POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 123 Brighton & Hove City Council

Subject:		**General Fund Revenue Budget & Council Tax 2017/18**		
Date of Meeting:		**9 February 2017**		
Report of:		**Executive Director of Finance & Resources**		
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Ward(s) affected:		**All**		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT:

1.1 This report sets out the final proposals for the General Fund Revenue Budget and Council Tax for 2017/18 together with the Service & Financial Plans up to 2019/20. The increase in the council tax level is based on the minority Administration's council tax proposal of 1.99% together with a further 3% increase in respect of the Adult Social Care precept.

1.2 The budget proposals for 2017/18 clearly pose a significant challenge, given a savings requirement (budget gap) of over £20m for the second year running within the 4-Year planning period covered by the Integrated Service & Financial Plans. The total savings over the previous 4 years were £76m with a further budget gap of £47m predicted up to 2019/20. Savings will inevitably become progressively more difficult to achieve and will impact on services.

1.3 Increasing demands and reducing government grant funding are the principal drivers of the budget gap in 2017/18 and beyond. To close the gap, service leads have explored what can be redesigned and what can or should be delivered with or by other providers. Options have been considered in the context of future affordability and sustainability, potential for cost reductions and efficiencies, the potential to manage demands more effectively, or the possibility of generating greater income. The budget strategy continues to focus on modernising services and on getting basic services right, protecting provision for vulnerable people, and investing to support economic growth and regeneration.

1.4 The report incorporates previous decisions made by Policy, Resources & Growth Committee on the council tax base and business rates tax base, and by full Council on the Council Tax Reduction Scheme.

2. RECOMMENDATIONS:

That Policy, Resources & Growth Committee recommends to Council:

2.1 The Administration's proposed Council Tax increase in the Brighton & Hove element of the council tax, comprising:

(i) A general Council Tax increase of 1.99%;

(ii) An Adult Social Care precept increase of 3.00%;

(iii) The Council's net General Fund budget requirement for 2017/18 of £203.590m;

(iv) The 2017/18 budget allocations to services as set out in Appendix 1 incorporating 2017/18 savings proposals contained in the 4-Year Integrated Service & Financial Plans;

(v) The reserves allocations as set out in paragraph 3.25 and table 2;

(vi) The Prudential Indicators as set out in Appendix 8 to this report.

2.2 That Council note the Equalities Impact Assessments to cover all budget options and their cumulative effect are set out in Appendices 9 and 10.

2.3 That Council approves the authorised borrowing limit for the year commencing 1 April 2017 of £419m.

2.4 That Council approves the annual Minimum Revenue Provision statement as set out in Appendix 7.

2.5 That Council notes the 4-Year Integrated Service & Financial Plans and associated Budget Strategies including savings proposals for later years up to and including 2019/20 at appendix 6.

2.6 That Council approves the strategy for funding the investment in change and flexible use of capital receipts set out in paragraphs 3.63 to 3.66.

2.7 That Council note that supplementary information needed to set the overall council tax will be provided for the budget setting Council as listed in paragraph 4.3.

2.8 The Policy, Resources & Growth Committee agrees that officers be authorised to make any necessary technical, presentational or consequential amendments to this report before submission to full Council.

3. CONTEXT / BACKGROUND INFORMATION:

Projected Resources available in 2017/18

Local Government Finance Settlement

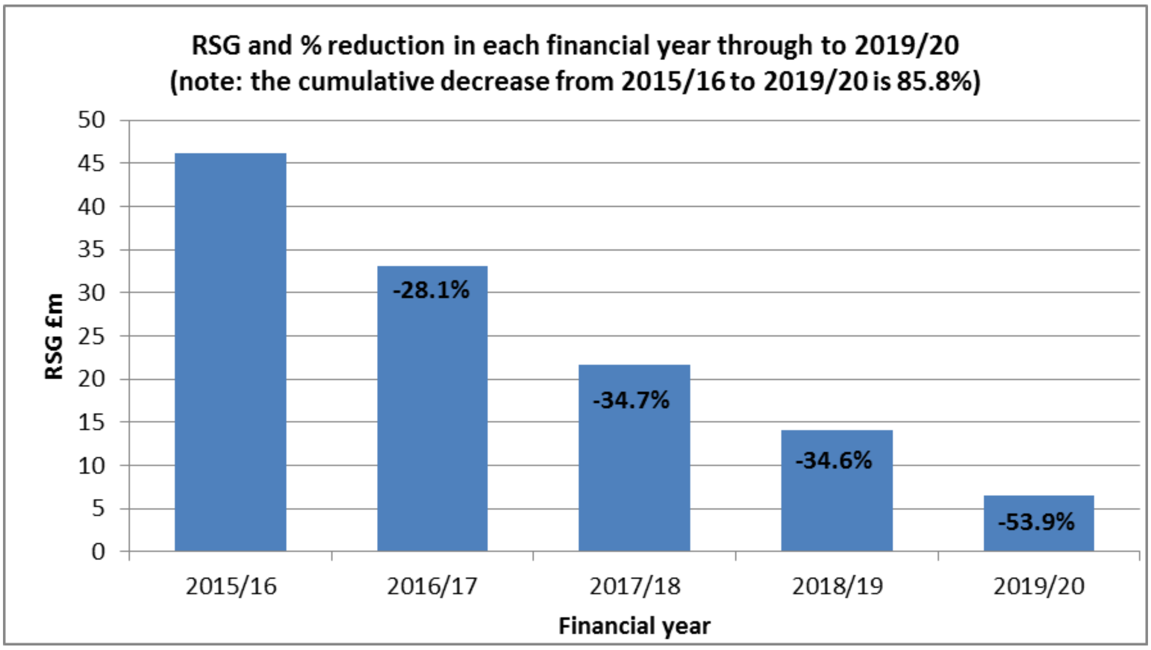
3.1 The provisional Local Government Finance Settlement (LGFS) was announced on 15 December 2016 and confirmed the council's Revenue Support Grant for 2017/18 at £21.618m in line with the 4 year offer announced in December 2015. The final LGFS is not due to be announced until early February 2017 and therefore any change from the provisional settlement will need to be reflected in the supplementary report to Budget Council.

3.2 The table below shows the provisional 2017/18 funding assessment compared to 2016/17 along with the national percentage change.

Table 1	Final 2016/17 £m	Provisional 2017/18 £m	Increase / (Decrease) £m	Change %
BHCC Revenue Support Grant (RSG)	33.126	21.618	(11,508)	-34.7%
BHCC Government assumed business rates income retained by the council	54.119	55.224	1,105	2.0%
BHCC Settlement Funding Assessment (SFA)	87.245	76.842	-10.403	-11.9%
National SFA Change				-10.6%

3.3 The government-assumed level of business rates retained locally is used in the grant calculation and is different from the actual business rates forecast to be collected locally which is shown later in this report.

3.4 The provisional LGFS also provided indicative estimates of RSG through to 2019/20 and the graph below shows the reductions over the four year offer period:



Adult Social Care Precept and Better Care Funding

3.5 The local government settlement for 2016/17 included flexibility for authorities with social care responsibilities to raise council tax by up to 2% per annum above the referendum threshold. The provisional settlement for 2017/18 included a further flexibility of bringing forward the precept increase to a maximum of 3% but maintaining an overall precept of 6% over the remaining three year period to 2019/20. This flexibility is to address, in part, the rising costs of this service and councils raising additional revenue through this precept must demonstrate that the additional resources are being applied to Adult Social Care. Due to the significant cost and demand pressures in Adult Social Care (ASC), the Medium Term Financial Strategy (MTFS) assumes the ASC precept will be 3% in 2017/18 and 2018/19, and 0% in 2019/20.

3.6 In addition to the precept, the government confirmed within its 4 year settlement offer £1.5 billion additional funding for authorities to spend on Adult Social Care by 2019/20 to be included in an Improved Better Care Fund. This additional money is planned to be passed directly to authorities through a separate grant that takes into account a council's ability to raise resources through council tax. The indicative allocations to this council remain at £3.2m in 2018/19 and £6.2m in 2019/20. This Improved Better Care Funding is separate from the current Better Care Fund that is pooled with local health partners. However, both will support integrated working through the Caring Together initiative for Brighton and Hove.

3.7 The government announced a new 2017/18 Adult Social Care Support Grant by bringing forward reductions in funding for New Homes Bonus (NHB) and redirecting these funds to councils with ASC responsibilities. This one off grant is £1.234m for this council; however the council's reduction in NHB resources is £0.995m.

Referendum Threshold

3.8 The Government has announced that the threshold above which an increase in council tax requires confirmation from a local referendum, including the 3% additional flexibility for Adult Social Care, will be 5%. Any proposal to increase council tax by 5% or above would need to be accompanied by an agreed substitute budget. This would need to be implemented if the increase were voted down by the electorate.

Forecast Business Rate Retention income for 2017/18

3.9 Details of the likely business rate retention income forecasts were set out in the report to the January meeting of Policy, Resources and Growth Committee. The estimate of resources overall remains unchanged however the split between business rates and section 31 compensation grants relating to small business rate relief has been amended using the most up to date information. Therefore the council is forecast to receive £59.284m from its local share of business rates and section 31 compensation grants in 2017/18. This is £1.028m higher than forecast in December 2016, after allowing for the proposed £0.034m discretionary rate relief saving, of which £0.470m relates to inflationary increases and £0.110m relates to additional growth. Therefore £0.580m of the gain will increase resources on a recurrent basis. The remaining £0.448m is assumed to be a one off gain only, because it arises from changes to be made for the revaluation of Business Rates and changes to reliefs.

Council Tax Increase and Taxbase

3.10 The Council Tax taxbase report agreed by this committee in January 2017 included taxbase related savings of £0.307m. Assuming a Council tax increase of 4.99% and the changes to the taxbase, the total projected increase in council tax income in 2017/18 is £7.765m.

Schools Funding

3.11 For 2017/18, allocations to schools have increased by over £2m; this is due to 3 main factors:

- Increasing pupil numbers
- Delegation of funding for Capital Expenditure on the Revenue Account (CERA)
- A reduction in 'exceptions' funding returned to the Local Authority (LA).

3.12 For 2017/18 academies and free schools are included in the Dedicated Schools Grant to ensure all schools, academies and free schools are funded on the same basis using the LA's funding formula. The Department for Education (DfE) then recoups the funding attributable to academies and free schools and pays this directly to the relevant schools.

3.13 The DfE has advised that the authority should include future pupil estimates for new schools that are still adding year groups, and this applies to the free schools in Brighton & Hove. The funding mechanism operating nationally means that funding will be applied on a lagged basis (i.e. the 2017/18 Schools Block is based wholly on the October 2016 census numbers) and funding for September 2017 pupil growth will not be allocated to the LA until 2018/19.

3.14 Following discussions at meetings of the Schools Forum, funding for CERA is being delegated to all mainstream schools in 2017/18. This equates to a total of £0.843m (or £27.89 per pupil).

3.15 Following agreement at the extraordinary meeting of the Schools Forum in November 2016, the LA is retaining Education Services Grant (ESG) retained duties funding of £0.492m.

3.16 Within the formula, the deprivation factor for 2017/18 will be 8.7%, a small reduction but still above the current national average of 7.6%. Similarly, funding for the low attainment factor within the formula for 2017/18 will be 5.9% which is also a small reduction but well above the current national average of 4.3%. The reduction in funding being allocated through these factors resulted in an increased allocation through basic entitlement (age weighted pupil units). The LA considered the implications of the relatively small reductions in allocations through deprivation and low attainment and advised maintaining the existing unit values for these factors to minimise funding turbulence, particularly with a national funding formula coming in the near future. The minimum funding guarantee, which protects against losses greater than -1.5%, can also provide protection to schools that lose overall funding as a result of reductions in the deprivation and low attainment allocations.

3.17 The application of the formula on the basis outlined above, including continuation of a mobility factor in the formula, means that the primary / secondary funding ratio is unchanged from the 2016/17 level of 1:1.32.

Other Government Grants

3.18 The grant allocations for 2017/18 have been included in Appendix 3 together with the 2016/17 allocations for comparison. Some grant allocations for next year have not yet been announced and where these are critical to the setting of the 2017/18 budget, forecasts have been included.

3.19 There are some changes to grants in 2017/18 and beyond as follows:

- The Education Services Grant is currently £2.895 million of which £0.478m relates to retained duties. This grant is due to be phased out nationally as part of savings of around £600 million. The government originally planned to reduce accordingly the local authority role in running schools by the removal of a number of statutory duties; however no legislation is currently planned. The government will provide transitional funding in 2017/18 of £0.863m meaning a reduction of £2.032m in 2017/18 and a further £0.863m in 2018/19. The reductions in grant are reflected in the budget assumptions. The retained duties element of £0.478m will be recovered through schools and therefore funded by the Dedicated Schools Grant. This is reflected in the budget proposals for Families, Children & Learning.
- The reduction in Public Health Grant in 2017/18 of 2.5% has been confirmed, reducing the grant by £0.521m.
- Housing Benefit Administration grant has reduced by £0.143m to £1.254m, a further reduction of 10%.

New Homes Bonus

3.20 The government has announced a new methodology for calculating the New Homes Bonus (NHB) whereby a threshold of 0.4% growth in housing stock per annum must be achieved before any NHB grant is calculated. This may affect 2018/19 resources if this target is not met. In addition, the government has reduced the reward from 6 to 5 years for 2017/18 (5 to 4 years in 2018/19) as well as reducing the national total by £241m. The impact for this council is a reduction of £0.995m from the level previously assumed in the MTFS.

Fees and Charges

3.21 The Council's Corporate Fees & Charges Policy requires that all fees and charges are reviewed at least annually and should normally be increased by either: the corporate rate of inflation (2%)[1], statutory increases, or actual increases in the costs of providing the service. Increasingly, linked to the Value for Money approach, services are benchmarking non-statutory fees and charges with other providers and councils to ensure that charges are comparable and competitive, and can maximise income to protect essential services.

3.22 Wherever possible, non-statutory increases 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.

Reserves and One-off Resources

3.23 The working balance is planned to be maintained at £9m over the period of the Medium Term Financial Strategy. The review of reserves and the working balance is included at Appendix 4 and indicates where reserves are recommended for release to support the budget.

3.24 The following table shows the projected general reserves position and one off resources assuming spending is in line with the latest projections for 2016/17 shown in the TBM month 9 report. The table includes the release of specific reserves and other one off resources to support the 2017/18 budget with allocations identified in paragraph 3.25. The resources to support the Integrated Service & Financial plans are detailed in paragraph 3.61. The change in one off resources since the Budget report to this committee in December is included in appendix 2.

Table 2 – Unallocated General Reserves & one off resources	**£m**
Forecast overspend on services at Month 9 (TBM)	-1.862
2016/17 Risk Provisions	3.000
Additional Restructure & Redundancy costs in 2016/17	-0.600
Estimated Council Tax Collection Fund Surplus	0.654
Estimated Business Rates Retention collection fund 2016/17 deficit	-1,684
BRR gain in 2017/18 treated as one-off	0.448
Transitional grant	0.047
Release of unused Rugby World Cup Resources	0.100

[1] See paragraph 3.32 for an explanation of the corporate rate of inflation

Release of reserves as set out in appendix 4	0.593
Total Unallocated general reserves & one off resources	**0.696**
Allocation of one off resources	
Transitional funding for the Youth Service	-0.100
One off funding for schools pension contributions	-0.120
Risk provision for increased costs of ICES	-0.300
Funding for supported bus routes	-0.080
Funding to support planning enforcement	-0.046
Funding for cemeteries grounds maintenance	-0.050
Balance	**0**

3.25 The table above includes the following commitments and allocations : -

- Transitional funding for the Youth Service to support the change to the new level of funding.
- One off transitional funding for schools to mitigate the late change to pension costs notified by the East Sussex Pension Fund which was received after schools budgets were determined and issued.
- The overspend in the Integrated Community Equipment Store identified in TBM 9 is a financial risk in 2017/18 and it is proposed to hold a one off risk provision
- Funding to maintain supported bus routes until the next retender due in September 2017.
- Additional resources to support planning enforcement in 2017/18
- One off resources for cemeteries maintenance.

Expenditure Estimates

Latest position in 2016/17

3.26 The Month 9 Targeted Budget Management (TBM) report elsewhere on the agenda shows a projected overspend of £1.862m of which £0.603m is the estimated share of the projected overspend of NHS controlled s75 services. After allowing for risk provisions there is a net underspend of £0.538m.The overall position is a significant improvement since month 7 was presented to Policy, Resources and Growth Committee. This is mainly driven by significant improvements to forecasts from the Economy, Environment and Culture directorate and Corporate budgets.

2015/16 Adjusted Base Budget

Internal Transfers and Other Adjustments

3.27 Internal transfers relate to changes in responsibility between services and corporate budgets. In 2016/17 the main transfers relate to aligning budgets with the senior management structural changes and realigning insurance budgets.

2017/18 Budget

Analysis of Budget Changes between 2016/17 and 2017/18

3.28 Table 3 below shows how the budget has changed since 2016/17. The table shows that funding will be £5.981m or 2.9% lower than in 2016/17. This raises the question:

'Why is a £20.986m savings package required for 2016/17 when overall funding has only reduced by £5.981m?' The answer is within the table below but can be more simply summarised as:

- The budget must deal with the reduced funding of £5.981m;
- On top of this the council estimates pay and cost inflation of £3.067m;
- Most significantly, the council is also experiencing demographic and demand-led increases for Adult Care Services of £6.320m;
- There are also substantial demand pressures on Children's social care and homelessness totalling £5.616m;

3.29 These are the principal reasons why a large savings package must be delivered to meet increasing costs and demands and ensure critical services to vulnerable people with assessed care and safeguarding needs can be met next year.

Table 3: Analysis of budget changes	**£m**
Revised 2016/17 base budget	**209.571**
Pay and Inflation	3.067
Removal of one-off risk provision	-1.500
Recurrent risk provision (already included in base budget)	0
One off allocations included in Table 2	0.696
Commitments & Reinvestment (net position)	-0.372
Demographic and cost service pressures in Adult Social Care (partially funded by the ASC precept)	6.320
Demographic and cost service pressures for all other services	6.318
Funding pressures from reductions in unringfenced grants	2.232
Full year effect of 2016/17 savings	
Savings package 2017/18	-20.986
Change in use of reserves	-1.756
Proposed Base Budget 2017/18	**203.590**

3.30 Appendix 1 shows a detailed breakdown of the proposed budgets and budget changes for each service. To see an explanation of the reduction in overall funding of £5.981m please see the bottom part of the table at Appendix 1.

Changes from the Draft Budget Proposals

3.31 The draft budget proposals were submitted to the 8 December 2016 meeting of the Policy, Resources & Growth Committee. At that time a remaining budget gap of £3.160m was reported. The proposals submitted in this report would close the budget gap due in part to changes in a number of projections and in part due to changes in resources arising from the January tax base reports and from the provisional Local Government Finance Settlement. In summary, the main changes were:

- Changes in expenditure projections, mainly additional Children's social care pressures and revised pension costs: £0.484m;

- Reduction of the risk provision. A further £0.800m had been included in the draft proposals to recognise ongoing pressures on social care budgets throughout 2016/17. However, the proposed budget has been able to provide funding for all identified service pressures across social care and homelessness and therefore the additional risk provision is not deemed necessary (see Section 6): -£0.800m;
- Increased resources from the tax bases: -£0.788m;
- Net change in resources from the provisional financial settlement: -£2.056m.

The full details of the movement are set out in the table in Appendix 2 of the report.

Pay and general inflation assumptions

3.32 Council services experience different cost increases (inflation) than nationally announced inflation indices. This is particularly relevant for third party contracts for social care where increasing standards, the living wage, and regulation are driving up costs. However, there are also many other areas of expenditure where inflation is higher than consumer inflation. These costs, and the costs of pay awards, account for the majority of the inflation included within the budget. The council averages out these cost increases and applies a standard 'corporate rate of inflation' to provide a truer reflection of costs. Fees and charges income is assumed to increase in line with the standard corporate rate otherwise income would not keep pace with costs and there would be a growing gap in resources over time. The use of a standard rate for both costs and income therefore avoids increasing budget gaps. In considering whether increases to existing fees and charges can provide increased resources, the standard corporate rate of inflation must therefore be met first before assuming any contribution to savings.

3.33 The budget for 2017/18 includes a provision of 1% for pay awards and the potential greater increases to lower scale points and the impact of funding the £8.45 Living Wage Foundation pay rate on the General Fund.

3.34 The East Sussex Pension Fund carried out its latest triennial review in 2016 which has determined the contribution rates from 2017/18 to 2019/20. The contribution rates have been presented on a different basis to previous valuations based on a percentage on-cost of 17.1% and a lump sum element. The overall rate is calculated at 20% for 2017/18 based on the actual pensionable pay in 2015/16, and then increased by the actuary's assumptions on pay cost inflation. Unfortunately, the split between the on-cost percentage and the lump sum payment was not available until 19th January and has had some impact on pension cost estimates.

3.35 The additional costs to the general fund are expected to be £0.796m of which £0.500m was included in the budget projections. The impact on the HRA is an additional £0.045m and this is reflected in the updated HRA budget report. There is also an impact on schools; pension costs are accounted for by schools individually and this late announcement was after schools budgets had been determined and issued and has therefore impacted on schools' ability to manage the increase in costs. It is therefore proposed to allocate £0.120m one off General Fund resources to schools to provide transitional support for 2017/18 (lump sum element only) and give time to fully plan for the step increase in pension costs for 2018/19.

3.36 The provision for inflation averages out at approximately 2% which determines the 'corporate rate of inflation' applied to budgets. Fees and charges are also assumed to increase by this rate with the exception of parking Penalty Charge Notices which are fixed by statute. Increases in costs above the applied corporate rate of inflation are expected to be managed within service budgets unless the increase is significant and specifically identified as a corporate service pressure.

Risk Provisions included in the 2017/18 budget

3.37 The Budget includes £1.500m recurrent risk provision in recognition of the financial risks included within the overall budget package. This is in line with the recommendations of the Chief Finance Officer as set out in section 6 of this report.

Commitments and Reinvestment

3.38 Details of the main commitments and reinvestment in services in addition to the one-off allocations from reserves are shown below:

- £0.80m for the increase in the employer's pension contributions.
- £0.86m planned investment in Modernisation.
- £0.55m for the General Fund element of the Apprenticeship Levy.
- £2.40m increased income from unringfenced grants including £1.4m increased income from changes to S31 grants relating to Business Rate reliefs; £1.2m one off Adult Social Care Support Grant; offset by £0.2m reduction in recurrent New Homes Bonus.
- £0.075m for Poverty Proofing the School Day.

Service Pressures

3.39 As the council's overall funding is reducing, a significant proportion of the proposed savings package is required to enable reinvestment into service areas where there are predicted increases in demands for services or known cost increases.

3.40 The budget estimates for priority service pressures have been reviewed and amended to reflect the significant underlying pressures experienced during 2016/17 in relation to Adults and Children's Social Care and Homelessness (Temporary Accommodation). In addition, the council anticipates there will be significant additional cost and demographic pressures during 2017/18. The allocations below reflect these. Further details of these risks are outlined in section 6.

3.41 The total demographic and cost pressure allocations included within the 2017/18 budget are £14.870m for base budget changes (recurrent funding):

- £6.320m for Adult Social Care. This includes increased costs, demand and complexity for learning disability services of £2.9m; the impact of changes to the national living wage relating to home care and care home fees of £1.7m; increased costs from Deprivation of Liberty Safeguarding assessments (DoLS) of £0.8m; reduction in Public Health grant of £0.5m; increased costs of Memory and Cognition services and Mental Health services of £0.4m;
- £3.384m for Children's Social Care mainly relating to children's agency placements;
- £2.232m for reductions in unringfenced grants particularly the reductions to Education Services Grant of £2.0m and Housing Benefit administration grant;
- £2.232m for increased costs and demands for Homelessness and Temporary Accommodation;
- £0.702m lower level pressures including maintaining the funding level for the Royal Pavilion, loss of income at Carlton Hill car park, and exceptional contract and income budget pressures.

4 Year Integrated Service & Financial Plans (ISFPs)

3.42 Last year the Council adopted a longer term service and financial planning approach in order to set out a clearer direction of travel and map out a budget plan for addressing a predicted £68m budget gap over the 4 year period until the end of this Parliament. This approach has been recognised positively by Ernst & Young, the council's external auditors, who provided a positive view on the council's achievement of value for money and financial resilience as a result.

3.43 The council is now almost a year into the 4-year plan and savings of around £20m will be delivered by the end of 2016/17. The remaining 3 years (2017/18 to 2019/20) will be more challenging as demands and costs continue to grow while government funding from the Revenue Support Grant will reduce by a further £26m. The council's agreement to sign up to the government's '4-year settlement offer' provides certainty over some elements of government funding, but some other grants e.g. Education Services Grant, are continuing to change. Taking into account known grant and funding changes together with assessed demand and cost pressures, an overall budget gap of £46.7m is predicted between 2017/18 and 2019/20. This means that substantial savings need to be found to balance the budget.

3.44 The budget gap is driven by a number of key factors:

- Increased demand for Adults Social Care services, for example, due to people living longer but with increasingly complex social care needs;
- Increased costs across children's services due to increasing numbers of children on child protection plans, the increasing cost of care leavers and the cost of care;
- Increased costs of social care contractual costs, Deprivation of Liberty Safeguard assessments and National Living Wage impacts;
- Inflationary pressures, for example, increasing costs of temporary accommodation leased by the council to tackle homelessness, due to private sector rent increases and housing supply issues;
- Substantially reducing government grant funding, particularly in relation to Revenue Support Grant and Education Services Grant.

3.45 The corollary of this is that council will need to invest £11.936m service pressure funding to meet projected adult and children's social care and homelessness cost and demand increases. Alongside the reductions in government funding and other budget changes outlined in Table 3 above, the council must therefore identify a package of recurrent savings of £21.0m in 2017/18 to achieve a balanced budget. However, savings do not have to be targeted on services in the same proportion as anticipated increases in costs and demands as there may be other areas where there is greater opportunity to save money without impacting adversely on priority areas or on service provision or availability.

3.46 The council has had to make savings of over £76m in the previous 4 years, meaning that further measures inevitably become harder to identify, carry greater delivery risks and may have greater impacts on residents, customers and service users.

City Council Budget Strategy

3.47 The council is a large public service provider and commissioner covering around 700 individual services that support many different priorities and statutory requirements. The budget strategy is inevitably multi-stranded and complex as reflected by the wide range of savings proposals identified in the 4-Year ISFPs at appendix 6.

3.48 Given the financial challenges, the council's proposed budget strategy is to focus on getting basic services right, protect services for vulnerable people, particularly demand-led services, while continuing to support the key priorities set out in the Corporate Plan, in particular investing to support economic growth and regeneration.

3.49 The budget and savings package will continue to be supported by the approach outlined in the council's Efficiency Plan developed in 2016/17 and submitted as part of the application process for the government's 4-year offer[2]. In summary, this includes the following approaches:

- Modernisation, of services including exploring different models of service delivery to improve efficiency, value for money, and outcomes for residents, including developing accessible digital services where appropriate. Where it is decided to retain council services, they will be redesigned and benchmarked to ensure costs are appropriate and that management and administrative costs are continually challenged.
- Exploring innovative solutions including commercial opportunities for self-financing through income generation in some services, while continuing to ensure non-statutory fees & charges fully recover costs and that procurement and contract management continues to drive value in the £300m spent on services provided by third parties.

3.50 In terms of taxation, the budget strategy proposes offsetting some of the growth in demand and costs across social care and homelessness by applying a Council Tax increase of 4.99%, which includes a general increase of 1.99% together with an additional 3% increase for the Adult Social Care precept.

3.51 The strategy is mindful of the need to support equality and will be underpinned by impact assessments and meaningful engagement and consultation with people, partners and other stakeholders directly affected by changes to services.

Delivering the Strategy

3.52 Delivering the budget strategy over the next 3 years demands effective project and programme management, strong governance and accountability, and resilient leadership and partnership working. The council will consequently require substantial one-off investments, for example, to facilitate changes in service provision, invest in digital services, fund restructuring and redundancy costs,and provide project and change management and other technical expertise that may not be available in-house.

3.53 Failure to invest in implementation will heighten the risk that day-to-day service delivery will crowd out change. Due to the complexity and breadth of budget proposals, responsibility for delivery is delegated to service directorates but will be supported by additional funding, governed by the Corporate Modernisation Programme Board. More information about specific service strategies and budget proposals can be found within the service directorates' 4-Year ISFPs at appendix 6.

3.54 In summary, the approach contained in the budget strategy and 4-year plans and supported by the proposed capital and revenue budget proposals is as follows:

Getting basic services right and making the city an enjoyable place to live and work

[2] Brighton & Hove City Council Efficiency Plan is available on the web site here

- Modernising services through the Digital First programme with around £6m capital investment planned to improve mobile working, efficiency, and digital accessibility of services for residents and visitors;
- Working more closely with Neighbourhoods to improve engagement and collaboration in relation to community and enforcement services, for example across licensing, planning, and environmental services, to ensure that the lives of residents are not adversely affected by low level illegal activities;
- Investing in recycling and collection to improve services and protect the environment;
- Investing in transport infrastructure, traffic management strategies and street lighting to improve safety and the environment;
- Continuing to develop Housing programmes and financing solutions to address housing supply issues and reduce homelessness;
- Undertaking a citywide review of the supported bus network including re-procurement of this service in 2017;
- Developing self-service for support services through the Orbis shared service partnership with West Sussex (legal only), Surrey County Council and East Sussex County Council to reduce costs across Finance, Revenues & Benefits, HR, ICT, Legal, Procurement and Property Services;
- Maximising the economies of scale and contractual savings available through the Corporate Landlord model, including continued rationalisation of the council's administrative buildings;
- Continuing to improve procurement and, particularly, contract management to ensure that maximum value is derived from circa £300m external supplier and provider spend;
- Over £2m management savings are proposed in 2017/18 following a similar level of saving in 2016/17 (£1.9m). Further opportunities to streamline management costs will continue to be explored through shared service arrangements, reviewing management spans of control and new ways of working. However, relative to the magnitude of service savings required over the next 2-3 years, further management savings are likely to be very small in scale and it will be important to ensure that the council remains able to safely discharge its statutory, legal, financial and duty of care responsibilities particularly at a time when major service changes and budget savings must be delivered on top of the day to day operational management of services.

Protecting provision for vulnerable people as the city's population grows and the cost of care rises

- Investing savings and taxation increases in essential services to ensure that projected increases in statutory demands and needs can be met safely and to adequate inspection standards. £6.320m will be provided to meet growing costs and demands across Adult Social Care, £3.384m for increased costs and additional care leaver responsibilities in children's social care services and £2.232m for homelessness to meet temporary accommodation costs;
- Further protecting services for vulnerable adults and children by getting the balance between universal, preventative and targeted services right without impacting on longer term care costs;
- The budget supports continued Children's Centre service provision by reframing and redesigning other preventative services including Early Help,

Troubled Families and Public Health services, taking into account the findings of the Fairness Commission where possible (and affordable);

- Maintaining support for Welfare Reform - expected to affect over 600 families in the city - through advice and support to ensure people are helped to move to sustainable tenancies wherever possible and help them onto a sustainable financial footing. Discretionary funds will continue to be provided to help those who suffer severe short term financial hardship;
- Potential development of an in-house secure residential facility for high risk and high cost adolescents will be explored to determine whether this can help to avoid high out-of-city costs;
- Focusing on increased prevention of homelessness with key partners and assisting homeless households to move to alternative lower cost provision;
- Development of new Temporary Accommodation through commissioning a council housing stock review to deliver conversions of existing under-used or unused buildings or spaces;
- Continuing to develop the new models of social work practice across children's social care to avoid higher cost care pathways and placements;
- Bringing together children's disability services and adult learning disability services to manage and reduce the demands that arise when young people transition into adult services;
- Continuing to reduce the reliance on independent foster agency placements to minimise cost;
- Engaging fully with the Brighton & Hove Caring Together initiative through integrated commissioning with the Clinical Commissioning Group (CCG) and the Better Care Programme to ensure greater collaboration and integration with Health Services and reduce the cost of health and social care and help support people to live in the community for longer;

Supporting economic growth and regeneration that benefits everyone

- Growing the economy through the Greater Brighton Partnership and long term capital investment through major regeneration programmes to renew and strengthen the infrastructure of the city;
- Drawing in private sector investment to create jobs and ensure that economic gains are fairly distributed;
- Maintaining a resilient Planning Service will be an important factor in the delivery of the regeneration programme;
- Developing the Housing Joint Venture with Hyde Housing to increase affordable housing supply;
- Making the most of our assets to generate new long term revenues for the council to protect essential public services;
- Growing a commercial approach to waste and street cleaning services with a focus on income opportunities;
- Preparing for the move of the Royal Pavilion & Museums over to a Trust Status delivery model;
- Introduction of a new model of delivery for Parks and Open Spaces.

Discretionary Funds and Welfare Reform

3.55 The proposed budget includes continued recognition of the potential impacts of changes to the Council Tax Reduction Scheme and national Welfare Reform changes. As well as a wide range of support and advisory services including Financial Inclusion, Housing and Welfare Rights the council also provides one-off resources and grants to support those suffering short term hardship including:

(i) Discretionary Housing Payments (DHP) - £0.597m in 2016/17 but announcement for 2017/18 still awaited;

(ii) Welfare Reform and Social Fund reserve - £0.634m; planned use includes a one-off allocation of £0.295m to continue the Social Fund in 2017/18, £0.095m for discretionary council tax reduction support and £0.144m to support the Welfare Reform programme. A contingency of £0.100m is also set aside for any residual issues in 2018/19.

(iii) The revenue budget also includes recurrent Council Tax Reduction discretionary support of £0.055m in addition to the £0.095m provided from the Welfare Reform reserve above..

Outcome Based Budget Allocation

3.56 The strategy outlined above will allocate resources for 2017/18 as shown in Table 4 below to achieve the desired outcomes. The change in budget for each directorate reflects a balanced judgement about the level of funding required in each area to support priorities, meet statutory responsibilities and deliver change.

3.57 The change in budget from 2016/17 to 2017/18 for each area will therefore be the combined result of:

- Inflation provision, where appropriate, to avoid real terms reductions;
- Commitments (e.g. for the impact of decisions previously approved by the council);
- Service pressure funding (i.e. provision recognised in the budget to meet growing statutory demands, needs or costs, particularly across social care and homelessness);
- Savings (i.e. net savings from the 4-year Integrated Service & Financial Plans aligned to the budget strategy above).

3.58 The combination of these factors will give rise to a net change in each directorate's overall budget resources as shown below and in appendix 1.

Table 4 – Indicative movement in Service Budgets

Service Directorates	2016/17 Net Budget £'000	2017/18 Proposed Net Budget £'000	Increase / Decrease Over 2016/17 %
Health & Adult Social Care	49,688	49,308	-0.7
Families, Children & Learning	80,971	83,139	+2.7
Economy, Environment & Culture	32,424	28,814	-11.1
Neighbourhoods, Communities & Housing	14,961	14,738	-1.5
Finance & Resources	19,559	17,476	-10.7
Strategy, Governance & Law	5,227	4,669	-10.7
Total Service Budgets	**202,830**	**198,144**	**-2.3**
Corporate and other Budgets	6,741	5,446	n/a
Total Council	**209,571**	**203,590**	**-2.9**

Note: Learning Disability Services for adults are now managed under the Families, Children & Learning directorate. If added to other Adult Social Care Services, the change on all Adult Social Care is +1.6% while the change across Families, Children & Learning excluding Learning Disability is +0.9%.

3.59 Overall, the council expects a reduction in budget resources of 2.9%. It is clear from the above table which service areas will be protected and which are charged with achieving greater efficiencies.

3.60 The 4-year Service & Financial Plans at Appendix 6 include proposals for each directorate with an accompanying 4-Year Budget Strategy statement. The total General Fund savings identified in the draft proposals and the remaining potential budget gaps are outlined below:

Table 5	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**	**Total £'000**
Budget Gap	20,986	15,100	10,639	46,725
Budget proposals	-20,986	-11,536	-7,241	-39,763
Remaining Gap	**0**	**3,564**	**3,398**	**6,962**

Investing in change

3.61 The 2016/17 Budget Report included high level estimates of the investment requirements for change over the planning period to 2019/20. This investment is needed to deliver the large savings programme as well as modernising and changing services to be able to manage demands and continue to provide services with less resource. The level of investment required has been update and reprofiled in line with the updated Integrated Service & Financial Plans (ISFPs) and covers the following:

- The 4-Year ISFPs require investment in services to support spend-to-save initiatives and service redesigns. This is estimated to be a minimum of £6.800m over the 4 year period of which £5.800m relates to the remaining 3 years. It is anticipate £3.200m will be required in 2017/18. This will be held in a reserve and only released through approval of the Corporate Modernisation Delivery Board, chaired by the Chief Executive, based on proven business cases.
- The 4-Year ISFPs will also require additional support to co-ordinate and project-manage the implementation of savings and modernisation programmes. The estimated additional cost including legal support is £3.100m over the 4 year period with £0.400m required in 2017/18.This investment supplements the £0.857m resources from earmarked modernisation reserves. This support includes a Business Process Improvement service to support service redesign savings and additional contract management resources to improve contract performance and further reduce contractual costs;
- Managing changes in the level of staffing. Approximately 290 posts are expected to be deleted from the council's staffing establishment over the next 3 years. This will happen through a mixture of normal turnover, redeployments and severance. The latter, preferably through voluntary severance, needs resourcing and an estimated £4.000m will be needed over the remaining 3 years with £2.000m required in 2017/18;
- Modernising the council's customer service offer will require significant investment in digital services. The 'Digital First' programme has identified an investment requirement of £6.000m to provide digital services such as

improved web site access and mobile working. This has been funded through the council's capital investment programme.

3.62 The funding of these resource requirements, as originally set out in the 2016/17 budget uses reserves in part but also relies substantially on capital receipts. The ability to use capital receipts flexibly to achieve modernisation and savings was included in the government's 4-year settlement funding offer which this council accepted in October 2016. The Digital First programme is fully funded from capital receipts leaving £5.600m to be funded in 2017/18. Of this, £0.600m is carried forward revenue resources set aside to support spend to save leaving a potential £5.000m to be funded and the Capital Resources and Capital Investment Programme report on this agenda includes these funding requirements.

Flexible Use of Capital Receipts to support Investment for ISFP's

3.63 As part of the December 2015 Spending Review, the Secretary of State for Communities and Local Government made an offer to councils to take up a 4-year funding settlement for the period 2016/17 to 2019/20. To accept this offer, an 'Efficiency Plan' was required to be prepared and published by 14th October 2016. The Policy, Resources & Growth committee approved the Efficiency Plan on the 13 October 2016.

3.64 The Efficiency Plan included the council's strategy to use the flexible use of capital receipts to support the investment in change and the expenditure detailed in paragraph 3.61. This, alongside the detailed savings proposals within the ISFP's at appendix 6, is expected to meet the definition of qualifying expenditure and provide sufficient detail to demonstrate transparency and accountability.

3.65 The key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's net service expenditure and that all the planned investment in change meets this criteria. Capital receipts applied to invest in change must be received between 1/4/2016 and 31/3/2019. The Capital programme presented to this committee in February 2016 included committing surplus capital receipts from the Workstyles programme to support the investment in change and this strategy is confirmed in the Capital Resources and Capital Programme report on this agenda.

3.66 The impact of using this flexibility is included within the Prudential Indicators shown in appendix 8.

Staffing Implications

3.67 At this stage in the budget process it is difficult to determine exactly how many staff may be affected by the proposals. A broad estimate is that in 2017/18 a further 150 full time equivalent (FTE) posts may be removed from the council's staffing structure as a result of the savings proposals set out in Appendix 6. However, actual numbers will be dependent on the detailed options proposed and on the results of formal consultation where required. Some of these posts are already vacant and some will become vacant through normal turnover.

3.68 The 4-year integrated service and financial plans provide further information about reductions in posts up to 2020 and currently indicate that approximately 290 FTE posts will be removed from the staffing structure over the remaining 3 years. This figure is likely to increase as service plans become clearer for subsequent years and remaining budget gaps are addressed. This information is now being used to plan for reductions in the workforce to mitigate the impact on staff and focus redeployment, outplacement and voluntary severance activity. A redeployment co-ordinator has recently been appointed to provide a focused resource to support those at risk of redundancy. Improved information on the establishment will provide opportunities to identify potential vacancies for redeployment in addition to considering those posts that have been put forward for recruitment.

3.69 In addition to the posts mentioned above, the transfer of some services to alternative models of delivery may result in the TUPE transfer of some staff to other organisations. The proposals over the next 3 years currently include the transfer of approximately 270 FTE posts, although the figure could change as plans become clearer. Changes have been proposed to our tender process to ensure that the Trade Unions have involvement as stakeholders where there is a potential TUPE transfer of staff. Close working with future providers of services will ensure that staff are fully engaged and consulted with as they move into other organisations.

3.70 It is planned to support staff at risk of redundancy through:

- 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;
- Using improved information about the establishment to identify vacancies across the organisation;
- Limiting the use of temporary or agency resources through the financial controls currently in place.

These measures will continue as work takes place with trade unions and colleagues on the detailed staffing implications.

3.71 Whilst the focus will be on redeployment of staff every effort will be made to reduce the impact of the proposals including offering voluntary severance where appropriate to staff in service areas affected by budget proposals. This will take place on a case by case basis. This 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 into the future.

Annual Minimum Revenue Provision (MRP) Statement and Prudential Indicators

3.72 The council is required by law to prepare an annual statement on the amount of debt that will be repaid in the following year. The statement for 2017/18 is set out in Appendix 7.

3.73 The prudential capital finance system introduced in 2004 requires the council to set a number of indicators for affordability, prudence and sustainability. The recommended indicators are set out in appendix 8. Members should note that the indicator for the authorised limit is a statutory limit required to be determined by full Council under section 3(1) of the Local Government Act 2003.

Corporate Budgets

3.74 The Council’s budget contains a number of corporate budgets that are monitored and controlled centrally. The significant corporate budgets include the Concessionary Fares budget which has been set on the basis of the council’s agreements with bus operators; the centrally held unringfenced grants income budget that reflects announcements from government; and the former employees’ pension costs budget.

__Contingency__

3.75 The council's contingency budget includes a small provision for costs which are likely to occur but for which the estimated cost cannot be adequately foreseen at this stage. It also includes risk provisions and other resources awaiting transfer to services. The proposed contingency for 2017/18 is £5.740m as detailed in table 5.

Table 6: Contingency Summary	**£m**
Corporate recurrent risk provision	1.500
One off risk provision relating to ICES	0.300
General Fund lump sum pension contribution	2.732
General Fund Apprenticeship Levy	0.550
Modernisation fund resources from reserves	0.857
Provision for pay related matters and grants and other resources still to be announced	0.097
Council tax reduction grant for Parish/Garden Committees	0.004
Total Contingency	**6.040**

__C__
__hange in use of reserves__

3.76 The budget for 2017/18 draws on reserves to support the one-off investments identified in table 2.

4. COUNCIL TAX

4.1 The Administration is proposing a council tax increase of 4.99% including the 3% flexibility for Adult Social Care. A council tax increase of 4.99% results in a band D council tax of £1,461.50 for the council's element, an increase of £69.47 from the 2016/17 level; of this increase, £41.76 relates to the Adult Social Care Precept.

4.2 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__

4.3 Not all 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:-

- The final confirmed Local Government Finance Settlement 2017/18.
- Any other grants that are announced before Budget Council.
- An updated high level Medium Term Financial Strategy.
- 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.

5. MEDIUM TERM FINANCIAL STRATEGY AND RISK ASSESSMENT

5.1 The Medium Term Financial Strategy (MTFS) will be updated to reflect the final Local Government Finance Settlement for 2017/18 and indicative allocations up to 2019/20 and will include revised planning assumptions.

6. REPORT OF THE CHIEF FINANCE OFFICER (SECTION 151) UNDER SECTION 25 OF THE LOCAL GOVERNMENT ACT 2003

6.1 Section 25 of the Local Government Act 2003 requires the Chief Finance 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 Policy, Resources & Growth Committee and the full Council as part of the budget approval and council tax setting process. The budget reports on this agenda are focused on the General Fund Revenue Budget 2017/18 and the Capital Programme. It also considers key medium term issues faced by the council and provides updated 4-year plans that go some way to addressing predicted budget gaps in later years.

Robustness of Estimates

6.2 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 statement about the robustness of estimates cannot give a complete guarantee about the budget but provides the council with reasonable assurance that the budget has been based on the best information and assumptions available at the time, and has considered identifiable risks. Given the experience of recent years, greater attention has been paid to demand-led budget predictions.

6.3 In setting the budget for 2017/18, current expenditure trends and service demands have been considered by the Executive Leadership Team and Corporate Management Team working closely with finance professionals. The budget takes into account trends and issues identified in the TBM Month 9 (December) report and further projections of future demand and cost.

6.4 The budget proposal differs to 2016/17. Last year, service pressures of approximately £18m were identified but the budget was only able to provide funding of around £12m. As a consequence, a higher level of risk provision was recommended (£3m) to Budget Council and close attention has been paid to demand management activities during 2016/17. In the event, approximately £2.4m of the risk provision has had to be used to balance the 2016/17 financial position but the residual risk has been managed down.

6.5 For 2017/18 further funding and reinvestments of over £14m have been provided to meet identified service pressures across social care and homelessness together with funding the loss of grants (mainly Education Services Grant). This funding meets all identified demand-led service pressures at the time of setting the budget and is therefore a significantly improved situation to 2016/17. Consequently, a reduced risk provision of £1.5m is considered appropriate on the basis that:

(i) The authority continues to demonstrate its track record of managing within or close to budget despite challenging targets;

(ii) The authority continues to demonstrate that the substantial majority of its savings programmes are achieved;

(iii) As noted above, the 2017/18 budget substantially provides funding and reinvestment to meet all identified demand-led service pressures;

(iv) Although there are risks in relation to Section 75 partnership arrangements and other funding agreements with health, including the Better Care Fund, the authority has a good relationship with the Clinical Commissioning Group that ensures a joint approach to managing and mitigating risks;

(v) The authority has provided adequate reserves and provisions against other known and identified risks;

(vi) The authority has set aside appropriate discretionary resources and funding to mitigate the multifarious impacts of Welfare Reforms.

6.6 Alongside the risk provision of £1.5m, the Council is also recommended to maintain a minimum working balance of £9m as well as other earmarked reserves to manage any short term pressures, unmanageable risks or further unachievable savings. If utilised, this would need a clear and immediate plan for replenishment in the following year. The council will need to monitor the implementation of savings proposals closely as the prospect of significant budget gaps in future years means that non-achievement of savings may store up greater difficulties for the years ahead.

Adequacy of Reserves

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

6.8 As indicated above, current analysis of authority-level risks indicates that continuation of a working balance at a level of £9.000m (excluding school balances) is prudent having taken into account all known and foreseeable risks in relation to the 2017/18 budget. This represents 4.5% of the council's net revenue budget excluding schools, or about 4 weeks Council Tax revenue. The variables in the business rates retention system are now better understood and, although forecasting remains relatively intricate, are not expected to put the council at serious risk.

6.9 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 legal or financial requirements, for example the Insurance Fund Reserve, and are not therefore available to support the annual revenue position.

Assurance Statement of the Council's Section 151 Officer

6.10 In relation to the 2017/18 General Fund revenue budget, the Section 151 Officer has examined the budget proposals and considers that, whilst the spending and service delivery proposals are increasingly challenging, they are nevertheless achievable with strong governance and accountability at all levels and given Member and Executive will to implement the changes and maintain impetus. The 2016/17 financial position has again shown that the council is able to manage potential financial risks, albeit utilising available risk provisions held for the purpose. In 2017/18, with identified demand-led service pressures substantially funded, the focus will be on strengthening budget accountability, managing demand effectively, and localising risk management in services rather than reliance being placed on corporate solutions or controls.

6.11 In terms of the adequacy of reserves, the Section 151 Officer considers a working balance of £9.000m to be adequate taking into account other reserves, the risk provisions and the council's track record in budget management.

7. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

7.1 The budget process allows all eligible political parties to put forward viable alternative budget and council tax proposals to Budget Council on 23 February 2017. Budget

Council has the opportunity to debate both the proposals recommended by Policy, Resources & Growth Committee at the same time as any viable alternative proposals. However, all budget amendments must have been "signed off" by finance officers no later than 12 noon on Thursday 16 February 2017.

8. COMMUNITY ENGAGEMENT AND CONSULTATION

8.1 Local Government budgets and finances are complex and therefore the council has attempted to provide a range of information through its web pages to aid understanding and encourage residents and others to share their views, primarily via the council's web site or via social media. The council's #BHBudget Twitter feed provides links to news stories about the budget as well as an updated Budget Animation and a video about services provided by the Families, Children & Learning directorate. Local media coverage also provides a commentary on some aspects of the budget.

8.2 Frequently asked questions and common themes emerging throughout the development of the budget have been monitored and responded to in our 'Behind the Budget' web page: https://www.brighton-hove.gov.uk/content/council-and-democracy/council-finance/behind-budget.

The frequently asked questions and themes emerging after publication of the draft budget proposals in December 2016 include:

- Council Tax [alone] should pay for council services?
- How about using [i.e. raising] parking charges?
- What's happening to youth services?
- [Why not] Cut pay instead of services?
- Why fund the i360 if there's not enough money?
- [Why not] Make students pay Council Tax?
- [Why not] Just cut councillors and their allowances?
- [Why not] Set a "no cuts" budget?
- [Why not] Charge wealthier people more Council Tax?
- Extra Business Rates will solve the problem [won't they]?

Together with the above common areas, some commentators have questioned the position regarding:

- Support for Homeless and rough sleepers in the light of growing numbers;
- Refuse/recycling collection and street sweeping;
- Parking schemes and planning;
- Plans for seafront regeneration;
- Park services.

8.3 Consultation and feedback in relation to the 2017/18 budget proposals is also promoted and invited from all quarters through a range of engagement processes including:

- Meetings with the Older People's Council where changes are explored, particularly impacts on Adult Social Care and services for older people more generally.

- Ongoing discussions with key City Partners in developing proposals including discussions about associated Equality Impact Assessments. Feedback has been provided directly to services and members as appropriate.
- The Schools Forum, attended by representatives of all school phases, where a report on the potential areas of interest and potential impact of the General Fund budget proposals were discussed at a meeting on 19 January 2017. This is a public minuted meeting and agenda and minutes are available on the council's website.
- Meetings with Trades Unions branch secretaries and Departmental Consultative Groups (DCGs) which provided an opportunity for consultation with Trades Unions' representatives across all council services.
- Invitations to representatives of the business community to discuss budget proposals and changes to business rates and reliefs.

9. CONCLUSION:

9.1 The council is under a statutory duty to set its budget and council tax before 11 March each year. The options and recommendations to Budget Council contained within this report together with the recommendations to follow in the supplementary report to full Council, should enable the council to meet its statutory duty.

10. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

Finance Officer Consulted: James Hengeveld Date: 31/01/17

Legal Implications:

10.2 Policy, Resources & Growth Committee is responsible for formulating budget proposals for adoption by the Council. Power to adopt the budget is vested in full Council.

10.3 For these purposes, the "budget" includes the allocation of financial resources to different services and projects, proposed contingency funds, and setting the council tax.

10.4 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.

10.5 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. The Department for Communities and Local Government (CLG) has stated that for the 2017/18 financial year, an increase of 5% or more - including the Adult Social Care precept of 3% - will be regarded as excessive. Therefore, local authorities opting for an increase of 5% or more (including the Adult Social Care Precept) will be required to hold a referendum.

Lawyer Consulted: Elizabeth Culbert *Date: 30/01/17*

Equalities Implications:

10.6 The process for assessing the equalities implications of the budget changes for 2017/18 and an assessment of the cumulative impact is shown in Appendix 9. All the Equalities Impact Assessments are included at Appendix 10.

Sustainability Implications:

10.7 A carbon budget has been set for 2017/18. This shows the level of spend on energy and the estimated carbon emissions across each carbon budget area and includes a planned 4% reduction on the 2016/17 budget level. This target will be challenging to meet on the basis of the current approach to carbon management.

10.8 Carbon budgets aim to provide the organisation with a framework of accountability for reducing carbon emissions from our buildings, street lights and fleet. They were first introduced in 2012/13 and supported by action plans that set out how carbon budgets are to be achieved and these plans are reviewed and challenged once a year. The council spends around £6.8m each year heating and lighting its buildings, lighting our neighbourhoods and travelling around the city to deliver key services.

10.9 The council's 2015/16 Carbon Reduction Commitment (CRC) footprint accounted for 13,295 tonnes of CO^2 from council buildings for which the council purchased £0.207m worth of CRC allowances at £15.60 per tonne. This is a reduction of 2146 tonnes on the 2014/15 CRC footprint of 15,441 tonnes of CO^2

10.10 Half-hourly electricity and gas prices decreased by an average of 6.48% and 23.6% respectively in October 2016. Non-half hourly electricity supplies were fixed for three years from April 2016 with an average price increase of 1% on the previous 36 month contract.

10.11 The council's carbon budget data update is detailed in Appendix 12 and profiles spend and CO^2 carbon footprint for 2015/16 across the council and sets out the target until 2017/18.

SUPPORTING DOCUMENTATION

Appendices:

1. Movements in Budget Allocations 2016/17 to 2017/18

2. Changes in the budget projections since the 8 December 2016 budget report to Policy, Resources & Growth Committee

3. Summary of special and specific grant allocations for 2016/17 and 2017/18

4. Review of the council's reserves including the planned use of reserves

5. Assessment of Risks

6. 4 Year Integrated Service & Financial Plans

7. Minimum Revenue Provisions statement

8. Prudential Indicators 2017/18 to 2019/20

9. Equalities Impact Assessment – Cumulative impact

10. Equalities Impact Assessment – Individual Assessments

11. Carbon Budget for 2017/18

Documents in Members' Rooms

1. None

Background Documents

1. Budget files held within Finance

2. Consultation papers