

# Brighton & Hove City Council

## Cabinet

## Agenda Item 125

**Subject:** General Fund Revenue Budget, Capital & Treasury Management Strategy 2026/27

**Date of meeting:** Cabinet: 12 February 2026  
Budget Council: 26 February 2026

**Report of:** Cabinet Member for Finance and City Regeneration

**Lead Officer:** Name: Chief Finance Officer

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**Ward(s) affected:** All Wards

**Key Decision:** Yes

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

**For general release**

### **1 Purpose of Report & Policy Context**

- 1.1 This report includes the proposed General Fund Revenue and Capital Budget 2026/27 together with a Medium-Term Financial Strategy (MTFS) covering the 4-year period 2026/27 to 2029/30.
- 1.2 The council aims to align all spending, ringfenced and un-ringfenced, to support the achievement of Council Plan outcomes and priorities. The General Fund budget in particular is an expression of the Council Plan in financial terms and aims to ensure that revenue and capital budgets and investment plans are aligned to achieving the outcomes of the Council Plan for a 'better Brighton and Hove for all'.

### **2 Recommendations:**

That Cabinet recommends to Council the following:

- 2.1 That Council approves the Administration's proposed General Fund revenue and capital budget and Council Tax increase on the Brighton and Hove element of the council tax for 2026/27, comprising:
  - i) A general Council Tax increase of 2.99%;
  - ii) An Adult Social Care Precept increase of 2.00%;
  - iii) The council's net General Fund budget requirement for 2026/27 of £341.476m;

- iv) The 2026/27 budget allocations to services as set out in Appendix 1 incorporating budget savings proposals detailed at Appendix 2;
  - v) The one-off resource allocations as set out in the table at paragraph 6.78;
  - vi) A recommended working balance of between £12.000m to £15.000m (approximately 4% of the net budget) to be maintained over the period of the Medium Term Financial Strategy.
- 2.2 That Council approves the changes to Fees & Charges set out in Appendix 3 that relate to any non-executive functions which have not already been approved.
- 2.3 That Council notes that Exceptional Financial Support of £15.000m has been requested from the Ministry of Housing, Communities and Local Government to assist with the setting of a legally balanced budget in 2026/27;
- 2.4 That Council notes the plans to address future projected budget shortfalls set out in the 4-Year Medium Term Financial Strategy at Appendix 4.
- 2.5 That Council approves the Capital Strategy for 2026/27 at Appendix 5 comprising:
- i) Funding for investment in transformation and change, supported by the flexible use of capital receipts as set out in paragraph 11.2;
  - ii) The capital resources and proposed borrowing included at Annex A of the Capital Strategy;
  - iii) The Capital Investment Programme for 2026/27 of £239.816m included at Appendix 5 incorporating allocations to strategic funds.
- 2.6 That Council approves the Treasury Management Strategy Statement as set out in Appendix 6 comprising:
- i) The Annual Investment Strategy;
  - ii) The Prudential and Treasury Indicators;
  - iii) The Minimum Revenue Provision policy;
  - iv) The authorised borrowing limit for the year commencing 1 April 2026.
- 2.7 That Council notes and considers the Equalities Impact Assessments to cover all relevant budget proposals as set out in Appendix 7.
- 2.8 That Council approves serviced accommodation to be an exception to the council tax premium determination for second homes as described in Section 16 and Appendix 8.
- 2.9 That Council further notes that approval of the budget is an indicative resourcing decision to be taken in the context of the explanation given in the Legal Implications in Section 20.
- 2.10 That Council notes that supplementary information needed to set the overall council tax, including a detailed Budget Book, will be provided for the Budget Council meeting as listed in paragraph 14.1.

That Cabinet agrees the following:

- 2.11 The changes to Fees & Charges set out in Appendix 3 that relate to executive functions

- 2.12 That the council's S151 Chief Financial Officer be authorised to make any necessary technical, presentational or consequential amendments to this report before submission to Budget Council.

### **3 Context and Background Information**

#### **Overview**

- 3.1 As reported to Cabinet on 11 December 2025, the context for budget setting remains very challenging. There are significant budget pressures arising from increases in demand from statutory services, most significantly in emergency and temporary accommodation, but also in respect of adults and children's placements, and home to school transport. In addition, there are various other pressures across the council in terms of demand, pressures on income sources and the cost of providing services over and above inflation. These pressures are the key drivers of the budget shortfalls over the Medium Term Financial Strategy (MTFS), as the anticipated increase in resources is largely expected to fund the inflationary increase in the cost of delivery services over the period not the additional demand pressures noted above.
- 3.2 Compounding this, the government's review of the allocation of local government resources under the Fair Funding Review, coupled with the Business Rates Reset, has resulted in the Council's core spending power increasing much more slowly than the assumptions within the MTFS, resulting in lower resources to be able to fund services across the Council. Consequently, the December report estimated an expected budget gap of nearly £25 million in 2026/27 and more than £87 million over the 4-year MTFS period.
- 3.3 The council's financial sustainability is also impacted by the low level of reserves held compared to other similar sized authorities. Brighton and Hove City Council has one of the lowest levels of reserves of any unitary authority, and has done for some considerable time, and is therefore unable to withstand significant financial shocks at a time where financial risks to councils are arguably greater than they have ever been. The external auditors, Grant Thornton, have raised a significant weakness in respect of financial sustainability over recent years, and the Council's financial sustainability was the top recommendation in the Local Government Association's corporate peer challenge in April 2025.
- 3.4 The December report described the substantial amount of work undertaken on the Council's budget position, particularly in terms of working to reduce/mitigate pressures. Savings proposals of £12.446m were identified, which left a remaining gap of £12.480m towards which officers have been working to develop further proposals and transformation. The December report made it clear that the failure to find sufficient proposals would result in the authority requiring to request Exceptional Financial Support from the government.
- 3.5 The Provisional Local Government Finance Settlement was announced on 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 prevailing MTFS assumptions. £19.283m has already been assumed in the December report, and therefore the position has deteriorated by a further £8.133m, of which £1.731m is an additional impact in 2026/27. More information is included in section 4.

- 3.6 The below table shows how the 2026/27 budget gap has moved since reported to Cabinet in December:

| <b>Table 1: 2026/27 Budget Gap</b>                               | <b>£m</b>     |
|------------------------------------------------------------------|---------------|
| <b>Budget Gap per December Cabinet Report</b>                    | <b>24.926</b> |
| Funding Update from Provisional LGFS                             | 1.731         |
| Council Tax Base update (reported to Cabinet on 22 January 2026) | (0.708)       |
| Other grant funding changes                                      | (1.097)       |
| Business Rates changes for BHCC owned properties                 | 0.218         |
| Review of pressures and commitments                              | 0.152         |
| Deferral of Planned Reserves Contribution                        | (1.125)       |
| Creation of a one off revenue risk provision                     | 1.125         |
| <b>Budget Gap before Savings Proposals</b>                       | <b>25.222</b> |
| Draft Saving Proposals within December report                    | (12.446)      |
| <b>Remaining Budget Gap</b>                                      | <b>12.776</b> |

- 3.7 The Council has developed a comprehensive portfolio of transformation programmes to address both the demands the authority is facing and to exploit opportunities to address the Council's financial sustainability in the medium term. Appendix 4 provides more detailed information about these programmes, but in summary, the activity includes:

- Workstreams to reduce demand and cost of statutory services in Homelessness, Temporary & Emergency Accommodation, Adult Social Care and Children's services. This includes, for example, reducing the high cost of spot purchased temporary accommodation by developing long term contractual arrangements for accommodation, increasing Council owned housing supply, as well as increasing preventative work to reduce demand on the homelessness service.
- Workstreams that act as financial levers to the council, such as to increase income through greater commercialisation, rationalise the operational property estate, saving money through better procurement and contract management
- Workstreams to ensure the council is geared up to deliver significant change through investing in digital technology and an organisational change programme.

The transformation portfolio feeds into the medium term financial plan, and, as set out in Appendix 4, enable the Council to get to a balanced position over the 4 year period from 2026 to 2030.

- 3.8 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. Further savings 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.

- 3.9 It is important to note that EFS is not additional money from the government; it is a flexibility that enables the Council to capitalise revenue expenditure on a one off basis and spread this cost over a longer period of time (typically 20 years). Should the Council's application for EFS be approved, it must be seen as one off support for 2026/27. The cost of undertaking EFS for 2026/27 is reflected in the MTFS, and MTFS is balanced over a 4 year period. The delivery of the Council's transformation programmes must be seen as a top priority to ensure that this approach to long term financial sustainability can be turned into reality. The use of EFS is described further in Section 8.

### ***National Context***

- 3.10 The Local Government Finance Policy Statement (policy statement) was published by the government on 20 November 2025, outlining the government's approach to funding local government over the multi-year settlement period of 2026/27 to 2028/29. In addition, the government also published its outcome responses to both the Fair Funding Review 2.0 (FFR) consultation and the Business Rates Reset (BRR) consultation; both of which were consulted upon earlier in 2025.
- 3.11 The Provisional Local Government Finance Settlement (Provisional LGFS) was published on 17 December 2025. This largely confirmed the Council's assumptions that funding would be significantly reduced compared to the assumptions in the 2025/26 budget and medium term financial strategy. The announcement is the first multi-year settlement since 2016, providing certainty for the council as to its level of resources over the three-year period to 2028/29. This will in turn facilitate planning and provide certainty over the extent of the transformation activity required over the next three years.
- 3.12 The policy statement set out that an additional £3.4 billion new grant funding would be delivered through the multi-year settlement. Taken together with the 2.99% core council tax and 2.0% ASC precept, this will result in a 2.6% real terms increase in core spending power across the multi-year period across the whole of local government, however there are significant variations within this overall average figure. The FFR and BRR will ultimately redistribute funding across all local authorities, and therefore actual changes in core spending power will be very different across local authorities.
- 3.13 The government published its Autumn Budget on 26 November 2025, which announced several changes that will impact on Local Authorities going forwards. Most notably, the budget confirmed that the government's plans for Special Educational Needs & Disabilities (SEND) reforms will be announced early in the new year, including the announcement that the current statutory override will be extended for a year. Additionally, the government will not be expecting local authorities to meet future funding implications for SEND within the general fund once the override ends at the end of 2027/28.

### ***Local Financial Planning Context***

- 3.14 The Targeted Budget Management (TBM) Month 9 report (elsewhere on this agenda) shows a forecast overspend of £4.861m for 2025/26. The most significant two drivers of the overspend are emergency and temporary accommodation pressures, as well as a provision for a pressure from housing benefit subsidy. The Council also has pressures on adult social care placement costs, and to a lesser extent, children's social care placement costs. These are the same key drivers of the council's service pressures

across the MTFS. Strict and significant recruitment and spending controls alongside other financial management actions have been in place throughout the year in order to bring the Council's financial position towards balance. TBM2 at the beginning of the year set out a projected overspend of £15.486m in 2025/26, and subsequent to that additional pressures have emerged, for example in respect of housing benefit subsidy loss (£4.775m) and a planning legal challenge. The current overspend at TBM9 is a considerable improvement against over £20m of pressures, however clearly more work is needed to bring the position into balance.

- 3.15 The Council's reserves are at a critically low level, and one of the lowest levels in the country across unitary authorities. This creates significant issues in terms of the Council's inability to withstand financial shocks (for example unexpected costs or increases in demand for statutory services). The target level of un-ringfenced General Fund reserves (i.e. General Fund working balance and General risk reserve) over the MTFS period is £12-15 million. Given the current overspend position at TBM9, the Council's Chief Finance Officer has applied the general risk provision agreed as part of the December Update in order to mitigate the in-year overspend position.
- 3.16 The Council has received a number of recommendations in respect of its level of reserves and lack of financial sustainability. The external auditors have raised a significant weakness in respect of financial sustainability, and the LGA Corporate Peer Challenge highlighted financial sustainability as the Councils top issue, noting that it needed to prioritise a plan to increase its level of reserves at pace. The approach set out in paragraphs 3.1 to 3.8 will enable the Council to protect and enhance general and specific risk reserves, as well as move to longer term financial sustainability over the next 4 years through the delivery of its transformation programme.

## **4 Resources and Planning Assumptions 2026/27**

### ***Provisional Local Government Finance Settlement (LGFS)***

- 4.1 The provisional LGFS was announced on 17 December 2025. Local Government funding allocations from 2026/27 onwards have undergone considerable change with the implementation of the Fair Funding Review (FFR) and a full Business Rates Reset (BRR). The changes are significant and complex.
- 4.2 The provisional LGFS provided detailed allocations for all local authorities for the period of 2026/27 to 2028/29. A number of changes were made to the allocation methodology (compared to what was indicated in the consultation), some of which benefited and others which have negatively impacted the Council.
- 4.3 The Council will receive £27.416m less resources over the multi-year settlement period of 2026/27 to 2028/29 compared to the prevailing MTFS assumptions. £19.283m has already been assumed in the December report, and therefore the position has deteriorated by a further £8.133m between 2026/27 and 2028/29. The key drivers are as follows:
  - New funding floors were introduced for authorities that will suffer the highest reductions in funding, and the government announced they will maintain the Recovery Grant, introduced in 2025/26. The Council will not be in receipt of either of these. This means that the increase in overall

funding will be lower than previously modelled as some of the increase will be required to fund these elements that the Council will not receive.

- Newer data on deprivation indices and population will be used to calculate funding needs, the combination of which result in a lower allocation for the Council.
- The MTFS had assumed an additional allocation for food waste funding. However, it appears as though the funding is integrated into the provisional LGFS within the overall envelope already announced.

4.4 Allocations will be transitioned over the settlement period, and therefore whilst overall resources will increase each year, the council's Revenue Support Grant will reduce each year to reflect the transition to the Council's new funding allocation. The net reduction for 2026/27 compared to assumptions within the Budget Update in December is £1.731m.

4.5 The Final LGFS is expected to be announced on 9 February 2026, after this paper is published. Any changes to the Council's allocation will therefore be reported as part of the Budget Report to Budget Council on 26 February 2026.

### **Government Grants**

4.6 One key priority for the government within the FFR was the simplification of grant allocation. This has been achieved as follows:

- Sixteen separate grant streams consolidated into the Revenue Support Grant.
- Four new consolidated grants which have specific conditions against them:
  - Homelessness, Rough Sleeping and Domestic Abuse Grant
  - Children, Families and Youth Grant
  - Public Health Grant
  - Crisis and Resilience Fund

### ***Revenue Support Grant (RSG) and Better Care Fund (BCF)***

4.7 The government has rolled in a number of grants to the RSG. Future RSG allocations are now informed by a new needs assessment formula which was consulted on during the summer of 2025.

4.8 The main grants for the council that have been rolled in are:

- Social Care Grant
- ASC Market Sustainability & Improvement Fund
- Employer National Insurance Contribution (NIC) Grant
- New Homes Bonus
- The Temporary Accommodation element of the Homelessness Prevention Grant

4.9 After the roll in of grants, the Council's RSG for 2026/27 is £75.522m which is a reduction of £1.252m when comparing the 2025/26 RSG and rolled in grant allocations. The RSG allocation will reduce by a further £9.042m in 2027/28 and £8.889m in 2028/29.

4.10 The BCF is a legal requirement for Local Authorities to pool funds with the NHS. The 2026/27 allocation has been maintained at the same level as

2025/26 (£11.669m). The government's 10 Year Health Plan announced reform to the BCF to focus on integrated services. The government have not announced allocations for the BCF in 2027/28 and 2028/29, but instead have presented them within RSG within these years. However, for the purposes of budgeting, the Council has assumed its share of BCF will be maintained at the same value for 2027/28 and 2028/29, and have reduced the published RSG by the same amount.

### ***Children's Families & Youth Grant***

- 4.11 The Children's, Families and Youth Grant will consist of the Families First Partnership (FFP) programme, which will bring together existing streams for Children's Social Care Prevention Grant and the Supporting Families element of the Children & Families Grant. In addition, the government announced £866 million of new funding to support children's social care reform, of which the Council will receive £1.102m in 2026/27.

### ***Homelessness, Rough Sleeping and Domestic Abuse***

- 4.12 The government has bought together the Rough Sleeping grant, the Domestic Abuse Accommodation Support grant and the prevention and relief element of the Homelessness Prevention Grant (HPG) so that all elements of revenue grant for homelessness prevention are within one grant stream. The remainder of the HPG (relating to temporary accommodation) has been rolled into RSG.
- 4.13 The government consulted separately on the methodology for funding allocations of the HPG from 2026/27 onwards, which indicated the Council would see a significant reduction in funding due to the change in assessing the proportion of the population at risk of homelessness.
- 4.14 The Council's total allocation for this grant will be £9.353m for 2026/27 (a reduction of £1.373m compared to 2025/26), £8.924m for 2027/28 and £8.068m in 2028/29.

### ***Public Health Grant (PH)***

- 4.15 The PH grant has been consolidated with the separate Smoking Cessation grant, the Drugs and Alcohol Treatment and Recovery Improvement Grant and the Individual Placement & Support Grant. The Council's allocation for these grants in 2025/26 is £29.375m. The provisional allocations over settlement period are £29.751m in 2026/27, £30.006m in 2027/28 and £30.288m in 2028/29.
- 4.16 The PH grant continues to be ringfenced for public health functions.

### ***Crisis & Resilience Fund***

- 4.17 The new Crisis and Resilience Fund consolidates Household Support Fund (HSF) and Discretionary Housing Payments (DHP). Until now, both the HSF and DHP have been announced either six-monthly or annually, so building this into the full settlement period provides the Council with the ability to plan the best use of this funding.
- 4.18 The council's allocation for these funding streams in 2025/26 is £4.503m. The Council's allocations over settlement period are £3.982m in 2026/27, £3.980m in 2027/28 and £3.841m in 2028/29.

### ***Council Tax***

- 4.19 The Council Tax taxbase report was agreed by Cabinet at its meeting of 22 January 2026. Assuming a Council Tax increase of 4.99% is agreed, and



taking into account changes to the tax base, the total projected Council Tax income in 2026/27 is £210.010m. This is an increase of £12.386m compared with 2025/26.

### ***Business Rates***

- 4.20 The government implemented a full Business Rates Reset (BRR), alongside the Fair Funding Review (FFR). This results in the redistribution of all accumulated growth within the Business Rate system based on the measure of each authority's need. Thereby providing a new Baseline Funding Level (BFL) for business rates for 1 April 2026 with the opportunity to retain growth until the next reset.
- 4.21 In 2026/27 there is a 100% safety net meaning that no authority will receive less than the BFL set. The Council's net share of local business rates retained is assumed to be £58.442m, which is in line with the council's BFL set in the provisional LGFS.
- 4.22 Locally, the actual Business Rates income will reflect the local economy rather than each authority's BFL. This results in each authority having to make a top up or tariff payment to the government which reflects the difference between their BFL and business rates income (otherwise known as the Business Rates Baseline, or BRB). The BRB for Brighton & Hove is calculated at £80.712m and results in a tariff payment of £22.270m. This includes a change in the treatment of mandatory reliefs and funded discretionary reliefs where the government will take responsibility for funding these.
- 4.23 Future years business rates retained from 2027/28 includes annual growth assumptions of 0.5% which is inclusive of levy payments that will be due on all growth.
- 4.24 The government announced on 27 January 2026 that in 2026/27, eligible pubs and live music venues will receive a 15% business rates relief, and then a real terms freeze for a further 2 years. Local Authorities are expected to be compensated for the cost of this relief.

### ***Other Government Grants***

- 4.25 The grant allocations for 2026/27 have been included within the summary budget at Appendix 1. Some grant allocations for next year have not yet been announced and where these are critical to the setting of the 2026/27 budget, a rolled-forward estimate has been included.

### ***Fees & Charges***

- 4.26 The council's Corporate Fees & Charges Policy requires that all fees and charges are reviewed at least annually and should normally be increased by a minimum of either the assumed corporate standard inflation rate, statutory increases, or actual increases in the costs of providing a service to reflect cost inflation.
- 4.27 Over recent years, fees & charges have become an increasingly important element of the council's financial sustainability following real terms government grant reductions since 2010. Services therefore benchmark non-statutory fees and charges with other providers and councils to ensure that charges are comparable and competitive within the local context and can maximise discretionary income to protect essential services wherever feasible. However, fees & charges must normally be set to recover costs, demand (price elasticity) and, where commercial, market conditions.

- 4.28 Increases to discretionary fees & charges above the assumed corporate rate of inflation (3.0%), and changes to concessions or subsidies, require member approval. Increases in fees and charges above the corporate rate of inflation may generate budget savings and, where this is the case, are normally reflected in savings proposals set out in Appendix 3.

## 5 Revenue Investment to Support Council Plan Priorities

- 5.1 The Council Plan 2023 to 2027 (as refreshed in July 2025) sets out a vision for Brighton & Hove to be a city to be proud of, a healthy, fair and inclusive city where everyone thrives. To deliver the vision of a Better Brighton and Hove for All, the council aims to be a responsive and learning council with well-run services and will focus on the four key outcomes of the plan over the next four years as detailed in the MTFS at Appendix 4.
- 5.2 The General Fund budget requires investment and to fund pressures in order to deliver the Council Plan priorities. Whilst there is a need for investment to deliver all of the priorities, the most substantial investments are required in services supporting the delivery of a “Fair and Inclusive City” and a “Healthy City where People Thrive”. This reflects the challenge the Council faces with the high levels and demand and costs for the council’s Social Care services, and in recent years the significantly increasing cost and demand for Temporary and Emergency Accommodation within the City (TA and EA). Strategic measures have been put in place to address the considerable challenge with TA & EA, which are being implemented to reduce the cost of TA and EA, including the Homes & Homelessness Transformation Plan as described in the December Budget Update.
- 5.3 In total, there are proposed ongoing investments of £28.098m to support services that contribute to Council Plan outcomes. The full list of proposed investments to support Council Plan priorities and associated outcomes in 2026/27 is set out in the table below. Investments over the remainder of the 4-year Medium Term Financial Strategy are set out in Appendix 4.

| Table 2: 2026/27 Investments & service pressures |                                                                                                      |                              |
|--------------------------------------------------|------------------------------------------------------------------------------------------------------|------------------------------|
| Priority Supported                               | Proposed Council Plan Investments and service pressures                                              | Recurrent Investment 2026/27 |
|                                                  |                                                                                                      | £m                           |
| A City to be Proud of                            | Rental Loss associated with the closure of New England House                                         | 1.200                        |
|                                                  | Tree Disease Management                                                                              | 0.300                        |
|                                                  | Investing in the future of service delivery (including revenue impact of assets to deliver services) | 0.600                        |
|                                                  | All other investments and pressures                                                                  | 1.680                        |
|                                                  | <b>Total Investments - A City to be Proud of</b>                                                     | <b>3.780</b>                 |
| A Fair and Inclusive City                        |                                                                                                      |                              |
|                                                  | Housing – Temporary and Emergency Accommodation                                                      | 11.106                       |
|                                                  | Loss of Housing Benefit Subsidy                                                                      | 2.400                        |
|                                                  | All other investments and pressures                                                                  | 0.365                        |
|                                                  | <b>Total Investments - A Fair &amp; Inclusive City</b>                                               | <b>13.871</b>                |

|                                                          |                                                                                    |               |
|----------------------------------------------------------|------------------------------------------------------------------------------------|---------------|
| A Healthy City that helps people to thrive               |                                                                                    |               |
|                                                          | Home to School Transport                                                           | 1.285         |
|                                                          | Children's Agency Placements                                                       | 1.811         |
|                                                          | Children's Disability Placements                                                   | 0.483         |
|                                                          | Supporting Adults with Physical Needs                                              | 0.621         |
|                                                          | Supporting Adults with Learning Disability Needs                                   | 0.490         |
|                                                          | Supporting Adults with Mental Health Needs                                         | 0.698         |
|                                                          | Supporting children with complex needs in-house                                    | 0.301         |
|                                                          | Family Hub & preventative children's services                                      | 0.637         |
|                                                          | Support for Increased SEN Demand                                                   | 0.366         |
|                                                          | Other Educational Services & Support                                               | 0.547         |
|                                                          | <b>Total Investments - A Healthy City</b>                                          | <b>7.239</b>  |
| A Responsive and Learning Council with Well-run Services |                                                                                    |               |
|                                                          | Investment in Emergency Planning service                                           | 0.150         |
|                                                          | Estimated cost of changes in Digital Innovation service                            | 0.390         |
|                                                          | Income pressure within commercial property portfolio                               | 0.201         |
|                                                          | Change in Government policy for Councillors in the Local Government Pension Scheme | 0.100         |
|                                                          | Investment in Cyber Security                                                       | 0.220         |
|                                                          | Council owned building Business Rate changes                                       | 0.218         |
|                                                          | All other pressures & investments                                                  | 1.929         |
|                                                          | <b>Total Investments - Well-Run Services</b>                                       | <b>3.208</b>  |
|                                                          | <b>TOTAL COUNCIL PLAN INVESTMENTS</b>                                              | <b>28.098</b> |

### **Commitments**

- 5.4 The budget projections for 2026/27 includes commitments of (£3.872m), reflecting corporate changes and decisions already made, as well as changes in presentation of funding due to the implementation of the Fair Funding Review as at 1 April 2026. The total commitments are shown in Table 3 below:

| <b>Table 3: Commitments in the 2026/27 budget:</b>                        |                |
|---------------------------------------------------------------------------|----------------|
|                                                                           | £m             |
| Reversal of 2025/26 Risk Provision                                        | (1.747)        |
| Reversal of 2025/26 New Homes Bonus one off allocation                    | 1.014          |
| Reduction in Crisis & Resilience Fund to support General Fund Expenditure | 0.200          |
| Other budget changes                                                      | (0.137)        |
| <b>Subtotal included in Table 6</b>                                       | <b>(0.670)</b> |
| 2025/26 Pay Award above modelled allowance                                | 0.827          |
| Change in Financing Costs                                                 | 0.913          |
| Change in Employers Pension Contribution                                  | (6.832)        |
| Reduction in Homelessness Funding                                         | 1.373          |
| Creation of 2026/27 Risk Provision                                        | 1.125          |
| Change in contribution to reserves                                        | (0.608)        |
| <b>Total Budget commitment</b>                                            | <b>(3.872)</b> |

## **6 Reserves Position and One-Off Funding**

### ***Latest Financial Performance in 2025/26***

- 6.1 Targeted Budget Management (TBM) is the council's system of budget monitoring and the TBM Month 9 (December) report included in the February Cabinet agenda indicates an improved forecast overspend of £4.861m on the General Fund.
- 6.2 The report describes that one of the significant drivers of the overspend is the cost of and demand for emergency and temporary accommodation, alongside the demand for other statutory services, pressure on income sources, and a potential increase in the Council's Housing Benefit Subsidy loss.
- 6.3 The report indicates a number of recovery measures that have been put in place to help improve the position over the year including strategic financial recovery measures for temporary accommodation, tightened spending and recruitment freezes. The position is also supported by the release of the one off risk provision (£1.747m), deferral of the planned contribution to the working balance (£1.125m) and application of previously earmarked reserves and balances (£1.109m).
- 6.4 The TBM Month 9 report includes the forecast of the 2025/26 council tax collection fund and business rates collection fund positions. The Council's share of the council tax collection fund is a forecast deficit of £1.071m, which is a result primarily due to a lower collection rate than anticipated. In addition, the Council's share of the business rates collection fund is a forecast deficit of £1.427m, primarily due to the increase in cost of appeals. Therefore, after allowing for a contribution from the Section 31 timing reserve of £0.730m, the total collection fund deficit that is required to be funded as part of the 2026/27 budget is £1.768m.

### ***One-off Resource Liabilities and Proposed Allocations***

- 6.5 The Working Balance is recommended to be increased to a minimum of £12.000m to meet general risks applicable to a unitary authority. An overspend in 2022/23 resulted in the working balance being reduced by £3.374m to £5.626m. A repayment was made in 2024/25, and an additional

contribution was made in 2024/25 from the underspend within the year to bring the balance to £7.840m.

- 6.6 The planned repayment of £1.125m in 2025/26 has been deferred within TBM Month 9 to support the in-year financial position. If the TBM outturn improves significantly, this will be reviewed to ascertain whether some or all of the planned 2025/26 repayment can be made. However, there is some way to go for the position to improve, and therefore the current assumption is that the working balance will remain at £7.840m on 31 March 2026.
- 6.7 Table 4 identifies the potential one-off resources and liabilities that will need to be taken into account in setting the 2026/27 budget. At this stage, this assumes that spending in 2025/26 will reduce further by at least £1.661m from the TBM Month 9 (December) projection. This is based on the assumption that recruitment and spending controls will continue until at least the end of the financial year and takes into account trends in recent years which saw improvements between the month 9 forecast and the final outturn position of £1.853m (2021/22), £3.553m (2022/23), £2.257m (2023/24) and £4.401m (2024/25) respectively.
- 6.8 There is a risk that the TBM position will not improve as much as anticipated, or that the council cannot increase its application of Flexible Use of Capital Receipts by the value anticipated. This risks further drawdown from the Working Balance in 2025/26. Any change to the TBM position by the end of the financial year will be reflected in the 2025/26 outturn report to a meeting of the Cabinet, usually in June.

| <b>Table 4: Projected One-off Resources</b>                                                          | <b>£m</b> | <b>£m</b>     |
|------------------------------------------------------------------------------------------------------|-----------|---------------|
| <b><i>Revenue Budget position 2025/26 (TBM):</i></b>                                                 |           |               |
| Forecast outturn overspend as at TBM Month 9: December                                               | -4.861    |               |
| Potential amendment of capitalisation of transformation costs using Flexible Use of Capital Receipts | +3.200    |               |
| Projected further improvement between Month 9 and Outturn due to spending and recruitment controls   | +1.661    |               |
| Sub-total Estimated Year-end TBM Outturn                                                             |           | <b>+0.000</b> |
|                                                                                                      |           |               |
| <b><i>Collection Fund Position:</i></b>                                                              |           |               |
| Estimated 2025/26 Council Tax collection fund net deficit                                            | -1.071    |               |
| Estimated 2025/26 Business Rates Retention collection fund deficit                                   | -1.427    |               |
| Contribution from Section 31 grant timing reserve                                                    | 0.730     |               |
| Sub-total Collection funds net position                                                              |           | <b>-1.768</b> |
|                                                                                                      |           |               |
| <b><i>2026/27 Resources:</i></b>                                                                     |           |               |
| Exceptional Financial Support                                                                        |           | <b>+1.768</b> |
|                                                                                                      |           |               |
| <b>Projected One-off Resources from 2026/27</b>                                                      |           | <b>+0.000</b> |
|                                                                                                      |           |               |
| <b><i>One-off Allocations in 2026/27:</i></b>                                                        |           |               |
| None                                                                                                 |           | -             |
|                                                                                                      |           |               |
| <b>Total One-off allocations</b>                                                                     |           | <b>-</b>      |
| <b>Balance</b>                                                                                       |           | <b>0.000</b>  |

## 7 Savings Proposals

- 7.1 As noted above, there is a significant projected budget shortfall next year and for each year of the 4-year MTFS. To balance the budget therefore requires substantial annual savings programmes as has been the case since at least 2010.
- 7.2 The savings package proposed totals £20.749m for 2026/27. Savings proposals are provided at Appendix 2 and are accompanied by Equality Impact Assessments (EIAs) at Appendix 7 where appropriate. Medium-term transformation and savings programmes to address future projected budget shortfalls are included in the Medium Term Financial Strategy.

## 8 Exceptional Financial Support

- 8.1 The council is required to set a legally balanced budget for the forthcoming financial year. Within the Local Government Finance Policy Statement, published in November 2025, the government committed to the continuation of the Exceptional Financial Support (EFS) framework to provide support for local authorities facing exceptional pressures. The number of local authorities accessing EFS has increased in recent years, underlining the exceptional financial pressures being faced by many local authorities.
- 8.2 Due to the exceptional pressures being faced by the Council, particularly in Homelessness, and Emergency and Temporary Accommodation, the Council has requested EFS to support a balanced position in 2026/27. The budget report is therefore being recommended on the basis that the request for EFS is granted.
- 8.3 When EFS is granted, the government provides a capitalisation directive to the Council to allow it to capitalise revenue expenditure on a one-off basis. This has two important implications:
- The EFS will need to be funded either by capital receipts, or by borrowing. As there is already pressure on the council's capital receipts, the working assumption is that borrowing will be required to fund the request. The repayment cost of borrowing £15 million is approximately £1.250m per year;
  - Any budget gap funded by EFS increases the budget gap in the following year.
- 8.4 A total of £15 million has been requested; whilst the budget shortfall for 2026/27 is £4.473m, the amount requested recognises that to become financially sustainable, the Council will need to replenish its reserves and balances to provide a more generous buffer to meet unexpected future risks and pressures.
- 8.5 The below table outlines how the EFS is expected to be used. The final expected application of EFS will be reported as part of the 2025/26 TBM Outturn report.

| Table 5: Expected application of EFS                       |       |
|------------------------------------------------------------|-------|
|                                                            | £m    |
| Fund exceptional revenue pressures for TA and homelessness | 4.473 |
| Fund 2025/26 net Collection Fund deficit (Table 4)         | 1.768 |

|                                                        |               |
|--------------------------------------------------------|---------------|
| Replenish planned General Risk Reserve used in 2025/26 | 1.109         |
| Increase General Risk reserve                          | 2.790         |
| Increase working balance to £12 million                | 4.160         |
| Top up Earmarked Reserves                              | 0.700         |
| <b>Total EFS Requested</b>                             | <b>15.000</b> |

## 9 Medium Term Financial Plan 2026/27 to 2029/30

9.1 The Medium Term Financial Strategy 2026/27 to 2029/30 (MTFS) has been developed to complement the Council Plan and is an expression of the how the council aims to support its priorities and invest in transformation and change in financial terms. The MTFS is provided at Appendix 4.

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

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

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

| <b>Table 6:<br/>Medium Term Financial Strategy 2026 to 2030</b>         | <b>2026/27</b> | <b>2027/28</b> | <b>2028/29</b> | <b>2029/30</b> |
|-------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                                         | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      |
| <b>Net Budget Requirement B/Fwd</b>                                     | <b>332.804</b> | <b>341.476</b> | <b>349.068</b> | <b>354.335</b> |
| Remove net one-off short term funding and expenditure                   | 0.000          | 0.000          | 0.000          | 0.000          |
| <b>Adjusted Budget Requirement B/Fwd</b>                                | <b>332.804</b> | <b>341.476</b> | <b>349.068</b> | <b>354.335</b> |
| Standard Pay and Inflation – Expenditure                                | 12.881         | 12.943         | 13.280         | 13.663         |
| Standard Inflation – Income                                             | (3.213)        | (3.553)        | (3.462)        | (3.559)        |
| Investment in priorities across Homes & Adult Social Care services      | 12.915         | 13.744         | 15.242         | 15.970         |
| Investment in priorities across Families, Children & Wellbeing services | 5.640          | 3.074          | 2.685          | 2.552          |
| Investment in priorities across City Operations services                | 3.240          | 0.481          | 0.185          | 0.139          |
| All other priority investments                                          | 6.303          | 1.326          | 1.050          | 1.000          |
| Changes in Grant Funding – Homelessness Funding                         | 1.373          | 0.428          | 0.857          | 0.000          |
| Commitment – change in contribution to/from reserves                    | (0.608)        | 2.498          | 0.000          | 0.000          |
| Commitment – Change in Financing Costs (except EFS impact)              | 0.913          | 1.618          | 0.620          | (0.172)        |



|                                                                                                          |                 |                 |                 |                 |
|----------------------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Commitment – 2025/26 Pay Award above 2.75% assumption                                                    | 0.827           | 0.000           | 0.000           | 0.000           |
| Other Commitment - Impact of previous decisions made (Detailed further in Table 3 for 2026/27)           | (0.670)         | 0.817           | 0.826           | 1.598           |
| Reduction in Employers Pension Contribution                                                              | (6.832)         | 0.000           | 0.000           | 0.000           |
| 2026/27 Risk provision                                                                                   | 1.125           | (1.125)         | 0.000           | 0.000           |
| <b>Subtotal</b>                                                                                          | <b>366.698</b>  | <b>373.727</b>  | <b>380.351</b>  | <b>385.526</b>  |
| Available funding (below)                                                                                | (341.476)       | (349.068)       | (354.335)       | (369.229)       |
| <b>Budget Shortfall</b>                                                                                  | <b>25.222</b>   | <b>24.659</b>   | <b>26.016</b>   | <b>16.297</b>   |
| <b>Plans to balance shortfalls:</b>                                                                      |                 |                 |                 |                 |
| <i>Transformation and Savings Plans</i>                                                                  | <i>(20.749)</i> | <i>(30.382)</i> | <i>(26.016)</i> | <i>(16.297)</i> |
| <i>Exceptional Financial Support (EFS)</i>                                                               | <i>(15.000)</i> | <i>15.000</i>   | <i>0.000</i>    | <i>0.000</i>    |
| <i>Less: Contributions to reserves from EFS (working balance, risk reserve &amp; earmarked reserved)</i> | <i>8.759</i>    | <i>(8.759)</i>  | <i>0.000</i>    | <i>0.000</i>    |
| <i>Less: Funding of net Collection Fund Balances</i>                                                     | <i>1.768</i>    | <i>(1.768)</i>  | <i>0.000</i>    | <i>0.000</i>    |
| <i>Cost of funding Exceptional Financial Support*</i>                                                    | <i>0.000</i>    | <i>1.250</i>    | <i>0.000</i>    | <i>0.000</i>    |
| <b>Budget Requirement C/Fwd</b>                                                                          | <b>341.476</b>  | <b>349.068</b>  | <b>354.335</b>  | <b>369.229</b>  |
| <b>Funding:</b>                                                                                          |                 |                 |                 |                 |
| Revenue Support Grant (RSG)                                                                              | 75.522          | 66.480          | 57.591          | 57.591          |
| Locally retained Business Rates                                                                          | 58.442          | 60.193          | 61.833          | 63.491          |
| Net Collection Fund position                                                                             | (2.498)         | 0.000           | 0.000           | 0.000           |
| Council Tax including Adult Social Care Precepts                                                         | 210.010         | 222.395         | 234.911         | 248.147         |
| <b>Total Funding</b>                                                                                     | <b>341.476</b>  | <b>349.068</b>  | <b>354.335</b>  | <b>369.229</b>  |

\*Year 1 cost of EFS is built into cashflow forecasts within the Financing Costs budget

- 9.4 The MTFS indicates that transformation and savings programmes will need to deliver savings and efficiencies of £93.444m over the 4-year period to achieve a balanced and sustainable position.

## 10 Staffing Implications (General Fund Services)

- 10.1 An estimate of the posts to be deleted in relation to the budget proposals has been made and indicates that approximately 94 full time equivalent (fte) posts are expected to be deleted from the council's staffing structure, approximately 2.6% of total staffing. Many of these posts will already be held vacant in lieu of savings proposals but some may initially result in staff being potentially placed at risk of redundancy. This is difficult to estimate with certainty but approximately 40 fte staff (not headcount) have been identified as potentially at risk at this stage of the process. There are no expected TUPE implications expected as a result of the proposals. This information has been shared with the council's recognised trades unions and the staff affected in advance of the release of this report.
- 10.2 The council is continuing to work on an Organisational Change transformation programme that will explore potential savings through a number of measures including use of digital innovation, functional alignment and/or integration of services and service redesign to identify further potential savings. A high level estimate of 22 fte post deletions and 11 fte placed at risk of redundancy are included in the total for organisational change. Any proposals that arise from



these changes will be subject to consultation, and final proposals may result in more or less fte changes as and when they come forward.

- 10.3 As in previous years, actual numbers of staff affected will be highly dependent on the detailed options proposed and on the outcome of formal consultation with staff and unions which will often lead to changes to the original proposals. As previously experienced, it is likely that any reductions in posts will be resolved through normal turnover, or through redeployment to other vacancies across the council, thereby minimising the risk of redundancies as far as possible.
- 10.4 If the proposals do potentially place any staff at risk of redundancy the council will support them by:
- Providing appropriate support to staff throughout the change process to enable them to maximise any opportunities available;
  - Controlling recruitment and ensuring there is a clear business case for any recruitment activity;
  - Managing redeployment at a corporate level and maximising the opportunities for movement across the organisation;
  - Managing the use of temporary or agency resources via regular reports to Directorate Leadership Teams (DLT's);
  - Inviting applications for voluntary severance where appropriate to staff affected by budget proposals, subject to viability and approval on a case by case basis.
- 10.5 These measures will remain in place as consultation with trade unions, staff and other stakeholders is undertaken. Where necessary, a targeted voluntary approach to releasing staff in areas undergoing change will be managed to support service redesigns whilst ensuring that the organisation retains the skills that will be needed for the future.

## **11 The Innovation Fund & the Strategic Transformation Portfolio**

- 11.1 The government extended the ability of all Local Authorities to use capital receipts to support the transformation of services to deliver savings and efficiencies (known as the Flexible Use of Capital Receipts) to March 2030.
- 11.2 The Innovation Fund was established for the 2025/26 budget to enable the flexible use capital receipts to support the delivery of transformation to achieve a balanced MTFS. There are a number of strands of activity, but most notably, the Transformation Portfolio which have been established to deliver a wide range of programmes to underpin the delivery of the MTFS. These were described in the Budget Update presented to Cabinet in December, and are included in more detail in the MTFS at Appendix 4. Table 7 shows the indicative Innovation Fund over the MTFS.

| <b>Table 7: Indicative Innovation Fund</b>       |                |                |                |                |
|--------------------------------------------------|----------------|----------------|----------------|----------------|
| <b>Category of Investment</b>                    | <b>2026/27</b> | <b>2027/28</b> | <b>2028/29</b> | <b>2029/30</b> |
|                                                  | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      |
| 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                       | 1.550          | 1.550          | 1.550          | 1.550          |
| Managing Staffing Changes (exit packages)        | 1.250          | 0.500          | 0.500          | 0.500          |

|                                                                    |               |              |              |              |
|--------------------------------------------------------------------|---------------|--------------|--------------|--------------|
| Enabling Resources (e.g Project Officers, Workstyles Team, HR etc) | 3.326         | 3.326        | 2.326        | 1.326        |
| <b>Total</b>                                                       | <b>10.226</b> | <b>7.376</b> | <b>5.276</b> | <b>4.276</b> |

## 12 Capital Strategy and Capital Investment Programme

- 12.1 The Prudential Framework requires local authorities to produce a Capital Strategy which is to be presented and approved by full Council each year. The purpose of the Capital Strategy is to provide a single place for transparency and accountability of local authority non-financial investments and its Capital Investment Programme, including any commercial investments in property or loans to third parties.
- 12.2 The aim of the Capital Strategy is to ensure members are fully conversant with the risks of capital investments and are aware of how the risks are proportional to the council's core service activity. The document will include:
- The proposed Capital Investment Programme
  - The Governance & Risk Framework
  - Potential and pending non-financial<sup>1</sup> investments
  - An overview of the council's risk exposure
- 12.3 The revised Prudential Code for Capital Finance issued in 2021 prohibits Public Works Loan Board (PWLB) lending to local authorities that plan to borrow to buy commercial assets primarily for yield. The PWLB will still be available to all local authorities for refinancing. In order to borrow from the PWLB, local authorities are now required to submit a summary of their planned capital spending and PWLB borrowing for the following three years. The Capital Strategy and Treasury Management Strategy are compliant with the new code and do not include capital investment activity where the primary purpose is commercial yield.
- 12.4 The Capital Strategy forms part of the General Fund budget report to ensure that the link between capital and revenue decisions is maintained and to ensure that budget resourcing decisions are taken in the context of the full range of proposed revenue and capital budgets, resources, investments and savings.

### ***Capital Investment Programme***

- 12.5 As previously, a 5-year capital programme has been developed and the associated capital financing implications will be included in the MTFS.
- 12.6 The capital expenditure estimates incorporate planned rolling investment programmes alongside major infrastructure projects. The key rolling programmes, including those re-focused to support Council Plan priorities, are as follows:
- Investment in Housing Stock and acquisition through the Housing Revenue Account;
  - The Education Capital programme, which provides investment from central government for Education Capital Maintenance, High Needs provision and Devolved Formula Capital for schools;

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

- Disabled Facilities Grants to help maintain people in their homes;
- The Local Transport Plan (LTP) to support sustainable transport and transport infrastructure;
- The Digital, Data and Technology Strategy (DDaT) and other IT&D investments including the Corporate Systems Improvement programme for HR, Finance, Payroll and Procurement systems, to ensure the council is able to continue to improve its on-line services, improve the capture and use of data, and make use of emerging technologies and AI to improve automation and efficiency;
- The Asset Management Fund (AMF) to ensure the strategic elements of the Asset Management Plan can be supported;
- The Commercial Asset Investment Fund (CAIF) to protect and enhance the income generated from the existing commercial and farmland property portfolios;
- Corporate Planned Maintenance (PMB) to ensure the operational elements of the Asset Management Plan are supported and that backlog maintenance does not build up unduly;
- The Strategic Investment Fund (SIF) to support the advancement of major regeneration schemes and initiatives, and;
- The Vehicle Fleet and plant replacement annual programme.

12.7 Capital receipts from the sale of surplus land and buildings support the capital programme and the projections are regularly reviewed. The Capital Strategy allows for an assessment of the potential social value of surplus or underperforming assets against the potential disposal value and where possible will aim to maximise the use of assets to enhance social value across a 4-year Asset Management Plan. Assets for disposal are also considered for suitability as council housing sites and for potential appropriation to the Housing Revenue Account (HRA) but this must comply with the duty of obtaining best consideration.

12.8 The detailed capital programme is set out in Appendix 5 (and will be included in the council's Budget Book) and shows the approved and proposed capital investments for each corporate directorate.

12.9 The overall Capital Investment Programme for 2026/27 is £239.816m. The proposed investments are summarised as follows:

| Table 8: Capital Investment Programme 2026/27                                                                                                                                                                                         | £m      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| <b>Housing</b> including New Homes for Neighbourhoods, the Home Purchase scheme, the Eastergate Road housing project, the Moulsecomb Hub project, the Housing Joint Venture, and conversions within the Housing Revenue Account (HRA) | 112.987 |
| <b>Net Zero Programme</b> including Carbon Neutral and Net Zero investment, Seafront Heritage Lighting programme, Zero Emission buses, Communal Bin Infrastructure and carbon reduction measures to operational buildings             | 4.695   |
| <b>Parks &amp; Open Spaces</b> including parks infrastructure, Stanmer Pond restoration and Stanmer Park security                                                                                                                     | 1.402   |
| <b>Sport &amp; Recreation</b> including works to the Prince Regent leisure centre and improvements to Seafront facilities                                                                                                             | 0.563   |

|                                                                                                                                                                                                                                                                                                 |                |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| <b>Transport &amp; Highways</b> reflecting the Local Transport Grant (LTG) and Maintenance grant allocations for 2026/27, Active Travel programme for the A259, and upgrades to the CCTV programme                                                                                              | 10.450         |
| <b>Schools Investment</b> to provide educational places for pupils based on demographic changes in the city                                                                                                                                                                                     | 1.419          |
| <b>Regeneration</b> including Madeira Terraces, King Alfred Leisure Centre, Valley Gardens Phase 3, The Royal Pavilion Estate, New England House and Brighton Marina to River Adur Coast protection works                                                                                       | 55.423         |
| <b>Tackling Inequality</b> including Temporary Accommodation purchase, Better Care/Disabled Facilities Grant (DFG) projects, Universal Free School Meals and the Knoll House redevelopment                                                                                                      | 12.632         |
| <b>Building Maintenance</b> including Planned Maintenance, Education and Social Care Buildings Maintenance, the Asset Management Fund, Brighton Centre essential maintenance, Public Conveniences, Seafront Railings upgrade, and structural repairs within the HRA                             | 23.626         |
| <b>IT&amp;D &amp; Innovation</b> including The Innovation Fund, the Digital Transformation programme, the Corporate Systems Improvement Programme, investment in digital services for customers, and ongoing investment in the IT&D infrastructure and Digital Data & Technology (DDaT) project | 14.119         |
| <b>Vehicles &amp; Equipment</b> for the council's vehicle fleet replacement programme                                                                                                                                                                                                           | 2.500          |
| <b>TOTAL CAPITAL INVESTMENT PROGRAMME 2026/27</b>                                                                                                                                                                                                                                               | <b>239.816</b> |

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

### 13 Treasury Management and Annual Investment Strategy

- 13.1 The Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy (AIS) are now incorporated in the budget report to ensure that inter-related financial decisions and strategies can be considered together. The council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the Treasury Management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed (liquidity) and that surplus monies are only invested into counterparties and instruments commensurate with the council's risk appetite.
- 13.2 Another important function of the Treasury Management service is the funding of the council's capital plans. The capital plans provide a guide to the council's borrowing need, which is essentially the longer term cash flow plan, to ensure the council can meet its approved capital spending obligations.
- 13.3 The strategy reflects best practice as set out in the CIPFA Prudential code and the CIPFA Treasury management Code of Practice. The Treasury Management Practices and schedules identify the practices and procedures that will be followed to achieve the aims of the TMSS and that underpin the council's Treasury Management function.

- 13.4 An important change from the TMSS from previous years is that the strategy includes the effect of exceptional financial support on the Council's Capital Financing Requirement and TMSS, on the assumption that the Council's application to the government will be granted.
- 13.5 The AIS for 2026/27 is also incorporated within Appendix 6 to this report. The AIS gives priority to security and liquidity.
- 13.6 Security is achieved by:
- selecting only those institutions that meet stringent credit rating criteria or, in the case of non-rated UK building societies, have a substantial asset base; and
  - limiting exposure risk by limiting the amount invested with any one institution.
- 13.7 Liquidity is achieved by limiting the maximum period for investment and matching investment periods to cash flow requirements.
- 13.8 There are no changes proposed to the council's AIS or risk appetite for 2026/27.

## **14 Budget Book 2026/27**

- 14.1 The council produces an annual Budget Book which aims to support understanding and transparency of the council's budget by providing:
- A summary of the overall council budget 2026/27;
  - A detailed list of anticipated government grants;
  - Basic information about each major service area including service statistics;
  - Information at sub-divisional levels to aid understanding of the wide range of services and teams in each service directorate;
  - Analysis of spending and income by category (subjective analysis);
  - Staffing information for each service;
  - Analysis of budget movements between years;
  - Analysis of savings and investments;
  - Summary information on capital investments;
  - Summary MTFS projections and assumptions.
- 14.2 The Budget Book will be provided to Budget Council as an appendix to the Supplementary Information agenda item.

## **15 Council Tax Setting**

- 15.1 The Administration is proposing a council tax increase of 4.99% which includes a 2% Adult Social Care precept allowed by government within the local government finance settlement. A council tax increase of 4.99% results in a Band D council tax of £2,180.01 for the council's element, an increase of £103.62 from 2025/26.
- 15.2 In order to propose an overall Council Tax for the city, the Council Tax set by other precepting authorities needs to be known and this information will be included in the Supplementary Information item to Budget Council.

### ***Supplementary Information for Budget Council***

15.3 Not all of the budget and council tax information needed to set the budget and council tax is available at present. Therefore, additional information will need to be provided for Budget Council. This will include:

- Any other grants that are announced before Budget Council;
- The agreed Council Tax set by East Sussex Fire Authority and Sussex Police & Crime Commissioner;
- The statutory Council Tax calculations required under the 1992 Local Government Finance Act;
- The full budget and Council Tax resolution for Budget Council;
- Other information as necessary including a detailed Budget Book.

### ***Implementation of exemption for second homes premium***

15.4 At Full Council on 1 February 2024, it was agreed a new 100% Council Tax premium be applied to empty furnished properties (second homes) from 1 April 2025. Following this, a clarification to the premium determination is required in relation to serviced accommodation.

15.5 Serviced accommodation generally offers fully furnished homes (apartments, houses) for short to medium stays, blending the comfort of a home with hotel-like services, including kitchens, WiFi, cleaning, and utilities. Serviced accommodation is not specifically covered by the Levelling-Up and Regeneration Act 2023. They are not anyone's main home and so the premium for empty furnished properties does not apply.

15.6 To ensure transparency and clarity of Brighton & Hove's premium determination, approval is sought for serviced accommodation to be an exemption. If approved, this will come into effect from 1 April 2026. More detail is contained in Appendix 8.

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

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

### ***Robustness of Estimates***

16.2 There is inevitably an element of judgement in drawing up budget estimates of expenditure and income which are made at a point in time and may change as circumstances change. Global and national events affecting macro-economic factors such as inflation and interest rates continue to make this challenging as they can have significant and unexpected impacts on nearly every aspect of the council's budget. This statement on the robustness of estimates cannot therefore give complete assurance about the proposed budget for 2026/27 but aims to provide the Council with reasonable assurance that budget estimates have been based on the best information and assumptions available at the time, particularly in relation to economic forecasts and indicators, demand-led budget estimates, and pay award and inflation assumptions.

- 16.3 It also aims to demonstrate that sensitivity and risks have been considered. No local authority's reserves and balances are limitless and severe financial shocks can and do destabilise local authorities and can require government intervention should the Council's level of reserves and contingency be insufficient to cover these shocks or service pressures.
- 16.4 For 2026/27, pressures funding of £28.1 million has been identified to meet known commitments and support estimated inflationary and demand pressures including for core statutory demand-led services across Adults Social Care, Children's Safeguarding and Care services, and Homelessness services. These pressures have been calculated through detailed and robust financial analysis which has considered additional numbers of people requiring the Council's support through homelessness and social care services, analysis of market costs for housing or placements, and so on. This should ensure that services start from the position of being funded for known and projected cost and demand increases, the impact of some external factors is difficult to predict accurately. Macro-economic factors can fluctuate significantly but also the impact of increases in the National Living Wage and Employers' National Insurance may play out in different ways across the private, independent and third sectors from which the council procures and commissions over £300 million services each year.
- 16.5 These and other potential risks and sensitivities are considered in the Medium Term Financial Strategy (Appendix 4) which attempts to quantify risks and sets out the main remedies and mitigations available to the council. As seen in the current financial year, there have been significant pressures on finances, predominantly as a result of the huge pressures experienced in emergency and temporary accommodation, and to an extent in respect of social care placements. Strict and significant recruitment and spending controls alongside other financial management actions have been in place throughout the year in order to bring the Council's financial position towards balance. TBM2 at the beginning of the year set out a projected overspend of more than £15 million in 2025/26, and subsequent to that additional pressures have emerged, for example in respect of housing benefit subsidy (£4.7m) and a planning legal challenge. The current overspend at TBM9 is projected to be £4.8m, which is a considerable improvement against over £20m of pressures, however more work is needed to bring the position into balance.
- 16.6 The TBM Month 9 overspend forecast is still unmanageable given the Council's very low level of reserves and therefore work is needed to continue to address this overspend position. Taken as a whole, this position demonstrates that:
- The authority continues to adopt a proactive approach to managing its budget, taking appropriate financial management actions in sufficient time to avert overspending and any unplanned use of reserves or the Working Balance. While not an ideal scenario, given the financial challenges of the sector and successive very large annual savings requirements, the approach to in-year financial management is proving effective and enables the authority to live within very tight resource constraints albeit with some impacts on service delivery.
  - The authority continues to achieve substantial savings, supported by invest-to-save programmes that are backed by the use of capital receipt flexibilities.

- The authority has been able to maintain and build its reserves and provisions since overspending in 2022/23. However, given the context of huge service pressures, particularly in respect of emergency and temporary accommodation, it is the view of the Chief Finance Officer that the current level of reserves is too low to be considered adequate in the current financial planning climate. The plan to increase this level of reserves is set out in more detail below.

16.7 The budget set out in this report includes a number of measures to protect the Council against future financial planning risk. These are set out on the basis that the Council's application to government for £15 million of Exceptional Financial Support is granted. These are as follows:

- A Working Balance of £8 million which will be increased to £12 million to meet the revised recommended level;
- A risk provision held in revenue of £1.1m to enable the management of unexpected risks and pressures;
- A General Risk Reserve of £3.9 million to provide an additional safeguard for unexpected risks and pressures;
- Other Earmarked Reserves (excluding Section 106 and Community Infrastructure Levy) of approximately £12m that can be borrowed from internally in the short term;
- Approximately £17m in Section 106 and Community Infrastructure Levy resources held in lieu of agreed schemes that can also be borrowed from internally to manage short term pressures;
- Continued flexibility provided by the government's capital receipt flexibilities, allowing the council to capitalise more eligible revenue costs, for example, project managers, should it need to;
- Flexibility in the application of unringfenced grants including the Extended Producer Responsibility grant, Shared Prosperity Fund and many other grants that allow administrative costs to be charged to the grant;

16.8 Taking into account identified risks as set out in the MTFS (Appendix 4), the Council is recommended to maintain its working balance at between £12-15 million. The level on 1 April 2026, taking the recommendations in this report, is expected to be £12 million. This is just over 3.5% of the net General Fund budget. The Council should also continue to maintain a General Risk Reserve and other earmarked reserves to meet long term commitments and provide additional flexibility to manage any short term pressures. The Working Balance and other usable reserves are held to mitigate exceptional legal and financial risks including appeals and challenges, as well as potential billing failures, civil contingencies and other emergencies.

### ***Adequacy of Reserves***

16.9 The recommendation on the prudent level of the General Fund Working Balance has been based on the robustness of estimates information and a risk assessment of the budget included in the MTFS (Appendix 4).

16.10 As indicated above, current analysis of authority-level risks indicates that a working balance of between £12-15 million is prudent and appropriate having taken into account foreseeable risks in relation to the 2026/27 budget and in the context of other available short-term resources. Importantly, the 2026/27



budget also includes a risk provision of £1.1m, and will hold a General Risk reserve of £3.9m to mitigate against potential part-year effect savings.

- 16.11 These figures are set out on the basis that the Council's application to government for exceptional financial support is granted. It is important to note that this is not additional money, it is the flexibility to capitalise revenue spend/pressures and spread this cost over a longer period of time to help financial sustainability. The cost of borrowing from exceptional financial support has been factored into the MTFS. The delivery of the Council's transformation plan over the next 4 years is essential to support the achievement of the targets within the MTFS.
- 16.12 All specific reserves have been reviewed in detail to ensure they are set at an appropriate level as set out in Annex A of the MTFS. The council's earmarked reserves fulfil specific contractual, legal or financial risk requirements and are not therefore available to support the annual revenue budget. However, as noted above, they can be borrowed from internally to alleviate short term pressures, provided that provision for their replenishment is built into the budget and MTFS ahead of when they are required.

#### ***Assurance Statement of the Council's Section 151 Officer***

- 16.13 In relation to the 2026/27 General Fund revenue budget, the Section 151 Chief Financial Officer has examined the budget proposals and considers that the budget is robust and deliverable while accepting that there are inherent risks. The budget is recommended on the assumption that the Council's application to government for exceptional financial support will be granted. This will enable the Council to fully fund service pressures (particularly in respect of emergency and temporary accommodation), and build sufficient reserves and risk provisions to leave the Council in a more financially resilient position. The delivery of the Transformation Programmes underpinning the MTFS is essential, ensuring that the application for exceptional financial support is only one off. Ongoing reliance on exceptional financial support would push up the Council's levels of debt and reduce financial sustainability in the medium term.
- 16.14 Should the Council's application for exceptional financial support not be granted, the Chief Financial Officer is likely to be in a position of needing to issue a Section 114 notice, requiring the Council to reconvene to consider alternative proposals to balance the budget
- 16.15 In terms of the adequacy of reserves, the Section 151 Chief Finance Officer considers a minimum working balance of between £12-15 million to be appropriate to manage risks, taking into account other available reserves and resource options.

#### **17 Analysis & Consideration of any alternative options**

- 17.1 The budget process allows all parties to engage in the examination of budget proposals and to put forward viable alternative budget and council tax proposals to Budget Council on 26 February 2026. Budget Council has the opportunity to debate the proposals put forward by the Cabinet at the same time as any viable alternative proposals. Budget Council will normally be recommended to adopt special procedures at the start of the Budget Council meeting, which set out the procedure applicable to any alternative budget proposals put forward.

- 17.2 In this respect, a 'Budget Protocol' for managing alternative proposals (Budget Amendments) was presented to full Council on 29 January 2026 and determines both the number of allowable Budget Amendments and the process and timeline for their prior assessment and sign off by the council's Section 151 Chief Financial Officer, Chief Executive and Monitoring Officer.

## **18 Community Engagement & Consultation**

- 18.1 This report will be shared widely with key stakeholders and partners as it signals to all parties the anticipated financial challenge facing the council for next year and beyond.
- 18.2 The development of the council's budget and future plans is a major undertaking and proposals can affect a wide range of services and therefore have impacts on residents, businesses, visitors and staff. Appropriate and necessary statutory consultation and engagement will be undertaken with residents, service users, staff, unions, partners, business representatives and the community and voluntary sector.

### **General Information**

- 18.3 The Council's overarching budget proposals will be published through a range of channels to ensure that residents and community groups have an opportunity to feed into implementation plans with the Council as they are taken forward.

### **City Partners**

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

### **Business Engagement**

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

### **Schools Community**

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

### **Third Sector Engagement**

- 18.7 A key stakeholder is the Community & Voluntary Sector, and communications and meetings with representatives of the sector have been undertaken to provide an opportunity to feedback views to the council and members which will inform final budget proposals. The Council funds lots of activity within the

voluntary and community sector, through the Thriving Communities Fund, the Household Support Fund (which will become the Crisis and Resilience Fund in 2026/27) and the Fairness Fund.

### **Staff and Union Engagement**

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

### **Specific Consultation**

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

## **19 Financial Implications:**

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

Finance Officer consulted: Haley Woollard

Date: 26/01/26

## **20 Legal Implications:**

- 20.1 Cabinet has the delegated power to formulate the council's revenue budget proposals, Capital Strategy, including the capital investment programme, and the Treasury Management Strategy Statement, including the Annual Investment Strategy, and to recommend their adoption by full Council as part of the overall budget setting process. This decision falls within the "Allocation of Responsibilities for Functions for the Cabinet" under Part 2E of the constitution. This report complies with the Council's process for developing the budget framework, in accordance with the Council's Budget and Policy Framework Procedure Rules as set out in Part 3D of the Constitution.
- 20.2 Whilst The budget decision is an indicative resourcing decision and does not necessarily constitute final approval of what policies will be implemented or what sums of money will be saved under the budget proposals. By approving this budget, an overall indicative budget envelope is agreed for Directorates and individual services for the 2026/27 budget, with the Corporate Leadership Team being required to meet the revenue budget for the delivery of Council Services.
- 20.3 Any decisions taken as part of the budget setting process are subject to compliance with relevant legal requirements, where appropriate, before

implementation. The revenue budget and capital strategy recommendations in the report do not commit the council to implement any specific savings proposal. When specific decisions on budget reductions are necessary, focused consultations and the full equality implications of doing one thing rather than another will be considered in appropriate detail. If it is considered necessary, in light of equality or other considerations, it will be open to those taking the decisions to spend more on one activity and less on another within the overall resources available to the council.

- 20.4 For these purposes, the “budget” includes the allocation of financial resources to different services and projects, and the setting of the council tax.
- 20.5 The Council has a legal obligation to set a balanced budget on an annual basis as prescribed in the Local Government and Finance Act 1992 and associated Regulations. The recommendations contained in this report will assist in the discharge of that obligation by full Council. In the event that the application to obtain Exceptional Financial Support is not agreed by the Ministry of Housing, Communities and Local Government, Cabinet will note the s 151 officer’s view that the Council will need to issue a Section 114 notice, requiring the Council to reconvene to consider alternative proposals to balance the budget.
- 20.6 The public sector equality duty applies to the decisions relating to the budget in this report. Under section 149 of the Equality Act 2010 Cabinet is required to have due regard to the need to: eliminate unlawful discrimination harassment and victimisation, advance equality of opportunity between people who share protected characteristics and those who do not, and foster good relations between people who share protected characteristics and those who do not. Appendix 7 sets out the equality impact assessments of the budget proposals and will assist Cabinet in complying with this duty.
- 20.6 Section 106 of the Local Government Finance Act 1992 applies to any member of Cabinet present at a meeting when making a recommendation relating to a council tax calculation, if at that time the member is due to pay council tax payments which have remained unpaid for at least two months. In those circumstances the member must as soon as practicable after the meeting’s commencement disclose the fact that the section applies and not vote on any question with respect to this matter. These provisions apply to this Cabinet meeting.

Lawyer consulted: Elizabeth Culbert

Date: 29/01/2026

## **21 Risk Implications**

- 21.1 There are a range of risks relating to the council’s short and medium term budget strategy including the ongoing economic impact of the higher inflationary environment, the impact of the cost-of-living crisis, further potential reductions in grant funding, the impact of legislative changes, and/or other changes in demands. The budget process will normally include recognition of these risks and identify potential options for their mitigation.
- 21.2 A range of risk sensitivities have been calculated and an assessment of these risks has been included in the MTFS at Appendix 4.

- 21.3 The delivery of the 2026/27 budget to a breakeven position by 31 March 2027 relies upon the delivery of the savings proposals outlined in Appendix 2. Officers will monitor the savings delivery monthly through the Savings & Innovation Delivery Board during 2026/27 and corrective actions will be taken to mitigate non-delivery if appropriate.

## **22 Equalities Implications**

- 22.1 In Brighton & Hove City Council a budget Equality Impact Assessment (EIA) process has been used to identify the potential disproportionate impacts of proposals on groups/individuals covered by legislation (the 'protected characteristics' in the Equality Act 2010) and actions to mitigate these negative impacts or promote positive impacts. This is a key part of meeting the requirements of the Act and demonstrating that the council is doing so.
- 22.2 In law, the potential impacts identified, and how far proposed actions mitigate them, must be given due regard by decision-makers when making budget and resource decisions. However, as noted under legal implications above, in setting the budget members are making resourcing decisions which remain subject to compliance with all necessary legal and statutory consultation requirements.
- 22.3 All proposals with a potential equalities impact in 2026/27 will have an EIA completed and provided to members of the relevant Scrutiny Committees and to all Members for the Budget Council. EIAs are cross-referenced with savings proposals in Appendix 2. Detailed EIAs are available at Appendix 7.
- 22.4 Note that, as in previous years, EIAs relating to staffing impacts are not published with the budget report as these may contain sensitive information. Instead, EIAs relating to staffing changes are provided as part of the relevant consultation paper issued to affected staff and recognised trade unions.

## **23 Sustainability Implications**

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

## **24 Health and Well-being Implications**

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

## **25 Conclusion**

- 25.1 The council is under a statutory duty to set its budget and council tax before 11 March each year and must agree a lawful and balanced budget. This report sets out the budget assumptions to be used as the basis for Council Tax calculations in order to meet the statutory duty and the proposals to achieve a balanced budget, including the application the Council has made to MHCLG

for Exceptional Financial Support. The full details of 2026/27 revenue and capital budgets are appended to this report and will be brought together in an annual Budget Book which will be provided to Budget Council as a supplementary information item

## **Supporting Documentation**

### **Appendices:**

1. Budget Allocations 2026/27
2. Detailed savings 2026/27
3. Fees and Charges 2026/27
4. Medium Term Financial Plan 2026/27 to 2029/30
5. Capital Strategy 2026/27 to 2030/31 including the Capital Investment Programme 2026/27
6. Treasury Management Strategy Statement 2026/27
7. Equalities Impact Assessments (EIAs) – Individual Assessments
8. Second Homes Premium: Serviced Accommodation exception