

# Brighton & Hove City Council

## People Overview & Scrutiny Committee Place Overview & Scrutiny Committee

## Agenda Item 20

**Subject:** General Fund Budget Update 2025/26 to 2028/29

**Date of meeting:** 28 November 2024

**Report of:** Cabinet Member for Finance & Regeneration

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

**Key Decision: No**

### FOR GENERAL RELEASE

#### **1 PURPOSE OF REPORT AND POLICY CONTEXT:**

- 1.1 This report provides an update to the General Fund Budget position reported to September Cabinet as part of the lead-up to the setting of the annual revenue and capital budget, and Council Tax at Budget Council on 27 February 2024.
- 1.2 The report also provides information on the implications of the Autumn Statement for the authority, so far as they can be determined at this stage and provides information on potential areas for budget savings proposals together with expected timelines for finalising the proposals.

#### **2 RECOMMENDATIONS:**

The Overview & Scrutiny Place and Overview & Scrutiny People Committees are recommended to:

- 2.1 Note the updated position on the General Fund budget as set out in the report.
- 2.2 Provide comment and any recommendations to Cabinet in relation to potential areas for budget savings proposals and feedback on the planned Budget Development timetable and approach.

#### **3 BUDGET SETTING AND MEDIUM TERM FINANCIAL PLANNING**

##### **Components of the General Fund Budget**

- 3.1 The council's budget includes capital and revenue resources from a wide range of funding resources including government grants, local taxation and fees & charges. These resources are key to delivering Council Plan priorities and statutory duties, however, there are limitations applicable to all of these funding streams. The ability to meet cost and demand pressures, particularly in statutory

areas, will therefore be key to determining the resources available to transform and innovate and help to put the authority on a more sustainable financial footing over the Medium Term Financial Plan period.

- 3.2 The council's budget includes areas where funding is 'ring-fenced' and must be spent according to relevant government grant funding conditions and/or other statutory regulations. These include the funding of schools and special educational needs provision through the Dedicated Schools Grant (DSG), Housing Benefits, Public Health services, and council housing (Housing Revenue Account) funded primarily by tenants' rents. All other unringfenced funding is used to provide the majority of council services for the city and is provided for in the 'General Fund' Revenue Budget.
- 3.3 The budget update report to Cabinet on 26 September 2024 set out the challenging financial position facing the authority ahead of the Autumn Statement. This indicated a potential budget shortfall in 2025/26 of £36.7 million and a shortfall of nearly £105 million to be addressed over the 4-year medium-term financial planning period.
- 3.4 The report highlighted the need to work on the twin objectives of addressing budget shortfalls while aiming to prudently invest in sustainable change and transformation to improve financial resilience and sustainability for the future. The authority's reserves position is also low relative to most authorities and a further objective should therefore be to build greater resilience and increase overall reserves. The process of making sustainable change has started with a far-reaching Organisational Redesign aimed at not only streamlining senior management but realigning the organisation to ensure that all areas of the council can work together to achieve the Council Plan outcomes for the city.
- 3.5 The report advised that there are four primary components of the General Fund budget as follows:
- **The Medium Term Financial Plan (MTFP)** – this provides high-level spending and funding estimates and proposals over a 4-year planning period at a strategic or programme level;
  - **The Annual Budget and Council Tax** – it is a legal requirement to set a balanced budget and Council Tax each year, funded by taxation, government grants, retained business rates and fees, charges and commercial rents;
  - **The Capital Investment Programme** – this is a rolling 5-year investment programme for the construction, acquisition or improvement of capital assets in support of Council Plan priorities, primarily funded by capital grants, capital receipts, or borrowing;
  - **The Transformation Fund** – a fund that utilises capital receipts from the disposal of capital assets to fund *one-off* revenue costs to support change and transformation. Using capital receipt proceeds to fund revenue costs (e.g. staffing) is not normally allowable but the government have provided 'capital receipt flexibilities' until 2030 provided the use of any capital receipts underpins efficiencies and future revenue savings.

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

- 3.6 As legally required, the budget setting process will include the development of proposals to achieve a balanced budget in 2025/26 and will set out high-level plans to achieve financial sustainability over the 4-year Medium Term Financial Plan period. This will be important for a number of reasons including:

- Addressing the External Auditor’s concerns in their previous two Annual Reports, which identify the council’s financial sustainability as a ‘significant weakness’, by demonstrating that the council is setting its annual budget and Council Tax in the context of understanding its longer term financial sustainability;
- Demonstrating that any use of reserves or balances in the short-term to support the budget is financially sustainable (i.e. repayable) in the medium term;
- Ensuring that the delivery of Council Plan priorities and associated service planning is aligned with and reflected in medium-term financial planning, and;
- Ensuring that any budget shortfalls (gaps) in future years are identified early to enable longer term programmes of change and transformation to be instigated as soon as possible to generate the necessary savings, efficiencies or income.

### **Autumn Statement 2024**

3.7 The very challenging financial position of Local Government as a sector meant that the government’s Autumn Statement announcement on 30 October was much awaited. The statement provided some additional funding but was again restricted to a one-year settlement although a multi-year announcement is expected in the Spring. The key elements of the Autumn Statement of relevance to councils were:

- Additional new grant funding of £1.3 billion for Local Authority Services for 2025/26. Of this, at least £600 million will be for funding social care and £233 million for tackling homelessness and rough sleeping;
- Referenced “council tax flexibilities” for local authorities which has now been confirmed to mean continuation of an allowable 2.99% increase plus a 2% Adult Social Care precept. It is unclear if this will continue beyond 2025/26;
- Expectation of a Local Government Finance Policy Statement ahead of the Local Government Financial Settlement which is expected to set out the position on the Emergency Financial Support (EFS) regime, New Homes Bonus, Business Rate Relief protections, National Insurance increase protection and other policy matters;
- An increase in Employers National Insurance contribution from 13.8% to 15.0%, and a reduction of the Employer NI threshold from £9,100 to £5,000. The government has stated that the public sector will be protected from this increase but it is unclear how this is intended to be achieved. It is also acknowledged that this may have an impact on private and independent sector care providers and other externally commissioned services;
- Local Authorities should expect to receive £1.1 billion nationally through the Extended Producer Responsibility Scheme;
- The extension of the Household Support Fund (HSF) at £1 billion for 2025/26 including Discretionary Housing Payments (DHPs). This should provide broadly the same level of funding for both HSF and DHP;
- An additional £2.3 billion increase to the core schools budget by increasing per pupil funding, of which £1 billion will go towards supporting Special Educational Needs & Disability support (SEND);
- Additional £6.7 billion new capital investment for schools including schools maintenance;

- Additional funding of £44 million for children’s kinship allowances and to create thousands of Foster placements nationally;
- A boost to the Affordable Homes programme of £500 million;
- A reduction in Right to Buy (RTB) discounts (to £38,000 for BHCC), and an extension of the ability for councils to retain and reinvest full RTB receipts;
- An increase in funding for road maintenance of £500 million;
- Allocating £3.4 billion nationally towards the Warm Homes Plan for decarbonisation and household energy efficiency;
- The statement also set out a £22.6 billion increase in funding for the NHS;
- The National Living wage was confirmed to increase by 6.7% in April 2025 to £12.21 per hour. This does not affect the council’s payroll where the lowest pay rate is £13.26 per hour (which will also increase further in accordance with the nationally agreed NJC pay award for 2025/26 yet to be negotiated). However, it is a significant uplift for many of the council’s providers, particularly social care providers.

### **Impact of the Autumn Statement Locally**

- 3.8 The Autumn Statement provides some welcome additional funding and investment but falls some way short of resolving the short and longer term funding pressures facing Brighton & Hove City Council and all councils, particularly across social care, homelessness and SEN. The current planning assumption locally is for a 5% Council Tax increase, including a 2% Adult Social Care precept, which has now been confirmed as the maximum allowable increase by the government.
- 3.9 Assumptions around pay and prices for next year and beyond are linked primarily to Office of Budget Regulation (OBR) inflation forecasts but local market factors are also taken into account, particularly for procured social care and temporary accommodation provision. Although September 2024 CPI was 1.7%, commissioned provider costs are likely to significantly exceed this level next year due to National Living Wage increases and employer National Insurance increases. Similarly, local government pay awards are assumed at 2.75% as these will take into account labour market factors (i.e. recruitment shortages) as well as cost of living increases.
- 3.10 In relation to the General Fund budget, the funding announced in the Autumn Statement may provide resources or flexibilities as indicated below but many of these are uncertain as noted:
- The additional new grant funding of £1.3 billion for Local Authority Services for 2025/26 could provide between £5.0m and £6.5m or more to BHCC subject to the distribution methodology adopted by the government. The government have indicated that distribution will focus on need but it is unclear what this means in practice. For example, distribution that takes into account more favourable Council Tax and Business Rate taxbases tends to result in a lower distribution for BHCC.
  - The flexibility and distribution of the £1.1 billion funding for the Extended Producer Responsibility Scheme is unclear. This funding is principally to address new statutory responsibilities within the Environment Act 2021, many of which are not due for implementation until 2026. This includes Food Waste collection. It is not clear if this funding can be applied to the latter, for which

the council has a £1.4 million pressure next year, or whether the majority will need to be paid over to producers to implement changes.

- The extension of the Household Support Fund (HSF) is important to help alleviate other demands that may otherwise impact the council arising from increased poverty and hardship, notably additional homelessness. However, a key area to consider is whether or not there is potential flexibility to use the Household Support Fund in a more preventive way that directly alleviates budget pressures such as homelessness. HSF flexibilities are being explored by the Poverty Reduction Steering Group.
- The additional funding of £1 billion for Special Educational Needs & Disability support (SEND) may provide some flexibility however, it is unclear if this funding is all within the Dedicated Schools Grant (i.e. DSG High Needs Block) or if some is available to support General Fund services and thereby alleviate budget pressures. The £1 billion funding is also significantly below the level of High Needs Block SEND deficits of £4 billion already built up by local authorities nationally.
- Additional funding of £44 million for children's kinship allowances and to create thousands of Foster placements nationally could help reduce the costs of providing for children in care but it is unknown how this funding or programme will be distributed.
- The boost to the Affordable Homes programme of £500 million, reduction of Right to Buy (RTB) discounts (to £38,000 for BHCC), and an extension of the ability for councils to retain and reinvest full RTB receipts could all help to increase or sustain housing supply with positive implications for homelessness costs over the medium term but impacts locally are difficult to quantify with accuracy.
- The increase in funding for road maintenance of £500 million will help to alleviate pressures but is very significantly short of the estimated cost of repairs nationally. This could provide one-off additional resources of circa £1.5 million locally but estimated maintenance requirements are at least £6 million per annum.
- The substantial funding increase for the NHS will primarily meet the substantial pay rises agreed in the sector as well as addressing large budget deficits across the acute hospital sector. However, the funding may provide some additional flexibility for the NHS to support the local health and social care system (ICS), particularly in respect of hospital discharge.

3.11 In summary, there are many 'moving parts' and still a significant number of uncertainties with regard to the financial impact of the Autumn Statement on local government and this council. At the upper end, the funding announcements above may reduce identified pressures next year by up to £10 million, leaving a significant shortfall of £26.7 million to be addressed. The conclusion is that the authority will therefore need to deliver significant savings next year and over the medium-term through investment in spend-to-save and transformation programmes to seek to achieve Council Plan aims and financial sustainability.

#### **4-Year Medium Term Financial Planning**

##### ***Addressing Projected Budget Shortfalls***

3.12 There are a number of ways that budget shortfalls can be addressed of which some are within the authority's control but many are not. In particular, it will be important to understand the new government's approach to Council Tax

increases and discounts and whether or not restrictions on the level of increases will continue to apply over the medium-term. The council's budget process will explore all options to address budget shortfalls which, together with funding announcements, include the following:

- Working now to mitigate cost and demand pressures in-year, particularly across demand-led areas such as social care, to bring down the forecast *trend* and reduce the projected budget shortfall next year and beyond;
- Similarly, consulting on and implementing savings in the current financial year, where these are supported by members, to provide more headroom and reduce the budget shortfall next year;
- Working with key partners such as the NHS to jointly address funding and demand challenges;
- Reviewing the Capital Programme, including de-committing some schemes, to reduce associated revenue commitments (capital financing repayments);
- Reviewing taxbases (Council Tax and Business Rates) to ensure expected taxbase growth is properly accounted for;
- Reduction, cessation or closure of non-priority, discretionary services;
- Developing savings proposals including cost/demand reduction measures, efficiency and productivity savings, digital and technological efficiencies, commissioning and procurement savings, delivery model (insourcing or outsourcing) savings, and income generation.

3.13 Any or all of the above can be supported through releasing capital receipts to enable investment in spend-to-save and transformation programmes that can reduce future annual revenue costs.

3.14 The above processes are described in more detail in Appendix 2. Directorate Management Teams (DMTs) and the Corporate Leadership Team (CLT) will also explore all potential options for generating savings and efficiencies on a cross-cutting, council-wide basis.

3.15 A number of potential service changes or delivery model changes have been identified for exploration as part of the budget process. These may have long lead-in times and therefore, if ultimately supported, consultation and engagement would need to start well in advance of next financial year. Potential areas for exploration include:

- Potential development of in-house residential provision for children with complex disabilities by April 2025 to provide better value for money delivery options;
- During 2025, exploring in-sourcing of the highest cost Home-to-School Transport routes (minibuses) to provide better value for money;
- Exploring AI technologies, including predictive analytics, to focus the right support at the right time for Children & Families and reduce administrative support costs;
- Potential use of technology-enabled care across Adult Social Care to maintain independence;
- Managing Adult Social Care demands at the Front Door with improved information and self-assessment options;

- Exploring alternative delivery models for in-house Adult Social Care provision to ensure best value for money;
  - Use of tools which support Adult Social Care brokerage for achieving best market value;
  - Exploring creation of a wholly-owned Housing Company to acquire housing and attract higher rates of welfare benefit (Local Housing Allowance);
  - Further review of the delivery model for the Schools IT&D traded service.
  - Consideration will also be given to discontinuation of, or alternative delivery of, non-statutory activities, particularly where these are not directly supporting Council Plan priorities.
- 3.16 The above will be supported by Outline Business Cases (OBC's) which will set out the temporary staffing and other resources, if any, required in order to deliver these projects and proposals. If agreed, these will be supported by the Transformation Fund utilising the government's capital receipt flexibilities which allow capital receipts to be used for one-off revenue expenses where these will generate future efficiencies and revenue savings. The September Cabinet report identified a minimum investment requirement of £16 million over the medium-term, including provision for staffing changes through voluntary severance. This, however, requires identification and realisation of significant capital asset disposals in order to provide Transformation Funding.
- 3.17 Budget Savings proposals and options are currently being considered ahead of consultation and development of Equality Impact Assessments (where appropriate). However, as noted, much more information is required from government on the various elements of the Autumn Statement before a final budget gap for 2025/26 can be determined. However, the government has announced that the Local Government Financial Settlement will not be issued until 19 December 2024 which will again leave local authorities with limited time to react to the settlement, particularly if a worst-case scenario results.

## **4 ANNUAL BUDGET AND MEDIUM TERM FINANCIAL PLAN ESTIMATES**

### **Medium Term Financial Projections 2025/26 to 2028/29**

- 4.1 The September Cabinet report set out the assumptions and estimates used in developing financial projections over the 4-year Medium Term Financial Planning period as follows:
- Demographic (demand) pressures and above-inflation cost pressures are based on current (TBM) trends for 2025/26 and moderated trends for 2026/27 and later years;
  - 2.99% Council Tax increases over the 4-year period plus a 2.00% Adult Social Care precept for 2025/26, reverting to 0% thereafter;
  - (Average) Pay award of 2.75% in 2025/26 and then 2.5% thereafter;
  - 3% annual income target/generation uplifts over the period (except 2.5% in 2028/29);
  - Average 3.0% social care third party provider payment increases for 2025/26 reducing to 2.5% thereafter;
  - Variable 1.00% to 3.00% cash limits on non-pay budgets over the 4-year period;
  - Business Rate uplifts to follow OBR September CPI inflation forecasts;

- Council Tax taxbase growth of 1.50% (including Second Homes premium) in 2025/26, 0.75% in 2026/27 and 2027/28, and 0.50% in 2028/29.

4.2 In effect, any costs that can be brought in lower than the assumptions above will generate a cost saving and reduce the budget gap whilst any income that achieves greater than a 3% increase will also result in a saving.

4.3 The projections are periodically reviewed and updated, particularly in relation to the cost and demand (demographic) pressures related to priority, demand-led services, which are a key driver of budget shortfalls. Estimates for next year are driven significantly by current trends which are therefore informed by in-year budget monitoring of trends through TBM reports. The latest update (TBM Month 5) indicates a downward movement of only £0.031m in pressures, however, this does mask significant movements as follows:

Directorate	Original Reported	TBM Month 5 Review	Change in Pressures
	£m	£m	£m
Families, Children & Learning	8.713	7.588	(1.125)
Housing, Care & Wellbeing ASC	9.575	8.482	(1.093)
Housing, Care & Wellbeing (Homelessness)	2.493	4.239	1.746
City Services	9.896	9.896	0
Corporate Services	956	1.397	441
Centrally-held Budgets	300	300	0
<b>Grand Total Cost &amp; Demand Pressures</b>	<b>31.933</b>	<b>31.902</b>	<b>(0.031)</b>

4.4 The table above shows that improvements and mitigations have been seen across Families, Children & Learning and Adult Social Care but that Homelessness is under increasing pressure. Compared to the September Cabinet Report the Medium Term Financial Projections therefore look as follows:

**Table: Indicative Medium Term Financial Projections**

Summary Projections and Budget Gaps	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m
Commitments (incl. previous decisions)	7.972	2.053	(0.970)	1.195
Net Inflation (on Pay, Prices, Income, Pensions)	9.810	8.548	8.732	9.551
<b>Subtotal</b>	<b>17.782</b>	<b>10.601</b>	<b>7.762</b>	<b>10.746</b>
Original Cost and Demand Pressures	31.933	22.577	23.356	22.205
Projected Net Tax Base changes	(12.985)	(9.250)	(9.575)	(9.704)
<b>Predicted Budget Gaps</b>	<b>36.730</b>	<b>23.928</b>	<b>21.543</b>	<b>23.247</b>
Change in Cost and Demand Pressures (Month 5 Review)	(0.031)	0	0	0
<b>Latest Budget Gaps</b>	<b>36.699</b>	<b>23.928</b>	<b>21.543</b>	<b>23.247</b>

4.5 The gap in 2025/26 is projected to be significantly higher than later years because it includes 'catch-up' inflation and pay award costs from 2024/25 as well

as a large increase in capital financing costs arising from decisions made in previous years but where capital schemes have had long lead times or have been delayed. This results in a higher level of 'Commitments' and cost pressures than those expected in future years, particularly as inflation becomes more stable.

- 4.6 The Autumn Statement could provide additional resources of between £5 million (worst case) and £10 million (upper end) leaving a budget gap of between £27 million to £32 million to be addressed. These are clearly substantial shortfalls to manage - among the highest experienced by the authority - given the large savings requirements experienced in recent years due to a range of factors including the indirect impact of the pandemic, the cost of living and high inflation, Brexit impacts on supply chains, labour markets and provider costs, and the impact of high interest rates on homelessness (higher private rental costs). Other demands and prevalence have also increased including mental health illnesses and SEN caseload (increased Education, Health & Care Plans). Some of these are improving or subsiding but the new, higher cost base now experienced by local authorities has far outstripped the increases in national and local funding over the last few years.

### **One-off Resource Requirements 2025/26**

- 4.7 One-off resources may be needed in 2025/26 for a wide range of reasons which could present additional financial challenges as these would require identification of resources to meet any commitments. One-off resources may be required to cover the following:

- Any Collection Fund deficits (TBM Month 5 monitoring indicated a £3.156m net deficit) \*;
- Any General Fund outturn overspend (i.e. TBM overspend – TBM Month 5 indicated a £7.329m forecast overspend risk) \*;
- Any increase to provisions or reserves required \*;
- Any unavoidable/unexpected one-off expenditure or commitments;
- Any one-off allocations for priorities (subject to availability of resources).

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

## **5 BUDGET DEVELOPMENT TIMETABLE**

- 5.1 The indicative timetable for developing and approving the 2025/26 budget and MTFP is given below. The timetable is in outline only and does not include all aspects of member involvement or wider consultation that will normally need to be undertaken with staff, unions, partners, service users and residents.

Table: Outline General Fund Budget Planning Timetable

<b>Date</b>	<b>Who</b>	<b>What</b>
26 Sept 2024	Cabinet	General Fund Budget Planning & Resources Update 2025/26 to 2028/29
17 Oct 2024	Cabinet	TBM month 5 (August)
30 Oct 2024	Government	Autumn Statement announcement (1 year only)
Nov 2024	Government	Allocation of the £1 billion Extended Producer Responsibility funding expected

<b>Date</b>	<b>Who</b>	<b>What</b>
End Nov 2024	Government	Local Government Finance Policy Statement
Dec to Mar	CLT	The majority of consultation processes are expected to start in December and continue through to conclusion, usually no later than March. However, consultation can start earlier if appropriate/necessary.
5 Dec 2024	Cabinet	TBM month 7 (October)
19 Dec 2024	Government	Provisional Local Government Finance Settlement 2025/26
23 Jan 2025	Cabinet	Council Tax and Business Rates Tax Base report [Legal requirement] and Council Tax Reduction Scheme Review 2025/26
Jan/Feb 2025	Overview & Scrutiny	A further joint meeting of the Overview & Scrutiny People and Place committees will be diarised to review draft budget proposals
Feb 2025	Government	Final Local Government Financial Settlement 2025/26
13 Feb 2025	Cabinet	2025/26 General Fund and HRA Revenue & Capital Budget reports including the Capital and Treasury Management strategies. TBM month 9 (December).
27 Feb 2025	Budget Council	Approval of the 2025/26 General Fund and HRA Revenue & Capital Budget including the Capital and Treasury Management strategies.
Late Spring 2025	Government	Spring Budget including multi-year Local Government Funding announcements

## **6 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 6.1 The setting of the General Fund budget in February allows all parties to engage in the examination of budget proposals and put forward viable alternative budget and council tax proposals to Budget Council on 27 February 2025. Budget Council has the opportunity to debate the proposals put forward by the Cabinet at the same time as any viable alternative proposals.

## **7 COMMUNITY ENGAGEMENT AND CONSULTATION**

- 7.1 Detailed consultation and engagement plans will be put in place over coming weeks and months, in advance of proposals coming forward in February 2025 for full Council approval. However, consultation and engagement are expected to include the following:

### **General Information**

- 7.2 General information and advice about the council's budget will continue to be provided through the council's web site which provides information and infographics on how money is spent on services, where the money comes from, the council's capital and transformation investment plans, and a summary of the financial challenges ahead. These materials will continue to be promoted through various media and communications throughout the budget setting period. Frequently asked questions and common themes have previously emerged

through the development of the annual budget and have been responded to in our 'Behind the Budget' web page: [Behind the budget \(brighton-hove.gov.uk\)](https://www.brighton-hove.gov.uk/behind-the-budget).

### **Community and Resident Engagement**

- 7.3 It is also planned to undertake a resident survey to understand residents' priorities for spending the council's budget within the challenging resource limitations experienced by local government for many years. The council will use its 'Your Voice' on-line engagement platform and a 'budget simulator' to both communicate the scale of the financial challenge and gather views from residents, partners, staff and businesses on how they would address the challenge.
- 7.4 An open access event is also planned for 12 December 2024 at Hove Town Hall for residents to come and hear about the budget and the challenges and restrictions facing the council in determining how the budget is spent. The event will discuss the little understood but key difference between capital expenditure and funding compared to revenue expenditure and funding which supports day-to-day services. This can help to explain how it is that with the latter being under very severe pressure, the council is still able to undertake significant and important capital investments such as replacing the King Alfred Leisure Complex or renovating Madeira Terraces. This event will also seek to capture feedback and views from residents.
- 7.5 Consultation with disadvantaged groups and representatives is also planned and appropriate meetings and venues will be provided including a facilitated event at Jubilee Library.

### **City Partners**

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

### **Business Engagement**

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

### **Schools Community**

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

### **Third Sector Engagement**

- 7.9 A key stakeholder is the Community & Voluntary Sector, and communications and meetings with representatives of the sector will therefore be planned to

provide them with an opportunity to feedback their views to the council and members as budget proposals develop.

### **Staff and Union Engagement**

- 7.10 Consultation and engagement with staff and unions is also very important. The scale of financial challenge indicates further significant impacts on the configuration and/or provision of services which will inevitably entail staffing changes. Meetings with the council's recognised unions, including appropriate officers and members of the Administration, will be scheduled regularly to keep unions abreast of developing proposals and to ensure they have sight of where support to their memberships may be required. The council's Joint Staff Consultation Forum will continue to provide a formal setting for sharing and raising matters relating to the overall budget process and development.
- 7.11 Later in the process, detailed proposals will be shared with affected staff ahead of formal publication of budget proposals through Departmental Consultative Groups (DCGs) and through line management. Formal consultation and engagement with directly affected staff will be undertaken as normal, including relevant union representation, under the council's Organisation Change Management Framework.
- 7.12 Wider staff engagement will be provided through 'In conversation' sessions with the Chief Executive and through directorate consultation and engagement event. Further updates and communications for staff will be provided via the council's intranet, corporate email broadcasts and the Chief Executive's communications.

### **Member Engagement**

- 7.13 As noted in Section 6, the budget process allows all Political Groups to submit viable alternative budget proposals. The Executive governance system (Cabinet System) also provides for overview and scrutiny of the budget process and proposals through appropriate briefings and/or meetings.

## **8 Financial Implications:**

- 8.1 These are contained in the body and appendices of the report.

*Finance Officer Consulted: Haley Woollard      Date: 14/11/24*

## **9 Legal Implications:**

- 9.1 Section 9F of the Local Government Act 2000 sets out the statutory functions of Overview and Scrutiny Committees, which includes the power 'to make reports or recommendations to the authority or the executive with respect to the discharge of any functions which are the responsibility of the executive'. This includes the budget setting process, where the role of Overview & Scrutiny Committees is envisaged by [Statutory Overview and Scrutiny Guidance \(April 2024\)](#) to include providing constructive 'critical friend' challenge, amplifying the voices and concerns of the public and driving improved strategic decision making.

*Lawyer consulted: Elizabeth Culbert      Date: 19/11/24*

## **10 Equalities Implications:**

- 10.1 For any significant budget changes proposed in 2025/26, it is proposed to use the council's well-established screening process to develop Equality Impact Assessments (EIAs). Key stakeholders and groups will be engaged in developing EIAs but it will also be important to consider how members, partners, staff and

unions can be kept informed of EIA development and the screening process. In addition, where possible and proportionate to the decision being taken, there may be a need to assess the cumulative impact of the council's decision-making on individuals and groups affected in the light of funding pressures across the public and/or third sectors. The process will ensure that consideration is given to the economic impact of proposals.

## **11 Sustainability Implications**

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

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

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

## **13 Other Implications**

### **Risk and Opportunity Management Implications:**

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

## **14 CONCLUSION**

- 14.1 The council is under a statutory duty to set its budget and council tax before 11 March each year. This report sets out information on projected costs, investments and resources for 2025/26 to 2028/29. It also provides an outline timetable for considering options to develop the 2025/26 annual budget and address future budget shortfalls identified in the current MTFP.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Updated Medium Term Financial Assumptions and Projections
2. Components of the Medium Term Financial Planning Process
3. Schedule of Cost and Demand Pressures (based on current trends at TBM Month 5)

