

**Brighton & Hove  
City Council**

# **POLICY & RESOURCES COMMITTEE ADDENDUM**

**2.00PM, THURSDAY, 11 JULY 2013**

**COUNCIL CHAMBER, HOVE TOWN HALL**



# ADDENDUM

**ITEM** **Page**

**GENERAL MATTERS**

**15. PUBLIC INVOLVEMENT** **1 – 2**

(c) Deputation from Mr. M. Weatherley MP (copy attached).

**FINANCIAL MATTERS**

**31. BUDGET UPDATE AND BUDGET PROCESS 2014/15** **3 – 26**

Report of the Executive Director for Finance & Resources (copy attached).

*Contact Officer: Mark Ireland Tel: 29-1240*

*Ward Affected: All Wards*



**DEPUTATIONS FROM MEMBERS OF THE PUBLIC**

A period of not more than fifteen minutes shall be allowed at each ordinary meeting of the Council for the hearing of deputations from members of the public. Each deputation may be heard for a maximum of five minutes following which one Member of the Council, nominated by the Mayor, may speak in response. It shall then be moved by the Mayor and voted on without discussion that the deputation be thanked for attending and its subject matter noted.

Notification of one Deputation has been received. The spokesperson is entitled to speak for 5 minutes.

**Deputation concerning the King Alfred  
(Spokesperson) – Mr. M. Weatherley MP**

“My constituents and I were incredibly disappointed by several elements of the King Alfred report that is going before the Policy & Resources Committee.

It was abundantly clear from the public meeting that I recently held that residents and sports groups overwhelmingly support a 50m pool. It appears that the Project Board has not applied appropriate weight to residents’ views on this point. Indeed, residents have not even been consulted.

Furthermore, the Project Board is using flawed research on the subject of costs of a 50m pool. There is no need to rule on the subject of pool size at this very early stage of the project; especially without discussing the matter with our local swimming clubs, including Shiverers.

I am requesting that the Policy & Resources Committee embraces much of the good work of the Project Board, but simply holds off on any decision at this time on pool size – in the spirit of embracing our Olympic legacy.

Thank you.”



<b>Subject:</b>	<b>Budget Update and Budget Process 2014/15</b>		
<b>Date of Meeting:</b>	<b>11 July 2013</b>		
<b>Report of:</b>	<b>Executive Director Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Mark Ireland</b>	<b>Tel: 29-1240</b>
		<b>James Hengeveld</b>	<b>29-1242</b>
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<b>Ward(s) affected:</b>	<b>All</b>		

Note: The special circumstances for non-compliance with Council Procedure Rule 7, Access to Information Rule 5 and Section 100B (4) of the Local Government Act 1972 (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that the 2015/16 Spending Review containing key financial information was not announced until 26 June 2013.

## **FOR GENERAL RELEASE**

### **1. SUMMARY AND POLICY CONTEXT:**

- 1.1 This report sets out the financial context the Council is working in. Major national changes to local government finance were introduced from 1 April 2013 with significant implications. At present, it is too early to know how accurate the long term financial projections made earlier this year will be. Deficit reduction remains a key priority for the government and significant reductions in local government funding will continue up to and including 2018/19 and possibly beyond.
- 1.2 The Chancellor announced the outcome of the one year spending review for 2015/16 on 26 June 2013 and had already stated in the March Budget that the provisional local government finance settlement for 2014/15 will be re-opened. This creates further uncertainty over the budget planning parameters for the council and the council's approach to preparing its budget proposals therefore needs to be flexible and adaptable as circumstances change.
- 1.3 The process set out in this report includes a proposed approach to budget consultation, engagement and scrutiny, building on the learning gained over the last two budget cycles.

### **2. RECOMMENDATIONS:**

That the Policy & Resources Committee:

- 2.1 Note the resource and expenditure projections for 2014/15 set out in the body of the report and appendix 1, and the Medium Term Financial Strategy (MTFS) projections set out in appendix 2.
- 2.2 Instruct the Executive Leadership Team to develop budget proposals for 2014/15, for submission to Policy & Resources Committee for consideration, on the basis of:

- a 2% council tax increase;
  - the purpose, ambition and priorities set out in the corporate plan and principles set out in paragraph 3.44;
  - the consultation and engagement approach set out in paragraph 4.
- 2.3 Instruct the Executive Leadership Team to identify options to meet the 2014/15 savings target of £23.6m and expand the proposals currently contained in the MTFs to provide more detail over the subsequent 4 year period; and to report such options and proposals to Policy & Resources Committee for consideration.
- 2.4 Agree the proposed approach to reviewing the Council Tax Reduction Scheme as set out in paragraphs 3.24 to 3.26.
- 2.5 Note the resource projections for the capital investment programme as shown in appendix 3.

### **3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:**

#### ***2012/13 Outturn***

- 3.1 The 2012/13 provisional outturn was presented to Policy & Resources Committee on 13<sup>th</sup> June 2013 and showed an underspend of £4.610m. Commitments have been made against that underspend by Budget Council in February. The remaining unallocated general reserves, after all commitments, is £0.097m and this will be earmarked to support one off costs for the Rugby World Cup as agreed by Policy & Resources Committee on 29<sup>th</sup> November 2012. The collection fund surplus for 2012/13 was £0.424m and this will be built into the 2014/15 budget projections when the collection fund estimates for 2013/14 are more certain.

#### ***2013/14 Budget Position***

- 3.2 A high level forecast of the likely level of spending at the end of this financial year based on spending patterns in the first 2 months of the year is shown in the TBM 2 report elsewhere on this agenda. It shows an overall projected overspend for council controlled budgets of £3.388m. This assumes the delivery of the majority of the 2013/14 savings and use of risk provisions. Service areas that are overspending are required to develop financial recovery plans so that a breakeven position is achieved, and the financial planning in this report assumes that this is achieved.

### **Medium Term Financial Strategy 2013/14 – 2018/19**

#### **Resources**

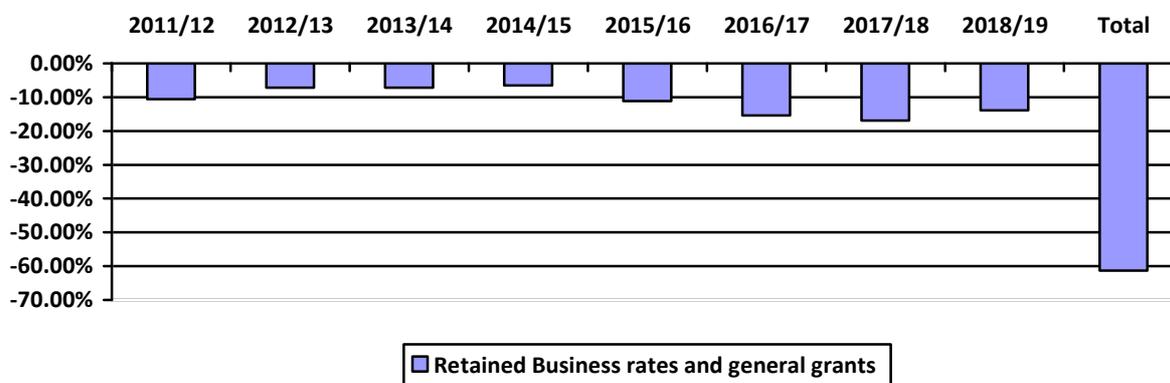
#### ***General government grants and retained business rates***

- 3.3 The Business Rates Retention (BRR) scheme was introduced on 1 April 2013. Under the scheme the council will receive 49% of local business rates, revenue support grant, top up grant and safety net grant in 2013/14. The forecast funding from these sources is £125.4m in 2013/14. Potential significant trends in these funding sources are explored in the following paragraphs.

- 3.4 Retained business rates income in the current year is forecast to be only £42.2m because of large provisions for potential future successful rating appeals that not only reduce the in-year income but generate refunds for overpayments in earlier years. However, the council is protected by a safety net which means that the minimum amount of income received will be £46.2m, so the assumed level of safety net grant is £4m. Income from retained business rates is forecast to be much higher in 2014/15 at £52.8m because all the provisions for successful appeals have been made and income will rise by the annual inflation factor applied to the business rates multiplier.
- 3.5 The level of business rate income will also depend on the local economy and the progress of new business developments, for example, the major redevelopment of the Royal Sussex County Hospital will generate temporary reductions as the phased works are carried out but an increase once all the works are completed. The forecasts assume at this stage that new properties coming on to the rating list will be offset by those coming off. The only exception being the potential demolition of the original Amex offices that may happen in 2017/18.
- 3.6 The government has deferred the next business rates revaluation from 2015 to 2017 therefore new provisions for successful rating appeals have been built into the forecasts for 2017/18.
- 3.7 The council will receive £77.7m in revenue support grant in 2013/14. The government will significantly reduce this grant each year in order to meet its deficit reduction plans. It is forecast that this grant will reduce to £7.2m by 2018/19 and could ultimately disappear altogether. The forecasts are based on the announcement by the Chancellor that local government funding will reduce over the next spending review period (2015/16 to 2018/19) by the same level as the current spending review (2011/12 to 2014/15).
- 3.8 The forecast for 2014/15 was originally based on the provisional settlement announced earlier this year however the Chancellor indicated in the March Budget that the settlement would be re-opened. Informed opinion suggests a further reduction of at least 1% in local government funding equivalent to about £1.3m extra loss of grant for the council which has now been built into the forecasts. The Chancellor also announced the outcome of the one year spending review for 2015/16 on 26 June 2013 with expected reductions of 10% being confirmed. The forecasts in the February budget report have been adjusted to reflect the latest announcement. The latest 2015/16 grant forecast is slightly higher because the Chancellor will continue to fund the payment of £3m 2011/12 council tax freeze grant which had been expected to end . The Government has given no commitments about the payment of any council tax freeze grants beyond 2015/16 and the forecast for 2016/17 therefore assumes they will cease.
- 3.9 The 2015/16 Spending Review also contained important information on specific grants including additional funding for Social Care which are detailed later in this report. According to the Spending Review papers taking into account this additional funding reduces the overall reduction in local government funding to just over 2% in 2015/16.
- 3.10 Top-up grant of £1.6m will be paid to the council in 2013/14 and is increased by inflation each year. The initial grant was calculated by comparing total grant and business rates income under the old and new schemes. Apart from inflation this

grant will not change until the business rates retention system is reset probably in 2020.

- 3.11 The chart below shows the percentage change in the resource forecasts from the start of the current spending round up to 2018/19 i.e. up to the end of the next spending round. The figures exclude changes in specific grants.



### **Specific Grants**

- 3.12 The budget projections include the indicative specific grant allocations announced in the provisional settlement for 2014/15 where they were provided, however it is not known if these allocations will be revised as the part of the final settlement. As the government has been reducing the level of support through specific grants, an allowance of £0.750m service pressure funding for reductions in unringfenced grants has been included in the budget projections.
- 3.13 The Council Tax Reduction (CTR) transitional support of £0.511m was for 2013/14 only however the budget projections assume the CTR transitional scheme will be maintained in 2014/15 and the loss of this grant has been reflected in the budget projections. The small business rate relief grant of £1.3m, which is still yet to be confirmed for 2013/14, is not expected to be extended into 2014/15 although any loss of grant is expected to be replaced by a corresponding increase in business rates income.
- 3.14 Some grants anticipated in 2013/14 are still to be announced and therefore it is not clear if they will continue for 2014/15. These grants include extended rights to free travel and grants allocated through the Police and Crime Commissioner.
- 3.15 The Council has received an indicative allocation for Public Health grant in 2014/15 however the distribution of this grant for future years is under review. This council is relatively highly funded and any changes to distribution may reduce this grant allocation.
- 3.16 The 2015/16 Spending Review contained information on new and revised grants for both 2014/15 and 2015/16. For 2014/15 the council will receive a share of £335m in order to prepare for reforms to the system of care funding, including the care cap due to be introduced from 1 April 2016 and universal deferred payments, and a share of £200m to accelerate the transformation process of delivering better outcomes and greater efficiencies through more integrated health and social care services.

- 3.17 The existing funding in the NHS budget for social care of £1bn will continue into 2015/16 and will be increased by £2bn a year to join up local health and social care services. Further funds will be available for carers and people leaving hospital who need support to regain their independence and £350m capital funding will be available nationally for projects to improve integration locally. Of the total pooled budget of £3.8bn nationally, £1bn will be paid based on the achievement of local results probably linked to hospital patient numbers.
- 3.18 In 2015/16 further funding of £200m will be invested into the Troubled Families programme to extend help to 400,000 families and £100m will be invested in a council efficiency and transformation fund to build on the development of whole-place business plans and community budgets.
- 3.19 However, in 2015/16 the Education Services Grant, which pays for local authority services to schools will be cut by 20%. The council currently receives a grant of just over £4m.

### ***Schools Funding***

- 3.20 Following on from the significant reforms for 2013/14 further guidance has been issued by the Education Funding Agency (EFA) for 2014/15. There will be 13 allowable factors in the pre 16 schools funding formula. In addition to the guidance issued by the EFA the Schools Forum will also be reviewing the funding allocations within the Brighton and Hove formula compared to other Local Authorities. The pre-16 Minimum Funding Guarantee will continue to be set at minus 1.5% per pupil in 2014/15.
- 3.21 The Chancellor also confirmed in the Spending Review that schools funding and the pupil premium will be protected in real terms in 2015/16. There will also be a consultation on how best to introduce a fair national funding formula for schools in 2015/16.

### ***New Homes Bonus***

- 3.22 Using the latest data available from the council tax register at the end of May the council could receive a further £0.4m per annum for 6 years starting in 2014/15. This is not included in the budget at this time as data on the register changes up until October when the data is submitted to the Government. Initial funding allocations for 2014/15 are due to be announced in December.

### ***Fees and Charges***

- 3.23 In recent years the consumer price index has been mostly increasing by over 3% per year whilst standard fees and charges assumptions have been held at 2% per year. Over time this difference has become harder to sustain and therefore the budget assumptions assume a standard increase fees and charges of 2.5% in 2014/15. This change more closely reflects the current consumer price index. Details of fees and charges for 2014/15 will be presented to the relevant Committee, where appropriate, prior to Budget Council. As normal, an overarching review of fees and charges proposals will be undertaken prior to Budget Council to ensure there is no cumulative impact of proposed changes to fees and charges on vulnerable groups.

### **Council Tax Reduction**

- 3.24 The council introduced the new localised Council Tax Reduction Scheme on 1<sup>st</sup> April 2013 to replace the national Council Tax Benefit. The scheme was designed to take advantage of the transitional grant provided by government by limiting the impact on affected households. The scheme has only been running for a relatively short time but is operating as expected and within the estimated costs of the scheme included at Budget Council.
- 3.25 Where they may qualify, Tax payers in particularly difficult financial circumstances are being invited to apply for the discretionary funds provided for in the budget or are being referred to appropriate support and advice. A full evaluation of the scheme is planned for the summer which will look at the impact of the scheme and the take up of discretionary funds in detail. The budget projections assume the current enhanced scheme that met the transitional grant requirements will be maintained in 2014/15 despite the loss of the transitional grant.
- 3.26 It is proposed that no major revisions to the current Council Tax Reduction scheme be assumed in the 2014/15 budget due to the lack of meaningful information available this early into the scheme and the lead-in times to undertake the necessary consultation. This does not preclude the current scheme or the operation of the discretionary funds being adjusted if needed and a report proposing any changes could come to October Policy & Resources Committee for consultation and then either to December or January Policy & Resources Committee and Council.

### ***Other Council Tax Discounts and Exemptions***

- 3.27 The 2013/14 budget introduced a number of changes to council tax discounts and exemptions. As with the Council Tax Reduction scheme it is too early to gauge the success of these changes and so an evaluation of the impact of these changes will be carried out in the summer. No further changes are being factored into budget projections at this stage however there will be scope to amend these later in the year if this proves desirable as the consultation lead-in requirements are not as onerous as for the Council Tax Reduction Scheme. Any changes would be presented to Policy & Resources Committee and Council in either December 2013 or January 2014.

### ***Council Tax Strategy, Tax Base and Collection Fund***

- 3.28 The future resource estimates in the budget papers agreed at Full Council in February were based on a council tax increase of 2%. The indicative council tax strategy in this report assumes increases of 2% for future years, but it will be up to all Members at Budget Council in February 2014 to agree the final level of the council tax. The Chancellor confirmed in the Spending Review that a local referendum would need to be held for proposed council tax increases of more than 2% in both 2014/15 and 2015/16.
- 3.29 Further funding to help support council tax freezes in 2014/15 and 2015/16 was also announced. Any council which freezes its council tax:

- In 2014/15 will receive a 2014/15 council tax freeze grant equivalent to a 1% increase in council tax in both 2014/15 and 2015/16;
  - In 2015/16 will receive a 2015/16 council tax freeze grant equivalent to a 1% increase in council tax in 2015/16;
  - There is no commitment from the government to pay any of these grants or the 2011/12 council tax freeze grant beyond 2015/16.
- 3.30 The collection fund had a surplus of £0.5m at 31 March 2013 and the council's share of this £0.4m will be built into resources for 2014/15. There have been a number of changes to the council tax discounts and exemptions from the 1<sup>st</sup> April 2013 and whilst the impact of some of the changes appears to be favourable, in terms of the fewer discounts awarded than anticipated, it is too early to calculate the trends on this through the remainder of the year and any impact this may be having on collection. Therefore, for the purposes of the resource projections the outturn position for 2013/14 is currently forecast to breakeven. Updated projections will be included in the regular TBM reports to Policy & Resources ahead of the final projected position in January 2014.
- 3.31 The assumption that the tax base will not increase beyond 2013/14 will be maintained until further work is undertaken to fully assess any impact that changes from new housing developments, council tax reduction discounts, and the technical reforms of council tax discounts and exemptions, may be having on the net liability and the collection rate. The tax base is due to be agreed by Policy & Resources in January 2014.

## **Budget Estimates and Budget Process**

### ***Pay and Inflation assumptions***

- 3.32 The budget estimates for 2014/15 and future years assume a 2% increase in employee costs to cover all pay related matters. These sums need to cover any pay awards, local decisions in relation to living wage commitments and any changes to the council's overall pay framework. For 2014/15, 1% of this increase will be included within service budget estimates and the remaining 1% will be held in contingency.
- 3.33 Significant changes to the local government pension scheme are due to come into force from April 2014. These changes are expected to give stability to the financial burden of pensions on local authorities and the impact of these changes will be reflected in the triennial review of the pension fund which is due prior to 2014/15. Any increase in employer's contributions are assumed to be met from the overall 2% pay inflation provision and from risk provisions and this assumption will be reviewed as further information becomes available.
- 3.34 The provision for general inflation ranges between 0% and 2% depending on the type of budgeted expenditure; fees and charges are assumed to increase by 2.5% as described in paragraph 3.23. Increases in costs above assumed inflation level will be managed through services budget strategies unless the increase is significant and is identified as a corporate service pressure.

### ***Commitments and Risk Provision***

- 3.35 The main commitments in the budget model include planned adjustments to the concessionary fares and financing costs budgets, reductions in central recharges to schools and the HRA as a result of reducing costs of services, and the impact of the expected changes to unringfenced grants. In 2013/14 there is a recurrent risk provision of £1.5m, at this stage this level is considered appropriate for the financial risks identified in the TBM month 2 report elsewhere on the agenda. Financial projections for 2014/15 and future years include a new £0.5m recurrent risk provision each year which is considered the right level at this stage of the budget setting process.

### ***Service Pressures***

- 3.36 Service pressures have a direct effect on the level of savings the council needs to identify to deliver a balanced budget and therefore it is critical that projections are made on a sound basis to provide confidence in the financial assumptions.
- 3.37 A high level assessment of the current trends on the council's corporate critical budgets and other pressures has been taken into account in setting the service pressure assumptions for 2014/15 and £6.4m has been included for demographic and cost pressures and reductions in unringfenced grants.
- 3.38 Initial allocations to support service planning are as follows : -
- £1.0m for children's social care relating to looked after children;
  - £1.0m for adult social care particularly in relation to Learning Disability transitions and mental health services;
  - £0.75m for reductions in unringfenced grants;
  - £0.5m for homelessness in relation to increased numbers of acceptances and rising prices of accommodation;
  - £0.1m for increased costs of the Carbon Reduction Commitment levy.
- 3.39 The assessment identified a range of other demographic, cost ,legislative and income pressures and the remaining balance of £3.05m will be set aside to cover these as well as changes to corporate budgets such as concessionary fares and any unanticipated reductions in specific grants where the council wishes to provide replacement funding.
- 3.40 Further work is planned to ensure the council has robust demographic and cost pressure projections over the medium term. This work will include agreeing core demographic assumptions using:
- Census data
  - Public health statistics and projections
  - Pupil number projections
  - Looked after Children projections
  - Elderly population and complexity of need
  - Benefits take up

### **Budget Process and Developing the Medium Term Financial Strategy**

- 3.41 The scale of financial savings anticipated over the next 5 years requires a different approach to the development of the budget. Services can still be tasked

with maximising efficiency opportunities, continuing to lower overall staffing, procurement and other running costs, improving and growing income, and managing demand for services but this is highly unlikely to achieve the required savings over the medium term. This is because many of these opportunities will now be at the margins following many years of substantial savings packages. Other approaches will be needed resulting in more fundamental changes that will intrinsically come with increased complexity, increased risks and the need for a longer term view.

3.42 The budget process will necessarily set a budget for 2014/15 but it will need to contain savings proposals that look to the future and which can be described and projected over the longer term in the Medium Term Financial Strategy (MTFS). There is likely to be a greater need to challenge the value and priority of all services provided and to examine how they contribute to:

- the achievement of the council's Corporate Plan priorities and commitments;
- meeting statutory duties, partnership commitments or ring-fenced activity (e.g. ring-fenced grant funded activities such as Public Health);
- improving the council's financial sustainability, i.e. where they are net income generators or where they provide invest-to-save opportunities.

3.43 Services that do not support Corporate Plan priorities, are purely discretionary, cannot help to reduce costs elsewhere or cannot generate greater income may be difficult to sustain financially over the medium term. Other delivery models may need to be considered to be able to continue to support these services if this is desired. Even for those services that are high priority, it may still be appropriate to look at other delivery options to ensure their sustainability or to avoid counter-productive reductions elsewhere, for example, in preventative services.

3.44 The approach to the 2014/15 budget should therefore include a number of strands as follows:

- i) A value for money screening test of all services with a clear range of options for each service based on the VfM conclusion. Screening would need to look at comparative value for money, relative priority of the service and/or the contribution of the service to the council's overall financial sustainability (e.g. income generating areas or preventive services);
- ii) Continued development of the Value for Money Programme exploring new cross-cutting ideas and focused on improving productivity and efficiency and thereby continuing to reduce the cost of services and procurements;
- iii) Identifying opportunities for different delivery models where this has potential financial benefits. These could include more trading operations, exploring shared services opportunities, benchmarking services with other providers, or co-production and design with public or third sector partners.

### **Value for Money Programme**

3.45 The council's Value for Money programme currently assumes £10.315m of savings in 2013/14 which have been included within the budget planning. Detail

on the existing programme is set out in the TBM Month 2 report elsewhere on this agenda. As described above, further savings from value for money projects will be essential over the medium term and high level business cases to support this will be developed alongside the budget setting process.

### **Capital Programme 2014/15**

- 3.46 The projected capital programme and resources are included in the table in Appendix 3. Grant funding is provided to the council as a Single Capital Pot and with the exception of Devolved Schools Grant can be priorities as the Council see fit. Unringfenced government grants for education, transport, health, housing and disabled facilities grant are projected to be £17.035m in 2014/15 but are subject to confirmation from the Government in December 2013.
- 3.47 Capital receipts support the capital programme and the projections have been reviewed over a two year period and include receipts from the sale of Patcham Court Farm, 251-253 Preston Road and the former Whitehawk library site.
- 3.48 Current projections show a capital programme deficit within 2014/15 made up of education new primary school places of £1.310m and general fund pressures including ICT investment requirements of £0.655m. The councils strategy is to ensure the capital programme is fully funded and therefore will explore options to reduce investment requirements or seek to attract additional funding.

### **Timetable**

<b>Table 2 - Proposed 2014/15 Budget Timetable</b>		
<b>Date</b>	<b>Meeting</b>	<b>Papers / Activities</b>
11/07/2013	Policy & Resources	Budget Update and Budget Process Report TBM 2
17/10/2013	Policy & Resources	TBM 5
05/12/2013	Policy & Resources	TBM 7 Budget Update
16/01/2014	Policy & Resources	Tax Base Report Business Rates Retention forecasts 2014/15
13/02/2014	Policy & Resources	Month 9 forecasts for 2013/14 budget position General Fund Revenue Budget 2014/15 Housing Revenue Account Budget 2014/15 Capital Programme 2014/15
27/02/2014	Budget Council	

#### **4. COMMUNITY ENGAGEMENT AND CONSULTATION**

4.1 It is proposed to build on key aspects of the wide programme of consultation and engagement activity used to help inform the setting of the 2013/14 budget. A review was undertaken to identify areas of strength and areas for improvement including feedback from a wide range of stakeholder. In summary it is proposed that the approach includes:

- a changed role for scrutiny with more involvement on thematic issues earlier in the process, for example considering the links to the corporate plan and alternative options for service delivery
- key stakeholders such as the Community & Voluntary Sector Forum (CVSF), Trades Unions and representatives from the Economic Partnership being invited to be more deeply engaged on a smaller number of key issues that are particularly relevant for them
- cross party involvement in reviewing key financial and performance information to help prioritise expenditure and options for savings
- refreshing the on-line budget tool which was successfully developed last year
- repeating the budget questionnaire to residents and businesses to provide comparable information on priorities across years
- service led consultation, including with staff and users in those areas where options for savings have been identified
- council wide consultation with staff and trade unions
- engagement with statutory partners in the city through the City Management Board.

4.2 It is envisaged that the support for consultation and engagement will be provided within existing budgets including an estimated £10,000 for external costs such as questionnaires, in line with the existing budget for consultation.

#### **5. FINANCIAL & OTHER IMPLICATIONS:**

##### Financial Implications:

5.1 These are contained in the main body of the report.

*Finance Officer Consulted: James Hengeveld Date: 3/07/13*

##### Legal Implications:

5.2 The process of formulating a plan or strategy for the control of the council's borrowing, investments or capital expenditure, or for determining the authority's minimum revenue position, are part of the remit of the Policy and Resources Committee. The recommendations at paragraph 2 above are therefore proper to be considered and, if appropriate, approved by it.

5.3 This report complies with the council's process for developing the budget framework, in accordance with part 7.2 of the Constitution.

Equalities Implications:

- 5.4 As last year, we will be undertaking a budget screening process and will continue to improve the quality and consistency of Equality Impact Assessments (EIAs) as per the Overview and Scrutiny Committee's recommendation. Key stakeholders and groups will be engaged in developing EIAs but we will also need to consider how Scrutiny, other Members and Partners can be kept informed of EIA development and the screening process. In addition, where possible and proportionate to the decision being taken, we may need to assess the cumulative impact of the council's decision-making on individuals and groups affected in the light of reductions in expenditure across the public and third sectors. We will ensure the process considers the economic impact of proposals.

Sustainability Implications:

- 5.5 Carbon budgets will again be produced alongside the overall financial budget for the council.

Crime & Disorder Implications:

- 5.6 The crime and disorder implications of savings and service proposals will be set out in future budget reports where relevant.

Risk and Opportunity Management Implications:

- 5.7 There are considerable risks to the council's short and medium term budget strategy including the impact of the economic conditions and changes in the national budget, spending exceeding budgets, pressures on existing budgets, further reductions in grant, legislative change demands for new spend. The budget process includes the recognition of these risks in determining the 2014/15 budget.

Public Health Implications:

- 5.8 This report includes financial planning for public health responsibilities.

Corporate / Citywide Implications:

- 5.9 This report is relevant to the whole of the city.

**6. EVALUATION OF ANY ALTERNATIVE OPTION(S):**

- 6.1 The budget process allows all parties to put forward viable budget amendments and council tax proposals to Budget Council on 27<sup>th</sup> February 2014. Budget Council has the opportunity to debate both the proposals put forward by Policy and Resources committee at the same time as any viable alternative proposals.

**7. REASONS FOR REPORT RECOMMENDATIONS**

- 7.1 The council is under a statutory duty to set its council tax and budget before 11 March each year. This report sets out the budget assumptions, process and timetable to meet this statutory duty.



## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Budget estimates 2014/15
2. Medium Term Financial Strategy projections
3. Projected Capital Investment Programme

### **Documents in Members' Rooms**

1. None

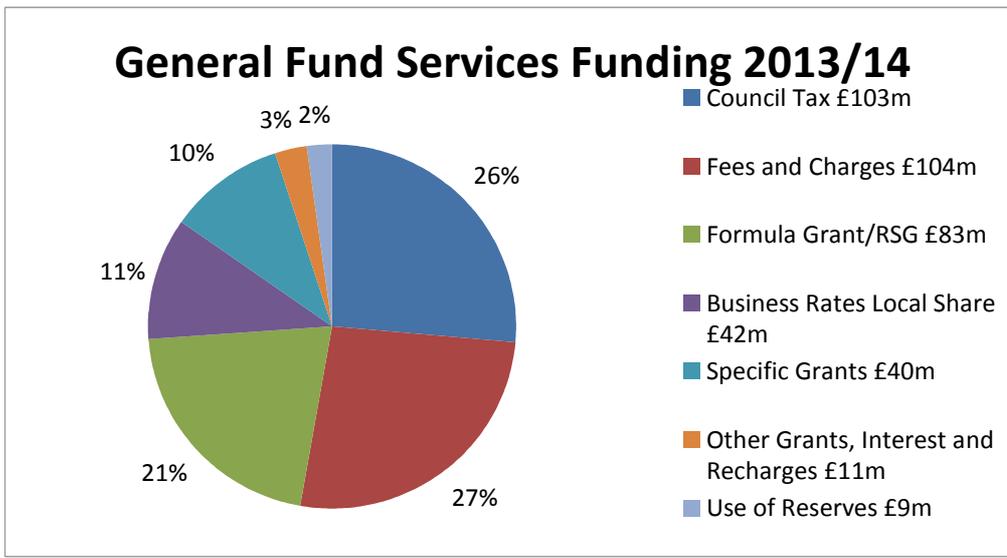
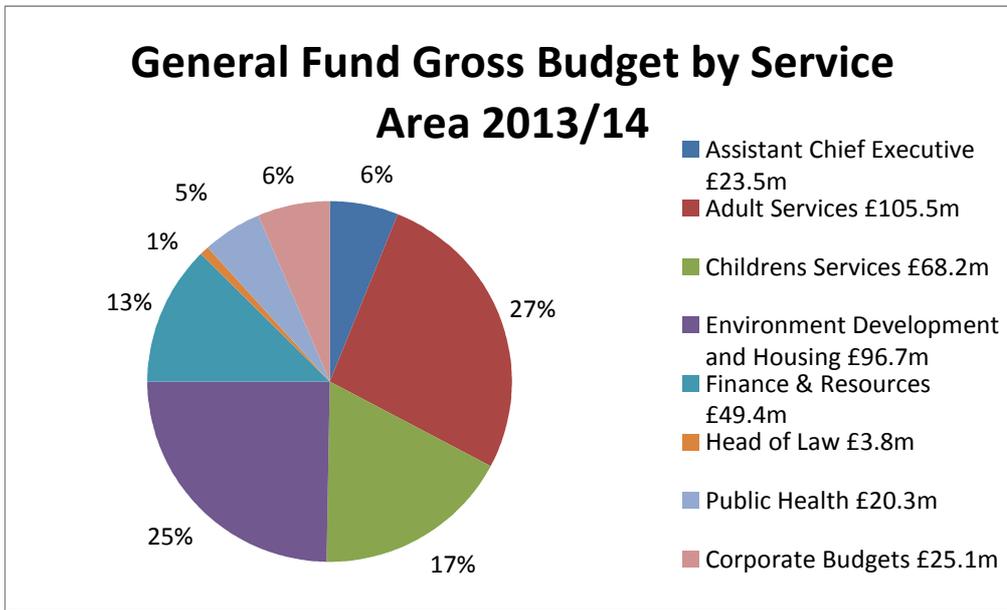
### **Background Documents**

1. Files held within Strategic Finance and Financial Services
2. Brighton & Hove City Council Budget report, 28 February 2013

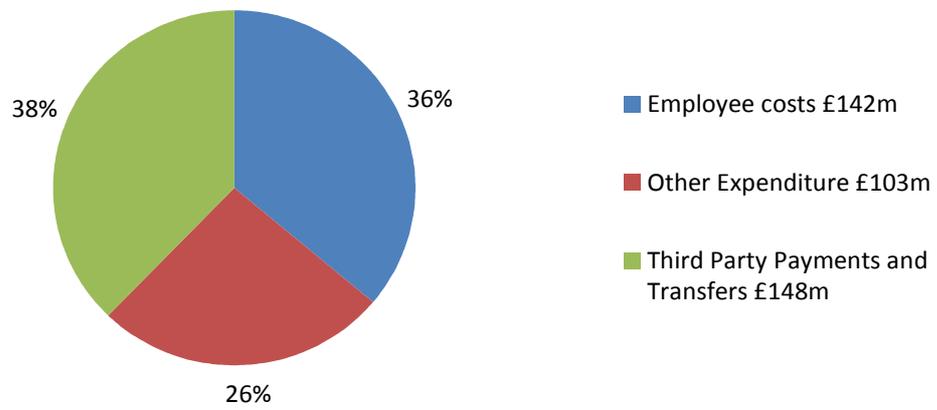
<b>2014/15 BUDGET - Budget changes from 2013/14 to 2014/15</b>											<b>Appendix 1</b>	
	<b>2013/14 Revised Base £'000</b>	<b>Changes in function / funding £'000</b>	<b>Reverse one-off allocations £'000</b>	<b>2013/14 Adjusted Base £'000</b>	<b>FYE of 2013/14 Savings</b>	<b>Inflation £'000</b>	<b>Service Pressures</b>	<b>Commitments and reinvestment £'000</b>	<b>VFM &amp; Other Savings £'000</b>	<b>2014/15 Original Budget £'000</b>	<b>Increase over adjusted base £'000</b>	<b>Increase over adjusted base %</b>
Assistant Chief Executive	11,501	-	(325)	11,176	-	(33)	-	-	-	11,143	(33)	(0.30)
Adult Services	73,872	-	-	73,872	(475)	1,141	-	-	-	74,538	666	0.90
Children's Services	58,578	-	-	58,578	-	818	-	-	-	59,396	818	1.40
Environment, Development & Housing	45,570	-	(375)	45,195	(100)	153	-	-	-	45,248	53	0.12
Finance & Resources	32,177	-	(100)	32,077	(77)	51	-	(11)	-	32,040	(37)	(0.12)
Head Of Law	3,259	-	-	3,259	-	26	-	-	-	3,285	26	0.80
Public Health	1,765	-	-	1,765	-	21	-	-	-	1,786	21	1.19
<b>Total Directorate Spending</b>	<b>226,722</b>	<b>-</b>	<b>(800)</b>	<b>225,922</b>	<b>(652)</b>	<b>2,177</b>	<b>-</b>	<b>(11)</b>	<b>-</b>	<b>227,436</b>	<b>1,514</b>	<b>0.67</b>
Concessionary Fares	10,144	-	-	10,144	-	202	-	319	-	10,665	521	5.14
Insurance	3,167	-	-	3,167	-	17	-	-	-	3,184	17	0.54
Financing Costs	9,721	-	-	9,721	-	-	-	(366)	-	9,355	(366)	(3.77)
Corporate VFM Savings	(927)	-	-	(927)	(500)	(19)	-	-	-	(1,446)	(519)	55.99
Contingency and Risk Provisions	5,957	-	(1,525)	4,432	-	1,534	5,550	257	-	11,773	7,341	165.63
Unringfenced grants income	(15,478)	-	-	(15,478)	-	-	750	2,276	-	(12,452)	3,026	(19.55)
Levies to External Bodies	158	-	-	158	-	3	-	-	-	161	3	1.90
Other Corporate Budgets	(2,186)	-	-	(2,186)	-	(21)	100	18	-	(2,089)	97	(4.44)
SAVINGS GAP	-	-	-	-	-	-	-	-	(23,617)	(23,617)	(23,617)	-
<b>NET REVENUE EXPENDITURE</b>	<b>237,278</b>	<b>-</b>	<b>(2,325)</b>	<b>234,953</b>	<b>(1,152)</b>	<b>3,893</b>	<b>6,400</b>	<b>2,493</b>	<b>(23,617)</b>	<b>222,970</b>	<b>(11,983)</b>	<b>(5.10)</b>
Contributions to/ from(-) reserves	(9,139)	-	2,325	(6,814)	1,152	-	-	4,572	-	(1,090)	5,724	(84.00)
<b>BUDGET REQUIREMENT</b>	<b>228,139</b>	<b>-</b>	<b>-</b>	<b>228,139</b>	<b>-</b>	<b>3,893</b>	<b>6,400</b>	<b>7,065</b>	<b>(23,617)</b>	<b>221,880</b>	<b>(6,259)</b>	<b>(2.74)</b>

	2013/14 Revised Base £'000	Changes in function / funding £'000	Reverse one-off allocations £'000	2013/14 Adjusted Base £'000	FYE of 2013/14 Savings	Inflation £'000	Service Pressures	Commitments and reinvestment £'000	VFM & Other Savings £'000	2014/15 Original Budget £'000	Increase over adjusted base £'000	Increase over adjusted base %
<b>Funded by: -</b>												
Formula Grant/Revenue Support Grant	77,652	-	-	77,652	-	-	-	-	-	62,759	(14,893)	(19.18)
Business Rates Local Share	42,234	-	-	42,234	-	-	-	-	-	52,765	10,531	24.93
Top Up Grant	1,581	-	-	1,581	-	-	-	-	-	1,629	48	3.04
Safety Net Grant	3,970	-	-	3,970	-	-	-	-	-	-	(3,970)	(100.00)
Collection Fund surplus/(deficit)	-	-	-	-	-	-	-	-	-	-	-	-
Council Tax	102,702	-	-	102,702	-	-	-	-	-	104,727	2,025	1.97
<b>Total</b>	<b>228,139</b>	<b>-</b>	<b>-</b>	<b>228,139</b>						<b>221,880</b>	<b>(6,259)</b>	<b>(2.74)</b>

**GENERAL FUND GROSS EXPENDITURE AND INCOME 2013/14**



### General Fund Gross Expenditure 2013/14





**Budget projections for 2013/14 to 2018/19**

The following table shows a summary of the budget projections for the General Fund over the next six years.

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
<b>Summary of General Fund budget projections</b>	<b>£ million</b>					
Budget Requirement brought forward	234.9	228.1	221.9	211.0	197.1	184.3
Pay and Inflation	4.5	3.9	4.7	4.4	4.2	3.9
General Risk Provision	1.5	0.5	0.5	0.5	0.5	0.5
Commitments - impact of previous decisions	3.4	2.0	-0.3	-0.1	0.3	0.0
Service pressures - demographic and inflation	4.8	5.7	5.0	5.0	5.0	5.0
Service pressures - specific grants	3.0	0.8	0.6	0.6	0.5	0.5
Full year effect of savings in previous year	-1.0	-1.2	0.0	0.0	0.0	0.0
Savings	-15.8	-23.6	-22.6	-24.6	-22.6	-17.8
Sub-Total	235.3	216.2	209.8	196.8	185.0	176.4
Change in contribution to /from reserves	-7.2	5.7	1.2	0.3	-0.7	0.0
Budget Requirement	228.1	221.9	211.0	197.1	184.3	176.4
<b>Funding</b>						
Revenue Support Grant	77.7	62.8	48.2	30.5	18.9	7.2
Top Up Grant	1.6	1.6	1.7	1.7	1.8	1.8
Safety Net Grant	4.0	0.0	0.0	0.0	0.0	0.0
Locally retained Business Rates	42.2	52.8	54.3	56.0	52.6	54.1
Council Tax	102.7	104.7	106.8	108.9	111.0	113.3
Total Funding	228.1	221.9	211.0	197.1	184.3	176.4





## Projected Capital Investment Programme

<b>Capital Programme</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
<u>Assistant Chief Executive</u>		
i360 Project	13,457	-
New Historical records Office – The Keep	190	-
<b>Total Assistant Chief Executive</b>	<b>13,647</b>	<b>-</b>
<u>Children's Services</u>		
New Pupil Places	7,630	2,500
Education Capital Maintenance	2,517	2,300
Devolved Capital to Schools	500	500
Education Structural Maintenance	920	920
<b>Total Children's Services</b>	<b>11,567</b>	<b>6,220</b>
<u>Adult Services</u>		
Adult Social Care - Craven Vale	1,591	600
<b>Total Adult Services</b>	<b>1,591</b>	<b>600</b>
<u>Environment, Development &amp; Housing</u>		
Housing stock (HRA)	28,200	21,262
B&H Community Seaside Homes	1,869	1,664
Empty Homes	495	-
Disabled Facilities	700	700
Local Transport Plan	7,479	7,000
Local Sustainable Transport	100	-
Highways Maintenance - pothole funding	325	-
Hollingdean Depot	200	-
Other minor schemes	21	-
<b>Total Environment, Development &amp; Housing</b>	<b>39,389</b>	<b>30,626</b>
<u>Finance, Resources &amp; Legal</u>		
Strategic Investment Fund	250	250
ICT Fund	2,000	2,000
Asset Management Fund	1,000	1,000
Procurement of vehicles & equipment	1,000	700
Corporate Planned Maintenance	500	500
Social care buildings investment	500	500
Worksyles phase 2	33	-
<b>Total Finance, Resources &amp; Legal</b>	<b>5,283</b>	<b>4,950</b>
<b>Total</b>	<b>71,477</b>	<b>42,396</b>
<b>Resources</b>	<b>£000</b>	<b>£000</b>
Council Borrowing	17,366	1,200
Government Capital Grants	19,212	13,535
External Contributions	2,269	-
Capital Receipts & Reserves	9,765	5,044
Direct Revenue Funding	20,900	21,840
<b>Total</b>	<b>69,512</b>	<b>41,619</b>
<b>Capital Programme Deficit</b>	<b>1,965</b>	<b>777</b>

The capital programme deficit is made up of education new primary school places of £1.310m in 2014/15 and £0.145m in 2015/16 and general fund pressures including ICT investment requirements of £0.655m in 215/15 and £0.632m in 2015/16.

