Brighton & Hove City Council

Policy & Resources Committee

Item 122

Subject:	**General Fund Revenue Budget, Capital & Treasury Management Strategy 2023/24**
Date of meeting:	**Policy & Resources Committee: 9 February 2023** **Budget Council: 23 February 2023**
Report of:	**Chief Finance Officer**

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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 2023/24 including the latest estimated resource position for 2023/24 to 2026/27, including changes in assumptions arising from the key impacts of the Chancellor's 2-year Autumn Statement 2022 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 tax base forecasts as received by Policy & Resources Committee at its January 2023 meeting.

1.2 The Autumn Statement 2022 purported to increase Local Government Spending Power by 9.2% in 2023/24. However, this includes funding originally intended for social care reforms as well as enabling Council Tax increases of up to 4.99%, including an Adult Social Care precept of 2%.

1.3 The funding available from government and local taxation is significantly short of the estimated inflationary pressures in 2023/24 which must not only provide for anticipated pay awards and price inflation in 2023/24 but must also provide for the excess inflation experienced this year (2022/23), which was not built into council budgets and for which no further government funding has been received. Total inflation and pay award costs next year will be over £28m. On top of inflation, the council also experiences increased demand for social care as well as other cost and income pressures that are expected to total a further £15m. Total additional funding from government grant, Business Rates and Council Tax increases will be around £29m therefore resulting in a budget gap of £14m.This is in the context of government grant reductions of over £100m in the previous decade.

1.4 The announcement of a 2-year Autumn Statement potentially makes the position for the council clearer for next year but not beyond where the implementation and funding of social care reforms remains a key area of uncertainty. The restriction of the Local Government Financial Settlement to a one-year settlement, the fifth in a row, also leaves an element of uncertainty for 2024/25. Similarly, higher Council Tax increases and an Adult Social Care precept would appear to be allowable again in 2024/25 but beyond this, policy will be determined by the next Parliament.

1.5 The scale of the estimated budget shortfall in 2023/24, over £14m, is very significant and follows on from the cumulative savings of £209m since 2009/10 required to achieve lawfully balanced budgets, primarily to meet increases in social care, homelessness and other demands. The scale of the financial challenge next year is an unexpected scenario for councils up and down the country who would not have foreseen double-digit inflation, rising interest rates, widespread recruitment and retention challenges, slow economic recovery, and a deepening cost of living crisis.

1.6 Most councils set budgets for 2022/23 based on a return to some form of normality, expecting steady economic recovery as the country exited from the Covid Pandemic. Instead, the Ukraine invasion started, affecting global energy and food prices, while economic recovery was also weaker than expected due to a range of global and domestic factors, including an apparent exodus of working age people from employment during the pandemic and the impact of withdrawal from the EU on labour markets. These factors have combined to destabilise council budgets, having the effect of suppressing some fees & charges incomes, increasing statutory demands for support to vulnerable households and people, including continuing high levels of Council Tax Reduction claimants, and substantially increasing in-house pay and outsourced contract costs (also driven largely by pay and labour market shortages). This explains the very large budget shortfalls being announced by the majority of councils across the country.

1.7 All of this makes medium term planning very difficult but it now appears that local government finances will remain under pressure for some years, particularly given the trends in demand growth over recent years and the outlook for national public finances. This means that potentially difficult decisions are required this year and next to be able to put the authority onto a sustainable financial footing for the future and to avoid exhausting reserves and balances.

2 RECOMMENDATIONS:

That Policy & Resources Committee recommends to Council:

2.1 The Administration’s proposed budget and Council Tax increase on the Brighton & 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 2023/24 of £232.385m;

iv) The 2023/24 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 5.14.

vii) A recommended working balance of £9.000m (approximately 3.9% of the net budget) to be maintained over the period of the Medium Term Financial Strategy.

viii) Approval, in principle, to consideration of introducing a 100% discretionary premium on second homes, subject to the recommendations of an officer report to Policy & Resources Committee as soon as practicable following Royal Assent of the relevant legislation, and application of these resources to replenish the council's reserves within the Medium Term Financial Strategy.

2.2 That Council notes the updated 4-Year Medium Term Financial Strategy included in Appendix 1 including predicted budget shortfalls of £58m over the 4-year period.

2.3 That Council approves the Capital Strategy for 2023/24 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 7;

ii) The capital resources and proposed borrowing included at Annex A of the Capital Strategy;

iii) The Capital Investment Programme for 2023/24 of £211.698m 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 paragraph 18.3.

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 2023 of £607m.

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 setting Council meeting as listed in paragraph 12.3.

That Policy & Resources 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.

2.9 Notes the Business Framework set out in Appendix 7 which will underpin the management, governance and delivery of the council's services.

3 Context and background information

3.1 The 2023/24 budget is being set in an unprecedented financial and economic environment. The high inflation experienced this year, and expected to continue into 2023/24, alongside a weakened economy, recruitment & retention challenges, and growing demands driven by the cost of living situation is presenting an exceptional financial challenge for local authorities across the country.

3.2 The outcome is that the budget shortfall for this authority in 2023/24 is projected to be £14m with further shortfalls of £44m over the following 3 years. This requires a savings package of £14m in 2023/24 which is the fourteenth year in succession that the authority has had to address a budget deficit since 2010, with cumulative savings of £209m having previously been identified through a mixture of economies, efficiencies, technological advances, changes in provision of social care, income generation and service reductions. The budget gaps have been driven by the growing demands for services, particularly social care and homelessness, together with real terms government grant reductions of over £100m and the capping of Council Tax increases over the period (including two years of freezes), which has meant local taxation has not been able to keep pace with growing costs and demands, or inflation.

3.3 The government's Autumn Statement announced in November 2022 purported to provide substantial funding and an increase in Spending Power of 9.2% provided that councils take up the full Council Tax increase and Adult Social Care precept allowable (4.99%). However, this is clearly short of the resources needed just to stand still. Inflation in 2022/23 was running at over 10% (CPI) and, although predicted to fall throughout 2023/24, will be higher than in recent times. Unlike during the pandemic, no additional government support was provided in 2022/23 for the exceptionally high inflation experienced by local authorities, who do not have the ability to increase Council Tax in-year to compensate. The resources for 2023/24 must therefore not only fund inflationary increases and pay awards next year, but must provide ongoing funding for the excess inflation incurred in the current financial year as well as covering ever-growing increases in demand for services, particularly in the current cost of living crisis which has greater impacts on vulnerable and low income households.

3.4 Overall, the council can expect an increase in resources of approximately £29m from combined government grant, Business Rates and Council Tax increases, but meeting pay and price inflation alone will require £28m. Increases in demand and other cost pressures will add a further £15m, resulting in a budget shortfall of £14m. This is very challenging as can be seen from the budget proposals in this report which include necessarily significant increases to fees & charges to cover increased costs, significant demand-management savings programmes aimed at reducing reliance on higher cost social care placements and reducing emergency and temporary accommodation needs, alongside widespread cuts and reductions in services.

3.5 This has placed a number of authorities in severe financial difficulty with five authorities having now issued Statutory Section 114 notices, which temporarily halts non-critical spending and contracts until a remedial action plan can be agreed. However, there are also many other authorities that have stopped short of Section 114 notices but have been forced to apply to government for 'capitalisation directions' to enable them to use capital receipts or borrowing to fund annual revenue budgets in the short term.

3.6 In light of the increasing incidence of difficulties, advice has been made available to all councillors via two Budget Update bulletins and through the General Fund Budget Process and Resources Update report to January Policy & Resources Committee. This includes legal advice on the role of all councillors in setting the Council Tax and approving the budget and gives an indication of the likely process and consequences of not being able to reach agreement, or being unable to set a lawfully balanced budget, based on the experience of those authorities that have run into difficulties. However, this can only be a guide, as each case is unique and the resolution is usually very specific to each authority. In all such cases, local authorities are required to notify government before any action is taken and they will be a key stakeholder in reaching a resolution.

3.7 As noted above, this authority has navigated through substantial budget shortfalls over a long period of years, including managing its finances through the pandemic, albeit with the help of substantial government Covid grant funding. However, the pandemic and, latterly, high inflation, have both had an impact on the authority's capacity and ability to achieve planned savings in full and this has contributed to its financial position being less robust than anticipated, particularly when combined with current economic conditions, continued high inflation, and other factors described above that are impacting on finances. This presents a changed reality for the council and it is now in a position of simply not being able to afford to run or maintain some services at the same level.

3.8 This will require robust planning over the 4-year Medium Term Financial Strategy, running from 2023/24 to 2026/27, in order to achieve longer term financial sustainability. This is commented on by the External Auditor (Grant Thornton) in their Annual Report to the Audit & Standards Committee on 24 January 2023[1] where Financial Sustainability is identified as a 'Significant Weakness' and has led to the auditor providing a detailed commentary and a Key Recommendation. The main concerns of the auditor are:

- Annual savings programmes have not achieved the full savings due a range of factors including the pandemic, particularly over the last 2 years;
- The council has used one-off resources to 'smooth' budget shortfalls due to the pandemic over the Medium-Term Financial Strategy, which has eroded its reserves and financial resilience.

The auditor's Key Recommendations are to reduce reliance on one-off resources as far as possible and ensure plans to replenish reserves are robust; to consider opportunities to review service delivery including reviewing the balance of statutory versus discretionary spend, and; to review the process of setting savings targets, in particular giving consideration to building in an element of contingency or 'over-programming'. The auditor comments that 'Due consideration must be given to the fact that the council is likely going to need to make very difficult financial decisions in the near future if it is to maintain its financial sustainability'.

3.9 Utilising (i.e. internally borrowing from) reserves to financially smooth the budget over a period of years is not uncommon practice but, as the auditor notes, it is not desirable. Using financial smoothing to address annual budget gaps can only be undertaken for a short period over the MTFS period because it is an imbalance of ongoing, recurrent expenditure that could otherwise build up very quickly to a large ongoing deficit. Any use of financial smoothing to address a recurrent budget imbalance must therefore be accompanied by a viable medium-term plan demonstrating the replenishment of reserves over the period, recognising that failure to achieve savings or other financial objectives in later years may lead to adverse consequences or measures including:

- Depletion or exhaustion of reserves;
- Extension of spending controls and restrictions;
- Unplanned cuts or reductions to services;

[1] See item 38 of the Audit & Standards Committee: Brighton & Hove City Council - Agenda for Audit & Standards Committee on Tuesday, 24th January, 2023, 4.00pm (brighton-hove.gov.uk)

- Unplanned staffing reductions through either strict vacancy controls, voluntary severance and/or redundancy;
- Diversion of capital receipts from capital investment and the unplanned sale of assets to shore up revenue (i.e. capitalisation) in the short term.

3.10 Balancing the budget for 2023/24 is an immediate priority and this does include proposals that can contribute to the authority's longer term financial sustainability. However, 2023/24 is a very challenging year due to the ongoing impact of high inflation driving a very large budget gap; the focus will therefore be on closing the gap as sustainably as possible. Assuming this can be achieved, there will be more work to do next year and beyond to continue to improve the longer term sustainability of the council, including addressing the auditor's recommendations, given that the resource outlook from the government's 2-year Autumn Statement is not favourable and the longer term outlook for national public finances is not positive.

3.11 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 2023/24

Provisional Local Government Financial Settlement (LGFS)

4.1 The provisional Local Government Finance Settlement for 2023/24 was announced on 19 December 2022 and reflected the headline funding announcements for year one of the 2-year Autumn Statement announcement on 17 November which included:

- Confirmation of an allowable 2% Adult Social Care precept which would provide an additional £3.295m 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 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;
- £1 billion additional Adult Social Care funding split £400m to local authorities and £600m via the NHS (Better Care Fund). Assumed additional resources for BHCC are £3.373m (Total £4.203m but £0.830m previously announced) 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 (£6.475m, rising to £9.575m 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 £6.300m additional resources in respect of government protection for the September CPI uplift. However, this is £1.560m lower than expected due to the government's switch of protection from RPI (12.6%) to CPI (10.1%);
- National Insurance levy increase (1.25%) reversed but also removed from the Services Grant with no overall benefit to the council. However, the Supporting Families funding has also been removed from the Services Grant creating an overall loss of resources of £0.797m;

- Increase in the Revenue Support Grant (RSG) of £0.697m reflecting the application of a CPI inflationary increase but this is offset by removal of the Lower Tier Grant (£0.670m) to protect local authorities with resource increases of less than 3%; a net gain of resources of £0.027m;
- Increase in the New Homes Bonus grant by £0.192m, reflecting the new property completions in the city, however, this has been provided on a one-off basis as the government intends to replace the mechanism for distributing this funding in the future.
- Importantly, £1 billion one-off funding 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

4.2 In total, this provides approximately £19m additional recurrent resources for 2023/24. This, coupled with the assumed 2.99% council tax increase and changes to the tax bases for business rates and council tax provide total additional resources of £29m. However, as noted above this compares to inflationary impacts of £28m and demand and other cost of £15m, leaving a budget shortfall of £14m.

4.3 The final Local Government Finance Settlement is expected to be announced in February 2023.

Social Care and Better Care Funding (BCF)

4.4 The government announced £1bn additional funding for social care in the Autumn Statement, of which £600m would be split 50:50 between Health and local government. The £300m is being distributed through a new ASC Discharge Grant with the remaining £400m is being rolled in with the ‘Fair Cost of Care’ funding of £162m from 2022/23 to give £562m funding for the ASC Market Sustainability and Improvement Fund in 2023/24.

4.5 The government also 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.

4.6 The Independent Living Fund (ILF) grant has been rolled into the Social Care Grant and therefore is not identified separately.

4.7 The government confirmed a further 2% Adult Social Care precept for both 2023/24 and 2024/25.

4.8 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 of Social Care pressures in 2023/24:

Table 1: Social Care Resources	2021/22	2022/23	2023/24
ASC Precepting *	3% £4.450m	1% £1.588m	2% £3.295m
Improved BCF	£9.181m	£9.459m	£9.459m
Social Care Grant (includes £0.565m from 23/24 previously received as separate ILF grant)	£7.759m	£10.815m	£17.856m

ASC Discharge Grant			£1.326m
ASC Market Sustainability and Improvement Fund			£2.877m

* *Subject to full Council approval for 2023/24*

Referendum Threshold

4.9 The provisional Local Government Finance Settlement confirmed that the threshold at which an increase in council tax requires confirmation from a local referendum will be 5% including a 2% Adult Social Care precept. Any proposal to increase council tax by 5% 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.

Business Rate Retention and Council Tax Income

4.10 Details of the expected business rate retention income forecasts were set out in the report to the January 2023 Policy & Resources Committee. The council is forecast to receive £79.868m from its locally retained share of business rates and Section 31 compensation grants in 2023/24, which is an increase of £8.436m compared to 2022/23. This increase includes 10.1% inflation funded through government section 31 compensation grants, anticipated growth in business space in the city and a review of the likely number of successful appeals against business rates rateable value.

4.11 The Council Tax taxbase report was also agreed by Policy & Resources Committee in January 2023. Assuming a Council Tax increase of 4.99% and taking into account changes to the tax base, the total projected Council Tax income in 2023/24 is £173.298m. This is an increase of £9.646m compared with 2022/23.

Discretionary Premium on Second Home Ownership

4.12 Second home ownership in Brighton and Hove City is significant and can potentially have a negative impact in terms of the supply of homes available to meet local housing need which remains very high.

4.13 Following the announcement in May of the Levelling Up and Regeneration Bill, which is still progressing though Parliament without a confirmed timeframe, councils will potentially be able to utilise a new discretionary Council Tax premium of up to 100% on second homes which are not let out or lived in for at least 70 days per year. Initial, high level analysis indicates that that the application of a 100% premium on second homes in Brighton & Hove City could generate up to £2 million additional Council Tax revenue to support the provision of local services.

4.14 For the legislation to be successfully applied and enforced, the government will need to ensure that all potential loopholes are addressed to ensure that there isn’t wholesale avoidance of the premium and that councils that choose to implement the discretionary premium are not faced with a significant legal or administrative burden in attempting to enforce payment or close loopholes.

4.15 Before implementation and subject to Royal Assent, a report to Policy & Resources Committee would be required to outline the implications, options and potential timelines for introducing a discretionary 100% Council Tax premium on second homes.

4.16 As part of the 2023/24 General Fund budget proposals, the Administration proposes that the Council approves the principle of introducing a 100% premium on second homes in the city and gives consideration to an officer report to Policy &

Resources Committee as soon as practicable following Royal Assent of the relevant legislation. It is also proposed that, if successful and viable, the resources generated are applied to replenish the council's reserves and that this is reflected within the Medium Term Financial Strategy.

Other Government Grants

4.17 The grant allocations for 2023/24 have been included within the summary budget at Appendix 1. Some grant allocations for next year have not yet been announced, in particular, homelessness and rough sleeper funding, Supporting Families funding, and Public Health Grant. However, where these are critical to the setting of the 2023/24 budget, as in the case of those named, a rolled-forward estimate has been included.

Fees and Charges

4.18 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.

4.19 Over recent years, fees & charges have become an increasingly important element of the council's financial sustainability following real terms 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. These have increased substantially during 2022/23 but the ability to successfully increase fees & charges in-year is very limited due to short-term impacts on demand (price elasticity), uncertainty over the final costs of service which may ultimately be mitigated by in-year, short-term cost recovery actions, and departure from the council's practice of setting fees & charges annually since its creation in 1997.

4.20 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 may generate budget savings and, where this is the case, are reflected in savings proposals set out in Appendix 1.

5 CORPORATE PLAN INVESTMENTS & PRIORITY SERVICE PRESSURE FUNDING

5.1 The council's Corporate Plan contains priorities that aim for a fairer, sustainable city and contains six outcomes that are supported by a range commitments and actions. Full details are in the published plan and the six outcomes supported are:

- A city to call home
- A sustainable city
- A healthy and caring city
- A city working for all
- A stronger city
- A growing and learning city

5.2 The investments to support these outcomes are continually developing as they 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 Medium Term Financial Strategy, so far as they can be estimated and afforded.

5.3 A major investment area for the Corporate Plan relates to housing and homelessness including further capital investment plans of over £54 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 well advanced and are set out in detail in the Corporate Plan and the HRA Revenue and Capital Budget also reported to the February Policy & Resources Committee and Budget Council.

5.4 Another important area requiring substantial investment concerns services that can help to support a healthy and caring 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 stay in their homes and communities. The potential cost of Social Care Reforms on top of the underlying increase in demands and substantial inflationary pressures have resulted in the government further delaying implementation until 2025/26 but allowing local authorities to retain the associated funding.

5.5 The scope for further investment to support priorities in 2023/24 is much more limited due to the impact of high inflation on the council's budget. This requires substantial funding to maintain investment in essential, statutory service provision to safeguard and support vulnerable adults and children. Together with other unavoidable costs pressures, such as energy costs and other contractual pressures (often driven by pay increases and/or labour market shortages), this necessarily limits the availability of resources to address other, non-statutory priorities.

5.6 In total, there are proposed ongoing investments of £30.849m and one-off investments of £1.450m to support services that contribute to Corporate Plan priorities and outcomes. These revenue investments are enabled by proposed local taxation increases (4.99%), including the 2% Adult Social Care precept, increased government grant support, 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, as well as generating more income from fees & charges for services. However, the reality for 2023/24 is that a significant element of the required investment is to meet the impact of unusually high inflation and therefore avoid priority services from sustaining 'real terms' cuts in funding.

5.7 The full list of proposed investments to support Corporate Plan priorities and associated outcomes is set out below:

Table 2: Corporate Plan Investments and Service Pressure Funding 2023/24

Corporate Plan Priority	Proposed Corporate Plan Investments	Annual Revenue Investment 2023/24 £m	One-off Revenue Support £m
Housing	Investment in Temporary Accommodation to meet increased demand and address increased lease and other costs	1.625	0.730
	NEW GENERAL FUND HOUSING INVESTMENTS	**1.625**	**0.730**
A City Working for All	Funding to maintain Sport & Leisure facilities, including funding for increased energy costs	0.200	
	Funding to address 'Protect' legislation with regards to Counter Terrorism Measures for Public Open Spaces		0.070
	Continued waiver of Tables & Chairs licences to Sept 2023		0.050
	Investment to maintain third party reporting centres for hate incidents following ending of temporary funding	0.060	
	Funding for increased number of Regulation 13 Housing Benefit claims (attracting reduced subsidy)	0.450	
	NEW INVESTMENT TO SUPPPORT A WELL-RUN CITY	**0.710**	**0.120**
Climate Action & Sustainability	Investment to maintain Active Travel measures (and enhance public health and air quality)	0.550	
	Investment to meet increased maintenance and cleaning costs of public toilets and provide additional business support for future resilience of the service	0.465	
	Investment to maintain and improve City Environmental Services (Refuse & Recycling)	0.700	
	Managing Ash and Elm Dieback to improve and safely maintain public spaces		0.600
	Investment to improve the maintenance and upkeep of City Parks	0.300	
	NEW INVESTMENT TO SUPPORT CLIMATE ACTION & SUSTAINABILITY	**2.015**	**0.600**
A Growing & Learning City	Investment to manage the ongoing increase in Education, Health and Care Plans (Education Psychologists)	0.065	
	Investment in SEN Casework Officers for increased Education, Health & Care Plans	0.045	
	Funding to address income pressures in retained nurseries	0.150	

Corporate Plan Priority	Proposed Corporate Plan Investments	Annual Revenue Investment 2023/24 £m	One-off Revenue Support £m
	NEW INVESTMENT TO SUPPORT A GROWING & LEARNING CITY	**0.260**	**0.000**
A Health & Caring City / A Stronger City	Investment to meet inflation and increased demand for Adult Social Care – Physical Disability Age 18-64	1.451	
	Investment to meet inflation and increased demand for Adult Social Care – Physical Disability Age 65+	3.479	
	Investment to meet inflation for Adult Social Care – Mental Health	2.627	
	Investment to meet inflation and increased demand for Adult Social Care – Memory & Cognition support	1.528	
	Investment to meet the Fair Cost of Care	1.200	
	Investment to meet inflation and increased demand, including 'transitions', for Adult Learning Disability services	5.552	
	Investment to maintain in-house Care Home provision (Drove Road)	0.100	
	Investment to maintain in-house Adult Social Care Home Care services	0.175	
	Investment to meet increased Children in Care costs, including Children's Disability placement costs	3.225	
	Increased funding to meet inflation and increased demands on the Home to School Transport Service	1.337	
	Investment to meet the increased cost of supporting Unaccompanied Asylum Seeking Children (NTS)	0.500	
	Funding for the redesign of Assessment, Business Support and Preventive services in Adult Social Care to underpin long term savings delivery	0.359	
	Increased cost of repairs across Hostel sites	0.020	
	Investment to meet the increased cost of awarding carers relief discount on council tax	0.073	
	Funding to support increased caseload on children's related court work, including SEN and Education cases	0.075	

Corporate Plan Priority	Proposed Corporate Plan Investments	Annual Revenue Investment 2023/24 £m	One-off Revenue Support £m
	NEW INVESTMENT TO SUPPORT A HEALTHY & CARING CITY	**21.701**	**0.000**
Unavoidable Corporate Pressures	Contractual requirement to meet pay award costs for the Royal Pavilion & Museums Trust	0.400	
	Funding to maintain building security following retendering of contracts (driven by pay uplifts)	0.050	
	Investment in reactive maintenance to reduce maintenance backlogs across corporate buildings	0.150	
	Provision for substantial increase in energy costs across the corporate estate (excludes Schools and Council Housing)	1.410	
	Orbis contribution (ACR) review for IT&D where BHCC costs have increased significantly (due to historic under-investment) together with service disaggregation of HR and Business Operations causing unwinding of savings	1.529	
	Funding for approved Market Supplement across Legal Services due to severe labour market shortage of lawyers	0.405	
	Funding for reduced income and recovery of court costs for Council Tax and Business Rates due to change in court procedures	0.285	
	Provision for various unavoidable above-inflation contractual and service cost increases across a range of priority directorate services	0.309	
	CORPORATE SERVICE PRESSURES	**4.538**	**0.000**
	TOTAL CORPORATE PLAN INVESTMENTS	**30.849**	**1.450**

Reserves Position and One-off Funding

Latest Financial Performance in 2022/23

5.8 Targeted Budget Management (TBM) is the council's system of budget monitoring and the TBM Month 9 (December) report included on this committee agenda shows a projected overspend of £6.573m on the General Fund, which includes a projected underspend of £0.345m on the council's share of NHS controlled Section 75 partnership services. The overall overspend is a substantial improvement of £5.064m since Month 7 (October) but still indicates a very challenging situation caused largely by the impact of high inflation.

5.9 The improved position has resulted from a combination of strict recruitment and spending control since September, alongside normal financial management actions and receipt of increased funding for homelessness and winter hospital discharge management. Unfortunately, the council's Collection Funds are also under significant strain due to economic conditions, in particular, the continued high numbers of Council Tax Reduction claimants which have not fallen back to pre-pandemic numbers. The overall collection fund deficit, including the final 3rd year spread of the 2020/21 deficit is £1.418m.

5.10 The overspend and Collection Fund deficit will need to be met from one-off resources. As normal at budget setting time, all other council reserves have been reviewed to ensure they remain appropriate and relevant for their intended purpose. Where reserves are no longer required, they can be released to support the budget position. Conversely, where they are insufficient, a proposed allocation may be required. Following the review, £1.840m is assessed to be available for release (from the Waste PFI reserve) and will provide resources to partially mitigate the overspend and Collection Fund deficit as shown in the one-off resources table below.

One-off Resource Liabilities and Proposed Allocations

5.11 The working balance will be recommended to continue at a minimum of £9.0m to meet general risks applicable to a unitary authority. If an overspend is sustained in the current year, 2022/23, subject to the availability of other reserves, this may require temporary use of the Working Balance and therefore replenishment (back up to £9.0m) would need to be provided for in the Medium Term Financial Strategy.

5.12 Table 3 identifies 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 remain in line with the TBM Month 9 (December) projection and the estimated further improvement to year-end from ongoing spending and recruitment controls. At this stage, the table below shows an estimated shortfall in one-off resources of £4.929m in 2023/24 which will need to be met from the Working Balance and replenished over the period 2024/25 to 2026/27.

5.13 This situation is clearly not desirable or sustainable but the severe impact of inflation, the cost of living situation and other national and local economic factors on the budget, without additional in-year government funding support, has placed unprecedented financial pressures on the budget in 2022/23. At its highest, the forecast overspend was £13.1m (in August) but the application of financial management measures, including strict spending and recruitment controls from September, has mitigated this and is expected to bring this down to circa £4.5m by year-end; around 1.8% of the net budget. This is in the context of the Local Government pay award being 4.3% above the original budget provision and social care provider costs also being significantly above the budgeted provision. These are the two largest costs for the council.

5.14 As noted above, any use of the Working Balance to manage a 2022/23 overspend, together with any Collection Fund deficit and other unavoidable one-off commitments, will require repayment within the 4-year MTFS period to ensure the Working Balance is returned to the recommended level of £9.0m. This will necessarily add to future years' budget requirements and is likely to increase budget gaps (savings requirements) unless future financial settlements significantly improve and/or higher Council Tax increases are allowed and opted for by the full Council.

Table 3: One-off Resources, Liabilities and Proposed Allocations	**£m**	**£m**
Revenue Budget position 2022/23 (TBM):		
Forecast outturn underspend (as at TBM Month 9 / December)	-6.573	
TBM further improvement between Month 9 and Outturn	+2.000	
Sub-total Estimated Year-end TBM Outturn		**-4.573**
Collection Fund Position:		
• Estimated 2022/23 Council Tax collection fund net deficit	-1.523	
• Estimated 2022/23 Business Rates Retention collection fund position	+1.573	
• 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 Collection funds net position		**-1.418**
2022/23 mitigations		
Contribution to Waste PFI reserve not required		+1.840
Defer planned contribution to reserves		+0.452
Projected One-off Resources Deficit from 2022/23		**-3.699**
One-off Allocations in 2023/24:		
One off pressures in Homelessness prevention	-0.500	
Diseased Trees removal	-0.600	
Temporary Accommodation increased Bad Debt Provision	-0.230	
Continued waiver of Tables & Chairs licences to Sept 2023	-0.050	
Protect Legislation	-0.070	
Elections 2023 - balance of funding required	-0.230	
Provision for part year effect of savings	-0.100	
Subtotal		**-1.780**
Net shortfall in one off resources		**-5.479**
Managed by:		

Contribution to Waste PFI 2023/24 reserve not required		**+0.550**
Working balance (to be replenished across 2024/5 – 2026/27)		**+4.929**
Balance		**0.000**

5.15 The proposed one-off allocations for 2023/24 are explained in more detail below:

- One-off pressures in Homelessness prevention have been identified. This relates to the continuing higher numbers of Emergency and Temporary Accommodation emanating from the pandemic but which is steadily being addressed. The treatment of this on a one-off basis reflects that there is more affordable and social housing provision due to come on stream within the city in the second half of 2023/24 as well as the potential for additional government funding, as was the case in the current year where an additional £1.006m Homeless Prevention Grant was received.
- Ongoing management of Ash & Elm dieback (health & safety works) (£0.600m): 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). The allocation will help to manage the ongoing spread of the diseases as well as safely removing dying and unsafe trees from public spaces.
- The cost of living crisis is significantly impacting Temporary Accommodation collection performance in both General Fund and Seaside Homes properties, particularly for former tenants where recovery is uncertain and 100% bad debt provision is required. The pressure is higher in the current year but revised processes are expected to reduce the pressure down to £0.230m in 2023/24 and the position should then revert to normal from 2024/25 as inflation eases.
- Continued waiver of Tables & Chairs licences (£0.050m) to September 2023 required under the Business & Planning Act 2020. This is expected to normalise in the second half of 2023/24.
- There are planned changes to Protect legislation with regards to Counter Terrorism Measures for Public Open Spaces that are due to come into effect in 2023. Health and Safety improvements, estimated at £0.070m, are required to spaces to meet the protect duty and avoid potential liabilities.
- The local elections are funded by councils directly and for 2023 the estimated cost is £0.480m. There is £0.250m set aside in reserves and therefore a further £0.230m is required.
- An assessed provision of £0.100m for timing differences to cover the part-year effect of the commencement of some savings where the lead-in time for consultation and/or redesign will mean that implementation will not be achievable on 1 April 2023.

6 SAVINGS PROPOSALS 2023/24

6.1 Taxation and Adult Social Care precept increases, together with additional resources provided by the Autumn Statement 2022 and subsequent Local Government Financial Settlement, are not sufficient to balance the budget due to the need to provide cover for substantial pay award provision, meet increased costs of energy and other types of expenditure, and provide for inflationary increases and growing demands across critical statutory services such as social care and homelessness. To balance the budget therefore requires a substantial savings programme as has been the case for the previous 13 years since 2010.

6.2 The overall savings package proposed is £14.302m and incorporates the draft proposals presented to the Policy & Resources Committee on 1 December 2022 together with further proposals to close the projected budget shortfall in 2023/24. Savings proposals are provided at Appendix 1.

6.3 Over the previous 6 years, the council has focused on supporting the delivery of many savings through its Modernisation Programme supported by significant capital investment (the Modernisation Fund). This was 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 allows capital receipts to be applied to revenue saving projects and programmes and this flexibility continues through to 2024/25.

6.4 The council approved continuation of the Modernisation Fund in February 2020 over a further 4-year period, through to 2023/24, to enable delivery of the substantial savings and efficiencies required over the period to meet the predicted budget gaps set out in the Medium Term Financial Strategy. The council also utilises the fund to continuously improve value for money as a matter of course because this ensures the best use of its resources and contributes to improved customer and digital services. More information about the Modernisation Fund is given in Section 7 below.

6.5 There are other methods of funding invest-to-save programmes including unsupported borrowing where there is a good business case for doing so. Availability of capital receipts for modernisation is also anticipated to be at a much lower level over the next few years due to high demand for other priority capital investments and fewer assets available or suitable for disposal. More information on the Modernisation Fund and its proposed application are set out in the section on Modernisation Programme Funding below.

7 CAPITAL INVESTMENT PROGRAMME AND CAPITAL STRATEGY 2023/24

Capital Strategy 2023/24

7.1 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 commercial investments in commercial property or loans to third parties.

7.2 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 activity. The document will include:

- The proposed Capital Investment Programme
- The Governance & Risk Framework
- Potential and pending non-financial investments
- An overview of the council's Risk Exposure

7.3 The new Prudential Code for Capital Finance issued in 2021 prohibits PWLB lending to local authorities that plan to buy commercial assets primarily for yield. The PWLB will still be available to all local authorities for refinancing. In order to borrow from the PWLB, local authorities are now required to submit a summary of their planned capital spending and PWLB borrowing for the following three years. The Capital Strategy and Treasury Management Strategy are compliant with the new code and do not include capital investment activity for commercial yield only.

7.4 The Modernisation Programme investments detailed later in the report will be incorporated into the full Capital Strategy alongside new and perennial capital investments that will support sustainability and carbon reduction schemes, improved transport infrastructure, provision for school places, major regeneration projects, and major housing build, acquisition and improvement programmes. Key decisions are required in respect of strategic funds including IT & Digital investment, Strategic Investment Funds (supporting regeneration) and Asset Management Funds. 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

7.5 As previously, a 5-year capital programme has been developed and the associated capital financing implications will be included in the Medium Term Financial Strategy. The capital expenditure estimates incorporate planned rolling investment programmes alongside major infrastructure projects.

7.6 A significant element of the council's capital investment is within rolling programmes. The key programmes, including those re-focused to support Corporate 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 New Pupil Places, 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;
- The Asset Management Fund (AMF) to ensure the strategic elements of the Asset Management Plan can be supported;
- 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;
- Vehicle Fleet and plant replacement annual programme.

7.7 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 Valley Gardens Phase III, investment in the seafront infrastructure (Kingsway to the Sea) and heritage lighting, partnership investment through major projects such as the Housing Joint Venture, and investment in the City's environment including parks, sports facilities and trees. Longer term investment for coast protection is also incorporated into the 5 year strategy which includes potential government match-funding.

7.8 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.

7.9 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. As well as rolling programmes noted above the programme will cover existing and new scheme proposals including:

- New investment for retrofitting and renewable investment in council housing as well as expansion of the additional council homes investment through the HRA;
- The Carbon Neutral Investment Programme and further investment in the Warmer Homes capital investment programme;
- Similarly, investments in active travel including covered cycle racks, support for green spaces and tree planting, and sports facilities and pitches are proposed to improve air quality and promote public health improvements.

7.10 The overall Capital Investment Programme for 2023/24 is £211.698m. The proposed investments are summarised as follows:

Table 4: Capital Investment Programme 2023/24	**£m**
New Housing including New Homes for Neighbourhoods, the Home Purchase scheme, the Hidden Homes programme, the Housing Joint Venture, Temporary Accommodation purchases and conversions, and Housing First accommodation	87.995
Sustainability & Carbon Reduction including the Carbon Neutral 2030 Fund, Warmer Homes, Street Lighting, BikeShare, Liveable Neighbourhoods and carbon reduction measures to operational buildings.	17.597
Parks & Open Spaces including playground refurbishments, Kingsway to the Sea LUF, parks infrastructure including tree replacement and Stanmer Park redevelopment	12.274
Sport & Recreation including maintaining and improving the city's sporting facilities including 3G pitches, swimming, cycling, tennis and skatepark improvements as well as supporting investment for the Saltdean Lido	2.016
Transport & Highways reflecting the Local Transport Plan (LTP) allocation for 2022/23, Pothole Action funding and development of the Strategic Transport Model.	9.791
New Pupil Places (Basic Need) to provide educational places for pupils based on demographic changes in the city	6.614
Regeneration including Madeira Terraces, Black Rock, Valley Gardens and Royal Pavilion Estate	27.537

Tackling Inequality including Disabled Facilities Grant (DFG) projects and the Knoll House redevelopment	7.710
Building Maintenance including the Workstyles programme, Planned Maintenance, Education Buildings Maintenance, the Asset Management Fund and various security, fire and safety works	25.938
IT&D / Modernisation including the Modernisation Fund as well as re-procurement of the Wide Area Network and the Enterprise Resource Planning programme, investment in digital services for customers, and ongoing investment in the IT&D infrastructure	11.726
Vehicles & Equipment for the council's vehicle fleet replacement programme	2.500
TOTAL CAPITAL INVESTMENT PROGRAMME 2023/24	**211.698**

7.11 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.

Modernisation Programme Funding ('Modernisation Fund')

7.12 As noted earlier, over the previous 4 years, 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.

7.13 In 2020/21 the council approved the continuation of funding for the Modernisation Programme over the 4-year period 2020/21 to 2023/24 and the Modernisation Fund now included in the Capital Investment Programme for the period to 2023/24 is £16.000m.

7.14 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 2023/24 is shown in the table below.

Table 5: Indicative Modernisation Fund

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	0.635	**2.285**
Customer Digital	*1.750*	*1.750*	1.550	1.550	**6.600**
Modernisation enablers	*1.510*	*0.920*	0.930	0.940	**4.300**
Managing staffing changes	*0.700*	*0.500*	0.400	0.115	**1.515**
IT Modernisation Investment	*0.800*	*0.300*	0.000	0.000	**1.100**
Total	***5.410***	***4.020***	**3.330**	**3.240**	**16.000**

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

- **Invest-to-Save Budget Proposals:** Investment of £0.635m 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. This resource will be held in a reserve and only released through review of business cases by the officer Corporate Modernisation Delivery Board (CMDB). Committee approvals are also sought where required by Financial Regulations and the council's constitution. Alongside many smaller investments, investment in two significant business cases is planned as follows:

- **Foster Care Plus+ business case:** The proposal is to develop a Complex Placements Pod (Foster Care Plus+) within Families, Children & Learning which will recruit, train, develop and support a group of experienced foster carers able to meet the complex needs of the cohort of children currently placed in costly residential and semi-independent placements. Decreasing reliance on residential and semi-independent care placements is, prudentially, estimated to secure net savings of £1.281m over 4 years.

- **City Environmental Management Continuous Improvement Programme:** The improvements and modernisation required across Cityclean and City Parks have to be seen as a long-term programme that will deliver change over time. The substantial cuts to the service over the last 10 years led to a substantial deterioration in legal compliance and safety levels, alongside impacting on the level of service achievable. The former must be prioritised but the pace of change is slow due to the extent and depth of the problems caused by disinvestment in the service over a long period of time.

  The extent of the change required sits alongside industrial relations and staff consultation and engagement, and a lack of basic infrastructure, which increases the lead-in time to implement change collaboratively and safely. However, substantial improvements have been made in relation of the compliance and health and safety issues, as well as employee relations. There is much more work to do in this respect, but it is creating the foundation to deliver more visible improvements in service delivery. Projects and activities to address these will be governed by the City Environment Improvement Board.

- **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. The importance of these services and the digital infrastructure has been highlighted by the pandemic which required a significant number of on-line application portals to be developed very quickly to enable people and businesses to apply for grants and financial assistance remotely. This continues with the Household Support Fund, ongoing development of MyAccount and many other developments.

- **Modernisation Enablers:** £0.940m is estimated to be required to support ongoing change and modernisation programmes next 2 year. This includes everything from an effective project management support team, business improvement analysts, workstyles property team support, investment in 'Our

People Promise' for 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, alongside budget savings proposals, can 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 or re-trained with different roles or skills. Estimated resources of £0.115m are required to meet severance costs to manage change next year.

8 STAFFING IMPLICATIONS (GENERAL FUND SERVICES)

8.1 An estimate of the posts to be deleted in relation to the budget proposals has been made and indicates that approximately 40.0 full time equivalent (fte) posts are expected to be deleted from the council's staffing structure. 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 16.7 fte staff have been identified as potentially at risk at this stage of the process. This information has been shared with the council's recognised trades unions and the staff affected in advance of the release of the Policy & Resources report.

8.2 As in previous years, actual numbers of staff affected will be 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.

8.3 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);
- Offering voluntary severance where appropriate to staff affected by budget proposals 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.

9 BUDGET BOOK AND MEDIUM TERM FINANCIAL STRATEGY 2023/24 to 2026/27

9.1 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.

9.2 The Medium Term Financial Strategy (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.

9.3 This year, the very late announcement of the Local Government Financial Settlement 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 2023 to 2027	**2023/24**	**2024/25**	**2025/26**	**2026/27**
	£m	**£m**	**£m**	**£m**
Net Budget Requirement B/Fwd	**199.853**	**232.385**	**260.983**	**267.124**
Remove net one off short term funding and expenditure	15.057	2.050	0.000	
Net Budget Requirement B/Fwd	**214.910**	**234.435**	**260.983**	**267.124**
Standard Pay and Inflation assumptions – Expenditure	9.985	13.237	11.573	10.859
Standard Inflation assumption - Income	(2.922)	(3.825)	(3.453)	(3.552)
Demographic and inflationary pressures in Adult Social Care and Adult Learning Disabilities	16.032	8.000	7.000	5.500
Demographic and inflationary pressures for Children's disability, Children in Care and Care Leavers	4.081	2.400	2.000	1.750
Inflationary Pressures on Temporary and Emergency Accommodation	2.355			
Inflationary Pressures - Waste PFI		0.300	0.300	0.300
Inflationary Pressures - Energy costs	1.410	0.840		
Orbis Partnership revised shares and service withdrawal impacts	1.529			
Housing Benefit Subsidy Loss (Regulation 13)	0.450			
Income Pressures	0.953			
All other identified cost and inflationary pressures	5.489	4.000	3.750	3.500
Increase in Social Care Grant and Better Care Fund	(10.678)	(5.390)		
S117 Mental Health - joint funding	(3.000)			
Commitments - impacts of previous decisions	1.236	4.943	2.511	1.879
Commitment - pay award 2022/23 above 2%	6.000			

Changes in S31 Business Rates Grants	(1.032)	11.661	(0.250)	(0.108)
Change in contributions to/from reserves	(0.111)	3.583	(0.274)	(0.876)
Savings identified	(14.302)			
Budget Gap (Savings Requirement)	0.000	(13.201)	(17.016)	(13.387)
Budget Requirement C/Fwd	**232.385**	**260.983**	**267.124**	**272.989**
Funded by:				
Revenue Support Grant	7.927	8.086	8.248	8.413
Locally retained Business Rates	53.791	69.312	70.521	71.040
Collection Fund position	(2.631)	0.000	0.000	0.000
Council Tax including Adult Social Care Precept	173.298	183.585	188.355	193.536
Total Funding	**232.385**	**260.983**	**267.124**	**272.989**

9.4 The Medium Term Financial Strategy (MTFS) above includes estimates for pay awards, price inflation, and pension changes taking into account Office for Budget Responsibility (OBR) forecasts for deflators alongside actuarial pension forecasts in the context of the government's assumptions adopted in the 2022 Autumn Statement. However, an increased assumption for income growth of 3% per annum is assumed based on historic income trends. 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.

9.5 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 2024/25 and beyond, the demographic and other cost pressures are estimates based on the midpoint of high and low estimates.

9.6 However, there are other notable items in the MTFS as follows:

- Changes to capital financing: the current high level of cash balances (see Appendix 3 Treasury Strategy for reasons) and substantial delays to capital programme spending will significantly reduce capital financing costs over the next 2 years. However, this will eventually smooth out over the MTFS period as capital programmes are eventually expended, as indicated by the reversal of the 2023/24 reduction across later years. This is unless the council later elects to reduce or remove capital schemes from the programme.
- Expected Further Service Grant reductions and ending of the current New Homes Bonus funding with no alternative being proposed by government at present.
- Budget Gap (further Savings Requirement): 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, even assuming a 4.99% Council Tax increase in 2024/25 (reverting to 1.99% thereafter). Total shortfalls of £58m are projected over the 4-year period, meaning further savings of £44m will potentially need to be identified over the period.

10 TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY

10.1 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.

10.2 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.

10.3 CIPFA published revised Treasury & Prudential codes in 2021. The strategy reflects best practice in the updated codes of practice, the main changes of which are outlined in section 5.5 of Appendix 3. 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.

10.4 The Annual Investment Strategy (AIS) for 2023/24 is also incorporated within Appendix 3 to this report. The AIS gives priority to security and liquidity.

10.5 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.

10.6 Liquidity is achieved by limiting the maximum period for investment and matching investment periods to cash flow requirements.

10.7 There are no changes proposed to the AIS for 2023/24.

11 BUSINESS FRAMEWORK – A WELL RUN COUNCIL 2023 – 2027

11.1 The Business Framework at Appendix 7 is a guide to how the council will deliver services to meet the pressing needs of the city, working within a challenging fiscal environment. It is accompanied by the Medium-Term Financial Strategy, which sets out a significant budget reduction and therefore a need for a sharper focus on core business and essential services. Taken together these documents provide a framework for *how* the council can boost its organisational resilience and deliver the priorities of a forthcoming 2023-2027 Corporate Plan.

11.2 The council's ambition is to be a well-run, high performing council. To achieve this alongside significant budget challenges means that the council will need to work in a different way. In this respect, during 2022 we asked staff to reflect on our Values and Behaviour Framework to think through what ways of working will need to come to the fore as we manage the challenges ahead. Staff emphasised the importance of working in a more agile and collaborative way to drive the innovation and improvement in efficiency that that will be needed. The Business Framework sets out some examples of what values and behaviours will need to mean in practice as the council balances the scale of its ambition against an uncertain economic and political landscape.

11.3 The challenges that lie ahead are not underestimated. The Framework sets out the support that the corporate centre will need to provide to help service areas adapt to the pressures they will face while continuing to meet the needs of the city's communities. In November 2022 staff were also asked what support they needed from each of the corporate pillars identified in the Business Framework to work in a more efficient way. Suggestions included:

- Customer Services – strengthening the commitment to the 'One Council' approach through further joining up the council's services, data and information systems to improve customer journeys and generate efficiencies;
- Our People Promise – ensuring we have a high performing and resilient workforce well placed to respond to the challenges ahead with the right skills to support transformation and develop our approach to data and digital;
- Digital, Data and Technology – making better use of data and digital capabilities to understand and respond to the growing demand on our services in a more integrated way;
- Accommodation Management – consolidating office space to generate efficiencies and enable more agile, matrix ways of working, co-location and collaboration;
- Good Governance – supporting more forward planning and strategic thinking, while streamlining processes, and;
- Financial Resilience – supporting invest-to-save opportunities and clearly communicating the level and range of services the council can provide within the bounds of financial sustainability.

11.4 The Business Framework sets out how this support can be delivered over 2023 to 2027.

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 £1,883.63 for the council's element, an increase of £89.60 from 2022/23; of this increase £35.82 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 Local Government Finance Settlement 2023/24.
- Any other grants that are announced before Budget Council.
- The agreed Council Tax set by East Sussex Fire Authority and Sussex Police and 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 Policy & Resources 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 the current year where national and global events discussed in the report have had dramatic and unexpected impacts on nearly every aspect of the council's budget. This statement about the robustness of estimates cannot therefore give complete assurance about the proposed budget 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 potentially destabilise any local authority and may require government intervention if this means it can no longer balance its budget and meet statutory duties.

13.3 For 2023/24, further funding of £19.968m has had to be provided to support identified inflationary and demand pressures in priority, demand-led services across Adults Social Care, Children's Safeguarding & Care services, and Homelessness and Rough Sleeper services. Provision for this level of investment substantially supports the predicted demand-led service pressures at the time of setting the budget. This considerably lessens potential overspending risk in 2023/24 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. With the exception of the current year, which is an outlier in terms of unexpected inflationary and economic impacts, this normally serves to minimise the level of any risk provisions required over and above the council's current working balance. In addition:

- The authority continues to demonstrate its proactive approach to managing the budget. The current year has been the most challenging in the Authority's history and an overspend forecast as high as £13.1m was projected in August 2022 without corrective action. Spending and recruitment controls alongside other financial recovery measures, including delaying capital spend and discussions with NHS partners regarding funding, have brought the forecast down to £6.6m and this is expected to improve further by year-end to at least £4.5m. This is not an enviable position but the collision of numerous fiscal impacts this year have had an unprecedented impact. However, the substantial reduction in the forecast risk indicates the ability of the authority to react to short term financial shocks.

- Despite the severe challenges this year, the authority continues to achieve substantial savings, including a minimum of £6m this year, supported by its Modernisation Programmes and Modernisation Fund. However, over the last 3 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 comments on this in their Annual Report 2021/22, recently considered by the Audit & Standards Committee, and recommends a level of over-programming savings to mitigate against the risk of under-achievement.
- While ‘over-programming’ of savings is accepted as a sensible objective, with such as large gap to close in 2023/24, the largest for over 5 years, this is not a realistic aim for next year, particularly for a No Overall Control council nearing the end of the current term of Administration. However, with more time to plan, consider and develop options, it should be an objective for future years within the Medium-Term Financial Strategy (MTFS) to improve the council’s financial sustainability and maintain or, ideally, improve its reserves position.
- The authority continues to work closely with the Sussex Health & Care NHS body 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 has agreed to joint funding of Section 117 Mental Health provision. Proposals for joint funding arrangements under the Integrated Care System (ICS) continued to be developed for the medium term;
- The authority has been able to maintain its Working Balance and adequate reserves and provisions against known and identified risks and, with the possible exception of the current year (subject to final outturn), had not previously made any unplanned drawdown of its reserves or balances. Initially, internal borrowing from reserves (financial smoothing) of £3.971m was undertaken to support the 2021/22 budget, repayable over a period of 10 years, to manage the financial impact of Covid-19. However, this was later reduced to £1.521m through allocation of £2.450m resources from the 2020/21 outturn underspend to repay reserves early.

13.4 Taking into account identified risks as set out in Appendix 5, the council is recommended to maintain its minimum working balance of £9.000m, which is approximately 3.9% of the net General Fund and represents around 3 weeks’ council tax income, as well as maintaining other earmarked reserves to manage any short term pressures. The Working Balance and other usable reserves must mitigate general legal and financial risks including appeals and challenges, as well as potential billing failures, civil contingencies and other emergencies. If an overspend in the current year is confirmed at outturn (usually determined by May/June), including any Collection Fund deficit or other one-off resource requirements that cannot be mitigated, this will be a call on the Working Balance and the Medium Term Financial Strategy will need to accommodate replenishment of the Working Balance over the 4 year period to return it to the recommended level. This is will to add to predicted budget gaps for future years and therefore increase the savings requirement to balance the budget.

Adequacy of Reserves

13.5 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.

13.6 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 2023/24 budget. This is supported by the experience of the current year which has sustained unprecedented financial impacts but will not exhaust the Working Balance. If there is an overspend at year-end, including Collection Fund deficits, that draws on the Working Balance, the authority will carry potentially higher risks until the Working Balance is replenished to its full extent over the following 4 years.

13.7 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 medium term financial strategy.

Assurance Statement of the Council's Section 151 Officer

13.8 In relation to the 2023/24 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 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 2023/24 is potentially deliverable with effective governance and accountability at all levels. However, any further, significant downturn of national and local economic performance will heighten delivery risks and may require a return to stricter spending and recruitment controls to avoid further calls on the Working Balance.

13.9 In terms of the adequacy of reserves, the Section 151 Chief Finance Officer considers a working balance of £9.000m for 2023/24 to be adequate, 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 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. 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) was agreed by Policy & Resources Committee on 19 January 2023 which determined 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 2023/24 - 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 2022, the Department for Education (DfE) announced the updated DSG funding settlement for the 2023/24 financial year. This settlement results in an increase in the published DSG allocation to Brighton & Hove of approximately £9.8m compared to the published 2022/23 figures as shown below.

Financial Year	Schools Block* £'000	Central School Services Block £'000	High Needs Block £'000	Early Years Block £'000	Total DSG £'000
Provisional 2023/24	159,378	2,136	37,808	16,142	215,464
2022/23	153,922	2,270	34,342	15,091	205,625
Increase	5,456*	(134)	3,466	1,051	9,839

* In 2022/23 mainstream schools and academies have received an additional supplementary grant outside of the main DSG allocations. This equates to £4.400m. For 2023/24 this funding has been rolled into the Schools Block figure shown in the table above, meaning that the directly comparable increase in Schools Block funding is actually £1.056m.

15.3 In addition to the core increase in DSG funding the government has also announced a further additional mainstream schools grant for 2023/24. This is the additional funding that was announced in the Government's autumn 2022 statement. For mainstream schools and academies this is estimated at £5.395m. This means total funding available to mainstream schools between 2022/23 and 2023/24 will increase by £6.451m. This equates to a percentage increase in cash terms of 4.1% and an overall increase in per pupil funding of 5.1%.

15.4 It should be noted that the Schools Block pupil numbers have decreased from 29,752 in October 2021 to 29,451 in October 2022. This is a reduction of 301 pupils and means the increase in Schools Block funding between the 2022/23 and 2023/24 is approximately £2m lower than would have been the case if pupil numbers remained unchanged.

15.5 The significant additional investment in the high needs block is in recognition of the increasing costs of supporting children and young people with SEND and will help the local authority manage pressures in this area and establish more local, specialist provision. There is a requirement within the high needs block to pass on guaranteed funding increases to special schools in 2023/24.

15.6 Following a consultation in summer 2022 the government has made changes to the calculation of the Early Years Block. These are generally favourable to Brighton and Hove and have resulted in an overall increase of just over £1m.

Mainstream Schools

15.7 Core funding allocations for each mainstream school and academy will be determined through calculation using the local authority's funding formula.

15.8 During autumn 2022 it was agreed that limited changes would be made to the operation of the local school funding formula for 2023/24. These proposals were subject to consideration by the Schools Forum in October 2022. The key changes to the 2023/24 local formula are summarised below and follow the principle of moving towards the proposed National Funding Formula on a gradual basis as follows:

- the school supplementary grant funding provided as a separate grant in 2022/23 has been rolled into the Schools Block and core formula budgets in 2023/24;
- in line with government requirements, all LAs must use all national funding formula (NFF) factors except for premises factors which remain optional;
- 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 £4,405 for primary schools and £5,715 for secondary schools;
- apply uplifts to formula factors to reflect increases in national funding allocations;
- apply a year-on-year minimum funding guarantee of +0.50% per pupil

15.9 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.

15.10 Funding proposals for 2023/24 were presented to, and agreed with, the Schools Forum on 16 January 2023 and are subject to final sign off by the government.

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 Policy & Resources Committee and Budget Council meetings.

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)

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. 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.

16.6 In particular, the council continues to engage fully with the Sussex Health & Care (NHS) 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.

16.7 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. Officers of the council and members of the administration met with representatives of the Chamber of Commerce and B&H Economic Partnership on 9th January to discuss high level detail of the budget.

16.8 The Schools Forum, a consultative body attended by representatives of all school phases, received a report on the potential areas of interest and potential impact of the General Fund budget proposals at its meeting on 16 January 2023, providing an opportunity to feedback views on the proposals. This is a public, minuted meeting and agenda 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 2 February 2023 to discuss the budget proposals and provide them with an opportunity to feedback their views to the council and members.

16.10 For staff, there have been discussions with the council's recognised unions through local Directorate Consultative Group meetings, engagement through the Joint Staff Consultation Forum and officers and members of the administration have met with union representatives. See also Section 8 Staffing Implications for further information. Further updates are provided via the council's intranet, corporate email broadcasts, and formal consultation and engagement with directly affected staff and union representatives will be undertaken as normal 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 2023/24 revenue and capital budgets are appended to this report and will be brought together in an annual Budget Book which will 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: 01/02/2023*

Legal Implications

18.2 Whilst the Policy & Resources 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 Policy & Resources 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: 01/02/2023*

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 2023/24 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.

Sustainability Implications

18.11 One of the criteria considered for developing budget proposals, aligned with the Corporate Plan, is whether or not budget proposals contribute to the carbon neutral objective. This plays out through everything from reviewing the council's use of office buildings and facilitating more remote working for staff which can reduce office space, to increasing the number of electric vehicles in its fleet, through to working with the Climate Assembly to identify further opportunities and actions including Low Traffic Neighbourhoods. The capital and revenue budget proposals for 2023/24 cannot address all of the Corporate 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:

18.12 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 significant budgets provided through the Community Grants programme to third sector organisations also working across these and other areas.

Public health implications:

18.13 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 2023/24
3. Treasury Management Strategy Statement 2023/24
4. Review of Reserves
5. Assessment of Risks
6. Equalities Impact Assessments (EIAs) – Individual Assessments
7. Business Framework – A Well Run Council 2023 - 2027

Documents in Members' Rooms

1. None

Background Documents

1. Budget files held within Finance