

Risk	Likeli-hood (L)	Impact / Sensitivity (I)	Risk = (L) x (I)	Possible Impact on Financial Strategy	Mitigation / Management
temporary reduction / collection performance declines					<p>Corporate approach to economic development and city regeneration.</p> <p>The council will receive safety net funding if the council's income from business rates falls significantly in 2026/27, but this would be transitional funding available for one year only.</p>