

Brighton & Hove City Council

Strategy, Finance & City Regeneration Committee

Item 101

Subject: General Fund Revenue Budget, Capital & Treasury Management Strategy 2024/25

Date of meeting: Strategy, Finance & City Regeneration Committee: 8 Feb 2024
Budget Council: 22 Feb 2024

Report of: Chief Finance Officer

Contact Officer: Name: Nigel Manvell Tel: 01273 291233
James Hengeveld Tel: 01273 291242

Email: nigel.manvell@brighton-hove.gov.uk
james.hengeveld@brighton-hove.gov.uk

Ward(s) affected: All

FOR GENERAL RELEASE

1 PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report includes the proposed General Fund Revenue and Capital Budget 2024/25 including the latest estimated resource position for the Medium-Term Financial Strategy (MTFS) covering 2024/25 to 2027/28, including changes in assumptions arising from the key impacts of the Autumn Statement 2023 and the subsequent provisional Local Government Financial Settlement. It also includes revised estimates of demographic and cost trends based on the latest information and forecasts. This includes updated Council Tax and Business Rate tax base forecasts as received by Strategy, Finance & City Regeneration Committee at its January 2024 meeting.
- 1.2 The Autumn Statement 2023 and recent additional funding announcement purport to increase Local Government Spending Power by 7.5% for 2024/25. However, this includes assumed maximum Council Tax increases of up to 4.99%, including an Adult Social Care precept of 2%, and a Business Rates increase of 6.7% in line with September 2023 CPI. Therefore, a substantial element of the increase will fall on local businesses and council tax-payers.
- 1.3 Real Terms inflation being experienced by the council is closer to 8% due to increases in the costs of social care provision, most of which is externally provided, together with energy cost uplifts, increased interest rates driving up capital financing costs, and increased external contract costs. However, this is before significant increases in demands are added including, for example, significant growth in adult and children's social care, home to school transport, and homelessness. A further impact that is compounding funding pressures is the impact of the cost of living crisis on council incomes including everything from reduced planning fees to lower commercial rent incomes to lower than expected parking and permit income.
- 1.4 As the Local Government Association (LGA) has noted, the Autumn Statement 2023 falls far short of the funding needed to meet demand and cost pressures

across local government. The LGA estimates a £4 billion funding gap over the next two years, likely to require large cuts to local services and the use of at least £2.3 billion council reserves to avoid sector-wide Section 114 'bankruptcy' notices. A highly unsustainable position. The additional funding announcement on 24 January 2024 is welcomed by the sector but does not address the scale of the overall situation.

- 1.5 In this council, the conservative estimate of the growth in costs and demands in 2024/25 is approximately £48 million, an unprecedented increase of over 20% of the council's net budget. This includes the combined impact of inflation, increased demands and reduced incomes as referred to above. It also includes an assumption of 3% for the nationally set Local Government pay award, yet to be negotiated.
- 1.6 The combination of unprecedented cost pressures and an Autumn Statement that offered nothing above the 2-year announcement made in 2022, despite inflation continuing to be much higher than forecast by the Office of Budget Responsibility together with increased interest rates and an ongoing cost of living crisis, has, unsurprisingly, resulted in the biggest financial challenge this council has ever faced. A budget shortfall (gap) of over £30 million is estimated for 2024/25 and this inevitably results in some very difficult choices given that the council has no unallocated provisions or risk reserves to help the position in the short term. This is due to cumulative savings and cuts of over £240 million having been required since 2010 in the context of a loss of government grant of over £120 million in real terms, the capping of Council Tax increases, and very significant increases in demands and needs for statutory services such as social care over the same period.
- 1.7 As before, the government continues to issue very late, short term (one year) funding settlements; 2024/25 being the sixth one-year settlement in succession. It has also failed to review or resolve any of the long-term funding issues that it set out to address including Adult Social Care, the Fair Funding review, and the review of Business Rates. This adds to the challenge of councils being able to develop viable, sustainable medium term financial plans and it remains to be seen how many councils will continue to be financially viable over the next 2 years without resorting to unsustainable, short-term measures including using up emergency reserves (Working Balances) or selling off public assets.

2 RECOMMENDATIONS:

That Strategy, Finance & City Regeneration Committee recommends to Council:

- 2.1 The Administration's proposed budget and Council Tax increase on the Brighton and Hove element of the council tax, comprising:
 - i) A general Council Tax increase of 2.99%;
 - ii) An Adult Social Care Precept increase of 2.00%;
 - iii) The council's net General Fund budget requirement for 2024/25 of £246.353m;
 - iv) The 2024/25 budget allocations to services as set out in Appendix 1;
 - v) The Budget Strategies and proposed savings as set out in Appendix 1;
 - vi) The one-off resource allocations as set out in the table at paragraph 5.8.
 - vii) A recommended working balance of £9.000m (approximately 3.7% of the net budget) to be maintained or replenished over the period of the Medium Term Financial Strategy.

- 2.2 That Council notes the updated 4-Year Medium Term Financial Strategy included at paragraph 10.3 including predicted budget shortfalls of £73m over the 4-year period.
- 2.3 That Council approves the Capital Strategy for 2024/25 at Appendix 2 comprising:
- i) The strategy for funding the investment in change, including the flexible use of capital receipts as set out in section 8;
 - ii) The capital resources and proposed borrowing included at Annex A of the Capital Strategy;
 - iii) The Capital Investment Programme for 2024/25 of £211.470m included at Appendix 1 and incorporating allocations to strategic funds.
- 2.4 That Council notes the Equalities Impact Assessments to cover all relevant budget options as set out in Appendix 6.
- 2.5 That Council further notes that approval of the budget is an indicative resourcing decision to be taken in the context of the explanation given in the Legal Implications at paragraph 18.2.
- 2.6 That Council approves the Treasury Management Strategy Statement as set out in Appendix 3 comprising:
- i) The Annual Investment Strategy;
 - ii) The Prudential and Treasury Indicators;
 - iii) The Minimum Revenue Provision policy;
 - iv) The authorised borrowing limit for the year commencing 1 April 2024.
- 2.7 That Council notes that supplementary information needed to set the overall council tax, including a detailed Budget Book, will be provided for the Budget Council meeting as listed in paragraph 12.3.
- That Strategy, Finance & City Regeneration Committee:
- 2.8 Agrees that the council's Chief Finance Officer be authorised to make any necessary technical, presentational or consequential amendments to this report before submission to Budget Council.

3 Context and background information

- 3.1 Whilst inflation appears to have peaked, it has been slower to level out than the Office of Budget Responsibility (OBR) had predicted which has led to ongoing cost pressures across all areas of spend including higher than anticipated pay award settlements. The high uplift of the National Living Wage this year and next (around 10%) is also driving up costs across a number of sectors, most notably for councils across private and independent sector adult and children's social care providers from whom the council purchases the great majority of its statutory care services.
- 3.2 The continuing impact of inflation and subsequently high interest rates on the economy is also a key factor, resulting in increased demands due to the cost of living crisis and the continued suppression of income from fees, charges and commercial rents, key sources of funding for most councils. Latest OBR forecasts indicate inflation falling to 2% by quarter four of 2024 but it remains to be seen if this is realistic given the backdrop of ongoing global and domestic events.
- 3.3 As noted above, the corollary of this is a very large projected budget shortfall of over £30 million in 2024/25, the largest in the authority's history. This comprises

increased costs, demands and income pressures of approximately £48 million offset by additional funding from Council Tax increases and growth, Business Rates increases, and Adult Social Care grant of £18 million. This clearly demonstrates the failings of the Local Government system of funding, both nationally and locally, and is being replicated across every council in the country. The ability of councils to manage this will come down to the strength of their Council Tax and Business Rate tax bases, their ability to raise other incomes, and the level of their reserves. However, many councils are already struggling and at least 16 councils of all political colours are known to have formally approached the Secretary of State for Levelling Up, Housing & Communities (DLUHC) for exceptional financial support including the ability to sell public assets or borrow to fund annual revenue costs.

3.4 This authority has navigated through substantial budget shortfalls over a long period of years, particularly since 2010, including managing its finances through the pandemic, albeit with the help of substantial government Covid grant funding. This report presents a balanced budget for the Authority for 2024/25 but, given the scale and cumulative impact of the projected budget gap next financial year, this inevitably comes with consequences including:

- The need to prioritise resources to ensure that core statutory services such as social care and child protection can be maintained to adequate and safe standards;
- As a result, there are unavoidable cuts to some local services, council staffing, and support to other organisations including the Community & Voluntary Sector;
- Significantly increased risks of delivering all budget savings measures successfully;
- An inability to address the entirety of the forecast medium-term pressures;
- Impacts on the council's ability to invest for the future due to challenges to the affordability of future capital investment programmes;
- Impacts on the council's strategic partnerships due to funding constraints on both the council and its partners, including the NHS.

3.5 However, producing a set of balanced budget proposals in the extreme context set out earlier in the report demonstrates that the council continues to do everything possible to manage the position through effective financial management and planning, and without resorting to a further depletion of emergency reserves or applying to government for exceptional financial support. As set out in the budget planning reporting to the July 2023 meeting of the Strategy, Finance & City Regeneration Committee, this has been achieved through a wide range of planned measures including:

- i) Working with the Administration on a regular basis throughout the budget setting process to test out proposals and ensure alignment with Council Plan priorities as far as possible, including a Star Chamber process with each Directorate to test out final proposals and options;
- ii) Identifying and investing in longer term MTFs workstreams that will continue or start in 2024/25 but will aim for medium term savings and efficiencies. There are many workstreams and examples include:
 - a strategic review of parking across the city;
 - developing the Foster Care Plus incentive scheme to grow the number of foster carers locally;

- developing a new Housing Strategy to optimise the use of the wide range of temporary accommodation and affordable and social housing investments to prevent homelessness and reduce longer term costs;
- developing the new Family Hub model to improve prevention and support for vulnerable families and children;
- undertaking a review of organisational design and staffing structures to ensure that management and administrative costs are optimal, particularly in light of technological investments, and that functionally similar areas are organised as efficiently as possible, eliminating any duplication of effort;
- continuing to optimise (reduce) the use of administrative offices through adopting new ways of working, making the best use of new technologies and computing devices, and maximising the layout and use of floor space;
- continuing to identify opportunities (business cases) to modernise services to ensure they are cost effective, deliver services to appropriate standards, and minimise waste;

iii) Ongoing scrutiny of the value for money of services including reviewing the balance of provision between in-house and externally commissioned and procured services to ensure the most appropriate option is utilised, as evidenced by a number of the budget savings proposals;

iv) Reviewing the affordability and financing of the 5-year Capital Investment Programme;

v) Ensuring that fees & charges keep pace with corporate inflation assumptions as a minimum. However, this has proved to be one of the most challenging areas to address due to ongoing unfavourable economic conditions.

3.6 Delivering the budget proposals for 2024/25 will undoubtedly present a major challenge to the organisation and a key risk remains any worsening of the cost of living crisis or any deepening of local or national economic challenges. The projections for later years of the MTFs, while very difficult to predict with great accuracy given the short term funding settlement and a forthcoming General Election, suggest that there will almost certainly be ongoing financial challenges for the council in future. Therefore, proposals and initiatives that can contribute to longer term financial sustainability through economies, efficiencies or improved prevention and demand management should be a key priority for focusing resources and/or investment.

3.7 This report covers the full scope of the General Fund budget for 2024/25 and sets out in the main report and appendices the projections, strategies and proposals for the following:

- Resources (funding) and financial planning assumptions;
- The prioritisation of resources ('Service Pressure Funding') to protect core statutory services, meet unavoidable commitments and support key priorities;
- Savings proposals (in Appendix 1) to contribute to addressing the projected budget gap;
- Estimates of one-off resourcing requirements and funding;
- A Capital Strategy including a proposed 5-Year Capital Investment Programme and the proposed use of capital receipt flexibilities (Modernisation Funding);

- Projections for the MTFS 2024/25 to 2027/28, and;
- Implications of the budget proposals for council staffing.

3.8 The following section details the outcome of the Autumn Statement and subsequent provisional Local Government Financial Settlement alongside updated estimates of other costs and resources.

4 RESOURCES AND PLANNING ASSUMPTIONS 2024/25

Provisional Local Government Financial Settlement (LGFS)

4.1 The provisional LGFS for 2024/25 was announced on 18 December 2023 and reflected the headline funding announcements for the second year of the 2-year Autumn Statement originally announced on 17 November 2022 which included:

- Confirmation of an allowable 2% Adult Social Care precept which would provide an additional £3.524m if agreed;
- Confirmation that the threshold at which an increase in Council Tax requires a local referendum will be 5% including a 2% Adult Social Care (ASC) precept. Any proposal to increase core Council Tax by 3% or more would therefore need to be accompanied by an agreed substitute budget, which would need to be implemented if the increase were voted down by the electorate;
- Additional Social Care funding as part of the 2-year Autumn Statement which is reflected in table 1 below;
- A reduction in Services Grant of £2.015m to £0.376m. The scale of reduction was much higher than expected as this grant was used to provide minimum funding guarantees to non-Social Care authorities;
- The council's income from Business Rates and section 31 grants increased by September 2023 CPI of 6.7%;
- An increase in the Revenue Support Grant (RSG) of £0.526m reflecting the application of a CPI inflationary increase of 6.7%;
- A further one year extension of the New Homes Bonus grant of £2.627m which is once again provided on a one-off basis as the government has said over a number of years it intends to replace the mechanism for distributing this funding in the future.
- No funding announcement for the Household Support Fund beyond the current allocation which ends on 31 March 2024. During 2023/24 the council received £4.281m.

4.2 On 24 January 2024, the Secretary of State for Levelling Up, Housing and Communities announced additional measures to support local authorities worth £600m nationally. This includes £500m to be distributed through the Social Care Grant. It is estimated this council will receive additional resources of £2.250m from this change which is included in the overall Budget for 2024/25 however the actual amount will not be confirmed until the final LGFS which is expected to be announced in early February 2024.

Social Care and Better Care Funding (BCF)

4.3 In November 2022 the government announced it would delay the introduction of the care reforms from October 2023 to October 2025 and re-purpose this funding to support councils with the increasing costs of social care although there has been no further information on how the care reforms will be funded from October 2025.

4.4 The government confirmed a further 2% Adult Social Care precept for 2024/25.

- 4.5 In addition, the government made a further announcement of additional Social Care grant funding as described in paragraph 4.2.
- 4.6 All additional funding for Social Care has been directed towards supporting the demand and cost pressures within Social Care services. The table below summarises the resources available to support Social Care pressures in 2024/25.

| Table 1: Social Care Resources | 2022/23 | 2023/24 | 2024/25 |
|---|----------------|----------------|----------------|
| ASC Precepting * | 1% £1.588m | 2% £3.295m | 2% £3.524m |
| Improved BCF | £9.459m | £9.459m | £9.459m |
| Social Care Grant | £10.815m | £17.856m | £20.976m |
| ASC Discharge Grant | | £1.326m | £2.210m |
| ASC Market Sustainability and Improvement Fund and Workforce Fund | | £4.746m | £5.375m |
| Social Care Grant announced 24/1/24 (Estimated share of £500m) | | | £2.250m |

* Subject to full Council approval for 2024/25

Business Rate Retention and Council Tax Income

- 4.7 Details of the expected business rate retention income forecasts were set out in the report to the January 2024 Strategy, Finance & City Regeneration Committee. The council is forecast to receive £84.911m from its locally retained share of business rates and Section 31 compensation grants in 2024/25, which is an increase of £5.045m compared to 2023/24. This increase includes 6.7% inflation, anticipated growth in business space in the city and an estimate of the expected impact of successful appeals against business rates rateable values. Note, the council has no control over business rate multipliers which are set by government.
- 4.8 The Council Tax taxbase report was also agreed by Strategy, Finance & City Regeneration Committee in January 2024. Assuming a Council Tax increase of 4.99% and taking into account changes to the tax base, the total projected Council Tax income in 2024/25 is £185.090m. This is an increase of £11.792m compared with 2023/24.

Other Government Grants

- 4.9 The grant allocations for 2024/25 have been included within the summary budget at Appendix 1. Some grant allocations for next year have not yet been announced, in particular, homelessness, rough sleeping funding and Public Health Grant. However, where these are critical to the setting of the 2024/25 budget, as in the case of those named, a rolled-forward estimate has been included.

Fees and Charges

- 4.10 The council's Corporate Fees & Charges Policy requires that all fees and charges are reviewed at least annually and should normally be increased by a minimum of either the corporate standard inflation rate, statutory increases, or actual increases in the costs of providing a service to reflect cost inflation.
- 4.11 Over recent years, fees & charges have become an increasingly important element of the council's financial sustainability following real terms government grant reductions of over £100 million since 2010. Services therefore benchmark non-statutory fees and charges with other providers and councils to ensure that charges

are comparable and competitive within the local context and can maximise discretionary income to protect essential services wherever feasible. However, fees & charges must normally be set to recover costs. Costs have increased substantially during the last two years but the ability to successfully increase fees & charges in-line with costs depends on the impact on demand (price elasticity) and, where commercial, market conditions.

- 4.12 As always, increases to discretionary fees & charges above the standard rate of inflation and changes to concessions or subsidies are normally considered by the relevant service committee in advance of budget proposals. Increases in fees and charges above the standard inflation rate (assumed at 3.5% for 2024/25) may generate budget savings and, where this is the case, are reflected in savings proposals set out in Appendix 1.

5 COUNCIL PLAN INVESTMENTS & PRIORITY SERVICE PRESSURE FUNDING

- 5.1 The Council Plan 2023 to 2027 sets out a vision for Brighton & Hove to be a city to be proud of, a healthy, fair and inclusive city where everyone thrives. To deliver the vision the council aims to be a responsive council with well-run services and will focus on four outcomes over the next four years. For each of these, the Council Plan describes what the council will do and how it will measure progress.

- 5.2 The four outcomes are as follows:

1) A city to be proud of:

- Investing in the city and supporting a flourishing and inclusive local economy that attracts and nurtures businesses and talent.
- Creating an accessible, clean, and sustainable city that we can all be proud of.

2) An inclusive and fairer city:

- A city where people feel safe and welcome.
- Homes for everyone through delivery of accessible, affordable, and high-quality homes for all residents of Brighton & Hove.

3) A healthy city where people thrive:

- Supporting a better future for children and young people by keeping children safe, for no child, young person or family to be left behind, and by providing high quality, inclusive, and accessible services.
- Supporting living and ageing well by promoting and improving health and wellbeing to reduce health inequalities and supporting people to live independent and fulfilling lives.

4) A responsive council with well-run services:

- Our goal is to be a responsive council that listens to and engages with its communities and delivers positive results for the city.

- 5.3 The investments to support these outcomes are continually developing as many are informed by local demographic and economic trends, ongoing research and policy development, and consultation and engagement with residents, communities, partners and other stakeholders. As the investment requirements become more certain they are built into both the annual budget setting process and, for longer term objectives, into the MTFs, so far as they can be estimated and afforded.

- 5.4 A major investment area for the Council Plan continues to be housing and homelessness including further capital investment plans of over £78 million to

deliver new build or purchased, affordable housing and temporary and emergency accommodation through the self-financing Housing Revenue Account (HRA) and other innovative schemes including the Housing Joint Venture. These plans are set out in detail in the HRA Revenue and Capital Budget also reported to the February Strategy, Finance & City Regeneration Committee and Budget Council.

- 5.5 Another important area requiring substantial investment concerns services that can help to support a healthy city. Demands on Social Care services continue to increase, reflecting the continuing trend for people to live longer but increasingly with limiting illnesses, disabilities, mental health illnesses or dementia that require increasing social care support to help them remain in their homes and communities. The government has recognised some of the increased costs of Adult Social Care through the Autumn Statement in terms of additional grant, an allowable Adult Social Care precept and, belatedly, additional funding through the LGFS. However, these fall significantly short of the actual costs and demands being experienced by councils.
- 5.6 Significantly more investment is required in 2024/25 than in previous years to simply maintain effective and well-run services for the city. This is due to a range of factors including the continuing impacts of inflation, the impact of market conditions on suppliers and providers, and the impact of a weakened economy on many income streams such as planning fees, parking revenues and commercial rent incomes which are an important source of funding to protect service delivery.
- 5.7 In total, there are proposed ongoing investments of £27.229m and provisional one-off investments of £0.956m to support services that contribute to Council Plan outcomes. These revenue investments are enabled by proposed local taxation increases (4.99%), including the 2% Adult Social Care precept, increased government grant support, additional retained business rates income, and the substantial package of savings proposals focused on delivering services at a lower cost through redesign and/or technological changes, or reprioritising investment to other service areas. However, as for 2023/24, inevitably a significant element of the required investment is to meet ongoing inflationary impacts and significant increases in demands for statutory services.
- 5.8 The full list of proposed investments to support Council Plan priorities and associated outcomes is set out below:

Table 2: Council Plan Investments and Service Pressure Funding 2024/25

| Priority Supported | Table 2: Proposed Council Plan Investments | Recurrent Investment 2024/25 £m | One-off Revenue Support £m |
|---|--|---------------------------------|----------------------------|
| A City to be Proud of: An Accessible, Clean and Sustainable City | Re-opening Public Conveniences at Royal Pavilion Gardens | 0.120 | |
| | Improvement in maintenance of pavements through investment in new weed management | 0.266 | |
| | Investment in Arboricultural Services including diseased tree (Ash and Elm) management | 0.250 | 0.200 |
| | Investment in improved Air Quality monitoring and management | 0.050 | |
| | Investment for development of a Business Prospectus for the city to attract inward investment | | 0.040 |
| | Feasibility for an additional Business Improvement District (BID) in the city | | 0.030 |
| | Investment to maintain Cycle Hangers across the city | 0.125 | |
| | Investment in the A27 'clean up' initiative | 0.090 | |
| | Total Investments - A City to be Proud of | 0.901 | 0.270 |
| A Fair and Inclusive City | Investment in homelessness to increase Temporary Accommodation and meet increased leasing costs | 2.626 | |
| | Investment to maintain the quality of repairs for Seaside Homes Temporary Accommodation properties | 0.150 | |
| | Provision to safeguard Lifeguard support for the city's beaches | 0.050 | |
| | Support for the planned transfer of 120 CCTV cameras to council control from Sussex Police | 0.250 | |
| | Provision to meet statutory Playground Inspection costs | 0.040 | |
| | Transfer of full Coroner's Service to the local authority | 0.255 | |
| | Total Investments - A Fair & Inclusive City | 3.371 | 0.000 |
| A Healthy City where People Thrive | Investment to meet increased unit costs for Adult Social Care – Physical Disability Age 18 - 64 | 1.385 | |
| | Investment to meet increased demand and costs for Adult Social Care – Physical Disability Age 65+ | 3.358 | |
| | Investment to meet increased costs for Adult Social Care – Mental Health | 0.161 | |
| | Investment to meet increased demand and costs for Adult Social Care – Memory & Cognition Services | 1.742 | |
| | Investment to meet increased demand and costs for Adult Learning Disability including Transitions from Children's to Adults services | 4.266 | |
| | Adult Social Care Pressures above will be reduced by estimated Market Sustainability funding | -1.050 | |
| | Investment to meet increased cost and complexity of need across Children's Disability and SEND services | 0.796 | |

| | | | | |
|--|---|--|--------------|--------------|
| | Investment to meet increased cost and complexity of need across Children's Social Care | 1.768 | | |
| | Increased funding to meet demands on the Home to School Transport Service | 1.069 | | |
| | Investment in a School Counselling Service pilot | 0.200 | | |
| | Provision for increased legal support for Adult Social Care safeguarding cases | 0.120 | | |
| | Provision for increased recruitment costs across Adult Social Care | 0.065 | | |
| | Additional provision to facilitate planned School Organisation changes | | 0.256 | |
| | Total Investments - A Healthy City | 13.880 | 0.256 | |
| A Responsive Council with Well-run Services | Provision for increased corporate energy contract costs | 0.160 | | |
| | Provision for increased Housing Benefit subsidy loss | 0.700 | | |
| | Contractual uplifts to maintain security, cleaning and other contracted services | 0.397 | | |
| | Contractual uplifts to achieve Living Wage commitments | 0.380 | | |
| | Increased costs of maintaining Transport and Parking Infrastructure | 0.350 | | |
| | Major income pressure due to economic conditions - Planning Fees | 0.600 | | |
| | Major income pressure due to economic conditions - Architecture & Design fees | 1.701 | | |
| | Major income pressure due to economic conditions - Commercial Rents | 1.267 | | |
| | Major income pressure due to economic conditions - Parking Revenues | 1.200 | | |
| | Major income pressure due to economic conditions - Local Land Charges | 0.360 | | |
| | Income pressure on booking fees due to transfer out of sports facilities to other organisations | 0.083 | | |
| | Provision for increased staff take up of Local Government Pension Scheme enrolment | 0.400 | | |
| | Investment in technology to improve City Clean service and round management | 0.108 | | |
| | Provision for increased cost of the Schools PFI contract | 0.643 | | |
| | Provision for increased IT licensing costs including Office 365 | 0.139 | | |
| | Investment to improve Council Tax customer service and address backlogs | 0.150 | | |
| | Other minor service contractual uplift and income pressures | 0.090 | | |
| | All other corporate income and contractual pressures | 0.349 | | |
| | One-off Contingency for diseased tree management, school organisation and other potential year-end liabilities (subject to final outturn) | | | 0.430 |
| | | Total Investments to maintain Well-Run Services | 9.077 | 0.430 |
| | TOTAL COUNCIL PLAN INVESTMENTS 2024/25 | 27.229 | 0.956 | |

6 RESERVES POSITION AND ONE-OFF FUNDING

Latest Financial Performance in 2023/24

- 6.1 Targeted Budget Management (TBM) is the council's system of budget monitoring and the TBM Month 9 (December) report included on this committee agenda indicates a near break-even position with a small projected overspend of £0.021m on the General Fund, which includes a projected underspend of £0.159m on the council's share of NHS controlled Section 75 partnership services. The overall overspend is a substantial improvement of £2.849m since Month 7 (October).
- 6.2 The improved position has resulted from a combination of continuing recruitment and spending controls since July, alongside normal financial management actions and a number of one-off measures, including using the one-off Public Health reserve to support eligible General Fund services, particularly the development of Family Hubs.
- 6.3 Conversely, the net Collection Fund deficit across Council Tax and Business Rates has increased to £2.695m due to a range of factors including pressures on collection performance, a sustained Council Tax Reduction caseload and increased Business Rate appeals against 2017 rateable values. The one-off resources table below indicates that New Homes Bonus funding will need to be utilised to mitigate the net Collection Fund deficit.

One-off Resource Liabilities and Proposed Allocations

- 6.4 The working balance will be recommended to continue at a minimum of £9.000m to meet general risks applicable to a unitary authority. The overspend in 2022/23 resulted in the working balance being reduced by £3.374m to £5.626m. This is planned to be replenished over the next 3 financial years to support the council's overall financial resilience and the first repayment of £1.125m is included in the budget proposals for 2024/25.
- 6.5 Table 3 identifies the potential one-off resources and liabilities that will need to be taken into account in setting the 2024/25 budget. At this stage, this assumes that spending in 2023/24 will reduce by a further £0.500m from the TBM Month 9 (December) projection. Any change to the TBM position by the end of the financial year will be reflected in the 2023/24 outturn report to this committee, usually in July.

| Table 3: One-off Resources, Liabilities and Proposed Allocations | £m | £m |
|---|-----------|-----------|
| <i>Revenue Budget position 2023/24 (TBM):</i> | | |
| Forecast outturn overspend (as at TBM Month 9 / December) | -0.021 | |
| Assumed further improvement between Month 9 and Outturn | +0.500 | |
| Sub-total Estimated Year-end TBM Outturn | | +0.479 |
| <i>Collection Fund Position:</i> | | |
| • Estimated 2023/24 Council Tax collection fund net deficit | -1.174 | |
| • Estimated 2023/24 Business Rates Retention collection fund deficit | -1.816 | |
| • Contribution from Section 31 grant towards 3 year smoothing | +0.295 | |

| | | |
|--|--------|---------------|
| Sub-total Collection funds net position | | -2.695 |
| | | |
| New homes bonus one off allocation | | +2.627 |
| Outcome of the review of reserves | | +0.545 |
| Projected One-off Resources from 2024/25 | | +0.956 |
| | | |
| One-off Allocations in 2024/25: | | |
| | | |
| Minimum requirement for Diseased Tree removals | -0.200 | |
| Minimum additional resource requirement to support additional costs of school reorganisation closures | -0.256 | |
| Development of a Business Prospectus and a potential additional BID district for the city from assumed TBM improvement * | -0.070 | |
| Contingency for diseased trees and/or school organisation changes from assumed TBM improvement | -0.430 | |
| Total One-off allocations | | -0.956 |
| | | |
| Balance | | 0.000 |

* Subject to the liabilities arising from diseased trees and/or school organisation changes which would be a first call on available resources.

6.6 The proposed one-off allocations for 2024/25 are explained in more detail below:

- **Ongoing management of Ash & Elm dieback (health & safety works) (£0.200m):** This allocation is in relation to the recommendations emanating from the Tree Diseases report, which were approved by the Environment, Transport & Sustainability Committee at its meeting on 24 November 2020 (Item 43). Investment of £0.600m has been provided for the last 3 years. The allocation above is a minimum level of investment with overall resources for this financial liability being reviewed at outturn. This will help to manage the ongoing spread of the diseases as well as safely removing dying and unsafe trees from public spaces.
- **School Reorganisation:** The council has set aside a provision for costs relating to school reorganisation but some costs are not fully known at this stage. Provision of £0.500m for school closures and £0.315m for Homewood College have been provided but a minimum additional allocation of £0.256m will be required to meet growing school deficits and severance costs of the relevant schools. As the costs become clearer, the level of additional funding required will be reviewed at 2023/24 outturn and reflected in TBM reports in 2024/25.
- **Business Development:** Subject to available resources it is proposed to set aside £0.040m funding to develop a Business Prospectus for the city to attract investment into the city and potentially increase both employment and Business Rates. Similarly, one-off funding of £0.030m is proposed to research the feasibility of an additional Business Improvement District (BID) for the city. Both are subject to availability of funding after meeting unavoidable liabilities as noted above.
- **Contingency:** Improvement in the TBM forecast between month 9 and outturn is anticipated given the continuation of recruitment and spending controls and

further expected improvements in Waste PFI energy incomes. A prudent assumption of a £0.500m improvement by year-end is included in the resource assumptions above. The first call on this resource will be the two pressures above, diseased trees and school reorganisation. Subject to availability up to £0.070m will be utilised to support the Business Development initiatives as described above.

7 SAVINGS PROPOSALS 2024/25

- 7.1 Council Tax, Business Rate Retention and Adult Social Care precept increases, together with additional resources provided by the Autumn Statement, are not sufficient to balance the budget due to the need to provide cover for substantial excess pay award costs and provide for ongoing inflationary increases and growing demands across critical statutory services such as Adult and Children's social care, homelessness and home-to-school transport. To balance the budget therefore requires a substantial savings programme as has been the case for the previous 13 years since 2010.
- 7.2 However, the level of budget shortfall next year is the highest the authority has ever seen at over £30 million. Whilst some of this can be mitigated by changes to the tax base, including introducing the long-term empty premium after one year instead of two, significantly reducing capital financing charges through the review of the Capital Investment Programme, and reviewing planned contributions to earmarked reserves, a very substantial package of cuts and savings is inevitably required to achieve a legally balanced budget. The savings package proposed totals some £23.730m for 2024/25, almost £10m greater than in the current year, and therefore clearly presents a higher level of risk. Savings proposals are provided at Appendix 1 and are accompanied by Equality Impact Assessments (EIAs) at Appendix 6 where appropriate.

8 CAPITAL INVESTMENT PROGRAMME AND CAPITAL STRATEGY 2024/25

Capital Strategy 2024/25

- 8.1 The Prudential Framework requires local authorities to produce a Capital Strategy which is to be presented and approved by full Council each year. The purpose of the Capital Strategy is to provide a single place for transparency and accountability of local authority non-financial investments and its Capital Investment Programme, including any commercial investments in property or loans to third parties.
- 8.2 The aim of the Capital Strategy is to ensure members are fully conversant with the risks of capital investments and are aware of how the risks are proportional to the council's core service activity. The document will include:
- The proposed Capital Investment Programme
 - The Governance & Risk Framework
 - Potential and pending non-financial¹ investments
 - An overview of the council's risk exposure
- 8.3 The new Prudential Code for Capital Finance issued in 2021 prohibits Public Works Loan Board (PWLB) lending to local authorities that plan to borrow to buy commercial assets primarily for yield. The PWLB will still be available to all local

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

authorities for refinancing. In order to borrow from the PWLB, local authorities are now required to submit a summary of their planned capital spending and PWLB borrowing for the following three years. The Capital Strategy and Treasury Management Strategy are compliant with the new code and do not include capital investment activity for commercial yield only.

- 8.4 The Capital Strategy forms part of the General Fund budget report to ensure that the link between capital and revenue decisions is maintained and to ensure that budget resourcing decisions are taken in the context of the full range of proposed revenue and capital budgets, resources, investments and savings.

Capital Investment Programme

- 8.5 As previously, a 5-year capital programme has been developed and the associated capital financing implications will be included in the MTFS.
- 8.6 During 2023/24, the council established an officer Capital Programme Board to provide governance and monitoring of the Capital Investment Programme and undertake a detailed review of the programme within the context of the severe financial challenge facing the authority. A large element of the capital programme is funded through borrowing and the Board's initial focus was to review schemes that had not progressed to potentially decommit them as well as update the expenditure profile of continuing schemes. These actions have helped reduce financing costs and increase investment interest in 2023/24 and for future years. The schemes decommitted are included in the TBM month 9 report elsewhere on the agenda which will ensure that the council's capital budget is amended accordingly.
- 8.7 The capital expenditure estimates incorporate planned rolling investment programmes alongside major infrastructure projects. The creation of a Commercial Asset Investment Fund (CAIF) was approved by this committee in December 2023 and this has been incorporated into the capital programme, funded from net capital receipts generated from the commercial property portfolio.
- 8.8 The key rolling programmes, including those re-focused to support Council Plan priorities, are as follows:
- Investment in Housing Stock and acquisition through the Housing Revenue Account;
 - The Education Capital programme, which provides investment from central government for Education Capital Maintenance, High Needs provision and Devolved Formula Capital for schools;
 - Disabled Facilities Grants to help maintain people in their homes;
 - The Carbon Neutral Investment Programme;
 - The Local Transport Plan (LTP) to support sustainable transport and transport infrastructure;
 - The Information Technology & Digital Investment Fund and Modernisation Fund delivering the Digital, Data and Technology Strategy (DDaT) approved in March 2023;
 - The Asset Management Fund (AMF) to ensure the strategic elements of the Asset Management Plan can be supported;
 - The CAIF to protect and enhance the income generated from the existing commercial and farmland property portfolios;

- Corporate Planned Maintenance (PMB) to ensure the operational elements of the Asset Management Plan are supported and that backlog maintenance does not build up unduly;
 - The Strategic Investment Fund (SIF) to support the advancement of major regeneration schemes and initiatives, and;
 - The Vehicle Fleet and plant replacement annual programme.
- 8.9 The current strategy identifies longer term capital investment plans as well as a funding strategy and the potential outcomes for each investment plan. This strategy includes major investment requirements such as investment in food waste collection, coast protection works, A27 junction works and investment in New England House.
- 8.10 Capital receipts from the sale of surplus land and buildings support the capital programme and the projections are regularly reviewed. The capital strategy allows for an assessment of the potential social value of surplus or underperforming assets against the potential disposal value and where possible will aim to maximise the use of assets to enhance social value across a 4-year Asset Management Plan.
- 8.11 The detailed capital programme is set out in Appendix 1 (and will be included in the Budget Book) and shows the approved and proposed capital investments for each directorate.
- 8.12 The overall Capital Investment Programme for 2024/25 is £211.470m. The proposed investments are summarised as follows:

| Table 4: Capital Investment Programme 2024/25 | £m |
|---|-----------|
| Housing including New Homes for Neighbourhoods, the Home Purchase scheme, the Hidden Homes programme, the Housing Joint Venture, Temporary Accommodation purchases and conversions | 78.846 |
| Sustainability & Carbon Reduction including Carbon Neutral and Net Zero investment, Street Lighting and carbon reduction measures to operational buildings | 16.180 |
| Parks & Open Spaces including Kingsway to the Sea LUF and parks infrastructure including tree replacement | 8.784 |
| Sport & Recreation including Playground refurbishment and maintaining and improving the city's swimming facilities | 2.514 |
| Transport & Highways reflecting the Local Transport Plan (LTP) allocation for 2024/25, Pothole Action funding and the major Bus Service Improvement Scheme | 13.194 |
| Schools Investment to provide educational places for pupils based on demographic changes in the city | 4.534 |
| Regeneration including Madeira Terraces, Black Rock, Valley Gardens, The Royal Pavilion Estate and New England House | 37.109 |
| Tackling Inequality including Disabled Facilities Grant (DFG) projects and the Knoll House redevelopment | 10.679 |
| Building Maintenance including the Workstyles programme, Planned Maintenance, Education and Social Care Buildings Maintenance, the Asset Management Fund and various security, fire and safety works | 26.828 |

| | |
|---|----------------|
| IT&D / Modernisation including the Modernisation Fund as well as re-procurement of the Local Area Network, investment in digital services for customers, and ongoing investment in the IT&D infrastructure and Digital Data & Technology (DDaT) strategy | 10.302 |
| Vehicles & Equipment for the council's vehicle fleet replacement programme | 2.500 |
| TOTAL CAPITAL INVESTMENT PROGRAMME 2024/25 | 211.470 |

8.13 The Capital Strategy at Appendix 2 sets out how the programme will be funded from a combination of government grants, capital receipts, capital reserves, HRA direct revenue funding, external contributions and prudential borrowing.

Future Potential Investments

8.14 Whilst the 5-year capital programme highlights known or quantifiable investment plans, there are a number of schemes that are high priority but require further development before inclusion in the capital programme. These currently include:

- Research and design for a Park and Ride scheme in the city.
- A feasibility study to consider improvements to the Brighton Station to the Sea thoroughfare to add to the quality of the city as a visitor destination.
- Potential redevelopment of Brighton Town Hall including community, civic and/or commercial spaces.

The above potential schemes will require resources to undertake feasibility studies which are likely to require expert advice and consultancy at a cost. This could be enabled through further decommitment of lower priority capital investments or through identifying alternative one-off capital or revenue resources during 2024/25.

Modernisation Programme Funding ('Modernisation Fund')

8.15 As noted earlier the council has focused on identifying and supporting the delivery of savings through its Modernisation Programme supported by significant capital investment. This is enabled by generating capital receipts from the sale of surplus assets to create an invest-to-save budget using the government's capital receipt flexibilities, which allowed capital receipts to be applied to revenue saving projects and programmes.

8.16 The government has extended the ability to use capital receipts to support modernisation of services and deliver savings until March 2030. The table below sets out the use of capital receipts for this purpose in 2024/25. For future years, a review of ongoing investment requirements will be undertaken, including associated funding arrangements, to ensure they continue to achieve the modernisation and savings ambitions of the council.

8.17 The Modernisation Fund is kept under review as budget plans develop and spend-to-save opportunities and investment requirements emerge in more detail over the planning period. The indicative profile of the Modernisation Fund for 2024/25 is shown in the table below.

| Table 5: Indicative Modernisation Fund | |
|---|----------------|
| Programme Area | 2024/25 |
| | £m |
| Invest to Save business cases | 0.571 |
| Customer Digital | 1.550 |
| Modernisation enablers | 1.040 |
| Managing staffing changes | 1.000 |
| Total | 4.161 |

8.18 The Modernisation Fund is expected to be deployed as follows:

- Invest-to-Save Business Cases:** Investment of £0.571m is estimated to be required to support implementation of specific savings and efficiency programmes including service redesigns, recommissioning and process improvements. For 2024/25 these include school reorganisation, the review of operational buildings, and the transformation of homelessness services. Further investments can be added during the year subject to viable business cases, however, due to the many competing demands for capital receipts the preference will be for business cases to be self-financing through future revenue savings.
- Customer Digital:** A further £1.550m is anticipated to be required next year to maintain ongoing investment in digital infrastructure and applications and to support continued development of the council's digital services and integration of data across systems and services to improve the accessibility, efficiency and ease-of-use of on-line services. This resource forms part of the Digital, Data and Technology (DDaT) Strategy approved by the former Policy & Resources Committee in March 2023,
- Modernisation Enablers:** £1.040m is estimated to be required to support ongoing change and modernisation programmes next year. This includes everything from an effective project management support team, business improvement analysts, investment in 'Our People Promise' for staff development and skills programmes, resources to implement changes and reductions to office accommodation, together with additional specialist support where required. Although eligible for funding from capital receipt flexibilities, it is noted that some of these resources have now been resourced through the Modernisation Fund since 2016/17 and there is therefore an argument for mainstreaming funding within the General Fund revenue budget in future years if this becomes viable.
- Managing staffing changes:** Efficiency programmes and a continual drive for improved value for money, alongside the significant budget savings proposals for 2024/25 will result in changes in the level and/or mix of staffing and skills required across the council. Changing staffing levels or skills will often need financial consideration in order to effect severance for roles or posts no longer required or needing to be replaced or re-trained with different roles or skills. Minimum estimated resources of £1.000m are required to meet severance costs to manage change next year.

9 STAFFING IMPLICATIONS (GENERAL FUND SERVICES)

- 9.1 An estimate of the posts to be deleted in relation to the budget proposals has been made and indicates that approximately 186 full time equivalent (fte) posts are expected to be deleted from the council's staffing structure, approximately 5% of total staffing. Many of these posts will already be held vacant in lieu of savings proposals but some may initially result in staff being potentially placed at risk of redundancy. This is difficult to estimate with certainty but approximately 75 fte staff (not headcount) have been identified as potentially at risk at this stage of the process. The proposals also include the potential TUPE of up to 12 fte staff. This information has been shared with the council's recognised trades unions and the staff affected in advance of the release of this report.
- 9.2 However, the savings proposals for 2024/25 also include a set of 'Organisational Design' savings recognising the necessity of reducing overall staffing costs to contribute to achieving a balanced and sustainable budget. This work will focus on management spans and layers, improving administrative and business support efficiency, and exploring opportunities for rationalisation or economies across functionally similar areas, for example, commissioning and contract management, customer service, project management and so on. Eleven potential areas for review have been identified but others may emerge as this work progresses.
- 9.3 As in previous years, actual numbers of staff affected will be highly dependent on the detailed options proposed and on the outcome of formal consultation with staff and unions. As previously experienced, it is likely that some of these will be resolved through normal turnover, or through redeployment to other vacancies across the council, thereby further minimising the risk of redundancies.
- 9.4 As always, if the forthcoming proposals do potentially place any staff at risk of redundancy the council will support them by:
- Providing appropriate support to staff throughout the change process to enable them to maximise any opportunities available;
 - Controlling recruitment and ensuring there is a clear business case for any recruitment activity;
 - Managing redeployment at a corporate level and maximising the opportunities for movement across the organisation;
 - Managing the use of temporary or agency resources via regular reports to Directorate Management Teams (DMT's);
 - Inviting applications for voluntary severance where appropriate to staff affected by budget proposals, subject to viability and approval on a case by case basis.

These measures will remain in place as consultation with trade unions, staff and other stakeholders is undertaken. Where necessary, a targeted voluntary approach to releasing staff in areas undergoing change will be managed to support service redesigns whilst ensuring that the organisation retains the skills that will be needed for the future.

10 BUDGET BOOK AND MEDIUM TERM FINANCIAL STRATEGY 2024/25 to 2027/28

- 10.1 The council produces an annual Budget Book which aims to support understanding and transparency of the council's budget by providing:

- Information at sub-divisional levels to aid understanding of the wide range of services and teams in each service directorate;
- Analysis of spending and income by category (subjective analysis);
- Staffing information for each service;
- Analysis of budget movements between years;
- Analysis of savings, investments and service pressure funding by category;
- Information on capital investments.

10.2 The MTFS planning assumptions, resource and expenditure estimates are also included within the Budget Book. The MTFS has been revised to reflect the latest cost, income and demand pressures and the proposed 4.99% council tax increase, including a 2% Adult Social Care precept.

10.3 This year, the very late announcement of the LGFS and the severe financial challenge facing the authority mean that the development of savings and the review of service pressure funding has continued throughout late December and January and has delayed production of the Budget Book. This will therefore be provided to Budget Council as part of the Supplementary Budget report. However, all of the information contained in the Budget Book is separately provided in appendices to this report including budget strategies, savings proposals, capital investment proposals and summary Budget and MTFS information. The MTFS summary is also presented in the table below:

| Table 6: Medium Term Financial Strategy 2024 to 2028 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|--|----------------|----------------|----------------|----------------|
| | £m | £m | £m | £m |
| Net Budget Requirement B/Fwd | 232.385 | 246.353 | 267.463 | 273.246 |
| Remove net one-off short term funding and expenditure | 2.631 | 0.200 | 0.000 | 0.000 |
| Net Budget Requirement B/Fwd | 235.016 | 246.553 | 267.463 | 273.246 |
| Standard Pay and Inflation – Expenditure | 14.046 | 12.892 | 12.036 | 12.228 |
| Standard Inflation – Income | (3.614) | (3.539) | (3.642) | (3.747) |
| Demographic and inflationary pressures across Adult Social Care and Adult Learning Disabilities | 10.302 | 7.000 | 5.500 | 5.500 |
| Demographic and inflationary pressures for Children’s Disability, Children in Care, and Care Leavers | 3.407 | 2.000 | 1.750 | 1.750 |
| Temporary Accommodation and Rough Sleepers - cost and demand pressures | 2.776 | 0.000 | 0.000 | 0.000 |
| Home to School Transport - cost and demand pressures | 1.069 | 0.000 | 0.000 | 0.000 |
| Housing Benefit Subsidy shortfall | 0.700 | 0.000 | 0.000 | 0.000 |
| Income and Commercial Rent pressures (due to falling demand) | 5.346 | 0.000 | 0.000 | 0.000 |
| All other pressures across council services | 4.129 | 4.000 | 3.800 | 3.800 |
| Commitment - Increase in Social Care Grant and Better Care Fund | (5.390) | 0.000 | 0.000 | 0.000 |

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Commitment - New Homes Bonus - One-off allocation | (2.627) | 2.627 | 0.000 | 0.000 |
| Commitment - Reduction/loss of Services Grant | 2.016 | 0.079 | 0.214 | 0.000 |
| Commitment - Change in S31 grants | (3.035) | 10.176 | (0.108) | (0.108) |
| Commitment - Pay award 2023/24 above 3.75% | 3.809 | 0.000 | 0.000 | 0.000 |
| Commitment - Change in contributions to/from reserves | (0.090) | 1.020 | 0.000 | (1.125) |
| Commitment - Change in capital financing costs | 1.371 | 4.223 | 1.033 | (0.195) |
| Commitment - Impacts of previously approved decisions | 0.852 | 1.632 | 0.900 | 0.350 |
| Savings Package 2024/25 | (23.730) | 0.000 | 0.000 | 0.000 |
| Budget Gap (Future Savings Requirements) | 0.000 | (21.200) | (15.700) | (12.600) |
| Budget Requirement C/Fwd | 246.353 | 267.463 | 273.246 | 279.099 |
| Funded by: | | | | |
| Revenue Support Grant (RSG) | 8.453 | 8.538 | 8.538 | 8.538 |
| Locally retained Business Rates | 55.800 | 67.371 | 67.864 | 68.360 |
| Net Collection Fund position | (2.990) | 0.000 | 0.000 | 0.000 |
| Council Tax including Adult Social Care Precepts | 185.090 | 191.554 | 196.844 | 202.201 |
| Total Funding | 246.353 | 267.463 | 273.246 | 279.099 |

- 10.4 The MTFS above includes estimates for pay awards, price inflation, and pension changes taking into account OBR forecasts for deflators alongside actuarial pension forecasts. Detailed assumptions are set out in the MTFS at Appendix 1. The MTFS also includes assumptions regarding future resources including predicted taxbase growth and assumed taxation increases.
- 10.5 Many other elements of the MTFS reflect previous decisions made by the council including the outcome of local pay negotiations, the award of market supplements, and other approved commitments. The MTFS also reflects the demographic and other cost pressures set out in Table 2 of this report. For 2025/26 and beyond, the demographic and other cost pressures are estimates based on the midpoint of high and low estimates.
- 10.6 The Budget Gaps indicate the estimated additional savings required in future years of the MTFS period to balance the budget and, importantly, to repay any reserves used to balance (smooth) the budget in earlier years. The predicted budget gaps remain very significant assuming a return to 1.99% Council Tax increases from 2025/26 onwards. Total shortfalls of £73m are projected over the 4-year period, meaning further savings of £49m will potentially need to be identified over the period.

11 TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY

- 11.1 The Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy (AIS) are now incorporated in the budget report to ensure that inter-related financial decisions and strategies can be considered together. The council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the Treasury Management operation is to ensure that this cash flow is adequately planned, with cash being

available when it is needed (liquidity) and that surplus monies are only invested into counterparties and instruments commensurate with the council's risk appetite.

- 11.2 Another important function of the Treasury Management service is the funding of the council's capital plans. The capital plans provide a guide to the council's borrowing need, which is essentially the longer term cash flow plan, to ensure the council can meet its approved capital spending obligations.
- 11.3 The strategy reflects best practice as set out in the CIPFA Prudential code and the CIPFA Treasury management Code of Practice. The Treasury Management Practices and schedules identify the practices and procedures that will be followed to achieve the aims of the TMSS and that underpin the council's Treasury Management function.
- 11.4 The AIS for 2024/25 is also incorporated within Appendix 3 to this report. The AIS gives priority to security and liquidity.
- 11.5 Security is achieved by:
- selecting only those institutions that meet stringent credit rating criteria or, in the case of non-rated UK building societies, have a substantial asset base; and
 - limiting exposure risk by limiting the amount invested with any one institution.
- 11.6 Liquidity is achieved by limiting the maximum period for investment and matching investment periods to cash flow requirements.
- 11.7 There are no changes proposed to the council's AIS or risk appetite for 2024/25.

12 COUNCIL TAX SETTING

- 12.1 The Administration is proposing a council tax increase of 4.99% which includes a 2% Adult Social Care precept allowed by government within the local government finance settlement. A council tax increase of 4.99% results in a Band D council tax of £1,977.66 for the council's element, an increase of £94.03 from 2023/24; of this increase £37.66 relates to the Adult Social Care precept.
- 12.2 In order to propose an overall Council Tax for the city, the Council Tax set by the precepting authorities needs to be known and this information will be included in the Supplementary Budget Report to Budget Council.

Supplementary Budget Report to Budget Council

- 12.3 Not all of the budget and council tax information needed to set the budget and council tax is available at present. Therefore, additional information will need to be provided for Budget Council; this will include:
- Confirmation of the final LGFS 2024/25.
 - Any other grants that are announced before Budget Council.
 - The agreed Council Tax set by East Sussex Fire Authority and Sussex Police & Crime Commissioner.
 - The statutory Council Tax calculations required under the 1992 Local Government Finance Act.
 - The full budget and Council Tax resolution for Budget Council.
 - Other information as necessary including a detailed Budget Book.

13 REPORT OF THE CHIEF FINANCIAL OFFICER (SECTION 151) UNDER SECTION 25 OF THE LOCAL GOVERNMENT ACT 2003

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

Robustness of Estimates

13.2 There is inevitably an element of judgement in drawing up budget estimates of expenditure and income which are made at a point in time and may change as circumstances change. This has never been more evident than in recent times where national and global events have had significant and unexpected impacts on nearly every aspect of the council's budget. This statement on the robustness of estimates cannot therefore give complete assurance about the proposed budget for 2024/25 but aims to provide the council with reasonable assurance that the budget has been based on the best information and assumptions available at the time, particularly in relation to economic forecasts and indicators, demand-led budget estimates, and pay award and inflation assumptions. It also aims to demonstrate that sensitivity and risks have been considered. However, no local authority's reserves and balances are limitless and severe financial shocks can and do destabilise local authorities and can require government intervention (or application for emergency government support) if this means it can no longer balance its budget and meet statutory duties.

13.3 For 2024/25, further funding of over £48 million has had to be identified to support estimated inflationary and demand pressures including for core statutory demand-led services across Adults Social Care, Children's Safeguarding & Care services, and Homelessness services. Provision for this level of investment substantially supports the predicted demand-led service pressures at the time of setting the budget. Assuming no other changes, this considerably lessens potential overspending risks in 2024/25 but cannot completely remove all risks, particularly concerning locally fragile provider markets and sufficiency, and therefore services will need to continue to contribute to the mitigation of residual risk through management of non-statutory budget areas as normal.

13.4 As seen in the current year, the continuing cost of living situation and inflation continuing at higher levels than government forecasts have placed significant pressures on finances, requiring early implementation of recruitment and spending controls alongside other financial management actions. However, this has successfully mitigated risks in the current year. In addition:

- The authority continues to demonstrate its proactive approach to managing its budget. The current year followed on from the severe inflationary challenges of 2022/23 which led to an overspend of over £3 million met from the Working Balance – the authority's first overspend. 2023/24 also started with substantial early overspend forecasts of around £14 million and therefore spending and recruitment controls were brought in earlier, in July, to tackle the position. A steady and sustained reduction in forecast risk has seen the position reach near break-even at month 9. Unlike many authorities, this council places very limited reliance on the use of reserves to balance its budget as it has a very low level of unallocated reserves. While not enviable, this does mean that the authority has

developed a robust approach to in-year financial management as it is aware that living beyond its means for a sustained period would quickly result in government intervention.

- Despite the ongoing challenges from inflation and the cost of living, the authority continues to achieve substantial savings, including nearly £10 million this year, supported by its Modernisation Programmes and the use of capital receipt flexibilities. However, over recent years, including the two pandemic years, the achievement of savings in full has been problematic and has been hampered partly by the impact of events on capacity to manage and deliver savings, and partly by a range of economic conditions that have impacted on original assumptions. The External Auditor has commented on this in recent Annual Reports and has recommended aiming for the over-programming of savings to mitigate against the risk of under-achievement.
- While 'over-programming' of savings is accepted as a sensible objective, with such a large gap to close in 2023/24 and a significantly larger gap in 2024/25, the largest in the authority's history, the External Auditor accepts that this is not a realistic aim in the immediate future but should be considered and modelled for future MTFs projections which continue to indicate significant budget gaps over the next 3 years. Aiming to restore the minimum recommended Working Balance is a pre-requisite which is supported within the 2024/25 budget proposals and begins the process of de-risking the budget and restoring financial sustainability.
- The authority continues to work closely with NHS Sussex to jointly manage and mitigate risks as far as practicable. This has been evidenced in the current year where the NHS has continued to provide funding to assist in managing hospital discharges and provide joint funding for Section 117 Mental Health provision. Proposals for joint funding arrangements under the Integrated Care System (ICS) continue to be developed for the medium term.
- The authority has been able to maintain adequate reserves and provisions against known and identified risks and, in the current proposals, has made provision to restore its minimum recommended Working Balance to £9 million over 3 years.

13.5 Taking into account identified risks as set out in Appendix 5, the council is recommended to maintain and, where utilised in an emergency, replenish its minimum working balance of £9.000m. This is approximately 3.7% of the net General Fund and represents around 2.5 weeks' council tax income. The council should also continue to maintain other earmarked reserves to meet long term commitments and provide additional flexibility to manage any short term pressures. The Working Balance and other usable reserves are held to mitigate exceptional legal and financial risks including appeals and challenges, as well as potential billing failures, civil contingencies and other emergencies.

Adequacy of Reserves

13.6 The recommendation on the prudent level of the General Fund working balance has been based on the robustness of estimates information and a risk assessment of the budget provided at Appendix 5.

13.7 As indicated above, current analysis of authority-level risks and past experience indicates that a working balance at a level of £9.000m remains prudent and appropriate having taken into account all known and foreseeable risks in relation to

the 2024/25 budget. This is supported by the experience of the current year which has seen the mitigation of significant financial pressures and is not expected to require emergency use of the Working Balance.

- 13.8 All specific reserves have been reviewed in detail to ensure they are set at an appropriate level as set out in Appendix 4. The council's earmarked reserves fulfil specific contractual, legal or financial risk requirements and are not therefore available to support the annual revenue budget. However, they can be borrowed from internally provided that provision for their replenishment is built into the budget and MTFS ahead of when they are required.

Assurance Statement of the Council's Section 151 Officer

- 13.9 In relation to the 2024/25 General Fund revenue budget, the Section 151 Chief Finance Officer has examined the budget proposals and considers that, with the very substantial investments and service pressure funding provided, reasonable assumptions regarding pay and prices informed by a prudential view of OBR estimates, realistic profiling of capital investments, prudential treasury management estimates, and a reasonable balance of low, medium and higher risk savings proposals, the budget plan for 2024/25 is potentially deliverable with effective governance and accountability at all levels. However, learning from the previous two years, there will need to be a continued focus on spending and recruitment controls from day one of the new financial year to ensure that forecast risks, including the risks inherent in a very large savings package, are managed proactively.
- 13.10 In terms of the adequacy of reserves, the Section 151 Chief Finance Officer considers a minimum working balance of £9.000m (or replenishment thereof) to be appropriate to manage risks, taking into account other available reserves.

14 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 14.1 The budget process allows all parties to engage in the examination of budget proposals and to put forward viable alternative budget and council tax proposals to Budget Council on 22 February 2024. Budget Council has the opportunity to debate the proposals put forward by this committee at the same time as any viable alternative proposals. Budget Council will normally be recommended to adopt special procedures at the start of the Budget Council meeting, which set out the procedure applicable to any alternative budget proposals put forward.
- 14.2 In this respect, a 'Budget Protocol' for managing alternative proposals (Budget Amendments) will be presented to full Council on 1 February 2024 and will determine both the number of allowable Budget Amendments and the process and timeline for their prior assessment and sign off by the council's Section 151 Chief Finance Officer, Chief Executive and Monitoring Officer.

15 SCHOOLS FUNDING AND BALANCES

Dedicated Schools Grant Funding 2024/25 - Overview

- 15.1 The Dedicated Schools Grant (DSG) is divided into four blocks – the schools block, the high needs block (HNB), the central school services block (which allocates funding to local authorities for their ongoing responsibilities towards both maintained schools and academies), and the early years block. Each of the four blocks of the DSG are determined by separate national funding formulae (NFF).

- 15.2 In December 2023, the Department for Education (DfE) announced the updated DSG funding settlement for the 2024/25 financial year. This is set out in the table below, together with a comparison to 2023/24.

| Financial Year | Schools Block* £'000 | Central School Services Block £'000 | High Needs Block £'000 | Early Years Block £'000 | Total DSG £'000 |
|-----------------------|---------------------------------|--|-----------------------------------|------------------------------------|----------------------------|
| Provisional 2024/25 | 165,039 | 2,074 | 38,883 | 26,554 | 232,550 |
| 2023/24 | 159,378 | 2,136 | 37,364 | 15,433 | 214,311 |
| Increase / (Decrease) | 5,661 | (62) | 1,519 | 11,121 | 18,239 |

Schools Block

- 15.3 For 2023/24, schools have received a separate mainstream additional grant outside of the main DSG. This equates to £5.364m. For 2024/25, this funding is being rolled into the Schools Block of the DSG meaning the overall Schools Block funding is virtually unchanged between the two financial years. In overall terms, after other adjustments are considered, it is estimated that total funding available to mainstream schools through core formula budget allocations between 2023/24 and 2024/25 will increase by c. £0.500m. This equates to a percentage increase in cash terms of just 0.3%, and an increase in per pupil funding of 2.0%. For presentational purposes the Schools Block figures above are inclusive of funding for non-domestic business rates.
- 15.4 It should be noted that the Schools Block pupil numbers have decreased from 29,451 in October 2022 to 28,972 in October 2023. This is a reduction of 479 pupils and equates to an overall loss of DSG Schools Block funding to the local authority of c. £2.450m.

High Needs Block

- 15.5 The headline allocation of high needs block funding is shown in the table above. The high needs block position for the 2024/25 financial year looks very challenging. The government increase in funding of c. £1.5m (4%) is significantly below the demand and cost pressures the council is expecting, and forecasts show a potential deficit in the 2024/25 high needs block of approximately £2.5m
- 15.6 The council continues to seek to provide additional local specialist provision linked to the SEN Sufficiency Strategy however costs associated with the establishment of this are high.
- 15.7 Under current national legislation a statutory override mechanism is place which allows local authorities to keep DSG deficits separate from General Fund budget, however this statutory override arrangement is due to finish in March 2026.
- 15.8 The latest published data shows that approximately 100 out of 150 local authorities are operating with deficits against the high needs block of their DSG allocations.

Early Years Block

- 15.9 There are significant extensions to free entitlement in 2024/25 resulting in a large increase to Early Years Block funding. For 2024/25 the main early years entitlements are:

- the 15 hours entitlement for eligible working parents of children from nine months to two years old (new entitlement from 1 September 2024);
- the 15 hours entitlement for eligible working parents of two-year-old children (new entitlement from 1 April 2024);
- the 15 hours entitlement for disadvantaged two-year-olds;
- the universal 15 hours entitlement for all three and four-year-olds;
- the additional 15 hours entitlement for eligible working parents of three and four-year-olds.

Government funding rates are increasing for 2024/25 and there is a requirement for the local authority to pass on a minimum of 95% Early Years Block funding to providers.

Mainstream Schools

15.10 Core funding allocations for each mainstream school and academy will be determined through calculation using the local authority's funding formula. During autumn 2023 it was agreed that limited changes would be made to the operation of the local school funding formula for 2024/25. These proposals were subject to consideration by the Schools Forum in October 2023. The key changes to the 2024/25 local formula are summarised below and follow the principle of moving towards the proposed National Funding Formula (NFF) on an incremental basis as follows:

- the mainstream school additional grant funding provided by government in 2023/24 has been rolled into the Schools Block and core formula budgets in 2024/25;
- in line with government requirements, all local formula factor values outside of permitted tolerance levels will be moved 10% closer to those in the NFF;
- apply the mandatory factor to ensure that minimum funding per pupil levels (excluding premises factors) are set at £4,610 for primary schools and £5,995 for secondary schools;
- apply uplifts to formula factors to reflect increases in national funding allocations;
- split site funding will be allocated using a DfE set formulaic approach, replacing the previous locally determined split sites factor;
- apply a minimum funding guarantee of +0.50% per pupil.

15.11 As in previous years, academies and free schools are included in the DSG allocation to ensure all schools, academies and free schools are funded on the same basis using the LA's funding formula. DfE then recoups the funding attributable to academies and free schools and pays this directly to these establishments.

15.12 Funding proposals for 2024/25 were presented to, and agreed with, the Schools Forum on 15 January 2024 and are subject to final sign off by the government.

15.13 The net school carry forwards at the end of 2023/24 are expected to be around the breakeven mark, a reduction of around £4.500m from £4.540m carried forward into 2023/24. School budgets for 2024/25 are likely to be issued in early February 2024, once DfE have completed compliance checks to funding regulations. Overall

funding for mainstream schools is increasing in the 2024/25 financial year by an average of approximately 2% per pupil. However, a large number of schools are continuing to see reductions in pupil numbers, and this will have an adverse impact on the financial position of these schools with approximately half of all mainstream schools seeing a reduction in actual funding in 2024/25 compared to 2023/24. There is considerable uncertainty about unavoidable cost pressures, such as the level of pay awards in 2024/25. The impact on future levels of school balances will become clearer in early March once draft school budget plans for 2024/25 are received.

16 COMMUNITY ENGAGEMENT & CONSULTATION

- 16.1 General information and advice about the council's budget will continue to be provided through the council's web site which provides information and graphics on how money is spent on services, where the money comes from and a summary of the financial challenges ahead. These materials will continue to be promoted to residents across the budget setting period.
- 16.2 The council will also publicise on-line its key proposals from the budget along with information about council services, and questions and comments invited from residents over the period leading to the February Budget Council meeting.
- 16.3 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 \(brighton-hove.gov.uk\)](http://brighton-hove.gov.uk/behind-the-budget)
- 16.4 The frequently asked questions and themes include:
- Doesn't Council Tax [alone] pay for all council services?
 - How about using [i.e. raising or changing] parking charges further?
 - [Why not] Cut pay instead of services?
 - [Why not] Make students pay Council Tax?
 - [Why not] Just cut councillors and/or their allowances?
 - [Why not] Charge wealthier people more Council Tax?
 - Extra Business Rates will solve the problem [won't they]?

Other consultation and engagement processes are as follows:

- 16.5 Information will be shared with Strategic Partners and community groups as normal. Local Strategic Partners remain acutely aware of the potential cumulative impact of funding pressures across public sector agencies on the city. All Local Strategic Partnership representatives will therefore ensure that information is shared across the sector to assess and mitigate adverse cumulative impacts wherever possible and develop joint actions where appropriate. Engagement with statutory partners will continue on an ongoing basis to further share and understand the potential cumulative impact of budget proposals across the city as they take shape.
- 16.6 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. As with the council, the local NHS is likely to remain under severe financial pressure due to continually increasing demands on the local health economy. Unfortunately, NHS funding

announcements (Operating Plans) are normally announced much later than Local Government, often close to or after the start of the next financial year.

- 16.7 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.
- 16.8 The Schools Forum, a consultative body attended by representatives of all school phases, received a report on the overall budget position and potential scale of General Fund budget savings at its meeting on 15 January 2024, providing an opportunity to feedback views. Unfortunately, the lateness of the Local Government Financial Settlement precluded detailed proposals being shared as in previous years, due to proposals still being developed throughout January. The forum is a public, minuted meeting and agendas and minutes are available on the council's website.
- 16.9 Similarly, officers of the council and members of the Administration met with representatives of the Community & Voluntary Sector on 22 January 2024 to discuss the budget proposals, including reductions in third sector funding, and to provide them with an opportunity to feedback their views to the council and members.
- 16.10 For staffing proposals, there have been a number of confidential meetings with the council's recognised unions, including appropriate officers and members of the Administration, to keep unions abreast of developing proposals to ensure they have early sight of where support to their memberships may be required. See also Section 9 Staffing Implications for further information. Proposals will be shared with staff ahead of formal publication of budget proposals through Departmental Consultative Groups (DCGs) and through line management. Further updates and communications are provided via the council's intranet, corporate email broadcasts and Chief Executive blog. Formal consultation and engagement with directly affected staff will be undertaken as normal, including relevant union representatives, under the council's Organisation Change Management Framework.
- 16.11 Similarly, where appropriate or required by statute, specific consultation will be undertaken with residents and other people directly affected by proposed changes to service delivery.

17 CONCLUSION

- 17.1 The council is under a statutory duty to set its budget and council tax before 11 March each year and must agree a lawfully balanced budget. This report sets out the budget assumptions to be used as the basis for Council Tax calculations in order to meet the statutory duty and the proposals to achieve a balanced budget. The full details of 2024/25 revenue and capital budgets are appended to this report and will be brought together in an annual Budget Book which will be provided to Budget Council as a supplementary item.

18 FINANCIAL & OTHER IMPLICATIONS

Financial Implications

18.1 These are contained within the main body of the report.

Finance Officer Consulted: James Hengeveld

Date: 29/1/24

Legal Implications

18.2 Whilst the Strategy, Finance & City Regeneration Committee is being asked to recommend, and subsequently the Council asked to agree, the revenue budget and capital strategy, the budget decision is a resourcing decision and does not necessarily constitute final approval of what policies will be implemented or what sums of money will be saved under the service proposals.

18.3 Any decisions taken as part of the budget setting process are subject to compliance with relevant legal requirements, where appropriate, before implementation. The revenue budget and capital strategy recommendations in the report do not commit the council to implement any specific savings proposal. When specific decisions on budget reductions are necessary, focussed consultations and the full equality implications of doing one thing rather than another will be considered in appropriate detail. If it is considered necessary, in light of equality or other considerations, it will be open to those taking the decisions to spend more on one activity and less on another within the overall resources available to the council.

18.4 For these purposes, the “budget” includes the allocation of financial resources to different services and projects, and setting the council tax.

18.5 Section 52ZB of the Local Government Finance Act 1992 requires a billing authority to determine whether its relevant basic amount of council tax is “excessive”. If the amount is excessive, the billing authority is required to hold a referendum, with a view to applying an alternative amount if the excessive amount is rejected in a referendum.

18.6 The determination of whether a relevant basic amount of council tax is excessive must be made in accordance with principles determined by the Secretary of State.

18.7 Strategy, Finance & City Regeneration Committee has delegated power to formulate the council’s revenue budget proposals, Capital Strategy, including the capital investment programme, and the Treasury Management Strategy Statement, including the Annual Investment Strategy, and to recommend their adoption by full Council as part of the overall budget setting process.

Lawyer Consulted: Elizabeth Culbert

Date: 30/01/2024

Equalities Implications

18.8 In Brighton & Hove City Council a budget Equality Impact Assessment (EIA) process has been used to identify the potential disproportionate impacts of proposals on groups/individuals covered by legislation (the ‘protected characteristics’ in the Equality Act 2010) and actions to mitigate these negative impacts or promote positive impacts. This is a key part of meeting the requirements of the Act and demonstrating that the council is doing so.

18.9 In law, the potential impacts identified, and how far proposed actions mitigate them, must be given due regard by decision-makers when making budget and resource decisions. However, as noted under legal implications above, in setting the budget members are making resourcing decisions which remain subject to compliance with all necessary legal and statutory consultation requirements.

- 18.10 All proposals with a potential equalities impact in 2024/25 will have an EIA completed and provided to all Members for the Budget Council. EIAs are cross-referenced with savings proposals in Appendix 1. Detailed EIAs are available at Appendix 6.
- 18.11 Note that, as in previous years, EIAs relating to staffing impacts are not published with the budget report as these may contain sensitive information. Instead, EIAs relating to staffing changes are provided as part of the relevant consultation paper issued to affected staff and recognised trade unions.

Sustainability Implications

- 18.12 One of the criteria considered for developing budget proposals, aligned with the Council Plan, is whether or not budget proposals contribute to carbon net zero. This plays out through everything from reviewing the council's use of office buildings and facilitating remote working for staff which can reduce office space, to increasing the number of electric vehicles in its fleet, through to embedding sustainability within its procurement requirements.
- 18.13 The capital and revenue budget proposals for 2024/25 cannot address all of the Council Plan objectives but do aim to balance support to these and other priorities within the resources available. In addition, the council has been successful in attracting external funding to support this objective including Active Travel funding, Bus Services Improvement Plan funding and funding for Electric Vehicle charging infrastructure.

Crime & disorder implications:

- 18.14 The budget includes provision for many services that support the prevention of crime and disorder, in particular, through the Community Safety budget which includes budgets for supporting Women's Safety including those affected by Domestic Abuse, as well as budgets to promote the council's Anti-Racism Strategy, support efforts to reduce anti-social behaviour and reduce drug related crime. There are also budgets for commissioned or contracted support from third sector organisations also working across these and other areas.

Public health implications:

- 18.15 The budget includes the ring-fenced Public Health Grant which is spent on providing priority public health services, including advice and support, in accordance with the Joint Health & Well-Being Strategy (with the NHS) and Annual Public Health Reports both of which link to national research and guidelines and involve considerable engagement and consultation.

SUPPORTING DOCUMENTATION

Appendices:

1. Budget Strategies and proposed savings
2. Capital Strategy including the Capital Investment Programme 2024/25
3. Treasury Management Strategy Statement 2024/25
4. Review of Reserves
5. Assessment of Risks
6. Equalities Impact Assessments (EIAs) – Individual Assessments

Documents in Members' Rooms

1. None

Background Documents

1. Budget files held within Finance