

Brighton & Hove City Council

Cabinet

Agenda Item 14

Subject: Targeted Budget Management (TBM) Provisional Outturn 2025/26

Date of meeting: Thursday, 25 June 2026

Report of: Cabinet Member for Finance & City Regeneration

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Ward(s) affected: (All Wards)

Key Decision: Yes

Reason(s) Key:

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

Note: Reasons for urgency

The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that some of the data and information key to producing the report was only available after the statutory publication deadline and failure to include this information would have materially affected the position being reported.

For general release

1 Purpose of the report and policy context

- 1.1 The TBM framework focuses on identifying and managing financial risks on a regular basis throughout the year. This is applied at all levels of the organisation from Budget Managers through to Cabinet. Services monitor their TBM position on a monthly or quarterly basis depending on the size, complexity or risks apparent within a budget area. TBM therefore operates on a risk-based approach, paying particular attention to mitigation of growing cost pressures, demands or overspending through effective financial recovery planning together with more regular monitoring of high risk demand-led areas as detailed below.
- 1.2 The Targeted Budget Monitoring (TBM) report is a key component of the council's overall performance monitoring and control framework. This report

sets out the provisional outturn position (i.e. Month 12 year-end) on the council's revenue and capital budgets for the financial year 2025/26.

- 1.3 The final outturn position is subject to the annual external audit review of the council's accounts. The final position will be shown in the council's unaudited financial statements which are due for publication by 30 June 2026 and must be signed by the Chief Finance Officer (CFO) and will ultimately be reflected in the audited set approved by the Audit & Standards Committee, due to be published by 31 January 2027.

2 Recommendations

- 2.1 Cabinet notes that the provisional General Fund outturn position is a break-even position which is the same as the projected and planned resource position at Month 9 and taken into account when setting the 2026/27 budget.
- 2.2 Cabinet approves General Fund carry forward requests totalling £2.744m as detailed in Appendix 5 and assumed within the provisional outturn.
- 2.3 Cabinet notes the provisional outturn for the separate Housing Revenue Account (HRA), which is an overspend of £0.378m.
- 2.4 Cabinet notes the provisional outturn position for the ring-fenced Dedicated Schools Grant, which is an overspend of £1.762m.
- 2.5 Cabinet notes the provisional outturn position on the Capital Programme which is an underspend variance of £5.003m.
- 2.6 Cabinet approves the capital budget variations and re-profiling requests set out in Appendix 7.
- 2.7 Cabinet approves new capital schemes requested in Appendix 8.
- 2.8 Cabinet notes the Treasury Management end of year review 2025/26 as set out in Appendix 10.
- 2.9 Cabinet approves the transfer to ear marked reserves of £3.91m which is assumed within the provisional outturn and discussed at 4.9

3 Context and background information

Overview of the position

- 3.1 The provisional outturn is a break-even position on the General Fund revenue budget. This is an improvement of £4.861m from Month 9 which was a forecast of £4.861m overspend. The report also indicates that £5.523m (35%) of the substantial savings package in 2025/26 of £15.789m was not achieved.
- 3.2 When setting the 2026/27 budget, it was assumed the 2025/26 position would improve to a breakeven outturn (that is, £0.000m) due to a combination to spending controls and the application of central decisions to manage the position. Therefore, the position is in line with the assumptions within the 2026/27 budget report. It is worth noting however that a large element of the in year overspend was mitigated by releasing centrally held funds, meaning that the council is carrying an underlying overspend of circa

£7-8m which could not be mitigated by service activity and will carry forward into 2026/27.

- 3.3 The chart shown in 4.2 demonstrates that the TBM forecasts for 2025/26 have consistently tracked higher than other years (aside from 2022/23 where a £3.302m overspend was incurred), which is the result of a combination of pressures in cost and demand in demand-led services, as well as non-delivery of savings. A number of measures were implemented and one-off funding applied during 2025/26 which has helped address the outturn position:
- Tightening of spending and recruitment controls across the organisation in November 2025, including the delay of recruitment decisions to 1 April 2026;
 - A review of earmarked reserves at TBM Month 9, resulted in the allocation and subsequent release of £1.109m of previously earmarked reserves;
 - Release of the one-off £1.747m risk provision into the forecast at TBM Month 8;
 - Deferral of the contribution to reserves of £1.125m at TBM Month 9.
 - A further review of earmarked reserves resulting in the release of a further £0.564m at TBM Month 12;
 - Review of the use of capital receipts for funding transformation and capital activity resulting in the funding £1.551m of transformation activity from capital receipts;
 - Creation of a new officer-led Savings & Innovation Delivery Board which oversees and monitors the delivery of the 2025/26 transformation savings and recovery plans;
 - Development of service level financial recovery plans to mitigate and address overspends;
 - Development of transformation plans to address demand and costs, particularly in key areas with the most significant demand pressures, including Temporary Accommodation, and Children and Adult social care;
 - Exploration and implementation of additional financial recovery measures in Temporary Accommodation, monitored by a Strategic Coordination Group chaired by the Chief Executive;
- 3.4 A number of the actions outlined in 3.3 were corporately taken decisions. Therefore, (see 3.2 above) there is an underlying structural overspend of an estimated £7-8 million in service areas (particularly demand-led areas) which carries risk into the 2026/27 budget.
- 3.5 Appendix 9 shows the council's reserves and balances as at 31 March 2026. It is worth noting that the approved 2026/27 budget includes topping up the working balance by £4.106m as well as contributing £3.899m to the general risk reserve.

4 General Fund Revenue Budget Performance (Appendix 4)

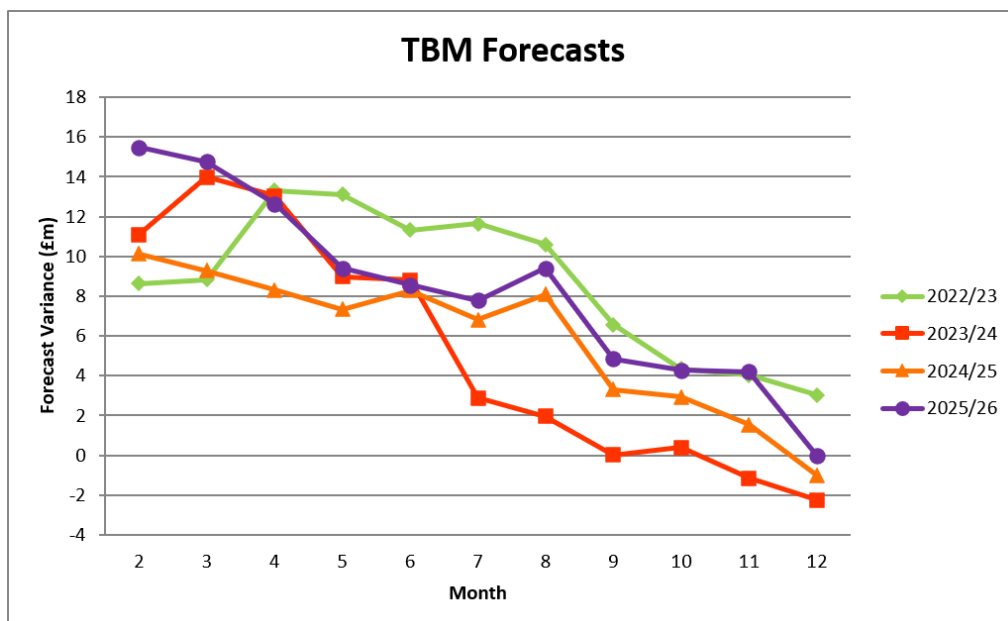
- 4.1 The table below shows the provisional outturn for council-controlled revenue budgets within the General Fund. These are budgets under the direct control and management of the Corporate Leadership Team. More detailed explanation of the variances can be found in Appendix 4.

Forecast Variance Month 9 £'000	Directorate	TBM Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
179	Families, Children & Wellbeing	74,709	73,864	(845)	-1.1%
8,593	Homes & Adult Social Care	118,806	129,616	10,810	9.1%
(3,036)	City Operations	42,558	31,553	(11,005)	-25.9%
(154)	Central Hub	35,440	34,103	(1,337)	-3.8%
5,582	Sub Total	271,513	269,136	(2,377)	-0.9%
(721)	Centrally-held Budgets	(15,136)	(12,759)	2,377	15.7%
4,861	Total General Fund	256,377	256,377	0	0.0%

4.2 The chart below shows the monthly forecast variances for 2025/26 and the previous three years for comparative purposes. This indicates that forecast risk early in the year has been higher in recent years. This is partly due to:

- Pay awards coming in higher than the budget assumptions due to persistent inflation.
- The requirement to deliver successive, large savings programmes which becomes increasingly challenging over time.
- Continuing economic conditions which are impacting external provider costs, many income sources (demand), and recruitment costs and which is difficult to predict with accuracy.
- Rising costs in demand led services driven by numbers, unit costs and increasing complexity of need.

2023/24, was also exceptional in terms of the availability of one-off resources of over £10m across the year, which significantly aided in addressing forecast risks.

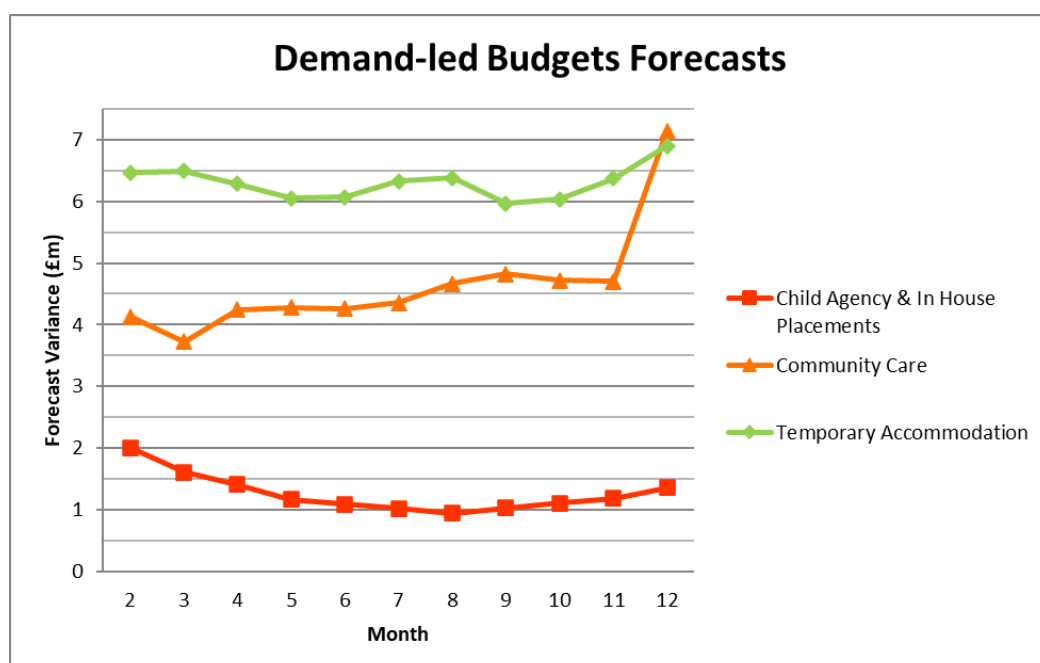


Demand-led Budgets

4.3 There are a number of budgets that carry potentially higher financial risks and therefore could have a material impact on the council's overall financial position. These are budgets of corporate significance where demand or activity is difficult to predict and where relatively small changes in demand can have significant implications for the council's budget strategy. These can include income related budgets. These therefore undergo more frequent and detailed analysis.

Forecast Variance Month 9 £'000	Demand-led Budget	TBM Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
1,030	Child Agency & In House Placements	28,718	30,074	1,356	4.7%
4,820	Community Care	80,795	87,933	7,138	8.8%
5,961	Temporary Accommodation	5,431	12,327	6,896	127.0%
11,811	Total Demand-led Budget	114,944	130,334	15,390	13.4%

The chart below shows the monthly forecast variances on the demand-led budgets for 2025/26. The details are included in the sections below. The increase on the community Care budget between Month 11 and outturn is because of spend against the home care contract where actual spend in the year was significantly higher than expected and additional bad debt provision contribution required due to increasing levels of aged debt.



TBM Focus Areas

- 4.4 There are clearly ongoing pressures across most areas of the council, particularly front-line, demand-led areas which is a clear indicator of the inflationary and demand pressures driven by current economic conditions. Key areas of pressures are outlined below:
- 4.5 **Children's Services:** The final outturn position showed significant cost pressures: £0.131m on Home to School transport, In House Children's Disability Residential Provision £0.126m, and £1.355m on Children's Placements. This together with Public Health contributions of (£0.426m), Early Help (£0.305m), Section 17(Prevention) (£0.279m), PFI (£0.540m), Council Nurseries (£0.238m), BHISS (£0.324m) and other underspends of (£0.345m) resulted in a year-end underspend of (£0.845m). Key drivers of the position were as follows:
- **Home to School Transport:** There were several factors contributing to the overspend in Home to School Transport. These include increased demand on the service (both at 5-16 ages, and 16 up until 19th birthday), increased numbers of children requiring single occupancy journeys, lack of local SEND school sufficiency, and increased numbers of routes required to accommodate individual post 16 learners' timetables. Market forces within SEND transport are also contributed to the overspend in Home to School Transport. The service is also increasingly impacted by local driver, vehicle passenger assistant, vehicle shortages and increased running costs. There was also a lack of competition in the transport market, particularly minibuss providers, which resulted in increased contract prices. There was also increasingly less capacity in the local system to meet demand, not just in the numbers of children requiring transport but the nature of the transport requirements. There was also an increase in solo routes being created to educational provisions where they were the only children attending and using HTST.
 - **Children's Placements:** The Children's Placements budget faced significant challenges, driven by various factors affecting the cost and availability of suitable placements for children in care. In recent years, there has been a noticeable rise in the number of children entering care with increasingly complex needs. This includes a small number of children with significant safeguarding risks requiring placements that offer specialised care and support at a very high cost. In addition, the prevailing market conditions have made the current framework contracts unattractive to providers and have resulted in the necessity to make more placements outside of the framework contract at higher rates.

Ongoing difficulties in recruiting foster carers have continued to cause sufficiency issues. The shortage of foster carers makes it problematic to place children in family settings, whether in-house or with external providers. This shortfall in available foster placements forces the service to select for more expensive care options. The number of children in Care remains relatively stable and the demand pressures are being managed through high quality social work intervention and the recently established Early Help service. However, the issues with very vulnerable children with complex needs coming into care, the local care provider

market and fostering recruitment has led to substantial cost pressures on the placement budget.

- **Schools PFI:** The Schools' PFI (Private Finance Initiative) was set up in 2003 to improve the facilities at four schools within the city - Dorothy Stringer, COMART (now closed), Patcham High and Varndean – using private finance to fund the capital improvements. The scheme runs for 25 years and a Special Purpose Vehicle (a legal entity created to fulfil specific or temporary objectives) “Brighton & Hove City Schools Ltd” was set up as part of it. This is currently owned by SEMPERIAN. The scheme is funded partly by a DfE grant with schools paying an annual charge back to the council and partly via an annual drawdown of earmarked reserves. The annual charge is updated each March for the RPIX (RPI All Items Excluding Mortgage Interest) for the 12 months to February. Once the 25-year period is complete (~ 31st March 2028) the contract with SEMPERIAN ends and the assets will be transferred back to the council.

As a result of late information received, anticipated PFI contractor costs were overestimated during the year. This was further compounded by late application of external contributions, resulting in a £540k underspend against budget and a £640k change from TBM 9. Measures have now been put in place to prevent a recurrence of these issues in 2026/27.

For prudence, inflation within the model for 2027/28 and future years has been assumed at 3%. This is more cautious than the Office for Budget Responsibility's forecast, which indicates that inflation will average 2% from 2027 onwards. The PFI contract finishes on 31 March 2028 and we will be holding back 10% of the PFI contractor costs for the final two years to ensure the assets are handed over in good condition. There will be both risks and benefits involved in the completion of this contract. Ultimately it gives the Council ownership of the asset and all its associated costs but also the control of its budget. However, for this to be successful it will require the correct support from Property and the Procurement and Commissioning Teams.

Schools Budgets

At the end of the 2025/26 financial year there was a net deficit school balances position of £2.281m. This represents an improvement of the financial position of £0.342m when compared to the net deficit position of £2.623m at the end of 2024/25.

There are 22 schools (out of a total of 53 maintained schools) that have overspends at the end of the 2025/26 financial year. This represents 42% of all schools.

The 2025/26 central Dedicated Schools Grant is an in-year deficit of £1.082m. At the end of the 2024/25 there was an overspend on central DSG of £0.680m, meaning the cumulative overall deficit position at the end of 2025/26 is estimated to be £1.762m. The DSG position is described in more detail in Appendix 4.

4.6 **Homes & Adults Social Care:** The directorate faced significant challenges in 2025/26 in mitigating the risks arising from increasing demands in homelessness and adult social care, managing the unit costs in temporary accommodation and the care market, and delivering all of the saving plans for 2025/26. It is to be noted that this is after applying service pressure funding of £8.391m in 2025/26 which was used to fund budget pressures resulting from the increased unit costs and complexity. Despite the hard work of colleagues to fully achieve the planned savings, the increase in demand and complexity exceeded the projection used for the budget setting.

The 2025/26 Homes and ASC budget faced a structural deficit, driven by sustained growth in demand for statutory services, rising complexity of need, and pressures in the provider market, that exceeded the Council's funding base.

The 2025/26 savings plan for the directorate totalled £9.256m, in addition to this, pressure mitigations of £5.025m were also applied to 2025/26 service pressure funding allocated corporately. There are continued actions focussing on attempting to manage demand for, and costs of services/accommodation across Homes and Adult Social Care and making the most efficient use of available funds.

Adult Social Care

The total financial recovery plan for Adult Social Care totaled £8.860m, with £6.413m achieved and £2.447m reported as not achieved in 2025/26. The Adult social care and commissioning departments continue to implement a strengths-based approach across key work streams in adult social care, ensuring robust pathways are in place, developing a community reablement offer and re-designing the front door service. Currently the Health & Social Care system is under considerable pressure, and this is generating additional costs for the council due to:

- Pressures on the system due to short-term grant monies and an unresolved national, long-term funding solution.
- Significant pressures on the acute hospital resulting in increased costs to support timely discharge into residential, nursing and home care.
- Increased complexity particularly in relation to working age adults and the associated costs of service delivery.
- Continued workforce capacity challenges across adult social care services.
- Increasing demand due to changes in funding arrangements including clients no longer being eligible for Continuing Healthcare.

The funding of all care packages is scrutinised for Value for Money, ensuring that eligible needs are met in the most cost-effective manner which will not always meet people's aspirations. Established safeguards are in place to provide assurance within this process.

In respect of financial recovery and the ongoing management of Community Care Budget pressures, a monthly savings and efficiencies meeting provides rigorous monitoring and oversight of the Adult Social Care & Health savings progress. Additionally, each month the top ten spends on placements and packages of care are reviewed to ensure immediate remedial action is

undertaken to look at options and, wherever possible, reduce the cost of care whilst meeting assessed need.

Temporary Accommodation (TA):

The target for the Temporary Accommodation financial recovery plan was £5.421m. Of this, £3.081m was realised, leaving £2.340m unmet. The overspend is attributed to heightened demand for temporary accommodation and increased rental charges. A Temporary Accommodation Reduction Plan has been implemented, outlining actions to either limit the number of households entering TA, support households moving on from TA, or reduce associated costs. Broadly, these actions fall under prevention, facilitating move-ons to sustainable housing, cost reduction strategies, and boosting income through improved collection and quicker void turnaround times.

- Nightly accommodation (spot purchased): Demand for TA remains elevated, with efforts ongoing to reduce expenditure. Recently, 112 spot units were renegotiated as block booked contracts at improved rates. In 2025/26, an average of 468 households were housed in nightly spot accommodation, resulting in an overspend of £4.545m.
- Block Booked - Units increased from the budgeted 303 to an average of 498 per night, resulting in an overspend of £1.804m.
- Private Sector Leased (PSL) overspent by £0.860m, mainly due to renegotiated leases at higher rates. Nevertheless, PSL remains more cost-effective and stable than alternatives such as hotels.
- Other service areas reported underspends totalling £0.313m, predominantly due to staff vacancies and recruitment difficulties.

A robust management framework is in place, ensuring strict financial and operational oversight. Despite ongoing financial pressures, there are clear signs of stabilisation because of enhanced controls:

- 112 spot-purchased units have been converted to block-booked arrangements, lowering average nightly costs and increasing cost certainty.
- Move-on activity has increased, with 538 preventions achieved in 2025/26, £0.902m above target, helping to reduce future demand.
- Net inflow into nightly-paid accommodation has slowed, reflecting early positive impacts from prevention and move-on initiatives.
- Void turnaround times are improving, increasing supply and lessening reliance on expensive nightly-paid options.
- Income collection within TA is rising, improving the net financial position.

Whilst not all actions resulted in a full-year reduction in overspend, the recovery plan is delivering impact and shifting the long-term cost trajectory.

- 4.7 **City Operations:** This is a diverse directorate delivering a broad range of services across the city and council. Its financial performance is closely tied to public and visitor activity, which introduces volatility in monthly forecasts.

The directorate manages substantial income budgets for parking, planning, and venues each sensitive to fluctuations in visitor numbers, commercial activity, and the wider economy. For 2025/26, City Operations faced challenging in-year savings targets, primarily focused on service redesigns and income generation. Of the £1.782m planned savings, £1.463m was

achieved, leaving £0.319m unachieved. Key risks relate to income generation in Parking Services and City Parks, service redesigns, and efficiency measures such as the review of Multi-Functional Devices across the council.

The overall position for City Operations is a net £11.005m underspend showing an improvement of £7.969m compared to Month 9. This movement is a combination of an improvement in the forecast position of £3.5m between the month 9 forecast and year end, reflecting the continued actioning of financial recovery plans and measures, and a release of £4.4m of bad debt provision following a review of the level of provision required for parking charge notices. £3.9m of this release of provision has been moved to a corporate risk reserve. See 4.9 below.

There are pressures within the outturn which have been identified in year including the pressure of £0.584m relating to the NJC arrangements with the Royal Pavilion Museums Trust, ongoing costs ensuring Hollingdean Depot remains operational, refuse fleet related costs, architects fees, costs of maintaining trees across the city and increased costs for essential highway maintenance and backlog clearance. Offsetting these pressures is a significant underspend in the outturn for City Infrastructure, budget surpluses from leisure management fees, expenditure controls and underspends on staff costs across the service

The £3.544m improvement relates mainly to improvements in further staffing underspends as a result of the vacancy controls in place, improved incomes in sports & leisure, building control, and planning fees. Spend controls in year also resulted in improvements in outturn including reviews of vehicle fleet related costs in the council whilst ensuring services could be delivered, as well as reviewing use of available one off grants and funding in City Operations against eligible spend to support the councils overall financial position in year. A review of Direct Revenue Funding (DRF) as part of the spending controls and outturn has released £0.157m additional revenue resources. This has resulted in £0.013m of additional borrowing prepayments per annum for 15 years.

- 4.8 **Central Hub:** The directorate has delivered an overall underspend for 2025/26, with significant underspends across most areas offsetting a small number of material service pressures. This has been achieved in part through one-off funding being applied or through the capitalisation of transformation activity costs. These one-off measures will mean that there will be pressures carried into the 2026/27 financial year.

Across the Cabinet Office and Corporate Leadership Office, services have generally reported favourable positions, with underspends in Economic Development (£0.208m), Policy (£0.224m), and Tourism & Marketing (£0.033m) driven by staffing savings and income performance. These have helped offset a £0.120m overspend in Leadership Support, which reflects pressures arising from service redesign, recruitment activity and professional fees.

The Finance & Property directorate shows a mixed but managed position. Several services delivered strong underspends, most notably Building Surveying (£0.743m) and Financial Services (£0.400m), driven by reprofiling of works to capital, income overachievement, grant funding, and the flexible

use of capital receipts. These favourable variances have helped mitigate significant pressures within Estates Management, which reported an overspend of £1.681m, and Welfare, Revenues & Business Support, which closed the year with an overspend of £0.671m arising from system re procurement, staffing capacity pressures, and income shortfalls as detailed below.

Within Governance & Law, services have performed strongly overall, delivering a net underspend across the directorate. This reflects consistent staffing savings, income generation, and operational efficiencies across most services, including Legal Services (£0.184m underspend) and Registrations (£0.214m underspend). These mitigations have absorbed isolated pressures, including a small overspend within Mortuary Services (£0.059m).

The People & Innovation directorate delivered a particularly strong overall position, with combined underspends of over £2.1m across its services. This outcome has been largely driven by the flexible use of capital receipts to fund transformation related staffing costs, alongside vacancy management, income generation, and the pausing of non-statutory activity. These actions have enabled the directorate to absorb pressures such as increased utility costs while maintaining a significant net underspend. (£1.593m).

Finally, the Contribution to Orbis partnership reflects a modest £0.024m underspend, driven by better than anticipated performance across partnership services.

- 4.9 **Centrally-held Budgets:** There is an overall overspend of £2.377m, largely driven by moving £3.9m to a centrally held risk reserve which will allow an in depth review of aged debt in 2026/27. Without this, centrally held budgets would have had a net underspend in the year. This reserve was funded by amending a bad debt provision for PCNs which was being held at a level inconsistent with our approach to other debts and didn't accurately reflect the level of likely recovery. The release of this money and the creation of the provision will facilitate a further review of all aged debt without risking further impact on reserves.

Another contributing factor to the final position was an overspend of £0.803m which relates to the additional cost of the 2025/26 pay award above the amount provided in the budget.

The closing position on the Housing Benefit Subsidy budgets is a pressure of £5.070m. An audit in 2025/26 identified procedures had overlooked a key criterion in determining vulnerability in supported accommodation claims. This is partly due to the migration from legacy benefits to Universal Credit, with the distinction around employment vulnerability less clear. Up until this point, all these claims, whether or not they were eligible for Limited Capability for Work had been receiving 60% subsidy. However, if a claimant was not in receipt of the Limited Capability for Work component of Universal Credit, the claims should have received 0% subsidy, meaning the council has to bear the full cost of the Housing Benefit paid to the tenant over the Rent Officer Decision.

The issue was identified in 2025/26 but the problem started in 2024/25 meaning that the impact of both years had to be recognised in 2025/26. The impact of those years is £1.645m and £3.409m respectively.

A recovery plan is in place to minimise the ongoing housing benefit subsidy losses.

The corporate saving in relation to functional alignment activities from 2024/25 is also held in this area. At the year-end £0.974m of this was unachieved and is included in the forecast.

These pressures are offset by a £3.977m underspend in Financing Costs, primarily due to previous year slippage and reprofile of the capital programme the capital programme review, which has reduced the in-year borrowing need resulting in an underspend in the current financial year. In addition, the council continues to maximise the use of internal reserves to meet its capital financing requirement. Whilst this limits investment returns, it will delay the need to externally borrow during a time of elevated borrowing rates and therefore reduce in year borrowing costs as the rate of return on outward treasury investment is below the current cost of capital.

The 2025/26 budget contained a risk provision of £1.747m. This has now been released to support the in-year position.

Cabinet approved the deferral the planned repayment to Working Balance of £1.125m in 2025/26 in order to support the in-year position in the TBM Month 9 report to February 2026. Additionally, the Budget Update report to December Cabinet identified £1.109m of previously earmarked reserves and provisions that could be released to support the 2026/27 budget position. Due to the difficult in-year position this was released to support the 2025/26. At the year-end a further £0.564m of unrequired reserves has been released to support the 2025/26 position which are detailed in section 8.10.

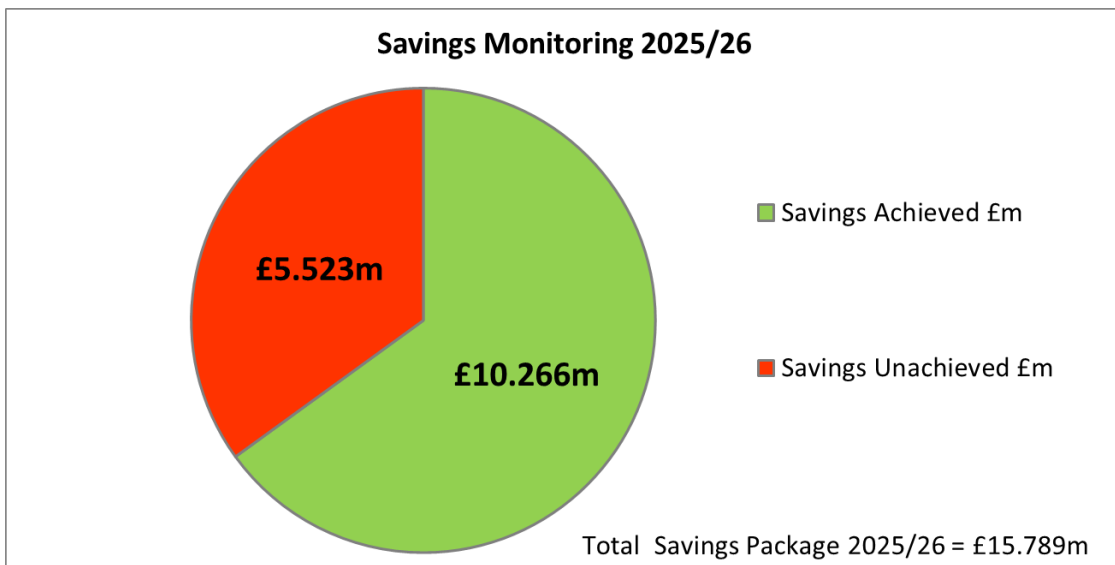
Carry Forward Requests (Appendix 5)

- 4.10 Under the council's Financial Regulations, the S151 Chief Finance Officer may agree the carry forward of budget of up to £0.050m per member of the Corporate Leadership Team (up to a maximum of £1m in total) if it is considered that this incentivises good financial management. However, due to the challenging financial situation, all requests are being presented to Cabinet for consideration. Similarly, carry forwards have only been proposed where there is clear evidence of either ring fenced or external funding where we have made a commitment to the funding body about the specifics of the planned expenditure, or where we are in an agreement with multiple parties and the balance carried forward represents a shared funding arrangement governed by an agreement that carries the expectation that the funds will not be withdrawn. In smaller exceptions, the carry forward request relates to funding agreed for committed spend, which due to timing has not yet been undertaken. This will normally be supported by a contractual or purchase order commitment.
- 4.11 Carry forward requests include grant funded and non-grant funded carry forwards totalling £2.744m which have been assumed in the outturn figures above. An analysis of these is provided in Appendix 5 split into two categories as follows:

- The non-grant funded element of carry forwards totals £0.786m. These items have been proposed where funding is in place for contractual commitments, existing projects or partnership working that cross over financial years and it is therefore due to a timing issue that this money has not been spent in full before the year-end.
- The grant funded element of carry forwards totals £1.958m. Under current financial reporting standards, grants received by the council that are un-ringfenced or do not have any conditions attached are now recognised as income in the financial year in which they are received rather than in the year in which they are used to support services. Carry forward is therefore required to ensure the grants are available to fund the commitments against them next year. Carry forwards must meet the criteria above or they are released against current year expenditure.

Monitoring Savings

- 4.12 The savings package approved by full Council to support the revenue budget position in 2025/26 was £15.789m following directly on from a £23.627m savings package in 2024/25 and makes 15 years of substantial savings packages totalling over £248m since government grant reductions commenced in 2010, and which have been necessary to enable cost and demand increases to be funded alongside managing the reductions in central government grant funding.
- 4.13 Appendix 4 provides a summary of savings in each directorate and indicates in total what has been achieved and the net position of unachieved savings. Appendix 5 summarises the position across all directorates and presents the entire savings programme. Work will be undertaken to review the non-achievement of savings to ensure there is robust monitoring of savings delivery moving into 2026/27.
- 4.14 The graph below provides a summary of the position as at outturn and shows that savings of £10.266m have been achieved and that savings of £5.523m (35%) were unachieved in 2025/26.



5 Housing Revenue Account Performance (Appendix 4)

- 5.1 The Housing Revenue Account (HRA) is a separate ring-fenced account which covers income and expenditure related to the management and operation of the council's housing stock – and the majority of funding is from the rent and service charges paid by tenants and leaseholders. The provisional outturn is an overspend of £0.378m, this position includes variances within specific service areas, details of which are provided in the Revenue Budget Performance Appendix. Any overspend in the HRA will result in a contribution from HRA reserves at year end (as at Month 12 the general reserves balance was £7.7m – equivalent to approximately 10% of income from rent and service charges).

HRA Risks

- 5.2 HRA continues to face significant uncertainty regarding the financial position, there are major risks that need to be addressed and monitored to ensure that the position remains stable. These risks include but are not limited to:
- Volume of Health & Safety compliance
 - Delays related to Building Safety compliance
 - Disrepair claims
 - Rent arrears and collection rate
- 5.3 The HRA will continue to review spend to try to improve the current financial position. Any variations will be reported to future Cabinet meetings during 2026/27. Officers are part of the London Directors of Housing Group and will endeavour to work with peers, as well as working with the Housing leads in the LGA, to explore how central government can support social landlords in investing in safety and quality improvements whilst also seeking to increase supply.

6 Dedicated Schools Grant Performance (Appendix 4)

- 6.1 The Dedicated Schools Grant (DSG) is a ring-fenced grant within the General Fund which can only be used to fund expenditure on the Schools' Budget. The Schools Budget includes elements for a range of services provided on an authority-wide basis including Early Years education provided by the Private, Voluntary and Independent (PVI) sector, and the Individual Schools Budget (ISB) which is divided into a budget share for each maintained school. The 2025/26 central Dedicated Schools Grant is an in-year deficit of £1.082m. At the end of the 2024/25 there was an overspend on central DSG of £0.680m, meaning the cumulative overall deficit position at the end of 2025/26 is £1.762m. The DSG position is described in more detail in Appendix 4. Under the Schools Finance Regulations any under or overspend must be carried forward within the Schools' Budget in future years.
- 6.2 Currently, the government is providing legislation known as the Statutory Override facility that means any deficit associated with the Central DSG is excluded from the council's general fund financial position at the end of a financial year. The regulations require the negative balance (central DSG

deficit) be held in an unusable reserve. The override facility has recently been extended for a further 2 years and now runs to the end of the 2027/28 financial year. At the end of the 2025/26 financial year a negative unusable reserve of £1.762m has been established. This is simply an accounting term that means that the overspend is held on the balance sheet but is not required to be offset against our revenue expenditure or general reserves.

- 6.3 In February 2026, the Government announced that, as part of the wider SEND system reform, they will introduce a High Needs Stability Grant in 2026/27. This grant, subject to compliance with certain conditions, is expected to mean that 90% of the council's cumulative deficit (£1.762m) as at 31/03/2026 will be funded by government. Allocations of the High Needs Stability Grant will only be paid once a local authority has developed and submitted a detailed Local SEND Reform Plan to the Department for Education which is then approved as meeting the required criteria.

7 Capital Programme Performance and Change

- 7.1 The table below provides a summary of capital programme performance by Directorate and shows the changes to budget since TBM9. Full details of the budget changes and the performance against the budget are included within Appendix 7.

Directorate	Reported Budget Month 9 £'000	Reported at Other Committees/ IFRS Changes £'000	New Schemes since TBM9 £'000	Variations (changes to budget) £'000	Reprofiles & Slippage £'000	Reported Budget Month 12 £'000
Families, Children & Wellbeing	21,995	109	0	49	(14,128)	8,025
Homes & Adult Social Care	10,530	0	0	447	(1,575)	9,402
City Operations	84,101	0	0	3,249	(33,561)	53,789
Central Hub	21,481	0	0	252	(16,365)	5,368
Housing Revenue Account	103,597	(1,177)	0	2,942	(7,716)	97,646
Total Capital	241,704	(1,068)	0	6,939	(73,345)	174,230

(Note: Summary may include minor rounding differences to Appendix 7)

- 7.2 Cabinet's approval is required for the changes listed in Appendix 7 under the council's Financial Regulations. The following table shows the overall movement in the capital budget since approval of the Month 9 report.

Summary of Capital Budget Movement	Reported Budget Month 12 £'000
Budget approved as at TBM month 9	241,704
Reported at Other Committees/IFRS Changes	(1,068)
New schemes since TBM9 2025/26 (for approval – Appendix 8)	0
Variations to budget (for approval – Appendix 7)	6,939
Reprofiling of budget to later years (for approval – Appendix 7)	(65,213)
Slippage (for noting only)	(8,132)
Total Capital	174,230

7.3 Appendix 7 also details any slippage into next year. At this stage project managers have forecast that £8.132m of the capital budget will slip into the next financial year and this equates to approximately 3.36% of the capital budget at TBM9.

7.4 The table below shows a summary of the Variations to budget and their sources of funding. Further details can be found in Appendix 7. The cost of any new borrowing will be reflected in the 2026/27 revenue forecast as appropriate. The overall cost of additional borrowing for General Fund scheme variations (including the cost of short term borrowing for the Housing joint venture) is estimated to be £0.189m in 2026/27. This is likely to offset against reductions in borrowing costs

Service Area	£'000	Project	Narrative	Funding source
City Infrastructure	43	Controlled Parking Schemes	Variation to budget of less than £0.100m	Additional borrowing
Environment and Culture	131	Various schemes	See Appendix 7	Additional borrowing
Homes & Investment	19	Warm Safe Homes	Variation to budget of less than £0.100m	Additional borrowing
Housing Revenue Account	237	Feasibility & Design - Housing Investment	Increase in budget required to reflect the feasibility costs of new supply schemes.	Additional borrowing
Housing Revenue Account	137	Hereford Court	Increase in budget required to reflect the actual spend incurred to date.	Additional borrowing
Housing Revenue Account	216	Various schemes	See Appendix 7 (HRA – Housing Regeneration)	Additional borrowing
Housing Revenue Account	25	Various schemes	See Appendix 7 (HRA – Homes & Investment)	Additional borrowing
Place	193	Black Rock Enabling Works	Overspend relates to additional costs associated with project final account.	Additional borrowing
Place	1,547	Contribution to Housing JV	Equity loan to Housing JV. Change to cash-flow and loan repayment time scales. Loans to the JV will be repaid once the build programme is finished and the accommodation is sold. This is therefore short-term borrowing.	Additional borrowing
2,548 Total additional borrowing				
Adult Social Care	109	Various schemes	See Appendix 7	Budget reallocation
City Infrastructure	(221)	Integrated Transport Schemes (LTP)	Project managers being moved around various projects.	Budget reallocation
City Infrastructure	(119)	Traffic Signal Obsolescence Grant	Some budget was used to fund other eligible projects.	Budget reallocation
City Infrastructure	340	Bridge Strengthening and Assessment	Overspend in respect of Dukes Mound arches work being redrawn.	Budget reallocation
City Infrastructure	37	Various schemes	See Appendix 7	Budget reallocation

Digital Innovation	(421)	Customer Digital	Budget amendment to reflect use of Modernisations funds.	Budget reallocation
Education and Learning	(15)	High Needs Provision Capital	Variation to budget of less than £0.100m	Budget reallocation
Environment and Culture	(35)	Various schemes	See Appendix 7	Budget reallocation
Family Help and Protection	64	Residential Project Ireland Lodge	Variation to budget of less than £0.100m	Budget reallocation
Finance and Property	(163)	Solar Panels Corporate Buildings	Some installations originally planned for install in 2024/25 were omitted from the original contract due to planning issues.	Budget reallocation
Finance and Property	2	Various schemes	See Appendix 7	Budget reallocation
Homes & Investment	(80)	Disabled Facilities Grant	Variation to budget of less than £0.100m	Budget reallocation
Place	7	Black Rock Enabling Works	Overspend relates to additional costs associated with project final account.	Budget reallocation
Place	133	Various schemes	See Appendix 7	Budget reallocation
(362) Total budget reallocation				
City Infrastructure	674	A259 Kings Road Arches	Will be in receipt of non-Local Transport Plan (LTP) related funding.	Third Party Funds
City Infrastructure	250	A270 Wild Park Rainscape	Final grant claim processed late in the year (after TBM9).	Third Party Funds
City Infrastructure	14	Brighton Bikeshare Replacement Programme	Variation to budget of less than £0.100m	Third Party Funds
Environment and Culture	354	Playground Refurbishment programme 2021-2025	More S106 receipts identified to support Playground Refurbishment Programme	Third Party Funds
Place	227	Madeira Terraces Regeneration - Project Support	Additional grant funding utilised	Third Party Funds
1,519 Total third party funds				
Finance and Property	380	Commercial Property Portfolio Repairs	Forward funded costs in relation to dilapidations on the capital portfolio.	Timing of funds
380 Total timing of funds				
Digital Innovation	42	Laptop Refresh 2023-25	Variation to budget of less than £0.100m	Use of receipts or reserves
Environment and Culture	53	King Alfred Main Pool Reinforcement	Variation to budget of less than £0.100m	Use of receipts or reserves
Finance and Property	33	Dome Planned Maintenance PMB	Variation to budget of less than £0.100m	Use of receipts or reserves
Housing People Services	399	LDV On-Going Costs - Community Homes (B&HSCH)	Overspend is due to additional work in 25/26.	Use of receipts or reserves
Housing Revenue Account	477	Minor Capital Works	Exceeded its budget primarily due to gaps within the planned works programmes.	Use of receipts or reserves
Housing Revenue Account	355	Condensation & Damp Works	Spend reflects increased demand and the need to undertake more extensive remedial works.	Use of receipts or reserves
Housing Revenue Account	348	Gutter Clearance	More properties completed this financial year than originally planned, ahead of schedule.	Use of receipts or reserves
Housing Revenue Account	255	Disrepair Capital Works	Spend reflects an increased number of cases completed this financial year.	Use of receipts or reserves
Housing Revenue Account	247	Water Tanks	Spend exceeded the budget for 2025/26, coinciding with a period of accelerated water compliance activity.	Use of receipts or reserves
Housing Revenue Account	236	Roofing	Unplanned additional roof replacement carried out.	Use of receipts or reserves
Housing Revenue Account	212	Kitchens	Higher than budgeted spend, primarily reflects a decision to reallocate the cost of associated electrical upgrades to the Kitchens capital budget.	Use of receipts or reserves
Housing Revenue Account	108	Bathrooms	Spend reflects an increase in ad hoc referrals arising from Responsive Repairs and Empty Homes.	Use of receipts or reserves
Housing Revenue Account	89	Various schemes	See Appendix 7	Use of receipts or reserves
2,854 Total receipts or reserves				

- 7.5 The cost of any new borrowing will be reflected in the 2026/27 revenue forecast as appropriate. The overall cost of additional borrowing for General Fund scheme variations (including the cost of short term borrowing for the Housing joint venture) is estimated to be £0.189m in 2026/27. This is likely to offset against reductions in borrowing costs in 2026/27 associated with schemes reprofiled or slipped.

8 Implications for the Medium-Term Financial Strategy (MTFS)

- 8.1 The council's MTFS sets out resource assumptions and projections over a longer term. It is periodically updated including a major annual update which is included in the annual revenue budget report to full Council.
- 8.2 Section 3.3 outlines that significant one-off resources have been used to address the TBM outturn position in 2025/26, resulting in a structural overspend in demand led services and non-delivered savings which will carry risk into 2026/27 and future years. The extent of these risks for 2026/27 will be reviewed and reported as part of 2026/27 TBM Month 2 (reported to Cabinet in July 2026) and reviewed to ascertain their impact on future years of the MTFS.
- 8.3 Details of Capital Receipts and Collection Fund performance are also given below due to their potential impact on future resources.

Capital Receipts Performance

- 8.4 Capital receipts are used to support the capital programme. Any changes to the level of receipts during the year will impact on future years' capital programmes and may impact on the level of future investment for corporate funds and projects such as the Strategic Investment Fund, Innovations fund, Asset Management Fund and the Information, Technology and Digital Investment Fund. There are a number of residential and commercial properties identified for disposal as reported within the Residential Property Strategy report and Commercial Investment Property Strategy report to committee in December 2023 as well as the disposals approved by Cabinet on 27 June 2024, 24 April 2025 and 16 October 2025.
- 8.5 The total general fund capital receipts and appropriations in 2025/26 was £13.522m from 16 disposals which included properties at Freshfield Industrial Estate, Patcham Court Farm Grand Parade Mews, New Dorset St, East Brighton Park, Oxford St, Stanmer village and Pickers Hill.
- 8.6 The forecast for the 'right to buy sales' in 2025/26 was £12.000m. This step increase in sales compared to previous years is because the discount provided for Right to Buy (RTB) reduced in November 2024 and there was an increased level of applications leading up to that deadline. Receipts from RTB sales are expected to reduce significantly in future years. The net retained receipt is used to fund investment in the HRA capital programme, specifically the new supply of affordable housing. As at the end of March, 72 homes were sold for a total receipt of £12.225m.

Collection Fund Performance

- 8.7 The Collection Fund is a separate account for transactions in relation to council tax and business rates. Any deficit or surplus forecast on the collection fund relating to council tax is distributed between the council,

Sussex Police & Crime Commissioner and East Sussex Fire Authority, whereas any forecast deficit or surplus relating to business rates is shared between the council, East Sussex Fire Authority and the government.

- 8.8 The Collection Fund for council tax closed with an overall deficit position of £2.439m. The main drivers for this deficit are losses in collection of £1.852m, lower than anticipated properties £0.950m, increased council tax reduction (CTR) claimant numbers £0.482m, increased Severely Mentally Impaired (SMI) exemption cost £0.313m, increased single person discount £0.238m and other exemptions and discounts £0.422m. This has been partially offset by increased second home premium £0.981m, reduced student exemptions £0.706m and brought forward surplus £0.131m. The council's share of the deficit is £2.062m and represents an increased deficit of £0.991m from the position previously reported mainly related to losses in collection and this will be incorporated into the surplus / deficit position for the 2027/28 budget.
- 8.9 The Collection Fund for business rates closed with an overall deficit position of £5.089m (£1.910m brought forward and £3.179m in-year). The cost of successful appeals was the main reason for the brought forward deficit. The in-year £3.179m deficit is largely driven by increased appeals costs of £8.673m. There was also increased empty property relief £1.314m, retail, hospitality and retail relief £1.197m, higher than forecast collection losses £1.221m and other reliefs £0.390m. This has been partially offset by growth in the gross liability £7.493 (2025/26 £3.985m and previous years £3.509m) and reduced Small Business Rates Relief award £2.123m. The council's share of the deficit position is £2.494m. This represents an increased deficit of £1.797m from the position previously reported mainly due to increased cost of appeals and this will be incorporated into the surplus / deficit position for the 2027/28 budget.

Reserves, Budget Transfers and Commitments

- 8.10 The creation or re-designation of reserves, the approval of budget transfers (virements) of over £1 million, and agreement to new financial commitments of corporate financial significance require Cabinet approval in accordance with the council's Financial Regulations and Standard Financial Procedures. Cabinet is asked to approve the creation of a £3.9m risk reserve to mitigate impact from the increased focus on aged debt being undertaken in 2026/27..
- 8.11 The council's reserves and provisions have been assessed as part of the annual closure of accounts process and a schedule of the reserves is shown at Appendix 9. This reflects the position after the release of a further £0.564 of reserves to support the 2025/26 in year position and these are detailed in the table below.

Reserve	Amount Released £'000
IT Investment Reserve	329
Unrequired Working Balance	120
Travelers Site Capital Reserve	79
IT Helpdesk Reserve	33
Other residual balances	3
Total	564

- 8.12 The working balance was drawn down in 2022/23 by £3.376m to fund the general fund revenue overspend, and a strategy is in place to replenish over a 3 year period to 2026/27. The recommendations within this report will bring the working balance to £7.740m as at 31 March 2026. Part of the EFS request agreed by MHCLG was to improve the general fund position in recognition of the fact that it remains too low.

9 Treasury Management End of Year Review 2025/26

- 9.1 The 2025/26 Treasury Management Strategy, including the Annual Investment Strategy, was approved by full Council on 27 February 2025.
- 9.2 The CIPFA Treasury Management Code requires the performance of the treasury management activity against the strategy and key prudential and treasury indicators to be reported at least twice a year, to be presented to Cabinet as part of the TBM process.
- 9.3 The treasury management activity for 2025/26 is provided in Appendix 10. The main points are:
- Investment balances have continued to remain low as the council maintains a strategy to maximise internal reserves and balances to temporarily finance the borrowing need in the capital programme.
 - The highest risk indicator on investments during the period was 0.003% which is well below the maximum benchmark of 0.050%.
 - The return on investments has exceeded the benchmark rates for the period.
 - The council entered into six tranches of new HRA PWLB borrowing totalling £135m throughout 2025/26 to fund the HRA capital financing requirement in response to maturing debt and reducing cash balances.
 - The two borrowing limits approved by full Council have not been exceeded.
 - The Annual Investment Strategy parameters have been met throughout the 6-month period.

10 Analysis and consideration of alternative options

- 10.1 The provisional outturn position on council-controlled general fund budgets is a break-even position. This is an improvement of £4.861m compared with the projected position at Month 9 and is the same as the position assumed in the budget setting process.
- 10.2 The working balance will be increased by £4.160m in 2026/27 through the use of Exceptional Financial Support (EFS).

11 Community engagement and consultation

- 11.1 No specific consultation has been undertaken in relation to this report.

12 Financial implications

- 12.1 The financial implications are covered in the main body of the report. Financial performance is kept under review on a monthly basis by the Corporate Leadership Team and members and the management and treatment of strategic financial risks is considered by the Audit, Standards & General Purposes Committee.

Finance Officer consulted: Jeff Coates Date: 23/06/2026

13 Legal implications

- 13.1 Decisions taken in relation to the budget must enable the council to meet its legal duty to achieve best value by securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The council must also comply with its general fiduciary duties to its Council Tax-payers by acting with financial prudence, and bear in mind the reserve powers of the Secretary of State under the Local Government Act 1999 to limit Council Tax & precepts.

- 13.2 The Treasury Management actions reported in the review document at Appendix 10 are carried out in accordance with the powers conferred by Part 1 of the Local Government Act 2003, which permit local authorities to invest for the purposes of the prudent management of their financial affairs. Regard must be had to statutory guidance in the form of the Prudential Code for Capital Finance in Local Authorities issued by the Chartered Institute of Public Finance and Accountancy. The Council's approach is considered to be consistent with that Code and the requirements of the Act.

Lawyer consulted: Victoria Simpson Date: 17/06/2026

14 Equalities implications

- 14.1 There are no direct equalities implications arising from this report.

15 Sustainability implications

- 15.1 Although there are no direct sustainability implications arising from this report, the council's financial position is an important aspect of its ability to meet Corporate Plan and Medium-Term Financial Strategy priorities. The achievement of a break-even position or better is therefore important in the context of ensuring that there are no adverse impacts on future financial years from performance in 2025/26, although, as discussed in the report above, although the closing position is break even, not all mitigations were able to come from the services and the council is carrying structural overspends into 2026/27 which have an impact on ongoing sustainability.

16 Health and Wellbeing Implications:

- 16.1 The council's budget includes many statutory and preventative services aimed at supporting vulnerable children and adults. The budget prioritises

support to these core and critical services including management of any emerging in-year pressures to minimise impacts on statutory provision.

17 Conclusion and comments of the Chief Finance Officer (Section 151 Officer)

- 17.1 The council has achieved a break-even position in spite of exceptional pressures in the cost, demand and complexity of provision within demand led budgets. These pressures have also had a significant impact on the delivery of savings programmes. Whilst the position has improved since TBM Month 9 by £4.861m, much of the improvement was a result of the application of one-off resources, resulting in a considerable underlying overspend which will impact on 2026/27.
- 17.2 The council's ongoing financial sustainability remains a critical concern. The council has requested Exceptional Financial Support from the government in 2026/27 and has used some of this to create contingency in the revenue budget and increase the council's General Fund working balance and general risk reserve, but this increase is still less than the underlying overspend that is being carried forward, meaning that additional savings and ways to offset the funding shortfall will need to be found..

Supporting Documentation

Appendices

1. Financial Dashboard Summary
2. Revenue Budget Movement Since Month 9
3. Revenue Budget Performance RAG Rating
4. Revenue Budget Performance
5. Carry Forward Requests
6. Summary of 2025/26 Savings Progress
7. Capital Programme Performance
8. New Capital Schemes
9. Schedule of Reserves
10. Treasury Management End of Year Review