

Sussex & Brighton | Strategic Authority

a Combined County Authority

The Strategic Authority Board		Agenda Item 6	
Title:		Budget (Medium Term Financial Plan) and Audit Appointments	
Date		15 April 2026	
Accountable Chief Officer:		Nick Bell Strategic Finance Lead	
Accountable Employee:		Nick Bell Strategic Finance Lead	
Public Report	Yes X	No	The Strategic Authority is committed to transparency and accountability. Accordingly, reports and associated documentation will ordinarily be published and made publicly accessible.
Voting Arrangements:		The Board will work to progress decisions via consensus, if a vote is required then it is by simple majority	
Recommendation(s)			
The Strategic Authority is recommended to:			
A	Approve the proposed revenue budget for the Sussex and Brighton Strategic Authority for 2026-27 (as shown in Table 1) and to note that the proposed revenue Medium-Term Financial Plan for 2026-2030 will be included in a report to the next Strategic Authority Board meeting for approval.		
B	Approve the proposed capital programme for the Sussex and Brighton Strategic Authority for 2026-27 (as shown in Table 2) and to note that the proposed capital Medium-Term Financial Plan for 2026-2030 will be included in a report to the next Strategic Authority Board meeting for approval.		
C	Approve the proposed passporting of both revenue and capital grants received from the Department for Transport for 2026-27 in the sums detailed in Appendix C and note that the treatment of future years transport grants will need to be determined by the Board when considering its budgets for 2027-28 and beyond.		
D	Approve the use of £1,596,400 from the revenue Investment Fund to fund a series of projects in 2026-27 which support the business community and employability which are currently funded by the UK Shared Prosperity Fund (UKSPF) and which would cease if no other funding source was available and to note the intent to review all of these projects during 2026-27 considering emerging strategic objectives and value for money to determine which, if any, should continue to be funded from Investment Funds beyond 2026-27.		
E	Approve the use of £101,600 from the revenue Investment Fund as detailed to replace some of the reduced funding from the Department for Business and Trade for Growth Hubs across the region in 2026-27 to enable the Growth Hubs to continue to operate effectively and to note the intent to review all of the operation of the Growth Hubs during 2026-27 to determine the best operating model for them in the future to ensure effective business support and value for money.		

F	Approve the proposal to adopt the Treasury Management Strategy from East Sussex County Council (as attached at Appendix B) for Year 1 of the Sussex and Brighton Strategic Authority. Whilst the Authority does not currently intend to undertake any borrowing during its first financial year it is likely to have surplus cash from grant funds received in advance of expenditure which should be prudently invested in line with an approved Treasury Management Strategy.
G	Agree that the Sussex and Brighton Strategic Authority will opt into the national Public Sector Audit Appointments scheme to appoint its External Auditors.
H	Agree to the appointment of Orbis to undertake the Internal Audit functions of Sussex and Brighton Strategic Authority.
I	Agree to Sussex and Brighton Strategic Authority entering into Service Level Agreements ('SLAs') in relation to the services set out in paragraph 10.1 of the report and delegate authority to the Head of Paid Service, following consultation with the S.73 Officer, to finalise the terms and conditions of the SLAs.

1. Purpose

- 1.1 The purpose of this report is to set out the proposed revenue budget and capital programme for the Sussex and Brighton Strategic Authority for 2026–27. It also explains the audit arrangements that the Authority needs to have in place for its first year of operation. The report asks the Board to approve these proposals so the Authority can begin delivering its priorities and meeting its legal responsibilities as a newly established organisation.

2. Executive Summary

- 2.1 The purpose of this report is to present the proposed revenue budget and capital programme for 2026-27 to the Board for approval, and to seek approval for audit arrangements for the Sussex and Brighton Strategic Authority.
- 2.2 This is the first budget of the recently created Sussex and Brighton Strategic Authority and it is designed to reflect emerging priorities for the Strategic Authority. As this is the Authority's first year of operation it is likely that there will be some changes to the proposed revenue budget and capital programme as the emerging priorities become established, and any proposed changes will be reported to the Board for approval at its future meetings
- 2.3 The 2026-27 final Revenue Budget is £32.0m, whilst the Capital Programme is £87.9m. To ensure that these funds are used effectively and efficiently to deliver the emerging projects and programmes and to operate the new Authority in a way that is consistent with its Best Value requirements there will need to be sufficient staff capacity. The anticipated costs of this capacity have been included in the budget and is assessed as being sufficient for the likely demands of the programmes noted above. Strong risk management and performance management frameworks and processes will be developed to mitigate the risks of potential slippage on these projects and programmes.
- 2.4 There are a number of programmes which will need to be delivered either in 2026-27 or over the course of the MTFP, including the Adult Skills Fund from September 2027; the Connect to Work employability programme, skills bootcamps and business support; the transition of public transport responsibilities from the Constituent Councils to the Combined Authority; additional funding for highways maintenance and the development of some more inward investment and visitor economy services; the major transport projects which will be funded from increased transport funding and further development of the systems and processes that are the Strategic Authority's foundations to effectively support the other programmes

3. The Budget

Revenue Budget 2026-27

- 3.1 The budget is based on known funding and on cost assumptions that reflect the best information available at this stage. The proposed structure which has formed the basis of the budget is shown in Appendix A. Some estimates will be refined as delivery progresses, and a contingency of £500k has been included within the draft budget to cover currently unforeseen costs. Robust oversight, regular review, and proactive cost management will ensure that the budget remains balanced throughout the year.

Table 1: Proposed Revenue Budget

Revenue Budget	£m
	2026-27
Investment Fund	(7.600)
Capacity grant	(3.000)
Integrated Transport Fund revenue	(2.983)
Bus Services Fund revenue	(16.566)
Spatial Development Strategy grant	(0.400)
Growth Hub grant	(0.451)
Income carried forward from 2025-26	(1.000)
Total Income	(32.000)
Organisational Operation	2.978
Policy and Strategy Development	1.583
Programme Delivery	6.390
Transfer of transport funding	19.549
Contingency	0.500
Transfer to Reserves	1.000
Total Expenditure	32.000

- 3.2 The Authority will work on developing its first Corporate Plan during 2026-27, which will define the Authority's long term priorities, outcomes, and investment intentions. This Corporate Plan will form the basis of future years' budgets and MTFPs, as well as helping to determine investment priorities.
- 3.3 As the Authority does not intend to borrow to fund capital expenditure during 2026-27 and has no outstanding debt, it does not intend to produce the full suite of Treasury Management strategies and policies normally required of a local authority. However, the Authority is likely to receive grant funds through the Investment Fund and the Capacity Fund in advance of needing to incur expenditure. It would be prudent to invest these cash sums until they are needed to accrue interest, and it is therefore proposed that the Authority adopts the existing Treasury Management Policy of East Sussex County Council to enable it to undertake those investments in an authorised fashion. The proposed policy is included at Appendix B to the report.
- 3.4 A number of projects relating to business support and employability, which clearly fall within the remit of the Authority, have been funded by the UK Shared Prosperity Fund (UKSPF) in 2025-26. As UKSPF funding has now ceased some of these projects have no identified source of replacement funding and will cease should no other funding sources be secured. All of the projects are either creating jobs or supporting unemployed people into work. It is not possible to review all of these schemes for effectiveness and value for money in advance of their current funding ending, but failing to provide some other source of funding to these schemes is likely to have a detrimental impact on economic growth and employment in the region in the short term. It is therefore proposed that the projects be supported by revenue Investment Fund for 2026-27, and that a full review of the projects is undertaken during 2026-27 to ascertain the effectiveness and value for money of each project to determine which of them should receive funding from the Authority beyond 2026-27.

- 3.5 A number of projects also received UKSPF capital grant. It is proposed to consider these alongside other potential projects for use of the capital Investment Fund later in the year.
- 3.6 The Authority will take on responsibility for the existing Growth Hubs from the constituent councils at some point in the future, and work is being undertaken to identify the optimum time for that transfer of responsibility to take place. Notwithstanding the timing of that transfer there has been a significant reduction in the Growth Hubs grant received from the Department of Business and Transport for the region, which has reduced by around 27% to £451k. The size of this reduction cannot be absorbed by the existing Growth Hubs without impacting support to business, so it is proposed that the Authority provides £101,600 from its revenue Investment Fund in 2026-27 to mitigate some of the impact of the grant reduction. Any future funding beyond 2026-27 will be reviewed as part of the transfer of responsibilities.

Capital programme 2026-27

- 3.7 The Authority has been allocated a long term capital funding stream through the Investment Fund, with £7.6 million available in Year 1 and 2, rising to £19 million per year from Year 3 onwards for a total period of 30 years. At this early stage, no commitments or plans have been made for the use of the Investment Fund, but proposals are expected to be developed later this year for potential investments covering areas such as skills, transport and business support.

Table 2: Proposed Capital Budget

Capital Budget	£m
	2026-27
Investment Fund	(7.600)
Integrated Transport Fund capital	(80.317)
<i>Total Income</i>	<i>(87.917)</i>
Transfer of transport funding	80.317
Programme Delivery	7.600
<i>Total Expenditure</i>	<i>87.917</i>

- 3.8 The Authority will receive a significant amount of revenue and capital grant funding from the Department for Transport from 2026-27. It is proposed that these grants are passported directly to the constituent councils based on the information relating to how the quantum of the grants was calculated which was provided by the Department for Transport in December and subject to the constituent councils agreeing to the same Terms & Conditions of the Grants which the Authority will need to agree with the Department for Transport. Details of the proposed payments are included at Appendix C to the report.

Provisions and Reserves

- 3.9 As the Authority is a new entity it will have no provisions or reserves, either general or earmarked, to carry forward from previous years.
- 3.10 It is proposed that the Authority creates a specific reserve of £500k in 2027-28 to cover part of the anticipated cost of the Mayoral election in May 2028.

3.11 In terms of general reserves it is proposed that, as a new entity with the concomitant risks of unknown costs and pressures, the Authority retains at least £500k as a general reserve.

Table 3: Proposed Reserves

Proposed reserves	£m
	2026-27
General reserve	0.500
Earmarked reserve	0.500
Total reserves	1.000

Financial Risks/ Opportunities

3.12 There are a number of potential financial risks that underpin the budget and which will need to be actively managed over the lifetime of the MTFP once it is developed. The key risks are:

- **Inflation.** The budget has been relatively prudent in relation to the risk of inflation by providing for both pay and non-pay inflation increases. However, if geopolitical risks lead to inflation returning to the higher rates seen a few years ago then this could place additional funding pressures on the Strategic Authority.
- **Interest rates.** While the Authority is not exposed to interest rate fluctuations on expenditure as it is not currently proposed to borrow over the short term, it is exposed to interest rate reductions on its invested cash. The budget currently assumes no interest on those cash balances so any interest earned on cash balances invested until they are needed will provide additional unbudgeted income for the Authority.
- **Erosion of grant income.** Whilst expenditure is forecast to increase each year because of inflation, the bedrock of the Authority’s funding – its Investment Fund – is not indexed and will remain at £19m revenue and £19m capital from 2028-29 until the end of the devolution deal. Even at current rates of inflation of around 3% on average, over 30 years the buying power will only be 40% of what it is today. Put another way, it will be equivalent to the Combined Authority receiving £7.6m revenue and capital each year instead of the initial £19m of each from 2028-29. This erosion is likely to have a long-term impact on the Authority’s continuing ability to fund programmes in later periods of the devolution deal.
- **Staffing costs.** The budget assumes that all substantive posts are filled on a phased basis during 2026-27. The staffing budget will require ongoing close management during 2026-27 to ensure the assumed phasing remains accurate.
- **Delivery.** There are many expectations on the Authority to commence utilisation of Investment Funds as rapidly as possible after vesting day. Whilst capacity to deliver this has been included in the budget, there remains a risk that proposals for use of Investment Funds may take time to develop to ensure that they are determined in line with the government approved Local Assurance Framework.

Section 25 Statement

- 3.13 Section 25 of the Local Government Act 2003 places requirements on the Chief Finance Officer (in the Authority's case the Section 73 Officer) to comment on the robustness of the estimates and the adequacy of the reserves for consideration by the Board when approving a budget.
- 3.14 In relation to the estimates included in the budget the Section 73 Officer confirms that they are sufficiently robust for the following reasons:
- All proposed expenditure and income items have been checked with managers and benchmarked against other Combined Authorities.
 - Costs for the proposed staffing complement have been benchmarked against pay scales of the constituent councils for proposed new roles.
 - A prudent element of inflation (for both pay and non-pay items) has been included in the budget.
 - Any known changes to the cost base from changes in government policy or legislation have been included.
 - Anticipated grant income has only been included in the budget where the income allocation for the Authority has been formally announced.
- 3.15 In relation to the adequacy of the reserves, Section 73 Officer confirms that they are adequate for the Authority for the following reasons:
- A sum of £500k has been provided for general, unallocated reserves in 2026-27.
 - This sum has been determined by considering the Authority's financial risks. As the majority of the Authority's budgets are not currently demand led and income streams are generally fixed in advance, reducing the risk of under recovery of income, a general reserve of around 4-5% of the revenue budget excluding passported grants is considered adequate. The proposed forecast level of general reserves falls within that range.

4. Audit Appointments

External Audit

- 4.1 As a newly established Authority, the Sussex and Brighton Strategic Authority is required to appoint an external auditor in accordance with the Local Audit and Accountability Act 2014. It is proposed that the Authority participates in the national auditor appointment arrangements led by Public Sector Audit Appointments (PSAA), which provides an efficient and compliant route for securing independent external audit provision. Once PSAA has appointed the external auditor this will be reported to the Board.

Internal Audit

- 4.2 It is proposed to use the Orbis Partnership for Internal Audit for the Authority. The Orbis Partnership currently comprises East Sussex County Council, Brighton and Hove City Council and Surrey County Council. Whilst Surrey County Council will leave the arrangement in advance of their reorganisation into two new unitary councils, it is intended that the Orbis Partnership will continue to provide services to its other existing members. Subject to the proposal being approved by the Board, the intent is for the Strategic Authority to join the Orbis Partnership for Internal Audit services.

5. Service Level Agreements

- 5.1 The Authority is developing proposed Service Level Agreements (SLAs) with the Constituent Councils in relation to the following services for 2026-27, the estimated costs of which are included in the proposed budget:
- Finance Systems
 - Banking and Treasury Management
 - Accounts Payable and Accounts Receivable
 - Insurance
 - VAT reporting and financial accounting
 - Procurement
 - ICT
 - Democratic Services
 - HR
 - Payroll
 - Pensions Administration

- 5.2 It is recommended that delegated authority is given to the Head of Paid Service following consultation with the S.73 Officer to finalise the terms and conditions of the SLAs in preparation for operation as soon as possible.

6. Background

- 6.1 The Sussex and Brighton Strategic Authority (SBSA) was established through the Sussex & Brighton Combined County Authority Regulations 2026. Its formation followed the agreement of a devolution deal between Government and local partners, setting out a programme of powers and funding intended to support economic growth, transport integration, skills development, housing and strategic investment across Sussex and Brighton. The Authority brings together the three constituent councils — East Sussex County Council, West Sussex County Council and Brighton & Hove City Council — alongside wider partners, providing a single strategic body with responsibility for exercising devolved functions on behalf of the region.
- 6.2 The establishment phase has focused on creating the constitutional, financial, governance, and operational frameworks required for the Authority to function as a legally compliant public body. This includes developing the Constitution, decision making arrangements, financial regulations, and assurance processes necessary for vesting day and the subsequent Mayoral election in 2028. The Strategic Authority's Board plays a critical role in overseeing this transition, ensuring that the Authority is founded on strong principles of transparency, accountability, and sound financial management.
- 6.3 The Strategic Authority will be required to operate within the Local Government Finance Act 1988, the Local Government Act 2003, and the Accounts and Audit Regulations 2015. This includes:
- A duty to set a balanced budget
 - A requirement to maintain robust financial management arrangements
 - Preparation of annual accounts in accordance with the CIPFA Code
 - Provision for external audit and public inspection

7. Partnership & Engagement

- 7.1 Throughout the development of the proposed 2026–27 budget and associated governance arrangements, the Strategic Authority has worked closely with partners across the region to ensure the proposal is robust, deliverable, and aligned with local priorities.
- 7.2 The Finance Workstream has played a central role in coordinating this collaborative approach. Regular meetings have taken place between finance leads from the three constituent councils, ensuring that all

assumptions, grant allocations, and cost estimates have been developed transparently and with shared ownership. This joint work has provided a common understanding of the financial requirements for the Strategic Authority’s first year of operation, as well as the practical implications of transferring functions and responsibilities.

- 7.3 In addition, there has been direct engagement with the Section 151 Officers of the constituent councils at key stages of budget development. Their professional advice and statutory responsibilities have informed the robustness of the estimates, the approach to reserves, and the treatment of both revenue and capital grant funding. Engagement has included reviewing the draft budget, discussing grant passporting arrangements, and ensuring that the Authority’s emerging financial framework is compliant, prudent, and aligned with established local government financial standards.
- 7.4 This collaborative approach has strengthened the credibility of the proposals presented to the Board and provided assurance that the Strategic Authority is building its financial foundations in partnership with the councils whose residents and businesses it will serve.

8. Appendices

- 8.1 Appendix A – High level organogram
- 8.2 Appendix B – Proposed Treasury Management Strategy (East Sussex County Council)
- 8.3 Appendix C – Transport Grant Funding to be transferred to Constituent Councils

Board is requested to consider the following identified implications:					
9. Financial Implications					
9.1	These are provided in the body of the report				
10. Legal Implications					
10.1	The Strategic Authority is required to agree a balanced budget annually and to monitor that budget throughout the year. In addition, there is a fiduciary duty not to waste public resources, to secure value for money and ensure that good financial governance arrangements are in place. The report includes the requirements of Section 25 of the Local Government Act 2003. The Strategic Authority must have regard to this report when making decisions about the calculations in connection with which it is made.				
10.2	The Sussex and Brighton Strategic Authority was established on 25 March 2026 by the Sussex and Brighton Combined Authority Order 2026 ('the Order'). Article 4 of the Order modified the financial reporting requirements for the Combined Authority for 2025-2026 and year commencing 1st April 2026.				
11. Equality & Diversity Implications					
11.1	None are identified in this report				
12. Other Significant Implications (Tick other implications provided and provide detail in box below)					
Risk		Assurance Framework		Procurement	
Improvement		Environment		HR & IT	X

12.1	<p>The delivery of the 2026–27 budget and capital programme will require the Strategic Authority to build sufficient workforce capacity through a phased recruitment approach aligned to its emerging priorities. As a new organisation, there will be significant HR activity including establishing an organisational structure, developing a competitive pay and reward framework, and attracting skilled staff in a competitive labour market. There is also potential for staff transfers from constituent councils under TUPE as functions such as transport and Growth Hubs transition, requiring careful workforce planning, consultation, and integration.</p> <p>It is planned that HR services will initially be delivered through a Service Level Agreement, with a need to ensure these arrangements provide adequate support as the organisation grows. Key risks include delays in recruitment, rising staffing costs, and challenges associated with organisational change. To mitigate these risks, the SA will need strong workforce planning, effective performance and organisational development frameworks, and a focus on employee engagement, skills development, and long-term workforce sustainability.</p>
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