

Brighton & Hove City Council

Policy & Resources Committee

Agenda Item 78

Subject: Draft General Fund Budget and Resources Update 2023/24

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Report of: Chief Finance Officer

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Wards affected: All

For general release

The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that the information set out in this report relied upon the Governments Autumn Statement which was only published on 17th November 2022.

1 PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report provides an update on the council's General Fund resource position for 2023/24 to 2026/27 including any changes in assumptions and estimates together with the key impacts of the government's Autumn Statement, announced on 17 November 2022, as far as they can be interpreted locally.
- 1.2 Looking back, the Spending Review 2021 was a 3-year announcement which purported to increase Local Government Spending Power by 3% in 2022/23, although a significant element of this was provided from local taxation through an Adult Social Care Council Tax precept of 1%. In the event, a 3% increase in spending power was clearly insufficient to meet the inflationary and demand pressures experienced this year including September RPI inflation of 12.6% (CPI of 10.1%) and a local government pay award with an average cost of 6.3% for the council. This primarily explains the council's £11.6 million forecast overspend in the current financial year.
- 1.3 When setting the 2022/23 budget, a high level of savings were again required to address a projected budget shortfall (gap) and achieve a balanced budget, a legal requirement. The shortfall, as in previous years, was largely driven by increasing demands for adult and children's social care and pressures on Emergency and Temporary Accommodation (homelessness), with which neither government funding nor local taxation (capped by government) have kept pace. In common with previous years since 2009/10, this continued the necessity of identifying substantial annual savings through a mixture of economies and efficiencies, changes to service delivery, service reductions, and increased fees & charges. Savings of £12.5 million were required for

2022/23 but this was reduced to £10.5 million by borrowing £2 million internally from earmarked reserves to 'smooth' the financial impact of a further large savings target.

- 1.4 For 2023/24 the position has become considerably more challenging, not only due to the continuing trend of costs and demands outstripping national and local funding increases for local government, but this is exacerbated by abnormally high inflation, the impact of the associated cost of living crisis on demands for services, and a weakened national and local visitor and business economy impacting on fees & charges and taxation incomes. The Chancellor's Autumn Statement announced resources that will help to improve the position when compared to the 'midpoint' budget scenario set out in the July Policy & Resources Committee report, however, in July, additional resources of over £11 million were already assumed in the midpoint scenario to arrive at a projected budget gap of £21 million. At present, the best estimate is that the Autumn Statement will bring additional resources of £8.470 million compared to the July assumption. However, unfortunately some costs, particularly the Local Government pay award, are also higher than assumed in July by £6.4 million. The combined effect is a revised budget shortfall of circa £19 million in 2023/24 and £54 million over a 4-year period.
- 1.5 While the authority has seen very large shortfalls of circa £20 million before, during periods when government grant reduced substantially under austerity and deficit reduction policies, the context was very different with low inflation, low interest rates and a growing economy both locally, nationally and globally. In the current context of high inflation, increasing interest rates, increasing service demands driven by the cost of living, and a weakened economy, managing a large budget shortfall of nearly £19 million presents a serious and unprecedented challenge which, together with substantial in-year pressures reported elsewhere, will be a severe test of the authority's financial resilience and sustainability.
- 1.6 While the Autumn Statement is a high level announcement of resources, the detailed allocations for each authority come through the provisional Local Government Finance Settlement which is likely to be later than normal (late December), compressing even further the planning, consultation and decision-making processes for developing final budget proposals. The full impact of the settlement as well as the full set of General Fund and HRA budget proposals and Equality Impact Assessments will come to the February Policy & Resources Committee and Budget Council as normal.

2 RECOMMENDATIONS:

That the Policy & Resources Committee:

- 2.1 Notes the updated forecasts and latest resource estimates set out in the report.
- 2.2 Notes the Draft Budget Strategies and first draft savings at Appendix 1.
- 2.3 Notes the draft Equality Impact Assessments (EIAs) at Appendix 2 and notes that final EIAs will be provided to February Policy & Resources Committee and Budget Council.
- 2.4 Notes the updated budget gaps set out in paragraph 4.23 totalling £53.739m over the 4-year period, including £18.930m in 2023/24.
- 2.5 Notes the potential actions and routes that the authority may need to consider if it is unable to develop and agree a balanced budget for 2023/24, including

accommodating the impact of any projected overspend for 2022/23 as at month 9 (December).

- 2.6 Notes that updated financial data and information from central government regarding the Local Government Financial Settlement (LGFS) may impact further on the development of budget proposals for 2023/24.

3 FINANCIAL CONTEXT AND RISKS

- 3.1 The Budget and Resources Update report to July Policy & Resources Committee, as in the previous two years, provided a scenario-based analysis of potential costs, funding and resources for 2023/24 based on best, mid-point and worst case assumptions. In the event, inflation and pay award assumptions in this exercise fell short of reality and the Local Government pay award costs alone have added an additional cost of £3.3 million to the assumptions made in July alongside further increases to energy costs and new pressures emerging around recruitment and labour market challenges. There are also additional demands arising from the cost of living crisis impacting on children's social care and homelessness budgets, including a sustained increase in Council Tax Reduction claimants of around 2% which could increase further.
- 3.2 The report in July indicated that with building financial pressures, the authority would need to take a longer term view and focus on managing its budget and resources over a 4-year medium-term planning period. This is important for a number of reasons including:
- Continuing to demonstrate that the council is setting its annual budgets in the context of understanding its longer term financial sustainability;
 - Demonstrating that any use of reserves or balances in the short-term to support the budget is financially sustainable (i.e. repayable) in the medium term, and;
 - Ensuring that any budget shortfalls (gaps) in future years are identified early to enable longer term programmes of change to generate savings, efficiencies or income to be identified and instigated as soon as practicable.
- 3.3 However, the current Local Government financial planning regime has become highly problematic for local authorities for the following reasons:
- i) **Single-year financial settlements:** Central government announced a high level, multi-year Spending Review (SR2021) but followed this up with a short-term, one-year Local Government Financial Settlement (the third in a row). The recent Autumn Statement announced on 17 November provides some information on funding over a 2-year period but is also only expected to result in a one-year Local Government Financial Settlement.
 - ii) **Setting financial limits annually:** Similarly, the government has consistently made decisions on an annual basis concerning key financial parameters including whether or not additional Council Tax precepts will be allowable, annually determining the level of Council Tax increase allowable without the need for a local referendum, and determining business rate caps and reliefs each year. The Autumn Statement indicates that the increase in Council Tax and ASC Precept will apply *from* 2023/24 and the assumption is therefore that it will be allowable for at least 4 years. This is critical and confirmation on this point is being sought but the statement is currently taken as read.

- iii) **New bidding processes:** Significantly, there are also an increasing number of funding streams, both capital and revenue, that are now subject to national bidding processes, giving even less certainty over funding. Most notably for this council, funding for homelessness and rough sleeping, arts and cultural services, Levelling Up, and sustainable transport are subject to numerous bidding rounds.
- iv) **Financial reforms:** The Social Care charging reforms were supported by a 3-year government funding package which is now known to be wholly insufficient. The Autumn Statement has deferred implementation from October 2023 to October 2025, but will allow local authorities to retain the funding to meet current Adult Social Care cost and demand pressures. This will therefore only defer the pressure (estimated at £8m in BHCC) unless further funding is announced for 2025/26.

There are also other potential financial reforms, including the Fair Funding Review and Business Rates changes, which are still awaiting clearance. In relation to Fair Funding, the government converted part of local authorities' 2022/23 Revenue Support Grant into a one-off 'Services Grant' in lieu of the potential re-distributional impacts of the Fair Funding Review. A policy statement on this and other aspects of local government finance is expected at the end of November 2022.

- 3.4 All of the above makes medium-term financial planning very challenging and perilous at a time when local authority budgets are under growing and sustained pressure due to inflation and economic conditions.
- 3.5 Financial scenario planning has therefore become increasingly important over recent years due to the continuing uncertainties over the local government financing and funding regime and increased levels of risk in forecasting costs and income. Managing these risks is important because the council only has finite one-off resources to manage any unfavourable movements in costs, funding or income. As seen nationally, when these risks become unmanageable and impact on financial sustainability this can have serious reputational implications and, in cases where this has happened, the level of external scrutiny, challenge and/or government intervention will normally increase, including:
 - Notification to and involvement of the Department of Levelling Up, Housing & Communities (DLUHC) where potential financial difficulties have reached a critical point including expectation of a statutory Section 114 report being issued by an authority's Section 151 Chief Financial Officer (CFO).
 - Public Interest reports being issued by External Auditors where they believe the authority is failing to act appropriately regarding financial matters or risks.
 - Appointment of independent financial reviewers, usually where a local authority has identified the need to request a 'capitalisation direction' from government whereby it needs to sell capital assets and use capital receipts to fund revenue expenditure in the short term to keep afloat. The government's web site currently lists 9 authorities that have been subject to financial review and have subsequently been granted a capitalisation direction.
 - In severe cases, usually where a review identifies serious failings of either leadership or governance, appointment of Commissioners to run the

council or parts of the council on behalf of the Secretary of State, for example, Liverpool City Council.

- In the severest case, Northamptonshire, direct intervention by government resulted in the dissolution of the authority and creation of two new unitary authorities from April 2021.

3.6 In their annual reviews, external auditors are therefore increasingly concerned with local authorities' financial resilience and sustainability, including providing evidence of effective medium term resource planning. In the current context, external auditors will be looking closely at authorities' plans and approaches for managing the impacts of inflation.

3.7 Locally, as reported and evidenced through its targeted budget monitoring reports (TBM), this council is experiencing a number of pressures that present high risk and need to be heeded in its financial planning, including:

- The requirement to plan for the repayment of reserves over the medium term period, including reserves of £3.754m used to 'financially smooth' the impact of Covid on the 2021/22 and 2022/23 budget over a 10-year period, and a further £1.983m used to smooth the 2022/23 budget due to the scale of savings required;
- Similarly, cover for Collection Fund taxation losses (deficits) experienced in 2020/21 due to the pandemic which government allowed to be spread over 3 years starting in 2021/22;
- The numbers of people continuing to be supported in, and the cost of, Emergency and Temporary Accommodation and associated support services following the pandemic. The rate of 'move-on' to sustainable accommodation or settings has slowed due to availability of alternatives and the complexity of cases which is having a substantial, ongoing financial impact.
- The council's increasing reliance on income from fees and charges, particularly parking and permit revenues. Fees & charges are related to visitor and economic activity and behaviours which can change over time, potentially affecting income levels (up or down). There are signs that the economy is slowing and this may impact on some incomes, or the potential for generating further incomes, in the short to medium term.
- Similarly, the council's commercial property portfolio, which provides substantial rental income of around £9m, is known to be highly geared toward the retail sector, which had been declining prior to the pandemic and may now be further impacted in the medium term.
- The council is also highly reliant on suppliers and providers who may be impacted by labour supply issues and the 'cost of doing business'. Social care providers are also impacted by the National Minimum Wage increase (6.6% this year and 9.7% in 2023/24) and energy costs. This could result in further increases to contractual costs if they cannot mitigate costs increased charges.
- Increased pay costs resulting from inflationary pressures which are driving up pay awards as well as the increasing cost of market supplements or other remuneration due to national and local labour supply issues for some roles.

3.8 Further discussion of the Medium Term Financial Strategy and a potential approach for managing the budget over the next 4 years is discussed in

Section 5 below. The following section details the outcome of the Autumn Statement alongside updated estimates of other costs and resources.

4 RESOURCES AND PLANNING ASSUMPTIONS 2022/23

Autumn Statement 2022

- 4.1 The Autumn Statement announced on the 17 November 2022 covers a 2-year period and provides key information that will inform the provisional Local Government Finance Settlement (LGFS), expected to be provided in late December. However, the settlement itself is expected to be for 1-year only.
- 4.2 The key headlines from the Autumn Statement are as follows:
- Council Tax excessive rule (cap) changed from 1.99% to 2.99%. An Adult Social Care precept of 2% is also allowable. Both appear to be available for up to 5 years.
 - £1 billion additional Adult Social Care funding split £400m to local authorities and £600m via the NHS (Better Care Fund). Assumed resources for BHCC are £3.170m based on a 50:50 share of the Better Care Fund element.
 - Social Care charging reforms deferred for 2 years but local authorities to be allowed to retain associated funding of £1.3 billion in 2023/24, rising to £1.9 billion in 2024/25 (£6m, rising to £8.7m for BHCC).
 - Business Rates frozen and various reliefs extended or enhanced. This not only saves on rates bills for council-owned properties and schools but, through Section 31 Grant protection, will bring £5.760m additional resources in respect of government protection for the September RPI uplift.
 - National Insurance levy increase (1.25%) reversed but also removed from the Services Grant with no overall benefit to the council.
 - Importantly, £1 billion for the Household Support Fund which will ensure that the cost of living crisis can continue to be supported locally alongside the Council Tax Reduction Scheme, Discretionary Housing Payments, Section 17 Preventive payments, and grant support to money advice services and the food partnership. The Household Support Fund allocation for BHCC is expected to be £4.280m.
 - The Autumn Statement was silent on the New Homes Bonus and it is not clear if this has now ceased completely.
- 4.3 Overall, the Autumn Statement should improve the council's resources when compared with the 'mid-point' resource assumptions reported to this committee in July as shown in the table below and reflected in table 4 at paragraph 4.21:

Table 1: Budget Planning – Change in Funding Assumptions	Assumed Funding July £m	Estimated Autumn Statement £m
Additional Social Care funding	4.000	3.170
Deferral of ASC reforms and retention of funding	0.000	6.000
Business Rate uplift	5.760	5.760
Additional Social Care Precept	1.650	3.300
Additional allowable Council Tax increase	0.000	1.650
Supporting (Troubled) Families Grant continuation	0.946	0.946
Homelessness/Rough Sleeping	0.000	0.000
National insurance/Care Levy reversal	0.000	0.986
Change in Services Grant (removal of levy)	0.000	-0.986
Total	12.356	20.826
Increase in Resources compared with July Mid-point Funding Assumptions		8.470

Updated Service Pressures & Investments

- 4.4 The planning assumptions for demographic, service and cost pressures from July have been updated and included in the table below. In contrast to the stable periods of inflation experienced for many years, the table shows the very substantial impact of the high inflation experienced throughout the current year and expected to continue into 2023/24, albeit at a reducing level.

Table 2: Investments & Service Pressures	Original Recurrent Service Pressures 2023/24 (July) £m	Latest Recurrent Pressures Identified 2023/24 (Nov) £m	Latest Short-Term Pressures £m
Inflation Related Pressures			
2022/23 pay award above 2% base provision	2,700	6,000	
2023/24 pay award above 2% base provision (4%)	2,025	2,835	
Energy contract inflation	1,050	1,410	
Waste PFI contract inflation	1,200	300	
Children's Social Care – provider cost increases	2,200	2,721	
Adult Social Care (including Learning Disability services) – provider cost increases	6,500	6,158	
Temporary Accommodation and Rough Sleepers – cost pressures	600	930	
Home to School Transport - cost pressures		666	
Inflationary pressures - all other services		1,200	
Total Inflationary Pressures	16,275	22,220	
Demographic Pressures			
Looked after children and Care Leavers	2,300	694	
Adult Social Services incl. Learning Disabilities	5,400	5,479	
Temporary Accommodation & Rough Sleepers	1,800	1,925	
Home-to-School Transport demand	0	671	

Other Cost Pressures			
Housing Benefit Subsidy (Reg 13)	400	450	
Orbis Services - revised cost shares (ACRs) and disaggregation costs	1,100	1,529	
Income Pressures	1,308	2,154	100
Employee Budget pressures (incl. agency/relief)	1,147	1,888	
All Other Services Pressures	975	1,605	
Ash Dieback and Elm Works			600
Counter Terrorism legislation for open spaces			70
Electronic document management (WRBS)			150
Total Demographic and Cost Pressures	14,430	16,395	920
All other budget changes and commitments	1,695	195	
Total Cost Pressures and Investments	32,400	38,810	
Increase in Cost Pressures and Investments		6,410	

- 4.5 The table indicates a very high level of recurrent cost pressures and investments of £38.810m based on current trends and estimates, together with estimated one-off cost pressures and impacts of £0.920m. As can be seen in paragraph 4.21, while there are significantly increased resources provided by the Autumn Statement, the net impact is a reduction of the recurrent budget gap by only £2.060m. The short-term pressures, if confirmed, would be a significant call on one-off resources which may not be available, subject to other demands and the projected overspend in the current year.

Investment in Corporate Plan Priorities

- 4.6 Investment in Corporate Plan priorities in previous years has been a mixture of continuing to support the growth in demand and complexity of adult and children's social care together with funding increased homelessness demands on emergency and temporary housing. There have also been significant capital investments for schemes such as Brighton & Hove Warmer Homes, the Carbon Neutral Programme and investment in Parks infrastructure enabled by borrowing at historically low interest rates. This is alongside major investment in house building and house purchase enabled through the Housing Revenue Account self-financing regime.
- 4.7 In the current environment of severely straitened resources, the focus will need to be on protecting statutory services for vulnerable children and adults, and continuing to address homelessness to avoid additional demands on council and NHS services. However, the Household Support Fund will enable a range of continued support for the cost of living crisis and hardship.

Local Government Finance Settlement and Tax base Forecasts

- 4.8 As noted above, full details of government funding for councils is not likely to be announced until late December. The settlement is likely to be for 2023/24 only.
- 4.9 A key area is the continuing support for Adult Social Care. The table below sets out the ongoing and new funding applicable to Adult Social Care and the potential resources provided by the Autumn Statement:

Table 3: Social Care Resources	2021/22	2022/23	2023/24
ASC Precepting	3% £4.400m	1% £1.580m	2% £3.300m
Improved Better Care Fund	£9.181m	£9.459m	£9.459m
Adults & Children's Social Care grant	£7.759m	£10.816m	£12.656m*
Better Care Fund Autumn Statement assumed 50% Share			£1.330m*
Deferral of ASC reforms and retention of funding			£6.000m*

* Estimated resources as allocations are not announced until late December.

Council Tax

- 4.10 At the mid-point, the council tax increase for 2023/24 was assumed to be 1.99% with a further 1% for an Adult Social Care precept, totalling 2.99%. The Autumn Statement has increased the excessive council tax limit (referendum principle) to 3% and increased the Adult Social Care precept to 2% from 2023/24. Therefore the maximum council tax increase allowable without a referendum will be 4.99% from 2023/24 onwards.
- 4.11 The main impacts of the pandemic on council tax income emanated from a marked increase in the number of Council Tax Reduction (CTR) claimants (16%), delays in housing development completions, and reduced council tax collection, particularly for older debts. For 2022/23 the assumption was that collection rates should start to return to normal levels and there *has* been an increase in the number of property developments progressing and completing. The number of CTR claimants peaked in June 2021 and steadily reduced until late 2021 but has since seen a reversal with an increase in numbers during 2022/23 which is an indicator of challenging economic conditions.
- 4.12 This trend is contrary to the planning assumption which was for a continued fall of claimants throughout 2022/23 of 4% whereas claimant numbers have increased by 2%. However, this has been partially offset by the average value of awards falling slightly. Elsewhere, the number of student exemptions has not reduced as expected and the number of claimants for the Severely Mentally Impaired (SMI) exemption has continued to increase to the extent that Brighton & Hove has, proportionately, one of the highest levels of SMI exemptions in the country.
- 4.13 Overall the tax base is projected to increase by 0.75% for 2023/24. The final taxbase estimates will be presented to this committee in January 2023.

Business Rates estimate for 2023/24

- 4.14 The Autumn Statement included an announcement that there will be a freeze on the business rates multiplier in 2023/24. The council will be compensated for the loss in extra revenue for this announcement which, in line with previous years would be based on the September 2022 Retail Price Index increase of 12.6%. This increase was reflected in the July 2022 budget estimates.
- 4.15 The Autumn Statement also included provision for a range of additional targeted rate reliefs in 2023/24 with the most significant being an increased relief for the Hospitality, Retail and Leisure sector from 50% to 75% (subject to a cap for larger businesses). The loss of income to the council will be fully compensated by government through S31 grant.

- 4.16 The projections in July for 2023/24 included a 1.5% growth in the tax base and this assumption remains. The growth is as a result of new business developments and lower than anticipated successful rating appeals.
- 4.17 A new Rating list is due to be implemented in April 2023. Revaluations are now on a 3-year cycle rather than 5 years. Any revaluation increases or decreases are planned to be adjusted to ensure local authorities are no better or worse off. However this is a complex adjustment and there is a risk that the council is not fully protected against loss.

Budget Gap (Shortfall) 2023/24

- 4.18 The ‘midpoint’ planning scenario in July highlighted a potential budget shortfall of £20.990m in 2023/24 based on known and estimated cost pressures and predicted government funding announcements. The best case indicated a £12.920m shortfall. These were the planning assumptions that officers were asked to work with pending the outcome of autumn funding announcements, requiring minimum savings proposals of £13m and ‘backstop’ savings proposals of up to £21m (i.e. the midpoint) to be developed.
- 4.19 At the midpoint, cost and demand pressures of £32.400m were estimated in respect of a continued increase in adult and children’s social care demands, and high levels of inflation on energy, supplies, and contractual costs, particularly social care providers, as well as a higher Local Government pay award. These estimates have been updated for the latest information and this has increased estimated cost and demand pressures to £38.810m.
- 4.20 At this stage in the process, potential first draft savings of £12.596m have been identified and are included at Appendix 1. Any staffing impacts in these first draft proposals have been notified to the Trade Unions at Departmental Consultative Group meetings. However, as detailed below, while the Autumn Statement has provided additional resources compared to those assumed in July, cost pressures have also increased in the interim, in particular, the Local Government NJC pay award is £3.3m higher than the midpoint estimate in July.
- 4.21 The budget gap projection for 2023/24 has therefore been fully revised to take into account changes in resources emanating from the Autumn Statement (as far as they can be estimated) and revised costs and pressures. The table below summarises the overall impact of these changes, starting with the predicted midpoint budget gap as at July followed by positive or negative changes compared with the assumptions made in July. Draft savings proposals are also included to arrive at a remaining budget gap. At the draft stage these are around the minimum level set in July due to the uncertainty surrounding the local government financial settlement and other potential changes to forecasts.

Table 4: Budget Gap Latest 2023/24	£m
2023/24 ‘Midpoint’ Budget Gap as at July 2022	20.990
Additional Resources set out in Table 1	(8.470)
Additional cost pressures and other changes set out in Table 2	6,410
Budget Gap before Savings Proposals	18.930
Draft Saving Proposals to date (Appendix 1)	(12.596)
Remaining Budget Gap	6.334

- 4.22 The table above indicates that a remaining budget gap of £6.334m will need to be addressed, assuming the allowable 2.99% Council Tax increase and 2% Adult Social Care Precept are taken up by full Council. However, the final budget gap will need to be further updated but cannot be fully determined until:
- i) The provisional Local Government Financial Settlement is received and analysed (expected late December), in particular, confirming the distribution of major Adult Social Care resources;
 - ii) The Council Tax, Council Tax Reduction and Business Rate tax bases have been fully revisited in late December/early January and updated for latest data and trends;
 - iii) The cost pressures above have been further reviewed and confirmed and the statutory review of the robustness of estimates has been completed by the S151 Chief Finance Officer.
- 4.23 At this stage, it appears highly likely that significant further savings will need to be put forward to balance the budget and these will be considered in light of the provisional Local Government Financial Settlement and are discussed further in Section 5 below.

Medium Term Financial Strategy Update 2023/24 to 2026/27

- 4.24 The table below summarises the MTFs estimates and predicted budget gaps for the next 4 years based on the following key assumptions:
- 2.99% annual Council Tax increases for 2023/24 to 2026/27;
 - 2.00% Adult Social Care precepts for 2023/24 to 2026/27;
 - Annual Council Tax tax base growth of 0.75% in 2023/24, 0.90% for 2024/25, 0.60% for 2025/26 and 0.75% for 2026/27;
 - Business Rate Retained growth of 1.5% for 2023/24, 1.00% for 2024/25 and 0.75% for 2025/26 and 2026/27;
 - Business Rates Retained inflationary increase of 12.6% for 2023/24, 4.00% for 2024/25, 1% for 2025/26 and 0% for 2026/27;
 - 4.0% (average) pay award cost for 2023/24, 3.0% for 2024/25, and 2.5% thereafter;
 - 3.00% income budget uplifts for 2023/24, 3.5% for 2024/25 reverting to 3.00% per annum thereafter. Note these are minimum budget targets, but do not determine actual fees, charges or rent increases;
 - 5% to 8% increases to Social Care third party payments in 2023/24 (reflected in service pressure funding), 3.5% for 2024/25, 3.0% for 2025/26, and 2.50% in 2026/27.
 - Variable 0.75% to 3.00% cash limited increases to non-pay budgets (e.g. premises, supplies and services);
 - Continuation of Supporting Families funding;
 - Continued investment to meet demographic growth across statutory demand-led services.

Table 5: Projected Medium Term Financial Strategy

Summary MTFs and Budget Gaps	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
Budget Commitments (from previous decisions)	1.467	2.684	1.109	0.427
Change in use of reserves	1.488	2.366	-0.274	-0.876
Net standard Inflation (on Pay, Prices, Income, Pensions)	7.456	9.527	8.371	7.700
Exceptional inflationary costs	19.385	1.040	0.200	0.200
Subtotal	29.796	15.617	9.406	7.451
Demographic, Service and Other Cost Pressures (recurrent)	16.395	14.400	16.750	14.750
New grant funding assumed (Adult Social Care)	(9.307)	(4.650)	(0.143)	(0.146)
Projected Net Business Rates Retention/Section 31 grant increases	(8.553)	(4.434)	(1.337)	(0.564)
Projected Net Tax Base changes assuming 2.99% increase	(6.101)	(7.325)	(6.643)	(7.283)
Assumed 2% ASC precept	(3.300)	(3.480)	(3.670)	(3.890)
Predicted Budget Gaps	18.930	10.128	14.363	10.318
Savings	(12.596)			

5 BALANCING THE BUDGET 2023/24 to 2026/27

Overview of the Financial Position

- 5.1 The council's financial position is clearly very challenging with the resources from the Autumn Statement being insufficient to address the inflationary, demographic and demand-led cost pressures experienced by the council this year and projected next year and beyond. While the council has seen large annual savings packages in years gone by, occasionally in excess of £20m, after over a decade of savings packages totalling nearly £200m to manage government grant reductions and growing adult and children's social care demands, the ability to generate additional savings becomes increasingly challenging and potentially involves more difficult choices and greater delivery risk.
- 5.2 Opportunities for technological and digital efficiencies, administrative savings, reductions in office accommodation, increases in fees, charges, rents and fines, procurement economies and reductions in non-statutory, discretionary services have been and continue to be taken and explored. While there are undoubtedly further opportunities to explore, their magnitude and scope is inevitably decreasing with each successive annual savings round.
- 5.3 The scale of the financial challenge in 2023/24 and over the next 4 years, particularly in the current economic context, indicates that more fundamental and potentially contentious proposals are likely to need to come forward for consideration by Policy & Resources Committee for recommendation to Budget Council.

Budget Process and Addressing the 2023/24 Budget Gap

- 5.4 Previous years' Spending Reviews have been received late in the autumn due to the pandemic. The Autumn Statement this year is a very late announcement due to other factors, leaving local authorities in a position of significant uncertainty and hampering financial planning. The expected receipt of the Provisional Local Government Financial Settlement on 21 December continues the trend of increasingly late notifications. The timetable is therefore under pressure but a range of budget savings proposals have been worked up since July and, at this stage, a minimum level of proposals have been put forward for information at Appendix 1.
- 5.5 The remaining budget gap outlined in Table 4 above is subject to confirmation and revision as set out in paragraph 4.22. However, at this stage the indication is that either further savings and/or resources of £6.334m will need to be identified for the final budget package in February. Officers have worked on both more challenging 'backstop' savings options and longer term proposals that could deliver savings and economies over the 4-year medium term period. These will be considered once the outcome of the Local Government Financial Settlement is known and a review of the council's tax bases has been completed in late December/early January.
- 5.6 Medium term strategies to balance the budget could include:
- i) Continued use of the Modernisation Fund and other Spend-to-Save investments that either enable or generate revenue savings or avoid future cost growth;
 - ii) Property and asset management strategies including further reductions in office accommodation and/or operational buildings, saving running costs, business rates, security costs, and/or generating rentals;
 - iii) Income generation strategies including fees & charges increases and/or new discretionary fees & charges;
 - iv) Continuing to drive procurement savings through increased use of spend data and analysis, tighter control over specifications, and improving performance monitoring of contracts;
 - v) Targeted service redesigns to eliminate duplication, integrate services, prioritise areas for technological and digital efficiencies, consider further partnership working, including with the Community & Voluntary Sector, and prioritising high value-added functions and preventive services. This may mean divesting from some non-statutory, discretionary services including outsourcing where appropriate;
 - vi) Some or all of the above could be supported by external and independent support and advice from sector experts, for example the LGA, Cipfa or ADASS, to help the authority identify where its costs and performance do not compare well and where there may be opportunities to improve costs and/or outcomes over the medium term.
- 5.7 As before, services will also set out draft Budget Strategies which will indicate the overall direction of travel for the delivery of services in each directorate and set out each directorate's approach to supporting Corporate Plan priorities. They will also indicate where there is a plan for capital investment to meet Corporate Plan priorities and give an indication of 'Areas of Focus for Savings' including any invest-to-save Modernisation Fund requirements. The draft strategies will be updated for the final Budget Package to February Policy

& Resources Committee and Budget Council. Draft Budget Strategies are included at Appendix 1 along with first draft savings proposals.

- 5.8 It should be noted that consultation processes in relation to any budget proposals will be in accordance with the timetable set out in Section 9 but, for the avoidance of doubt, nothing can fetter the necessary statutory or agreed consultation processes required to ensure that there is meaningful consultation with residents, staff, trades unions, or other stakeholders potentially affected by budget proposals.

Reserves Position and One-off Funding

Current Reserve Levels and Usage

- 5.9 The level of reserves and balances held by an authority is becoming increasingly important in assessing their financial health and sustainability. The City Council maintains a recommended working balance of £9m and, as at 31 March 2022, had other 'useable' earmarked reserves of around £28m which can be borrowed from temporarily. However, together with the financial smoothing undertaken in 2021/22 and 2022/23, and the spreading of one-off Covid Pandemic costs over 10 years, the council has already approved various uses of reserves to support other requirements. While these reserves will therefore be returned, it does mean that the level of cash-backed reserves available is suppressed until these are fully repaid. The reserves currently 'borrowed' temporarily and their relevant payback periods are as follows:

Table 6: Current Internal Borrowing from Earmarked Reserves

Reserve	Amount Borrowed/ Outstanding £m	Repayment Period	Repayments Start
Financial Smoothing of Covid one-off impacts	3.546	10 years	2022/23
Financial Smoothing of 2022/23 budget	1.983	4 years	2024/25
Term Time Only (TTO) back pay settlement for schools	2.640	10 years	2021/22
Surface Water Action Management Plan	0.270	10 years	2020/21
Waste PFI	0.085	4 years	2021/22
Royal Pavilion & Museums Trust Cash Facility (£4m max facility)	2.000	Up to 10 years	2023/24
Total Internally Borrowed	10.524		

Latest Position in 2022/23

- 5.10 The forecast outturn position in the current year is important because it affects the availability of one-off resources. A projected underspend adds to the one-off resources available while a projected overspend will need to be funded from one-off resources or carried forward to the next financial year, adding to the financial challenge.
- 5.11 In-year financial performance is monitored through the council's Targeted Budget Management (TBM) framework and the TBM Month 7 (October) report elsewhere on the agenda shows a projected year-end overspend of £11.637m

on the General Fund. The overall overspend has reduced by £1.477m since Month 5 and includes the estimated cost of the 2022/23 pay award.

- 5.12 The council's share of the net deficit on the Council Tax and Business Rates collection funds, after allowing for Section 31 deficit smoothing grant, is forecast to be £3.309m and must also be funded from one-off resources in the 2023/24 budget.
- 5.13 Table 7 summarises the potential resources and liabilities that will need to be taken into account in setting the 2023/24 budget. At this stage, this assumes that spending in 2022/23 will be in line with the TBM Month 7 (October) report projections included elsewhere on this agenda.
- 5.14 The table shows an estimated shortfall in one-off resources of £16.468m after taking account of other expected one-off requirements. This position is expected to change and will be updated for the February budget report. The main factors expected to affect the position are:
- The latest TBM position which will be updated for month 9 (December). Any improvement to the current overspend forecast will reduce the call on one-off resources and vice versa;
 - A comprehensive review of reserves and provisions which is undertaken annually as part of the budget process;
 - A further review of in-year Collection Fund (tax yield) performance. Any improvement will reduce the call on one-off resources and vice versa;
 - Updated estimates of short term cost pressures and other one-off resource requirements.

Table 7: One-off resources, liabilities and potential allocations (as at Month 7/October)	£m	£m
Unallocated general reserves		0.000
Revenue Budget position 2022/23 (TBM):		
- Forecast outturn overspend (Month 7/October)		-11.637
Collection Fund ¹ position 2022/23:		
- Estimated 2022/23 Council Tax collection fund net deficit	-1.841	
- Estimated 2022/23 Business Rates Retention collection fund position	0	
- Year 3 council tax collection fund covid smoothing repayment	-1.520	
- Year 3 Business Rates Retention collection fund covid smoothing repayment	-1.207	
- Contribution from Section 31 grant towards 3 year smoothing	+1.259	
Sub-total: Projected Collection Funds position		-3.309
Shortfall before allocations		-14.948
Potential One-off Allocations in 2023/24:		

¹ Collection Funds are separate accounts where taxation revenues received from the Council Tax and Business Rates are allocated and compared to the expected tax yield for the year.

- Various one-off pressures	-0.320	
- Diseased Trees removal	-0.600	
- Elections 2023 balance of funding required	-0.230	
- Council Tax Reduction Discretionary Fund	-0.190	
- Welfare Reform Support Fund (LDSF)	-0.180	
Total one off commitments		-1.520
Current One-off Resources Shortfall		-16.468

5.15 The table above clearly indicates a very substantial call on one-off resources which, together with resources already borrowed temporarily from reserves, would outstrip available reserves and balances, potentially placing the authority in a serious financial predicament. However, as indicated above, there are a number of factors likely to cause a change to these figures while further work is also needed to fully understand one-off pressures and consider options for mitigating some of these costs. The severe pressures experienced in-year are discussed in more detail in the accompanying Targeted Budget Management Month 7 report including measures to try and minimise any overspending. One-off allocations will need to be carefully considered in the light of the Month 9 in-year forecast and may not all be supportable.

6 Capital Investment Programme and Capital Strategy 2023/24

Capital Investment Programme

- 6.1 The detailed capital investment programme will be brought to the February Policy & Resources Committee as normal. The capital programme will update existing capital schemes for any change in phasing and/or cost estimates. The programme will cover existing and new scheme proposals including:
- Housing Schemes including HRA schemes and the Housing Joint Venture;
 - Education & Skills investments including provision for school places;
 - Sustainable Transport including Local Transport Plan investments;
 - Major Regeneration schemes including the Strategic Investment Fund (SIF), Brighton Waterfront, Kingsway to the Sea, Madeira Terraces and Valley Gardens;
 - Other Investment Funds including the Asset Management Fund, Planned Maintenance and IT&D Fund;
 - Carbon reduction and sustainability investment programmes including Solar Panels and the Carbon Neutral Programme;
 - Major IT & Digital implementation and replacement programmes including the replacement of Corporate HR, Payroll and Finance systems.
- 6.2 Investment options and requirements are kept under review and will come forward to February Policy & Resources Committee subject to the affordability of financing options, viable outline business cases, or available capital resources including capital receipts. The council's challenging financial position may require some capital investment programmes to be revisited in terms of affordability, particularly where they are financed from borrowing.
- 6.3 Capital receipts from the sale of surplus land and buildings support the capital programme and the projections are regularly reviewed. The council needs to continue with its strategy of re-balancing the property portfolio by disposing of low or non-performing commercial properties and reinvesting in more viable

property investments to protect its commercial rent income. This ensures costs can be minimised and rental growth optimised to ensure best value is achieved. However, this is now considerably more challenging as borrowing from the PWLB is now prohibited for commercial property investment. Capital receipts are generally under severe pressure due to competing demands and there are significant calls on receipts to support the following objectives:

- Funding of annual investment funds such as the SIF and AMF referred to above;
- Rebalancing of the commercial property portfolio;
- Support for accelerating housing supply schemes; and
- Funding of the Modernisation Fund which supports implementation of savings and improvement programmes (see below).

Modernisation Programme Funding

- 6.4 Over a number of years, the council has utilised the government's capital receipt flexibilities to provide it with an invest-to-save resource that can be used to fund temporary revenue costs provided these underpin service improvements and/or generate future revenue savings. Given the very large savings programmes evident over the last decade or more, the council has used this facility to provide a Modernisation Fund to enable delivery of annual savings programmes and support other improvements and modernisation that have longer term benefits. The Modernisation Fund is resourced by generating capital receipts from the sale of surplus assets in accordance with the council's Asset Management Strategy.
- 6.5 In 2020/21 the council approved a further 4-year Modernisation Fund but at a lower level of £15.5m to enable savings and improvements over the period 2020/21 to 2023/24. The quantum of funding over the period is reviewed periodically and currently stands at £15.723m but will be reviewed further in the light of 2023/24 requirements. The continued use of the Modernisation Fund beyond 2023/24 will depend on the continued availability of capital receipt flexibilities and Budget Council approval.
- 6.6 Subject to this review, the Modernisation Fund is currently expected to be deployed as follows:
- **Invest-to-Save Budget Proposals:** Based on the experience of the previous 4 years, £2.000m is estimated to be required to support implementation of specific savings and efficiency programmes including service redesigns, recommissioning and process improvements. Investment requirements are currently being reviewed and finalised and will be refreshed each year but are currently significantly over-subscribed. This resource will be held in a reserve and only released through review of business cases by the officer Corporate Modernisation Delivery Board. Committee approvals are also sought where required by Financial Regulations and the council's constitution.
 - **Customer Digital:** A further £1.050m is anticipated to be required in 2023/24 to support ongoing investment in digital infrastructure and applications and to support ongoing 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. The investment is set at a lower level than in previous years as the

underpinning work to develop the necessary technology platforms has been completed.

- **Modernisation Enablers:** A further £1.163m is estimated to be required to support ongoing change and modernisation programmes over the period. This includes everything from an effective project management support team, business improvement analysts, workstyles property team support for 'Future Ways of Working', investment in 'Our People Promise' and staff development and skills programmes, together with additional specialist support where required.
- **Managing staffing changes:** efficiency programmes and a continual drive for improved value for money will often result in changes in the level or mix of staffing and skills required across the council. Changing staffing levels or skills will often need financial consideration in order to effect voluntary severance for roles or posts no longer required or needing to be replaced with different roles or skills. Estimated resources of at least £0.400m are required to meet severance costs to manage change in 2023/24.
- **IT Modernisation Investment:** This related to back-log investment in IT equipment, software, security, systems and services (e.g. voice and data) to enable the organisation to remain secure, resilient and efficient. This was in response to historic under-investment which has had to be addressed over the last 4 years including network and infrastructure upgrades. No further investment is expected to be required from the Modernisation Fund from 2022/23 provided that step increases in the IT&D budget built into the Medium Term Financial Strategy are funded. However, this may depend on the availability of recurrent General Fund resources.

6.7 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 Modernisation Fund requirements over the remaining 2 years of the current fund is shown in the table below.

Programme Area	2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m
Invest to Save (4-Year Plans)	0.650	0.550	0.450	0.350	2.000
Customer Digital	1.750	1.750	1.550	1.050	6.100
Modernisation enablers	1.510	0.920	0.930	1.163	4.523
Managing staffing changes	0.700	0.500	0.400	0.400	2.000
IT Modernisation Investment	0.800	0.300	0.000	0.000	1.100
Total	5.410	4.020	3.330	2.963	15.723

Capital Strategy 2023/24

6.8 The Prudential Framework requires local authorities to produce a Capital Strategy which is to be presented and approved by members 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 investments in commercial property or loans to third parties.

- 6.9 The aim of the Capital Strategy is to ensure members are fully conversant with the risks of non-financial investments and are aware of how the risks are proportional to the council's core service activities. The document will include:
- The proposed Capital Investment Programme
 - Potential and pending non-financial investments
 - An overview of the council's Risk Exposure
- 6.10 The Modernisation Fund above will be incorporated into the full Capital Strategy alongside new and perennial capital investments that will support major regeneration projects, improved transport infrastructure, provision for school places, and major housing improvements and new build programmes. Key decisions are likely to be required in respect of strategic funds including IT & Digital investment, Strategic Investment Funds (supporting regeneration) and Asset Management Funds. The Capital Strategy will form 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.
- 6.11 As previously, a 5-year capital programme will be presented and will be linked to the Medium Term Financial Strategy. The Capital Strategy, including the detailed Capital Investment Programme, will be presented to Policy & Resources Committee and Budget Council in February prioritising the resources available and incorporating the information identified above.

7 Staffing Implications (General Fund Services)

- 7.1 At this stage in the budget process it is not possible to determine how many posts and staff may ultimately be affected by forthcoming proposals to address the remaining budget gap in 2023/24. An estimate of posts and staff affected, including any staff potentially at risk of redundancy, will be made for the February Policy & Resources report and will be shared with trades unions ahead of publication. As in previous years, actual numbers will be dependent on the detailed options proposed and on the results of formal consultation where required. As previously experienced, it is likely that a number of posts are already being held vacant and some will become vacant through normal turnover, thereby helping to reduce the risk of redundancies.
- 7.2 At this stage, the first draft budget proposals indicate that 38.6 FTE posts could be deleted from the council's staffing establishment and that this could put 24.3 FTE posts at risk of redundancy. This information was shared with relevant service managers and trades unions ahead of publication to ensure that they can support their staff and members respectively.
- 7.3 If the first draft proposals and later proposals do potentially place any staff at risk of redundancy the council's approach is to support staff by:
- Providing appropriate support to staff throughout the change process to enable them to maximise any alternative 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);

- Offering voluntary severance where appropriate and financially viable to staff affected by budget proposals on a case-by-case basis.

7.4 These measures will remain in place as consultation with trade unions, staff and other stakeholders is undertaken.

8 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

8.1 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 23 February 2023. Budget Council has the opportunity to debate the proposals put forward by this Committee at the same time as any viable alternative proposals.

8.2 Any alternative proposal will need prior assessment by the Section 151 Chief Finance Officer and Chief Executive and will not normally be allowed where an estimate is not considered to be robust for one of the following reasons:

- The risk of not achieving the saving is assessed to be exceptionally high;
- There is insufficient evidence or information to assess the potential saving;
- The alternative proposal is adding to or bringing forward an existing saving without further information as to how this can be achieved;
- The alternative proposal requires one-off investment or loan financing that cannot be supported;
- The alternative proposal is beyond the powers and duties of the local authority.

9 COMMUNITY ENGAGEMENT & CONSULTATION

Budget Timetable

9.1 The Timetable for draft and final budget proposals is given in the table below. This timetable does not include detailed plans for ongoing consultation with stakeholders as this will be determined in conjunction with those involved.

Table 9: Budget Timetable

Date	Event	Notes
24 Nov 2022	Publication	Publication of Draft Budget proposals on the council's web site (1 Dec Policy & Resources agenda)
1 Dec 2022	Policy & Resources Committee (P&R)	Draft Budget & Resource Update report including Budget Strategies; Budget Monitoring (TBM) month 7 report.
Dec to early-Jan	Development of further budget proposals	Further work and refinement of draft budget proposals incorporating the impact of the Provisional Local Government Financial Settlement
Late Dec	Provisional Local Government Financial Settlement	Receipt and analysis of the provisional settlement expected on or about the 21 December.
Jan 2023	CFO/HR/Unions	Further sharing of any additional budget proposals affecting staff

Jan 2023	Department Consultative Group's	Sharing and explaining and additional budget proposals affecting staff for the relevant directorate if required.
w/c 9 Jan 2023	Member Budget Review Group	January P&R finance reports (see below) shared with cross-party Finance Leads.
19 Jan 2023	P&R	Council Tax Base report; Business Rates tax base report; Review of the Council Tax Reduction Scheme for 2023/24
By 30 Jan 2023	CFO/HR/Unions	Sharing overall final budget package and staffing impacts (assuming publication on 1 Feb)
1 Feb 2023	Publication	Publication of Final Budget proposals on the council's web site (9 Feb Policy & Resources agenda)
2 Feb 2023	Full Council	Approval of the Council Tax Reduction Scheme for 2023/24
9 Feb 2023	P&R	General Fund and HRA Revenue & Capital Budget reports; TBM month 9 report.
23 Feb 2023	Budget Council	General Fund and HRA Revenue & Capital Budget reports.

- 9.2 General information and advice about the council's budget will continue to be provided through the council's web site which provides information and graphics on how money is spent on services, where the money comes from and a summary of the financial challenges ahead.
- 9.3 The council will also widely publicise its online social media inviting residents and stakeholders to give us their views and ideas on Twitter via **#BHBudget**. Social media continues to be an effective, low cost, mechanism for engaging with residents and other stakeholders. Key proposals from the budget plan will be publicised, along with information about council services, and questions and comments invited from residents immediately following their publication over the period leading to the February Policy & Resources Committee meeting.
- Other consultation and engagement processes are as follows:
- 9.4 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. The City Management Board, attended by 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.
- 9.5 In particular, the council will be engaging fully with the Sussex Health & Care (NHS) with the intention of aligning the budget processes of the two organisations as far as practicably possible. As with the council, Sussex

Health & Care is likely to remain under severe financial pressure due to continually increasing demands and winter pressures.

- 9.6 There are ongoing briefings and discussions with the Economic Partnership that cover potential funding sources and bids, city regeneration, economic growth, employment and apprenticeship strategies. Statutory consultation with Business Ratepayers will also be undertaken as normal.
- 9.7 For staff, updates will be provided via the council's intranet and formal consultation with Staff and Unions will be undertaken as normal including Departmental Consultative Group (DCG) meetings during December and January followed by appropriate consultation with directly affected staff.
- 9.8 Similarly, where appropriate or required by statute, specific consultation will be undertaken with residents, businesses and other people directly affected by proposed changes to service delivery.
- 9.9 Many different stakeholders are interested in proposals for fees and charges which are often linked with budget proposals. Please refer to the relevant service committee where proposals are normally considered and approved. The list of meetings is set out in the table below.

Table 10: Approval of Fees & Charges		
Fees & Charges Area	Meeting	Date
Children & Young People	Children, Young People & Skills Committee	09/01/23
Planning	Tourism, Equalities, Communities & Culture Committee	12/01/23
Libraries	Tourism, Equalities, Communities & Culture Committee	12/01/23
Seafront, Outdoor Events and Venues	Tourism, Equalities, Communities & Culture Committee	12/01/23
Environmental Health and Trading Standards	Environment, Transport & Sustainability Committee	17/01/23
City Parks and City Clean	Environment, Transport & Sustainability Committee	17/01/23
Parking and Highways	Environment, Transport & Sustainability Committee	17/01/23
Bereavement Services	Environment, Transport & Sustainability Committee	17/01/23
Private Sector Housing – HMO Licensing	Housing Committee	18/01/23
Housing Revenue Account	Housing Committee	18/01/23
Life Events (excluding Bereavement Services)	Adult Social Care & Public Health Committee	10/01/23
Adult Social Care Non-residential care services	Adult Social Care & Public Health Committee	10/01/23
Licensing and Enforcement	Licensing Committee	13/10/22

10 CONCLUSION

- 10.1 The council is under a statutory duty to set its budget and council tax before 11 March each year. This report sets out the latest budget assumptions, process and timetable to meet the statutory duty. The Autumn Statement announced resources for a multi-year period including, additional resources for Adult Social Care, an increase in allowable Council Tax increases, and an Adult Social Care precept. These are not sufficient to address this council's predicted cost pressures resulting in the need to identify substantial cost reductions and savings in 2023/24 and over the Medium Term Financial Strategy.

11 FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 11.1 These are contained within the main body of the report.

Finance Officer Consulted: James Hengeveld Date: 21/11/22

Legal Implications:

- 11.2 Policy & Resources Committee has delegated power to formulate the council's revenue budget proposals and Capital Strategy and to recommend their adoption by full Council as part of the overall budget setting process.
- 11.3 Any decisions taken as part of the budget setting process are subject to compliance with relevant legal requirements before implementation. The early draft budget plans and savings proposals contained in this report are for noting and are subject to change, and do not commit the council to implement any specific savings proposals. When specific decisions on budget reductions are necessary, focussed consultations and the full equality implications of doing one thing rather than another will need to be considered in appropriate detail.

Lawyer Consulted: Date: Elizabeth Culbert Date:21/11/22

Equalities Implications:

- 11.4 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 we are doing so.
- 11.5 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.
- 11.6 All proposals with a potential equalities impact in 2023/24 will have an EIA completed and provided to all Members no later than the February Policy & Resources Committee. As normal, these will be cross-referenced with savings proposals. Staffing EIAs will also be completed alongside the formal consultation process on proposed staffing changes and feedback will be provided in the February report.

- 11.7 Feedback will be used by officers to revise the first drafts of EIAs into final versions which will be available to members to scrutinise as they consider the budget proposals at Budget Policy & Resources and Budget Council. They will also be published on the council website.

Sustainability Implications:

- 11.8 One of the key principles for developing budget proposals, aligned with the Corporate Plan, is whether or not proposals and investments can contribute to the 10-year carbon reduction target to become carbon neutral by 2030. This plays out through everything from reviewing the council's Administrative Building occupancy and facilitating more remote working for staff, to increasing the number of electric vehicles in its fleet, through to implementing the Carbon Neutral Programme.

Any Other Significant Implications:

Risk and Opportunity Management Implications:

- 11.9 The national and local picture continues to indicate growing risks in respect of the pressures on the health & social care system, the growing problem of homelessness, pressures on children's social care, and the ongoing impact of welfare reforms, particularly the benefit cap and roll-out of Universal Credit. To this has now been added the advent of very high inflation, particularly in respect of food and energy costs, which is driving considerable increases in the cost of living with associated impacts on fuel and food poverty and increased demands on council services. There are also a range of factors affecting local and national economic recovery. This indicates that potential risks remain high and that good quality data and analysis will be required to ensure that trends and the impact of interventions can be closely monitored and understood.
- 11.10 The level of financial risk provisions, including the working balance and reserves, will need to be reviewed for 2023/24 in the light of the Month 9 budget monitoring position (TBM), the outcome of the Local Government Financial Settlement, the delivery risks inherent in savings proposals, the projected ongoing impact of a suppressed economy, and available resources. The level of any risk provisions and balances will clearly need to strike a balance between putting scarce resources to one side when there are growing pressures on maintaining essential and statutory services.
- 11.11 The budget report to February Policy & Resources Committee will include the Chief Finance Officer's formal assessment of the robustness of estimates in the budget proposals and the adequacy of reserves and provisions, including an assessment of the need for any additional risk provisions.

SUPPORTING DOCUMENTATION

Appendices:

1. Draft Directorate Budget Strategies and First Draft Budget Proposals 2023/24
2. Draft Equality Impact Assessments for Draft Budget proposals