

# **BRIGHTON & HOVE CITY COUNCIL MEETING**

**4.30PM 3 MARCH 2011**

**COUNCIL CHAMBER, BRIGHTON TOWN HALL**

## **AGENDA**



**Brighton & Hove  
City Council**

# Council Meeting

Title:	<b>Council</b>
Date:	<b>3 March 2011</b>
Time:	<b>4.30pm</b>
Venue	<b>Council Chamber, Brighton Town Hall</b>
Members:	<b>All Councillors</b> You are summoned to attend a meeting of the BRIGHTON & HOVE CITY COUNCIL to transact the under-mentioned business.
	Prayers will be conducted in the Council Chamber at 4.20pm by Reverend Paul Scholey
Contact:	<b>Mark Wall</b> Head of Democratic Services 01273 291006 mark.wall@brighton-hove.gov.uk



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- Do not re-enter the building until told that it is safe to do so.

## AGENDA

## Part One

## Page

**74. DECLARATIONS OF INTEREST**

Declarations of Interest by all Members present of any personal interests in matters on the agenda, the nature of any interest and whether the Members regard the interest as personal and/or prejudicial under the terms of the Code of Conduct.

**75. MAYOR'S COMMUNICATIONS.****76. TO CONSIDER THE REPORTS AND RECOMMENDATIONS OF THE CABINET OF THE 17 FEBRUARY 2010 IN RESPECT OF:-** **1 - 194****(a) General Fund Revenue Budget and Council Tax 2011/12.**

Extract from the proceedings of the Cabinet meeting held on the 17<sup>th</sup> February 2011 (copy attached), **1-4**

Report of the Director of Finance (copy attached); **5-138**  
Extract from the Overview & Scrutiny Commission held on the 22<sup>nd</sup> February 2011 (to be circulated separately).

**(b) Supplementary Financial Information for Budget Council.**

Report of the Director of Finance (copy attached). **139-156**

**(c) Capital Resources and Capital Investment Programme for 2011/12.**

Extract from the proceedings of the Cabinet meeting held on the 17<sup>th</sup> February 2011 (copy attached), **157-158**

Report of the Director of Finance (copy attached), **159-176**  
Extract from the Overview & Scrutiny Commission held on the 22<sup>nd</sup> February 2011 (to be circulated separately).

**(d) Housing Revenue Account Budget 2011/12.**

Extract from the proceedings of the Cabinet meeting held on the 17<sup>th</sup> February 2011 (copy attached), **177-178**

Joint report of the Strategic Director, Place and the Director of Finance (copy attached), **179-194**  
Extract from the Overview & Scrutiny Commission held on the 22<sup>nd</sup> February 2011 (to be circulated separately).

*Contact Officer:* Mark Ireland,  
James Hengeveld,  
Sue Chapman

*Tel:* 29-1240,  
29-1242,  
29-3105

*Ward Affected:* All Wards

## **COUNCIL**

### **NOTE**

- (i) A Guidance Note on Setting a Lawful Budget has been included with the agenda papers for Members' information.
- (ii) A procedural note will be included with the addendum papers which will be circulated on the day of meeting for Members' information and reference during the budget debate.
- (iii) Light refreshments will be available for Members from 4.00pm in Committee rooms 2 & 3.

### **77. CLOSE OF MEETING**

The Mayor will formally close the meeting.

The City Council actively welcomes members of the public and the press to attend its meetings and holds as many of its meetings as possible in public. Provision is also made on the agendas for public questions to committees and details of how questions can be raised can be found on the website and/or on agendas for the meetings.

The closing date for receipt of public questions and deputations for the next meeting is 12 noon on the fifth working day before the meeting.

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Meeting papers can be provided, on request, in large print, in Braille, on audio tape or on disc, or translated into any other language as requested.

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If you have any queries regarding this, please contact the Head of Democratic Services or the designated Democratic Services Officer listed on the agenda.

## COUNCIL

For further details and general enquiries about this meeting contact Mark Wall, (01273 291006, email [mark.wall@brighton-hove.gov.uk](mailto:mark.wall@brighton-hove.gov.uk)) or email [democratic.services@brighton-hove.gov.uk](mailto:democratic.services@brighton-hove.gov.uk).

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**We apologise for any inconvenience caused**

Date of Publication - Wednesday, 23 February 2011



Chief Executive

King's House  
Grand Avenue  
Hove  
BN3 2LS



**BRIGHTON & HOVE CITY COUNCIL****CABINET****4.00PM 17 FEBRUARY 2011****COUNCIL CHAMBER, HOVE TOWN HALL****DRAFT MINUTES**

**Present:** Councillors Mears (Chairman), Brown, Caulfield, Fallon-Khan, K Norman, Simson, Smith, G Theobald and Young

**Also in attendance:** Councillors Mitchell (Opposition Spokesperson) and Randall (Opposition Spokesperson)

**Other Members present:** Councillors Hamilton, Hawkes, Kemble, Kitcat and A Norman

**PART ONE****165. GENERAL FUND REVENUE BUDGET & COUNCIL TAX 2011/12**

- 165.1 The Cabinet considered a report of the Director of Finance concerning the council's 2011/12 General Fund Revenue Budget proposals.
- 165.2 In response to a query from Councillor Theobald concerning parking income, the Director of Finance explained that the information in Appendix 6 related to the Medium Term Financial Strategy and represented future predictions based on financial modelling.
- 165.3 The Chairman thanked finance officers for the significant amount of work put in to preparing the budget report. She noted that the report had been published two days late, but that the settlement announcement from Government had been delayed and the process was more complex than in the past. She highlighted the proposed 1% reduction in council tax and a number of projects for which funding had been released, including the refurbishment of Portslade Town Hall and £0.5m for youth services.
- 165.4 Councillor Mitchell stated that the lack of time afforded to local authorities by the Government to set their budgets was unacceptable and allowed little time for opposition councillors to consider the Administration's proposals in detail. She welcomed the protection of a number of key areas, but raised concerns about the overall stability of the budget, including the risks associated with using equal pay reserves while equal pay issues remained outstanding. She questioned proposals to spend £1.1m on removing a cycle lane in light of significant cuts to services for

vulnerable people, and stated that she anticipated more redundancies after the local elections in May.

- 165.5 The Chairman noted that the previous Administration had chosen not to deal with the equal pay issues and that the current Administration had taken significant steps to reach a resolution. She acknowledged Councillor Mitchell's concerns and stated that the budget had been signed off as financially sound by the council's Section 151 Officer as required. In relation the removal of the cycle lane in Grand Avenue and the Drive, she advised that it was not sufficiently utilised by cyclists and that its removal was justified.
- 165.6 Councillor Young advised that proposals to use reserves were designed to give something back to taxpayers during the difficult financial climate. She explained that there were currently 204 vacant posts within the council at a cost of £4.6m, and that it was preferable to delete those posts instead of making someone redundant.
- 165.7 Councillor Smith congratulated officers and Cabinet colleagues for their work over the past four years to mitigate the financial difficulties faced by the council and achieve a balanced budget despite a number of scare stories in the press. He stated that services for residents had increased through significant investment in schemes, such as the King Alfred Leisure Centre and the Brighton Centre, and that this would continue through the new budget proposals.
- 165.8 Councillor Hamilton raised concerns about the reliability of the budget in relation to the current and future rate of inflation and stated that a council tax reduction at this time would make the budget setting process more difficult in future years and was not appropriate when significant cuts were being made to services. He noted in particular the impact on schools of having to take on more responsibilities with less total funding.
- 165.9 The Chairman invited Sally Polanski, Chief Executive of the Community & Voluntary Sector Forum (CVSF), to address the Cabinet.
- 165.10 Ms Polanski welcomed the opportunity to put forward the comments and concerns of CVSF's 550 member organisations and advised that the CVSF commended the number of proposals including the re-ringfencing of Supporting People, Homelessness Prevention and Carers Grants, additional funding for Youth Services and Community Safety Services, sensible use of reserves, eg. to ensure transition for services undergoing significant change or affected by grant changes, and the ongoing commitment to the principle of protecting as far as possible the contribution made by the C&VS.

She advised that concerns remained about the full impact of proposed service changes and made the following comments:

- It was important to be aware of the findings of recent judicial reviews, which found in favour of appeals to decisions taken to cut services without there having been a thorough Equality Impact Assessment; when would full EIAs take place for those services whose future was subject to the decision of the Full Council?
- Multi-agency impact assessments would be needed to understand the impact of multiple cuts on the communities.



- Providers (external and council) would be required to manage inflation within their budgets, and this would impact on the quality of service provision.

Ms Polanski highlighted five service areas where specific concern remained:

1. Community Safety – the extent of cuts to funding and the resulting impact on communities.
2. Connexions service redesign – the future of voluntary sector Connexions posts and the ongoing role of the voluntary sector in providing support to young people who are not in education, employment or training (NEET) or at risk of becoming NEET, which was in part dependent on the outcome of the youth services review.
3. Youth services – £500,000 allocated for the transition period while the youth services review was completed, but further clarity was needed on the actual budget for the services going forward and the process and timeframe for the redesign of the services and allocation of the transition funding.
4. Early Intervention Grant – more information was needed on where the grant was being invested how the short fall would be tackled.
5. Adult Social Care (ASC) – the expectation that contractors would shoulder cuts in ASC may result in an adverse affect on services and a drop in service quality and safeguarding risks. Some voluntary sector providers would not be able to achieve the necessary economies of scale and risked going out of business. There was no evidence alongside the savings anticipated through personalisation and serious concern remained about the adequacy of development work undertaken to prepare for the change in the independent providers' market and the potential for impact on service users.

- 165.11 Councillor Brown advised that no guarantees could be given in relation to voluntary sector Connexions posts because of the internal council redundancies. No cuts were currently proposed for youth services and opportunities for the CVS were anticipated following the completion of the youth services review.
- 165.12 The Chairman added that the purpose of the youth services review was to connect all of the youth service provision across the city. It was hoped that proposals would come forward in September and the CVS would be involved throughout the process.
- 165.13 Councillor Simson highlighted the council's commitment to working with the CVS and noted the intention to continue both the small grants and three-year grants programmes.
- 165.14 Councillor Norman stated that the budget proposals provided protection for frontline ASC services and that personalisation targets had already been exceeded. Officers were continuing to work hard to bring providers on board and also to ensure that the best safeguarding position possible was in place.
- 165.15 Councillor Randall questioned whether the level of savings anticipated through personalisation were achievable and stated that the money lost through the reduction in council tax would be better spent on services for vulnerable people. He welcomed the retention of the Supporting People funding, but expressed concern in relation support in future years for people with mental health problems. He also noted the

£50,000 reduction in funding for community safety and stated that it should not impact on drug prevention work in the city.

- 165.16 In response to comments from Councillor Hamilton in relation to residents' parking permits, Councillor Theobald advised the proposals represented a 7% reduction. He added that frontline services that mattered to residents, such as parks and CityClean, had been protected and value for money had been achieved through schemes like refurbishment of The Lanes car park.
- 165.17 The Chairman reported that Sussex Police Authority voted in favour of freezing their element of the council tax, but that Councillor Duncan, the council's representative on the Police Authority, voted against this. She advised that the Bank of England had predicted that inflation would soon decrease and that the Administration would continue to take care when spending taxpayers' money, while also protecting more jobs than many other local authorities.
- 165.18 Councillor Fallon-Khan stated that it was important to take the national financial situation seriously and recognise the impact it has had on people's lives. He added that frontloading simply meant that inevitable cuts would be made now instead of in the future.
- 165.19 **RESOLVED** – That, having considered the information and the reasons set out in the report, the Cabinet accepted the following recommendations:
- (1) That, subject to 2.3 below, the 2011/12 General Fund Revenue Budget proposals be recommended to Council, including:
    - A 1% reduction in the Brighton & Hove element of the council tax.
    - The 2011/12 budget allocations to services as set out in appendix 1.
    - The council's net General Fund budget requirement for 2011/12 of £231.0m.
    - The commitments and reinvestments as set out in paragraph 3.49 including a reduction in the cost of residents parking permits and funding for free swimming for the under 11's.
    - The budget savings package as set out in appendix 10.
    - The value for money savings as set out in appendix 11.
    - The corporate budgets of £20.5m.
    - The contingency budget of £3.7m as set out in table 6.
    - The reserves allocations as set out in appendix 5 and paragraph 3.32.
    - The borrowing limit of £367m for the year commencing 1 April 2011.
    - The annual Minimum Revenue Provision statements as set out in appendix 8.
    - The prudential indicators as set out in appendix 9 to this report.
  - (2) That the Medium Term Financial Strategy budget and resource projections for 2011/12 to 2014/15, as set out in appendix 6, be noted.
  - (3) That it be noted that supplementary information needed to set the overall council tax will be provided for the budget setting Council, as listed in paragraph 4.5.

## Council

3 March 2011

## Agenda Item 76(a)

Brighton & Hove City Council

<b>Subject:</b>	<b>General Fund Revenue Budget &amp; Council Tax 2011/12</b>		
<b>Date of Meeting:</b>	<b>3<sup>rd</sup> March 2011</b> 17 <sup>th</sup> February 2011 - Cabinet		
<b>Report of:</b>	<b>Director of Finance</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Mark Ireland</b>	<b>Tel:</b> <b>29-1240</b>
		<b>James Hengeveld</b>	<b>29-1242</b>
	<b>E-mail:</b>	<b>Mark.ireland@brighton-hove.gov.uk</b>	
<b>Key Decision:</b>	<b>Yes</b>	<b>Forward Plan No. CAB16763</b>	
<b>Wards Affected:</b>	<b>All</b>		

### FOR GENERAL RELEASE

#### 1. SUMMARY AND POLICY CONTEXT

- 1.1 The Government has given a significant financial incentive to councils worth the equivalent to 2.5% council tax income to deliver at least a freeze through a Council Tax Freeze grant of about £3m to Brighton & Hove. The resource projections for next year are based on a reduction in council tax of 1% for 2011/12.
- 1.2 The local government finance settlement gave a firm indication of most Government grant allocations for 2011/12 and 2012/13 and the spending review provided national spending totals for 2013/14 and 2014/15. The Government has also started a local resource review which is intended to give greater local discretion over resources from 2013/14 onwards. Based on currently known information the medium term financial strategy sets out the huge financial challenge faced by the council over the next 4 years with savings of £82.5m forecast to be needed over the period. The adoption of intelligent commissioning will be key to maximising the desired service outcomes of the community within the overall reduced pot of resources as well as a continued focus on efficiency and value for money. Cabinet are reminded that all decisions about the 2011/12 budget need to take into account future projections of resources and expenditure.
- 1.3 The Government announced the outcome of the spending review on 20 October and it became clear that the scale of local government grant reductions for 2011/12 was going to be greater than anticipated to cope with the growing levels of national debt. However, the implications for the grants received by individual councils did not become apparent until the local government finance settlement which was announced later than usual on 13 December. The finance settlement was extremely complex and tracking what has happened to the large number of specific grants currently received by the council has taken a great deal of time and effort. Announcements are still awaited on some grants and the budget proposals include a risk provision to cover the possible impact of changes in these grants. The welcome unringfencing of nearly all grants by the Government has enabled a comprehensive view to be taken on the effectiveness of all current spending on a line-by-line basis.

- 1.4 Since the spending review service areas have been working with lead Cabinet Members on the preparation of additional savings proposals to enable a balanced budget to be presented to this meeting. This report sets out the latest budget information including a proposed savings package needed for Cabinet to recommend the 2011/12 revenue budget and council tax to Full Council on the 3 March 2011. Most of the relevant information is available, however as in previous years a supplementary report will be prepared for Full Council and details of the contents of that report are shown in paragraph 4.5.
- 1.5 In July 2010 Cabinet considered and agreed the budget setting process for 2011/12 in the context of having great uncertainty over Government funding allocations for next year. On 9 December 2010 Cabinet received a budget update report which set out budget strategies for each service area consistent with the process agreed in July. That report contained savings proposals totalling £12.3m. Since the December meeting these budget strategies have been scrutinised by a series of Scrutiny Panels in December and January. The Overview and Scrutiny Commission agreed at their meeting on 1 February 2011 that the minutes of those meetings would be forwarded to this meeting for Cabinet to consider when taking decisions on the budget.

## **2. RECOMMENDATIONS:**

- 2.1 To recommend to Council, subject to 2.3 below, the 2011/12 General Fund Revenue Budget proposals including:
- A 1% reduction in the Brighton & Hove element of the council tax.
  - The 2011/12 budget allocations to services as set out in appendix 1.
  - The council's net General Fund budget requirement for 2011/12 of £231.0m.
  - The commitments and reinvestments as set out in paragraph 3.49 including a reduction in the cost of residents parking permits and funding for free swimming for the under 11's.
  - The budget savings package as set out in appendix 10.
  - The value for money savings as set out in appendix 11.
  - The corporate budgets of £20.5m.
  - The contingency budget of £3.7m as set out in table 6.
  - The reserves allocations as set out in appendix 5 and paragraph 3.32.
  - The borrowing limit of £367m for the year commencing 1 April 2011.
  - The annual Minimum Revenue Provision statements as set out in appendix 8.
  - The prudential indicators as set out in appendix 9 to this report.
- 2.2 Note the Medium Term Financial Strategy budget and resource projections for 2011/12 to 2014/15 as set out in appendix 6.
- 2.3 Note that supplementary information needed to set the overall council tax will be provided for the budget setting Council as listed in paragraph 4.5.

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

#### ***Format of the Budget report***

- 3.1 The report sets out for the General Fund Revenue Budget:
- Projections of the resources available to fund the 2011/12 budget.
  - A summary of the expenditure estimates for the current year, set out in detail in month 9 Targeted Budget Management report elsewhere on the agenda, and details of the forecasts and proposals for 2011/12 including an analysis of the movements from 2010/11.
  - The proposed council tax reduction of 1% for 2011/12.
  - The medium term financial strategy covering the 4 year period 2011/12 to 2014/15 and risk assessment.
  - A report from the Chief Finance Officer on the robustness of the estimates included in the budget and the adequacy of the level of reserves provided for in the budget.
  - The budget consultation undertaken to date and the outcomes.
- 3.2 The council has a total gross budget of about £765m in the current year covering the schools budget (met by dedicated schools grant and the new pupil premium details of which are given later in this report), housing and council tax benefit transfer payments (met by Government grant), housing revenue account budget (met largely from council house rents and is the subject of a separate report elsewhere on the agenda) and the general fund budget. The general fund gross budget of just over £400m this year is approximately funded 30% by council tax, 30% by fees and charges and 40% by Government grants. The paragraphs below in the projected resources section set out in more detail the forecast funding available for the general fund in 2011/12.
- 3.3 The 2011/12 expenditure estimates section details the changes from the 2010/11 budget including:
- An adjusted base budget for 2010/11 to enable a like-for-like comparison between the years covering any changes in function and funding and internal budget transfers between services.
  - Assumed levels of pay and general inflation including information on the key factors which will influence future pay related budgets.
  - The additional amounts included in the budget to cover higher spending needed to maintain current service levels described as spending pressures.
  - Details of the approach taken to cope with the changes to specific grant funding from the Government.
  - Proposals for efficiency and other savings needed to set a balanced budget including the latest staffing implications and the strategies implemented to minimise the number of compulsory redundancies across the workforce.

- Analysis of the changes in the corporate budgets including the minimum level for the risk provisions.
- 3.4 The section on council tax shows the proposals for the Brighton & Hove council element which is about 85% of the total tax with the balance being set by Sussex Police and East Sussex Fire Authority. The section also includes the latest information on council tax capping which all members need to be mindful of when setting both the budget and council tax.

### **Projected Resources available in 2011/12**

#### ***Local Government Finance Settlement – Formula Grant***

- 3.5 The final settlement for 2011/12 was announced on 31 January 2011 and showed only minor changes from the provisional settlement and a marginal change in formula grant for the council of £27,000. The council will continue to be at the grant floor for the next 2 years at least. Different grant floors have been set by the Government depending on how dependent each authority is on Government grant funding, with those authorities that are least dependent on grant receiving the biggest grant reductions. For authorities with social care responsibilities the grant floor reduction varies between 11.3% and 14.3%. The council has a slightly lower than average reliance on Government grants so has been placed in band 3 with a reduction of 13.3%. The table below shows the formula grant allocations for the council for 2011/12 and 2012/13 compared to the national and unitary council averages.

<b>TABLE 1 – Formula Grant (based on final settlement)</b>					
	Brighton & Hove City Council			National Average	Unitary Average
	£ million	Change* £ million	Change %	Change %	Change %
2011/12	112.413	-17.245	-13.3%	-9.9%	-11.4%
2012/13	101.377	-10.518	-9.4%	-7.4%	-7.6%

\*Note: the change is shown on the base for the previous year adjusted for changes in function and funding. Details of the adjustments and the additional pressures the function and funding changes place on the budget are given later in this report.

- 3.6 The provisional 2011/12 non-domestic rating multiplier set by the Government is 43.3 pence in the pound and the provisional 2011/12 small business non-domestic rating multiplier is 42.6 pence in the pound. Both amounts have increased by approximately the rate of inflation measured by the Retail Price Index in September 2010 of 4.6%.

### ***Schools Funding***

- 3.7 The Dedicated Schools Grant (DSG) can only be used for the purposes of the Schools Budget. The Schools Budget consists of delegated budgets allocated to individual schools and early years provision in Private, Voluntary and Independent (PVI) settings, and a budget for other provisions for pupils which local authorities fund centrally, such as out of city placements.
- 3.8 The total national funding available for the pupil premium will be £625m in 2011/12, rising each year until 2014/15 when it will be worth £2.5bn. The pupil premium will target extra money at pupils from deprived backgrounds – pupils who under achieve compared to their non-deprived peers – in order to support them in reaching their potential. In 2011/12, the pupil premium will be allocated to those pupils eligible for Free School Meals (FSM) or those “looked after” for more than six months. FSM has been chosen because it directly targets pupils and because the link between FSM eligibility and low attainment is strong.
- 3.9 The level of the pupil premium in 2011/12 is £430 per eligible pupil, which is approximately £2m for Brighton & Hove schools. The funding for the pupil premium is in addition to the underlying schools budget, and schools will have freedom to employ the strategies that they know will support their pupils to increase their attainment.
- 3.10 The Department for Education (DfE) are simplifying the funding system for 2011/12 by mainstreaming relevant grants into the DSG on the same per pupil distribution as 2010/11. The DSG per pupil in Brighton and Hove is £4,423.50 in 2010/11 and 2011/12 (before the addition of the grants being mainstreamed). This means that at the local authority level allocations for school funding are flat cash per pupil for 2011/12. The local authority will now be able to work with the schools forum to produce 2011/12 budgets for schools. This will include resources from grants mainstreamed into DSG.
- 3.11 The actual level of budget for each individual school will vary depending on local circumstances. The minimum funding guarantee is set so that no school will see a reduction compared with its 2010/11 budget (excluding sixth form funding) of more than -1.5% per pupil before pupil premium is applied. This compares to a positive minimum funding guarantee of 2.1% that has been in operation between 2008/09 and 2010/11.
- 3.12 The guarantee applies to a school’s overall 2010/11 budget including grants that have been mainstreamed into DSG.

<b>TABLE 2 – Schools Funding</b>	<b>2010/11</b>	<b>2011/12</b>
	<b>£ million</b>	<b>£ million</b>
Dedicated Schools grant	133.745	133.745
Grants	17.946	17.946
Other Changes: -		
Funding for increased pupil numbers		2.290
Less: Funding transferred to Falmer Academy	-2.151	-3.993
<b>Total</b>	<b>149.540</b>	<b>149.988</b>

- 3.13 The Young People's Learning Agency (YPLA) has advised that for schools with sixth form colleges, the unit funding per learner for post-16 students will fall when compared to the 2010/11 rate. This is because there will be a single national rate of funding per learner in 2011/12 whereas in 2010/11 there were different rates of £2,920 for further education and £3,007 for schools. The YPLA will protect sixth form budgets so that no provider will lose more than 3% of its funding per learner when compared with 2010/11.

### ***Specific Grants***

- 3.14 The major changes made to the system of specific grants for 2011/12 mean that there are far fewer specific grants, much less ring-fencing and therefore greater ability for the council to prioritise its resources as it sees fit. The transition from the old system to the new is however complex. In simple terms specific grants received by the council in 2010/11 may:
- be incorporated into Formula Grant (unringfenced);
  - be incorporated into the new Early Intervention Grant (unringfenced);
  - be incorporated into the Dedicated Schools Grant;
  - continue as separately identifiable specific grants both ring-fenced and unringfenced, potentially renamed;
  - cease altogether.
- 3.15 For all those areas where grants are continuing in some form or another, the level of funding may be higher, the same or lower than 2010/11. A list of the specific grants due to be received by the council in 2011/12 and 2012/13 where known is shown in appendix 4.
- 3.16 The budget planning process has been designed to take full advantage of the opportunity to direct resources to local priorities that comes from the significant reduction in ringfencing. A complex mapping exercise of all specific grant funding received in 2010/11 has been undertaken. The budget gap has been calculated to include all ongoing council expenditure whatever its previous funding source and savings and resource reprioritisation has been done on this total figure. As a result £5.8m of lost specific grant funding has been replaced as part of this budget package because these areas were considered to be a high priority for continued funding. This process has been particularly complex and highly reliant on



information from Government on the future of specific grants which continues to emerge.

- 3.17 This has enabled the council to prioritise retaining spend on key preventative services including for example:
- Supporting People Funding of £10.9m which is now part of Formula Grant has been protected with a 3% efficiency savings requirement.
  - Homelessness Prevention Grant of £1.3m (an increase of £0.300m on 2010/11 homelessness funding) which is a specific unringfenced grant has been ringfenced locally for this purpose. This higher funding level is designed to help mitigate any potential impacts of the changes to the housing benefit regime and reflects the council's track record in homelessness prevention.
  - The Early Intervention Grant has been prioritised to protect all Sure Start and Children Centre provision and the 2011/12 grant has been topped up by £0.463m to ensure a wide range of preventative activities for young people can continue.
  - A net £0.306m additional core funding has been provided to the Community Safety Partnership plus recent confirmation from the Home Office of a Community Safety Fund grant which includes £0.230m previously known as Stronger Safer Communities grant.
  - Funding of £0.165m to continue free swimming for U11s and to support a range of sports activities in conjunction with schools to help promote healthy lifestyles.
  - Carers grant which is now part of formula grant has been fully protected at 2010/11 levels worth £1m.

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

- 3.18 The Government has introduced a new incentive grant called the New Homes Bonus. Brighton & Hove is likely to receive about £0.6m new recurrent funding for the next 6 years as a result of the increase in 468 homes on the council taxbase between mid September 2009 and 2010. The council may receive additional funding in future years if the numbers of homes in the city continues to grow.
- 3.19 The resources from this funding stream are prioritised in this budget to support the reduction in council tax by £0.3m and the long term sustainability of the city's economy and in particular securing new housing. By doing this it is planned to achieve further housing growth and therefore generate further funding from this source in the future.
- 3.20 A small element of £0.1m has been allocated to continue a small number of projects previously funded by LABGI (Local Authority Business Rate Growth Incentive) including maintaining 2010/11 levels of spend in Discretionary Rate Relief and support for the Chamber of Commerce, Hove Business Forum and also to the Education Business Partnership.
- 3.21 The remaining £0.2m will be used to create a 'Local Homes Venture Fund' that will provide equity investment in creating quality homes across the City. The Council will aim to extend the value of the fund by seeking match funding from other public sector sources; investing in joint venture initiatives with public and private partners and investing in schemes which deliver

homes across a range of housing tenures. As equity investment, the fund manager will seek to grow the fund over time. The initiative will contribute to the Council's overall drive to increase the supply of housing in the city, affordable to local residents and of high design quality.

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

- 3.22 Fees and charges have inflated by 2% or less in line with the budget strategy except where separate reports have been presented to Cabinet Member Meetings (CMMs) or where higher increases form part of the savings package. Reports on fees and charges have been presented to the following CMMs : -

Royal Pavilion and Museums	21 <sup>st</sup> September 2010
Adult Social Care	18 <sup>th</sup> October 2010
Environmental Health & licensing	18 <sup>th</sup> November 2010
Libraries and Venues	7 <sup>th</sup> December 2010
Environment	23 <sup>rd</sup> December 2010
CYPT	17 <sup>th</sup> January 2011
Environment	3 <sup>rd</sup> February 2011

### ***Council Tax and Council Tax Freeze Grant***

- 3.23 The council tax funds approximately 30% of the general fund gross budget and the collection fund is the account into which all council tax is paid. It is a statutory requirement that the collection fund is reviewed each January to determine whether it is projected to be in surplus or deficit. The January 2011 review of the collection fund has shown that it is forecast to breakeven at 31 March 2011.
- 3.24 The tax base is the amount of money that could be raised in Brighton & Hove by levying a council tax of £1. The 2011/12 tax base of 94,897.89 was agreed by Cabinet on 20 January 2011 and represented a 0.4% increase from the 2010/11 figure, mainly due to increasing the ultimate collection rate of council tax to 98.5%.
- 3.25 The proposed reduction in council tax attracts a Council Tax Freeze grant from the Government of about £3m equivalent to the income from 2.5% on the council tax and is payable to the council each year over the spending review period.

### ***Reserves***

- 3.26 The council holds reserves for 2 main purposes:
- A working balance to temporarily cover major unexpected items of expenditure or emergencies.
  - Earmarked reserves set aside for a wide range of specific purposes such as the insurance fund, winter maintenance or donations towards the upkeep of graves.
- 3.27 The working balance is currently £9m and is planned to remain at this level over the next 4 years. The justification for the level of the working balance is given within the Chief Finance Officer's comments section.
- 3.28 The 2011/12 budget strategy requires reserves to cover the one-off costs associated with redundancies & early retirements as well as funding to

cover savings proposals that cannot be implemented immediately on 1 April 2011 and will therefore deliver only a part year saving in 2011/12. A comprehensive review has been carried out of all the reserves held by the council to assess whether they are needed and if they are at what level. This review has freed up £7.285m towards the budget strategy for 2011/12 largely from 2 areas:

- A review of the Single Status reserve which has released £3.5m for transfer into the restructure & redundancy reserve. Any unspent money will be transferred back to the Single Status Reserve at the end of the period.
- A review of the Waste PFI reserve details of which are given in appendix 5(b) has released both £3.5m in cash from the reserve and £0.9m in annual savings in the waste disposal budget for 2011/12.

- 3.29 A list of all the earmarked reserves held by the council is given in appendix 5. The table in the appendix shows for each reserve the purpose for which it is held, the forecast opening and closing balance and the anticipated movement within the year.
- 3.30 In addition to the reserves released in the review further reserves have been generated by projected underspending in the current financial year. These reserves balances are treated as usable reserves and can be used to support one-off items of expenditure or temporary shortfalls in income in the revenue budget. The following table shows the projected usable reserves position assuming 2010/11 spending is in line with current projections.

<b>TABLE 3 – Usable Reserves</b>	<b>£m</b>
<b>Opening balance at 1 April 2010</b>	<b>0.2</b>
Changes agreed in 2010/11 budget setting	0.3
Additional funding for the Housing Local Delivery Vehicle agreed by Cabinet in November 2010	-0.6
Contribution from removal of funding for anticipated pay awards	1.3
Projected underspend in 2010/11	1.5
<b>Forecast closing balance at 31 March 2011</b>	<b>2.7</b>
Planned contribution to reserves as part of Medium Term Financial Strategy	2.4
Allocation to meet cost of elections in May 2011	-0.3
Contribution to Brighton Centre Reserve	-0.6
Transfer following review of reserves	7.3
<b>Balance of usable reserves available for allocation</b>	<b>11.5</b>

- 3.31 Expenditure funded from reserves must be one-off to ensure that it does not create additional unfunded spending commitments for future years.

3.32 The proposed allocations of usable reserves are set out below and are split between the financial years as shown in appendix 5(a):

- £3.296m to provide funding in the 2011/12 budget to cover part year effect of the savings package proposed due to the requirement for consultation with staff affected and in some cases with service users.
- £3.5m transfer to restructure & redundancy reserve to cover costs associated with the savings package proposed.
- £1.5m for one off resources to support the delivery of the VFM programme over the next 2 years on a spend to save basis.
- £1.5m transfer to an earmarked reserve for future investment in the customer access and the accommodation strategies.
- £0.5m has been set aside in reserves as transition funding to facilitate the development of a new model of youth service provision. The youth service is being re-commissioned during 2011/12 and while existing revenue funding levels have been protected in this budget, further one off resources may be needed to build capacity in the community and voluntary sector to deliver services differently or for small capital works to youth premises or to purchase new equipment. This funding will be drawn down from reserves as required and any not used will be transferred to the Customer Access and Accommodation Strategy reserve.
- Transition funding of £0.267m for Castleham Industries and Brightstart Nursery as options for the future of those services continue to be considered.
- £0.75m transfer to a one-off risk provision to cover short-term budget risks next year for example transition planning or wind-down commitments for specific grants.
- Note this leaves £0.205m currently unallocated.

### **Expenditure Estimates**

#### ***Latest position in 2010/11***

3.33 The month 9 Targeted Budget Management (TBM) report elsewhere on the agenda shows a projected under spending of £1.713m on council controlled budgets and projected overspending of £0.582m on NHS controlled s75 services in which the council has a £0.248m share of the risk. The overall underspend of £1.465m is mainly driven by a significant improvement on the corporate critical budgets for children's and adults social care. This not only produces additional one-off usable reserves but also significantly helps the ongoing position on the revenue budget, this is taken into account both in the additional savings proposed in this report and the judgement on the required level of risk provision and reserves.

## **2010/11 Adjusted Base Budget**

### ***Changes in function / funding***

- 3.34 The finance settlement for 2011/12 includes the transfer of £21.3m specific grants into formula grant details of which are shown in appendix 3. Some of these transfers into formula grant and some transfers out of formula grant associated with the loss of certain responsibilities have led to additional pressures on the budget of just under £1m in 2011/12. The main ones are listed below.
- The Government has top-sliced £145m nationally to represent the reductions in local authority central education (LEA) services spending as a result of the setting up of academies. The Brighton & Hove share of this reduction is £0.518m based on our share of the formula for these services which is not related in any way to the number of academies within the authority. Reductions in LEA services have been built into the proposed savings package and have not been identified separately.
  - The Government has transferred the special grant for concessionary fares into formula grant on the basis of a new formula rather than the more targeted special grant formula resulting in a loss of £0.314m to the council.
  - Responsibility for the maintenance of private sewers has been transferred to the water companies and the Government has top-sliced £21.5m nationally to reflect this transfer. The council's share of this reduction is £0.118m but no offsetting reduction in spending can be identified in the budget.
- 3.35 Under Valuing People Now 2009, responsibility for the funding and commissioning of social care for adults with learning disabilities transferred from the NHS to local government in April 2009. From 2011/12 the associated funding will also be transferred centrally from the NHS budget to social care and allocated to local authorities. The council has been allocated a new £6.6m specific grant to reflect the transfer of funding which meets current costs.

### ***Internal Transfers and new Budget Structure***

- 3.36 Internal transfers relate to changes in responsibility between services and corporate budgets and in 2011/12 largely consist of transfers of budget to reflect the new council commissioning structure. The 9 December Cabinet report was presented on the basis of the old Directorate structures. All savings and service pressures included in that report have been re-analysed into the council's new organisational structure split between commissioning, delivery and resource and finance units.

## 2011/12 Budget

### *Analysis of Budget Changes between 2010/11 and 2011/12*

3.37 The following table shows how the budget has changed since 2010/11

<b>TABLE 4: Analysis of budget changes</b>	<b>£ million</b>
<b>Adjusted 2010/11 base budget</b>	<b>251.3</b>
Pay awards and Inflation	3.0
Service pressures	
- Demographic and cost	7.1
- Losses on function and funding changes	1.0
- Replacement specific grant funding	5.8
Commitments and reinvestment	2.0
Contribution from Health Service towards social care	-3.3
Savings package	-24.2
Change in use of reserves	-8.1
Council tax freeze grant	-3.0
New Homes Bonus	-0.6
<b>Proposed Budget 2011/12</b>	<b>231.0</b>

3.38 Appendix 1 shows a detailed breakdown of the proposed budgets and budget changes for each service and appendix 2 shows how the total budget reduction target is derived with a summary of the proposed budget reduction package. The following sections give details of each change.

### ***Pay and general inflation assumptions***

3.39 The Government included a 2 year public sector pay freeze for those earning over £21,000 per year in the spending review for 2011/12 and 2012/13. The cost of pay increases for the lowest paid staff of £250 per person per annum is estimated to be £0.5m in 2011/12. The coalition Government's emergency budget on the 22 June confirmed the increase in employer national insurance contributions of 1% from 1 April 2011 although this is partly offset by changes to the payment thresholds. The net cost to the council is estimated to be £0.6m in 2011/12.

3.40 The Government has set a 2% per annum target inflation rate for consumer prices for the Bank of England Monetary Committee to deliver through monetary policies. Inflation has been above target for the last 13 months and may increase further in the short term before falling back later in the year. The provision for general inflation on both expenditure and income in the budget is 2% per annum in line with the Government target. There is a risk that higher levels of inflation will generate new spending pressures within the budget and services will be expected to manage this risk within their budget.

### ***Pension Fund Contributions – Triennial Review***

- 3.41 The East Sussex County Council Pension Fund announced the outcome of the triennial review on the 19<sup>th</sup> November 2010. The valuation as at 31/3/10 for the whole fund is 87.3% (compared to 88.9% at the last valuation in 2007). This is likely to place the fund within the top quartile of all LA funds. There has been a significant improvement within the last 12 months when the fund was a little over 70% funded. The performance of equities, the lower than expected pay increases and the change in uprating of pensions from RPI to CPI have been major factors in improving the outlook.
- 3.42 Brighton & Hove's share of the fund is 91% funded, which is the same as the valuation 3 years ago and an increase in the level above the average share of the fund. The factors helping this outcome are a continued scrutiny of early retirement decisions, negligible use of discretionary powers under the regulations, funding transfers at the point of any outsourcing decisions rather than waiting for the next valuation and aligning decision making and accountability.
- 3.43 The Council currently contributes 17% of payroll; the actuaries to the fund require an increase of 1% over the next 3 years as follows: -
- |         |       |
|---------|-------|
| 2011/12 | 17.3% |
| 2012/13 | 17.7% |
| 2013/14 | 18.0% |
- 3.44 The Medium Term Financial Strategy assumed an increase of 0.5% in 2011/12 equivalent to £0.65m to the General Fund; the reduced contribution rate will save approximately £0.21m.
- 3.45 The latest valuation does not take into account the recommendation of the interim Hutton Report to increase the employee pension contributions.

### ***Service Pressures***

- 3.46 Provision for spending pressures to maintain existing service levels are incorporated into service budgets. The spending pressures include the known impact of demographic changes, the impact of the economic downturn and both income and expenditure and reductions in specific grants.
- 3.47 The 2011/12 budget contains £13.9m service pressures in total which includes £7.1m for demographic and cost pressures, £1m for function and funding changes set out in paragraph 3.34 and £5.8m for replacement specific grant funding. The table below lists the main demographic and cost pressures.

<b>TABLE 5 – Main Demographic and Cost Pressures</b>	<b>£ m</b>
Demographic growth in Adult Social Care clients (Physical disabilities, vulnerable older people, mental health and learning disabilities).	2.1
Increased Independent Foster Agency placements	1.6
Reductions in Parking Penalty Charge Notices	0.7
Children's Residential Agency placements	0.5
Children's Area social work teams	0.5
Children's social services Legal costs	0.3

### **Commitments and Reinvestment**

3.48 Details of the commitments and reinvestment included in the £2m are:

- funding for the May elections of £0.34m;
- £0.5m on preventative social care services as described later in paragraph 3.52;
- Investment in supporting the local economy including items previously funded from LABGI of £0.1m as described in paragraph 3.20;
- Local Homes Venture Fund of £0.2m as described in paragraph 3.21;
- transition funding for Castleham Industries and Brightstart Nursery of £0.267m as options for the future of those services continue to be considered;
- £0.158m to pay for a reduction of 5% in residents parking permits instead of the inflationary increase;
- free swimming for under 11's of £0.065m;
- sports development funding of £0.1m;
- debt prevention team to improve council tax collection of £0.137m and to cover loss of income from court costs as a result of less people in arrears being taken to court of £0.120m, both in the taxbase report agreed at the January Cabinet meeting.

3.49 Options to increase the frequency of bus services to Bevendean are being explored. Funding to facilitate this has been set aside in contingency.

### **Budget Principles**

3.50 The December 9<sup>th</sup> budget update report set out the following principles on which this budget has been prepared.

To deliver efficiency savings to help protect front line services by:

- delivering the planned VFM programme and identifying where future year's VFM savings can be "fast tracked", for example, vacating office accommodation earlier than originally planned.
- identifying other efficiency savings including those arising from the new groupings of services in delivery units



- looking to generate savings on staff related expenditure through natural turnover, not filling existing vacancies, reducing management costs, minimising the use of consultants and making sure we only use agency staff and overtime where there is a sound business case to do so
- identifying where closer working with other public agencies means we can share costs
- reviewing contracts with service providers identifying scope for renegotiation and controlling costs
- removing any local contingencies or risk provisions (these will all be covered corporately)

These efficiency savings will be tracked to ensure that they are rigorously and consistently implemented by rolling them into the VFM programme.

Where changes need to be made to front line services proposals will take into account:

- how we can innovate our service design and delivery mechanisms to ensure the outcomes we deliver are maintained;
- how those changes might impact on costs and services provided by other public agencies in the city ("Total Place");
- how we can protect as far as possible the contribution made by the community and voluntary sector.

### **Joint working across public services in the city**

- 3.51 The council has worked with partners on the Public Services Board (PSB) and the Local Strategic Partnership (LSP) to better understand the cross-city impact of the budget reductions currently being faced by public services. A high level analysis of spend by the council, Primary Care Trust (PCT) and Police was undertaken early in 2010/11 along with predictions of the likely grant reductions. Following the Comprehensive Spending Review and the detailed finance settlements, further discussions between Chief Executives and Directors of Finance of those three organisations took place which also included representatives from the Fire Authority, the Universities and JobCentre Plus.
- 3.52 As a result of this work specific agreements have been reached between the council and PCT about the use of funding in 2011/12 to make the interface between the health and social care system operate as effectively as possible, through:
- The PCT providing £0.355m to support reablement.
  - The council using £2.785m social care grant monies from the Department of Health to protect adult social care services from budget reductions that could otherwise have an adverse effect on hospital admissions, discharge and other services and other long term health
  - The Council in partnership with the PCT will invest £0.500m recurrent funding in new preventative services to support more people to remain living independently at home and reduce the need for available use of health and social care services. This would be commissioned from a range of providers including innovative use of the Community and Voluntary Sector.

- Implementing the agreed joint commissioning strategy for carers using the former Carers Grant funding from the council and NHS funding for breaks to carers.
- 3.53 The role of the Partnership Community Safety team is important in the proposals included in this budget. The Scrutiny Review of the In-year Grant reductions highlighted that services best able to cope with reducing funding were those with clear priorities and close partnership working. Clear priorities have been identified through the Community safety Partnership and ranking its activities against the following criteria:
- Where there is a clear evidence base that crime, disorder and anti-social behaviour is reduced as an outcome of the activity
  - Where crimes are addressed which cause the most serious harm to individuals and communities
  - Where early intervention prevents an escalation of more serious offences, particularly for young people and families
  - Where early intervention prevents more expensive, crisis responses and activity shows a cost benefit (eg. preventing 'looked after' children)
- 3.54 Partners have been reviewing the levels of contributions they can make to replace lost grant funding, though further work is required to confirm actual budgets.

### ***Savings Proposals and Budget reductions***

- 3.55 The savings package totals £28m in a full year with £24.2m forecast to be achieved next year. The proposals in the budget can be summarised as follows:
- Those set out in the budget strategies in December 9<sup>th</sup> and now shown in savings appendix 10 analysed by the new council structure.
  - Fast tracking of VFM 2 savings planned for 2012/13 into 2011/12 as set out in appendix 11.
  - A new VFM 3 savings programme as set out in appendix 11.
  - Improved council tax collection rates of £0.230m as set out in the council taxbase report to Cabinet on 19<sup>th</sup> January 2011.
  - Ongoing revenue savings of £0.830m generated by the use of reserves to repay in full redundancy and early retirement costs incurred in prior year budgets that had been spread out over 5 years.
  - Savings on insurance of £0.45m as detailed in paragraphs 3.68 and 3.69.
  - Service specific additional savings proposals as set out in the savings appendix 10 including £0.9m reduction in waste disposal costs largely as a result of the successful waste minimisation strategy and PFI contract; £0.825m savings on the new leisure contract and £1.236m on the social care reform grant where strategies were already in place to deal with the reduction in funding.
- 3.56 In a number of areas a reduced budget requirement has contributed to closing the council's overall budget gap including:
- the impact of the review of pensions resulting in a lower than anticipated additional contribution rate;

- additional funding for adult social care routed via the PCT as described in paragraph 3.52;
- the number of concessionary travel trips is no longer forecast to rise next year.

### **Scrutiny**

- 3.57 The scrutiny review of the in-year grant reductions made a number of recommendations which have been taken into account in the preparation of this budget including continued emphasis on partnership working as described in paragraphs 3.51 to 3.54 and a clear picture of how Equality Impact Assessments (EIAs) have been undertaken as described in paragraph 8.3.
- 3.58 The Overview and Scrutiny Commission (OSC) and individual scrutiny committees reviewed the proposals contained in the December 9<sup>th</sup> Cabinet report. There was participation and detailed feedback from the Community & Voluntary Sector Forum (CVSF) as part of this process. The minutes of OSC on the 1 February 2011 and the submission from the CVSF are attached as appendix 13. There has not been the opportunity to scrutinise the additional proposals contained in this report in advance, however some themes emerged from the discussions that took place that are relevant in particular:
- concerns about how reserves might be used in the budget setting process, this is described in more detail in paragraph 3.32;
  - understanding the EIA process as described above;
  - maintaining preventative services, examples have been given in paragraphs 3.17 and 3.52.
- 3.59 Some particular concerns were raised by the Children and Young People's Overview and Scrutiny Committee. As a result of this feedback and the further work on Equalities Impact Assessments the following changes have been made to the savings proposals included in the December Cabinet report:
- the council funding of the Ethnic Minority Achievement Service will be replaced by Dedicated Schools Grant rather than the funding reducing;
  - the proposed reduction of £0.130m in youth services will not proceed; and
  - a lower saving is now proposed from Disability Services to ensure there is no impact on service delivery in particular no reduction in respite care provision.
- 3.60 Various aspects of the December budget proposals were welcomed by members of scrutiny committees and remain as part of this final budget package including for example the protection of Library services.

### **Staffing Implications of Proposed Savings**

- 3.61 The council is committed to working positively with staff and unions to avoid compulsory redundancies. There have been tight controls on recruitment for many months, resulting in a significant number of vacant posts that have

contributed to the budget savings target. Many remaining vacant posts in priority service areas will provide redeployment opportunities for staff. Information on vacancies and anticipated redeployment requirements are centrally coordinated by Human Resources.

- 3.62 Subject to consultation, the savings proposals set out in Appendix 10 include the deletion of approximately 100 vacant full time equivalent (fte) posts. It is estimated that a further 50fte posts may be deleted through these budget proposals, but in some areas more work on redesigning services will be needed before the detailed staffing implications can be properly assessed and formal consultation with the trade unions can begin.
- 3.63 The proposed savings on management and administration costs in the VFM3 programme will result in an estimated reduction of 100ftes. Strict controls have been introduced over use of consultants and there has been improved monitoring of spend on agency staff to control costs. A target to reduce costs through lower sickness absence and a reduction in use of agency staff will also be included in the programme.
- 3.64 After taking into account existing vacancies, natural turnover and redeployment it is estimated that there may be around 80 redundancies in total. The council is planning to begin discussions with the trade unions on proposals to offer a voluntary redundancy programme and £3.5m has been set aside from reserves to fund this.

### **Corporate Budgets**

- 3.65 The council budget contains a number of corporate budgets that are monitored and controlled centrally. Details of the main corporate budget are set out in the following sections.

### ***Corporate Budgets - Concessionary Fares***

- 3.66 The Government issued revised guidance on the way bus operators are compensated for loss of income and additional costs arising from the operation of the free concessionary fares scheme in England. The guidance makes major changes to the way the compensation mechanism works including re-classifying Brighton & Hove as a Passenger Transport Authority “like” area because of low access to a car amongst the older population within the city. This re-classification means that the reimbursement level increases and has therefore been the subject of intensive lobbying of the Department for Transport by the council.
- 3.67 Negotiations with the local bus operators are currently in progress but the effect of the new guidance and the loss of £0.3m of the special grant when it was rolled into formula grant means that the forecast budget for 2011/12 is 5.4% higher than this year. This increase would have been even higher but the year on year increase in the number of concessionary trips over the last few years seems to have abated based on journey data received to the end of December 2010.

### ***Corporate Budgets – Insurance Premia***

- 3.68 The insurance budget of £3m for 2011/12 represents both the estimated cost of insurance premia and the net cost of meeting successful claims against the council paid during the year. The council achieved substantial savings when it tendered the bulk of its insurance cover in 2008 but only

50% of the saving was built into the budget on a permanent basis because the insurance market was relatively cheap at that time and that good value was not expected to last beyond 3 years. Officers are currently seeking to maintain that level of savings for the next 2 years through negotiation with the existing insurers by extending the long-term agreement despite a hardening within the insurance market.

- 3.69 Officers have also undertaken a thorough review of the types and extent of existing cover to establish opportunities for improving value for money. Work was undertaken last March to review the insurance of the vehicle fleet which identified a saving of £0.125m through greater self-insurance assuming an average claims year. Based on the data so far this year this saving will be achieved. Further opportunities have been identified for example using specialist Lloyds insurance to provide cover for any impact on council buildings of terrorism attacks or civil disobedience. Negotiations and changes to cover will be completed before the end of March delivering anticipated total savings of £0.45m. Risk management activity across the council has meant that the overall value and level of successful claims against the council has been kept under control despite the increasing claims culture within the country as a whole.

### ***Corporate Budgets - Financing Costs and Prudential Indicators***

- 3.70 The financing costs budget reflects the cost of the council's capital investment plans. The council has a fully funded capital programme depending on the achievement of certain capital receipts and the costs of funding the programme are provided for in both the general fund and housing revenue account revenue budgets.
- 3.71 The financing costs budget for 2011/12 is estimated to be £10.4m, a marginal decrease on the original budget for 2010/11. The most significant variable element in the 2011/12 budget is the level of income generated by investing reserves and temporary surplus cash-flows which depends on forecasts of interest rates. At Budget Council in 2009 reserves were earmarked to offset reductions in investment interest income whilst investment rates remain at all time lows. The balance on the reserve as at April 2011 is estimated at £0.6m of which £0.2m is forecast to be used in 2011/12. The action taken over the past two years of using invested reserves to repay long term debt, together with new borrowing in 2011/12 on variable rate terms or short-term has enabled £0.1m to be transferred into usable reserves as part of the review of reserves.
- 3.72 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 9. Cabinet 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.

### ***Annual Minimum Revenue Provision (MRP) Statement***

- 3.73 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 2011/12 is set out in appendix 8.

### **Corporate Budgets - Contingency**

- 3.74 The council's contingency budget includes 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 2011/12 is £3.675m.

<b>TABLE 6: Contingency</b>	<b>£ m</b>
Corporate risk provision	1.250
Risk provision for grants where the allocation from Government is still uncertain	0.750
One-off corporate risk provision for short-term spending pressures e.g. higher than anticipated inflation and transitional support for changes in grant funding	0.750
Investment anticipated in 2011/12 in the VFM programme to deliver future savings	0.650
Financing costs for the construction of the new Historic Records Office (the Keep) which is still subject to final Cabinet approval	0.349
New Homes Bonus Grant	-0.600
New Homes Venture Fund	0.200
Schemes to help the local economy	0.100
Other resources awaiting transfer to services	0.150
Contingency for possible increase in supported bus routes	0.076
<b>Total Contingency</b>	<b>3.675</b>

### **Change in use of reserves**

- 3.75 The budget strategy for 2011/12 draws on reserves to provide temporary funding to cover the part year effect of the savings package, investment in the delivery of savings for future years and make provision for the one off costs of redundancies and early retirements.

## **4 COUNCIL TAX**

- 4.1 The proposed reduction of 1% in the council tax results in a band D council tax for the city council element of the council tax of £1,249.58 a reduction of £12.62 on this year.
- 4.2 In order to propose an overall council tax for the city the council taxes of the precepting authorities need to be known. On the 3 February 2011 East Sussex Fire Authority set it's 2011/12 Band D council tax at £81.86 which is the same amount as set in 2010/11. The Sussex Police Authority is due to set its council tax on 10 February 2011. The 2011/12 precept for Rottingdean Parish was set on 4 January 2011 at £27,000 remaining at the same level as 2010/11.

### ***Council Tax Capping***

- 4.3 Council tax capping places a limit on the increase a local authority can levy in council tax from one year to the next. The Secretary of State for Communities and Local Government Eric Pickles MP set out the capping criteria for 2011/12 in a statement to Parliament on 9 February 2011. Effectively he will deem a council tax increase excessive if it exceeds 3.5% for next year.
- 4.4 The Government has decided to replace capping in future years with a local referendum and appropriate legislation is currently being put in place. The Secretary of State will set out limits on the council tax increase for each group of authorities for a particular year in the autumn of the previous year. Authorities wishing to increase their council tax by more than this limit will be required to get approval from local people through a referendum, setting out 2 budgets reflecting the different council tax resource levels. The referendum will allow people to choose between the limit set by the Secretary of State and the proposed higher increase from the local authority. Any council proposing the higher increase will be required to meet the costs of the referendum regardless of the outcome. The estimated cost of a referendum if it is held separately from any other elections is estimated to be about £0.3m in Brighton & Hove.

### ***Supplementary Budget report to Budget Council***

- 4.5 Not all the budget and council tax information is available at present therefore additional information will be provided for Budget Council. This will include:-
- Feedback from the meeting with Business Ratepayers to be held on 16 February 2011.
  - The Environment Agency levy figure agreed for 2011/12.
  - A gross general fund revenue expenditure budget for 2011/12 showing how it has changed since 2010/11.
  - The agreed council tax set by the Police and Fire Authorities.
  - 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) is set out in appendix 6. It shows the projected resources and spending projections for 2011/12 to 2014/15. The financial projections show that savings of over £82.5m are forecast to be needed over the 4 year period.
- 5.2 All the projections are based on the best information currently available, however, in the current financial climate and with 2012/13 being the last year before the outcome of the local resource review is expected to be implemented there are many uncertainties. The risk assessment set out in appendix 7 explains in more detail the uncertainties facing the budget over the next 4 years.

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

- 6.1 Section 25 of the Local Government Act 2003 requires the Chief Finance (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 Cabinet and 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 2011/12 and capital programme. It also considers key medium term issues faced by the council.

### ***Robustness of Estimates***

- 6.2 There is inevitably an element of judgement as budget estimates of spending and income are made at a point in time and may change as circumstances change. This statement about the robustness of estimates cannot give a 100% guarantee about the budget but gives the council reasonable assurance that the budget has been based on the best information and assumptions available at the time.
- 6.3 In setting the budget for 2011/12, current expenditure trends and service demands have been considered by Delivery Unit Heads and Lead Commissioners. The budget for 2011/12 has therefore been set on the basis of the trends in the TBM 9 report elsewhere on this agenda and further projections of future demand and cost. The current cost and activity trends on the key corporate critical budgets are in general favourable. The child agency placements budget and the adults community care budget are rigorously monitored and actions to manage demand and cost more effectively through the VFM programme are having a positive impact. In addition key areas of spend designed to prevent increasing costs on these budgets have been protected in this budget setting process and indeed enhanced in the Adult Social Care area as described in paragraph 3.52.
- 6.4 The scale of savings from the VFM 2 and 3 programmes are very challenging to achieve. The Council has a good track record in delivering the VFM2 programme and in some areas has over-achieved its targets in 2010/11. It is important to note that this programme has been supported by substantial investment particularly in project management capacity to underpin its delivery and ensure a particular focus on tracking cashable savings. For this reason there is additional one off investment included in this budget package for the implementation of VFM 3 over a two year period. Without this investment it is considered that the planned level of VFM savings will not be achievable. Appendix 11 sets out in more detail the assumptions on which the VFM3 management and administration savings have been based. It is difficult to assess the impact on organisational capacity of the reductions in management cost.
- 6.5 One of the most complex aspects of this budget preparation process has been understanding the impact of the changes to specific grant funding. At the time of setting the budget there were still a number of areas of uncertainty about whether specific grant funding was continuing and if so at what level. As a result of this a recurrent risk provision of £0.750m has been set aside to enable the council to absorb an element of any further loss of specific grants. A further £0.750m one-off risk provision to cover short term



budget risks next year including transition planning or wind-down commitments for any new specific grant loss which the council cannot afford to replace.

- 6.6 A recurrent risk provision of £1.25m is included in the budget to guard against any risks not known at budget setting time including risks associated with the successful implementation of the wide ranging and necessarily complex savings package.

### ***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.
- 6.8 The analysis indicates a continuation of an underlying prudent level of working balance of £9m (excluding school balances). This represents 3.9% of the council's net revenue budget excluding schools.
- 6.9 The level of working balance is currently at this target as set by the council in the MTFS of £9m and it is proposed to retain this level for the period 2011/12 to 2014/15, subject to annual review.
- 6.10 All reserves have been reviewed in detail to ensure that they are set at an appropriate level. This is set out in appendix 5. Many of the Council's earmarked reserves fulfil a specific legal or financial requirement, for example the insurance reserve. Where possible these have been reduced to a level considered to be the minimum required to deal with the known risks and liabilities at budget setting time. As a result the levels of the Waste PFI reserve and the Single Status Reserve have been reduced. The impact of the waste strategy is described in more detail in the reserves appendix 5(b). The reduction in the latter is designed to fund the estimated redundancy costs for this savings package. If this is not required in full then any balance will be returned to the Single Status Reserve in order to support the future simplification of the Council's allowances scheme.
- 6.11 In the light of the council's overall financial position, discretionary reserves have also been carefully reviewed. The Schools Futures and Brighton Centre Reserves have been retained in order to fund agreed capital priorities. Some smaller reserves have been released as it was considered that they represented unnecessary duplication with the Working Balance reserve.
- 6.12 Details of the review of reserves, proposed transfers between reserves and further information on the analysis of risk for the working balance are set out in appendix 5.

### ***Assurance Statement of the Council's Section 151 Officer***

- 6.13 In relation to the 2011/12 general fund revenue budget the Section 151 officer has examined the budget proposals and believes that, whilst the spending and service delivery proposals are very challenging, they are nevertheless achievable given political and management will to implement the changes, good management, and the sound monitoring of performance and budgets.

- 6.14 In terms of the adequacy of reserves the Section 151 officer considers a working balance of £9m to be adequate taking into account other reserves, the risk provisions and the council's track record in budget management.

## **7. CONSULTATION**

- 7.1 This report represents the culmination of the budget process, which has included a number of consultative processes with residents, businesses, the community and voluntary sector, members and trade unions.
- 7.2 The council also has a statutory duty to consult with business ratepayers and a meeting has been set up for 16 February 2011.
- 7.3 The council tax consultation process this year concentrated on a postal questionnaire to randomly chosen households across the city. The results of the consultation were presented to the cross party Budget Review Group on 7 December 2009. The key conclusions from the consultation have been circulated to all Members as well as access to the full report.

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

### Financial Implications:

- 8.1 These are contained in the main body of the report.

*Finance Officer Consulted: Mark Ireland      Date: 4 February 2011*

### Legal Implications:

- 8.2 Under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000, the preparation, for submission to the council for their consideration, of estimates of the amounts to be aggregated in making the calculation as to the budget requirement and the basic amount of council tax is the responsibility of the Cabinet. The approval and adoption of the budget based on the Cabinet's proposals are the preserve of Full Council. These statutory requirements are reflected in Part 4.4 of the council's constitution ('Budget and Policy Framework Procedure Rules').

*Lawyer Consulted: Oliver Dixon      Date: 7 February 2011*

### Equalities Implications:

- 8.3 All service areas facing changes to their budgets have completed an Equality Impact Assessment (EIA) budget screening document and these are available on the council's website (in the Your Council, Equalities and Inclusion area). A corporate overview document is included at appendix 12. The corporate overview identifies three key potential impacts which will need clear management to ensure that negative impacts do not occur or are mitigated appropriately. The three areas are as follows:

- The national government reductions in the Early Intervention Grant could have a cumulative impact on young people particularly in terms of provision for 14-19 year olds given the council's commitment to protecting Sure Start and Children's Centres. This was identified through the EIA process and as a result additional funding to top up

the Early Intervention Grant has been found to ensure that current spend on youth services is protected.

- The government agenda for school support has led to the responsibility for a number of areas being moved to the schools themselves. This includes the work previously undertaken by the Healthy Schools Team providing equalities and anti-bullying work in schools. There is some concern that this may negatively impact on the experiences of minority children and this will be monitored.
- The Partnership Community Safety team plays a key role in service provision to vulnerable and disadvantaged people and engaging with communities of interest. The consequences of dealing with significant budget reductions have been highlighted through the EIA process and as a result additional funding to replace some of that lost from specific grants has been identified. The funding for this area remains complex because of the partnership arrangements. If further changes are required further EIAs will be conducted.

#### Sustainability Implications:

- 8.4 Sustainability issues have been taken into account throughout the council's budget setting process. Particular examples include:
- The VFM 2 programme including savings from rationalising the use of buildings and in the use of fleet.
  - The VFM 3 programme including savings to be delivered from more effective carbon management, including from the roll out of automatic meter reading systems and a planned reduction in spend on "grey fleet".
  - Reductions in waste tonnages and in the proportions of waste being landfilled generating savings on waste disposal costs.

#### Crime & Disorder Implications:

- 8.5 The budget identifies resources to help replace the reduction in Government grants funding certain crime and disorder initiatives.

#### Risk & Opportunity Management Implications:

- 8.6 There are considerable risks to the council's short and medium term budget strategy including the impact of the economic downturn, inflation and other changes in the national economy, 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 2011/12 budget and relevant risk provisions are set out in the body of the report. A risk and opportunity matrix for the medium term financial strategy is included as appendix 7.

#### Corporate / Citywide Implications:

- 8.7 The report is relevant to the whole of the city.

**9. EVALUATION OF ANY ALTERNATIVE OPTION(S)**

- 9.1 The budget process allows all parties to put forward viable alternative budget and council tax proposals to Budget Council on 3 March. Budget Council has the opportunity to debate both the proposals put forward by Cabinet at the same time as any viable alternative proposals. All budget amendments must have been “signed off” by finance officers no later than 12 noon on Monday 28 February.

**10. REASONS FOR REPORT RECOMMENDATIONS**

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

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Movements in Block Allocations 2010/11 to 2011/12
2. Derivation of Budget Reduction Target and Summary of the Proposed Budget Package.
3. Function and Funding Changes
4. Summary of special and specific grant allocations for 2011/12 and 2012/13
5. Review of the Council's reserves including the planned use of reserves in appendix 5(a) and details of the waste PFI reserve review in appendix 5(b)
6. Summary of Medium Term Financial Strategy 2011/12 to 2014/15
7. Assessment of risks
8. Minimum Revenue Provision statements
9. Prudential Indicators 2011/12 to 2013/14
10. Budget Savings Package
11. Value for Money Savings
12. Equalities Impact Assessment - Corporate Overview
13. Overview & Scrutiny Minutes of Meeting on 1 February 2011 and submission from the Community & Voluntary Sector Forum.

### **Documents in Members' Rooms / Councils Website**

1. Detailed Budget Consultation outcome.
2. Individual Equality Impact Assessments for savings proposals.

### **Background Documents**

1. Files held within Finance



Movements in block allocations 2010/11 to 2011/12										Appendix 1	
	Changes in			2010/11			Commitments and		2011/12	Increase over	Increase over
	Revised	function /	Internal	Adjusted	Inflation	Service	reinvestment	Savings	Original	adjusted	adjusted
	Base	funding	Transfers	Base		Pressure			Budget	base	base
	£'000	£'000	£'000	£'000	£'000	s	£'000	£'000	£'000	£'000	%
Commissioner - Childrens, Youth & Families	14,247	501	-51	14,697	287	3,890	0	-2,109	16,765	2,068	14.1
Commissioner - Schools, Skills & Learning	5,861	-111	-263	5,487	71	2,043	0	-1,180	6,421	934	17.0
Delivery Unit Childrens & Families	27,413	477	37	27,927	371	1,871	87	-1,936	28,320	393	1.4
Delivery Unit City Services	8,163	0	9	8,172	45	516	597	-412	8,918	746	9.1
Commissioner - People	2,341	1,036	-4	3,373	20	0	0	0	3,393	20	0.6
Delivery Unit Adults Assessment	60,285	4,673	-107	64,851	1,107	2,265	-2,785	-5,170	60,268	-4,583	-7.1
Delivery Unit Adults Provider	9,571	179	70	9,820	19	85	180	-565	9,539	-281	-2.9
Commissioner - Communities & Equalities	2,311	0	1	2,312	41	450	0	-247	2,556	244	10.6
Commissioner - City Regulation & Infrastructure	8,570	94	-342	8,322	138	179	0	-397	8,242	-80	-1.0
Delivery Unit City Infrastructure	19,866	0	3	19,869	251	741	158	-2,357	18,662	-1,207	-6.1
Delivery Unit Planning & Public Protection	5,525	-16	17	5,526	35	236	0	-735	5,062	-464	-8.4
Community Safety	1,187	0	3	1,190	11	642	0	-347	1,496	306	25.7
Delivery Unit Housing & Social Inclusion	344	0	1	345	5	0	0	0	350	5	1.4
Commissioner - Housing	4,547	11,249	16	15,812	25	0	0	-592	15,245	-567	-3.6
Commissioner - Tourism & Leisure	1,528	0	1	1,529	27	0	165	-945	776	-753	-49.2
Commissioner- EDR	570	65	1	636	6	0	0	0	642	6	0.9
Commissioner - Arts	1,537	0	0	1,537	30	0	0	-83	1,484	-53	-3.4
Delivery Unit Tourism & Leisure	4,541	0	-305	4,236	5	111	0	-243	4,109	-127	-3.0
Major Projects	355	0	1	356	4	0	0	-20	340	-16	-4.5
Resources	18,196	836	-497	18,535	212	530	135	-1,558	17,854	-681	-3.7
Finance	5,929	0	-106	5,823	63	70	0	-1,141	4,815	-1,008	-17.3
Strategic Leadership Board	0	0	1,318	1,318	0	0	0	0	1,318	0	0.0
<b>Total Directorate Spending</b>	<b>202,887</b>	<b>18,983</b>	<b>-197</b>	<b>221,673</b>	<b>2,773</b>	<b>13,629</b>	<b>-1,463</b>	<b>-20,037</b>	<b>216,575</b>	<b>-5,098</b>	<b>-2.30</b>
Corporate Budgets	8,986	1,490	-33	10,443	148	314	408	-1,280	10,033	-410	
Financing Costs	10,446	0	130	10,576	0		-149	0	10,427	-149	
Corporate VFM Savings	0	0	0	0	0		0	-2,875	-2,875	-2,875	
Contingency	3,938	0	304	4,242	79		-645	0	3,676	-566	
Council Tax Freeze Grant	0			0			-2,995		-2,995	-2,995	
Levies to External Bodies	201	0	0	201	4		-2	-37	166	-35	
<b>NET REVENUE EXPENDITURE</b>	<b>226,458</b>	<b>20,473</b>	<b>204</b>	<b>247,135</b>	<b>3,004</b>	<b>13,943</b>	<b>-4,846</b>	<b>-24,229</b>	<b>235,007</b>	<b>-12,128</b>	<b>-4.91</b>
Contributions to/ from(-) reserves	4,332	0	-204	4,128			-8,112		-3,984	-8,112	
<b>BUDGET REQUIREMENT</b>	<b>230,790</b>	<b>20,473</b>	<b>0</b>	<b>251,263</b>	<b>3,004</b>	<b>13,943</b>	<b>-12,958</b>	<b>-24,229</b>	<b>231,023</b>	<b>-20,240</b>	
<b>Funded by</b>											
Formula Grant	109,185	20,473		129,658					112,413	-17,245	
Collection Fund surplus/(deficit)	2,286			2,286					0	-2,286	
Council Tax	119,319			119,319					118,610	-709	
<b>Total</b>	<b>230,790</b>	<b>20,473</b>		<b>251,263</b>					<b>231,023</b>	<b>-20,240</b>	





### Derivation of Budget Reduction Target and Summary of the Proposed Budget Package

<b>Budget Reduction Target</b>	<b>£ million</b>
Changes in Government funding:	
• Reduction in Formula Grant	17.2
• Loss on Function and Funding changes	1.0
• Spending pressures created by the ending of some specific grants	5.8
• Council Tax freeze grant	-3.0
• New Homes Bonus	-0.6
Spending pressures:	
• Pay and price inflation	3.0
• Demographic and cost pressures	7.1
• Ongoing commitments and reinvestment*	1.9
• Provision for the financing costs of the new historic records office "The Keep"	0.3
1% reduction in council tax	1.2
<b>Total Budget Reduction Target</b>	<b>33.9</b>
<b>Budget Reduction Package</b>	
Proposed Savings Package (Full Year Effect)	28.0
Social Care funding transferred from Health Service	3.3
Improvement to council tax collection	0.5
Permanent reductions in corporate budgets:	
• Outcome of triennial review of Pension Fund - pension contributions increase not as high as anticipated	0.4
• Removal of projected pay provision for 2011 pay award	1.3
• Numbers of concessionary bus journeys not increased as originally anticipated	0.2
• Permanent VFM initiatives budget converted to one-off budget funded by reserves	0.2
<b>Total Budget Reduction Package</b>	<b>33.9</b>

\* Commitments and reinvestment of £2m shown in the body of the report has been:

- Reduced by the one-off budgets for the May elections of £0.34m and transition funding for Castleham Industries and Brightstart Nursery of £0.267m funded from reserves.
- Increased by £0.5m to reflect further reinvestment in preventative services in 2012/13.

**Function & Funding Changes**

(including specific grants transferring to Formula Grant in the 2011/12 Local Government Finance settlement)

	<b>2010/11</b>	<b>Transfer</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in Funding</b>		
<b>ABG Grants</b>		
Supporting People	11,249	11,249
Economic Assessment Duty	65	65
Carers Grant	1,232	1,232
Child & Adolescent Mental Health	466	466
LSC Staff Transfer	407	407
Services for Children in Care	281	281
Child Death Review	35	35
ASC Workforce	689	689
LINKS	147	147
Preserved rights	1,596	1,596
Mental Health	819	819
Learning Disability Development Fund	232	232
Mental Capacity Act	145	145
Transport Services	320	212
<b>Other Grants</b>		
Concessionary Bus Fares	1,804	1,490
Personal Social Services (combines grants below)		1,536
Social Care Reform	1,167	Included above
National Stroke Strategy	93	Included above
Aids Support	455	455
Housing Strategy for Older People	70	70
<b>Changes in Function</b>		
Academies		-518
Private Sewers		-118
South Downs National Park – Planning service		-12
Planning Inspectorate Sustainable Drainage Systems appeal costs		-5
<b>Total</b>	<b>21,272</b>	<b>20,473</b>

**Summary of Specific and Special Grant allocations**

	<b>2011/12 £m</b>	<b>2012/13 £m</b>
Early Intervention Grant	10.658	10.853
Housing Benefit and Council Tax Benefit Admin	3.258	Autumn 2011 announcement
Preventing Homelessness	1.300	1.300
Learning Disabilities and Health Reform Grant	6.564	6.719
Lead Local Flood Authorities	0.141	0.249
Council tax freeze grant	2.995	2.995
New Homes Bonus (for 6 years starting in 2011/12)	Provisional 0.596	Provisional 0.596
New Homes Bonus (for 6 years starting in 2012/13)		Depends on new homes 2011 data
Community Safety Grant (Home Office) – largely from Stronger Safer Communities and Young People Substance Misuse Partnership	0.283	0.143
Drug Intervention Programme	0.280	Not yet known
Asylum Seekers	Based on claims	
Renaissance in the Regions	Based on bidding	
Music Grant (Department for Education)	National total unchanged but awaiting local authority allocations	
Extended Rights to Free Transport (Department for Education)	Under review	
Schools PFI	2.390	2.390
Libraries PFI	1.505	1.505
Waste PFI	1.498	1.498
Council Tax Benefit payment transfer grant	Based on claims	
Housing Benefit payment transfer grant	Based on claims	
Dedicated Schools Grant (exact amount depends on pupil numbers)	149.540	149.988
Pupil Premium (exact amount depends on number of eligible pupils)	Provisional 2.000	National allocation to increase from £625m to £2.5bn by 2014/15
Young People's Learning Agency (Sixth Form funding)	Announcement due end of March	
Health Authority – Milk for under 5s	Under review	
Teachers Training Agency – Golden Hello	Under review	

## Review of Reserves

### *Adequacy of Reserves – working balance*

Putting in place appropriate levels of reserves is essential to provide the council with a safety net for risks, unforeseen or other circumstances. The working balance must last the lifetime of the council unless contributions are made from future years' revenue budgets. The minimum level of balances cannot be judged merely against the current risks facing the council as these can and will change over time. This is critical given the volatility and unpredictable nature of the financial environment within which the budget and MTFS are being set.

Determining the appropriate levels of reserves is not a precise science or a formula but must be a professional judgement based on local circumstances including the overall budget size, risks, robustness of budgets, major initiatives being undertaken, budget assumptions, other earmarked reserves and provisions, and the council's track record in budget management.

The consequences of not keeping a minimum prudent level of balances can be serious. In the event of a major problem or a series of events, the council would run a serious risk of a deficit or of being forced to cut spending during the year in a damaging and arbitrary way.

The recommendation on the prudent level of balances has been based on the robustness of estimates information and the Corporate Risk Register. In addition, the other strategic, operational and financial risks taken into account when recommending the minimum level of the working balance include:

- There is always some degree of uncertainty over whether the full effects of any economy measures and/or service changes will be achieved. Commissioners have been advised to be prudent in their assumptions and that those assumptions, particularly in respect of demand-led budgets, should hold true in changing circumstances.
- The Bellwin Scheme for Emergency Financial Assistance to Local Authorities provides assistance in the event of an emergency. The Local Authority is able to claim assistance with the cost of dealing with an emergency over and above a threshold set by the Government.
- Risks of rising demand and falling income given economic conditions.
- The risk of major legal challenge, both current and in the future.
- Risks in the financial inter-relationship between NHS partners and the council.
- Major and unforeseeable volume increases, for example due to new legal requirements, in demand led budgets, particularly in children's services.
- The need to retain a general contingency to provide for some measure of unforeseen circumstances which may arise.
- The need to retain reserves for general day-to-day cash flow needs.

The potential financial sensitivity of the budget and financial risks has been analysed. In addition, the cash flow risk for unitary authorities is significant given the full range of services provided. £9.0m represents about 4 weeks of council tax revenue. The working balance would help cover any costs arising from delays in council tax billing. This could arise, for example, from a systems failure.

### ***Schools' Balances***

Schools' balances, while consolidated into the Council's overall accounts, are a matter for Governing Bodies. Nevertheless, under the council's Scheme for Financing Schools the council has a duty to scrutinise whether any school holds surplus balances. The council's Scheme for Financing Schools is in line with the requirements of the Secretary of State for Children, Schools and Families and the arrangements in place are considered adequate.

### ***Estimated Earmarked General Fund Revenue Reserves***

Processes are in place to regularly review the council's earmarked revenue reserves. Details of the review of reserves are included in the table below.

### ***Section 106 receipts***

The review of reserves has thrown up an issue associated with the interest on Section 106 receipts which needs to be resolved. The council has a policy of paying interest on unspent balances for Section 106 receipts each year. Interest is currently allocated to the specific scheme for which the unspent funds were provided. In many cases where the scheme has finished the accumulated interest remains unspent but not available. From 2011/12 it is recommended that interest paid on unspent Section 106 balances will be pooled and used to fund projects that will benefit the community as a whole rather than, as current, the original project. This change will ensure that accumulated interest on schemes that have finished is then available for other community projects. Where there is a contractual requirement for the interest to be spent in a certain way, or returned to the original payer, then this requirement will continue to be met. The financial impact in 2011/12 of this proposal is neutral.

## Review of Reserves

## APPENDIX 5

Description	Forecast Balance at 1 April 2011 £'000	Planned usage in 2011/12 £'000	Release funds £'000	Forecast Balance at 31 March 2012 £'000	Review Arrangements	Conclusions
General Fund Working Balance	9,000	0	0	9,000	Reviewed against register of financial risks, taking into account CIPFA guidelines and requirements of Local Government Act 2003.	To meet CIPFA guideline a minimum unallocated reserve of £9.000m is required.
Schools LMS Balances	2,567	0	0	2,567	Following closure of accounts.	Reserves held on behalf of individual schools for use by the schools.
Collection Fund Working Balance	0	0	0	0	Reviewed in January each year as part of council Tax surplus / deficit calculation.	Collection Fund is expected to be break even at 31st March 2011.
General Fund General Reserves	2,789	1,444	-4,233	0	Following closure of accounts and TBM monthly monitoring.	The balance of £4.190m is being released to support the 2011/12 budget.
Restructure & Redundancy Reserve	2,616	0	0	2,616	Following closure of accounts.	This reserve is held to spread the costs of early retirements and redundancies. There is a planned transfer of £3.500m to this reserve to support the delivery of the savings in the 2011/12 budget. This transfer is included in the separate table below.

## Review of Reserves

## APPENDIX 5

Description	Forecast Balance at 1 April 2011 £'000	Planned usage in 2011/12 £'000	Release funds £'000	Forecast Balance at 31 March 2012 £'000	Review Arrangements	Conclusions
Finance Costs Reserve	1,195	-730	-118	347	Following closure of accounts.	This reserve was initially set up to smooth out significant fluctuations in interest rates. Interest rates are projected to be less volatile and the reserve is not expected to be required beyond 2012/13. Therefore a balance of £0.118m is available for reallocation.
Insurance Reserve General	6,975		0	6,975	The insurance fund is subject to a bi-annual health check by the actuaries. The next health check is due to report back in May 2011 to feed into the closedown process.	There is no reason to believe the fund review should result in a significantly different level from its current level. The level of this reserve to be maintained at £6.975m in line with the most recent actuarial advice.
Capital Reserves	5,077	-4,993	0	84	Following closure of accounts.	Committed to fund capital programme.
Contribution to Single Status Reserve	13,046	0	-3,500	9,546	Following closure of accounts.	Earmarked for equal pay and one off costs.
Waste PFI Project Reserve	8,635	0	-3,500	5,135	Following closure of accounts.	Further details of the review of this reserve are included in Appendix 5b.
HRA Working Balance	3,725		0	3,725	Following closure of accounts.	Working balance in line with CIPFA guidance. Any residual balance can only be used to support the HRA.

## Review of Reserves

## APPENDIX 5

Description	Forecast Balance at 1 April 2011 £'000	Planned usage in 2011/12 £'000	Release funds £'000	Forecast Balance at 31 March 2012 £'000	Review Arrangements	Conclusions
Brighton Centre Redevelopment Reserve	3,346	550		<b>3,896</b>	Following closure of accounts.	Retain to support the development. A contribution of £0.550m is included in the 2011/12 budget.
Building Schools for the Future	2,201	-1,350	<b>0</b>	<b>851</b>	Following closure of accounts.	Reserve held to support investment in schools buildings. £1.000m is planned to be used to support the Education capital programme in 2011/12.
Schools PFI Project Reserve	1,761	0	<b>0</b>	<b>1,761</b>	Following closure of accounts.	Use for funding the project over the life time of the PFI.
Section 106 Interest	515	0	<b>0</b>	<b>515</b>	Following closure of accounts.	The council has a policy of paying interest on unspent balances for Section 106 receipts each year. Please see earlier note.
Winter Maintenance	422	0	<b>0</b>	<b>422</b>	Following closure of accounts.	Held to fund exceptional costs of extreme weather.
Carbon Management Fund	387	0	<b>0</b>	<b>387</b>	Following closure of accounts.	Retain for spend to save schemes that reduce energy usage.
Priory House Dilapidations Reserve	350	-350	<b>0</b>	<b>0</b>	Following closure of accounts.	Priory House is due to be vacated during 2011/12 and therefore the reserve is expected to be used during 2011/12.



## Review of Reserves

## APPENDIX 5

Description	Forecast Balance at 1 April 2011 £'000	Planned usage in 2011/12 £'000	Release funds £'000	Forecast Balance at 31 March 2012 £'000	Review Arrangements	Conclusions
Mercury Abatement Reserve	344	90	0	434	Following closure of accounts.	Earmarked for works required to the crematorium to meet mercury abatement legislation.
Jack Thompson - Hove Museum	269	0	0	269	Following closure of accounts.	Reserve for acquisitions/refurbishment at Hove Museum in accordance with bequest.
Investment Properties (Dilapidations)	257	0	0	257	Following closure of accounts.	Retain for specified purpose for buildings such as Patcham Place.
Library PFI Reserve	251	40	0	291	Following closure of accounts.	Use for funding the project over the life time of the PFI.
Accommodation Strategy Reserve	250	-250	0	0	Following closure of accounts.	Reserve to be used during 2011/12 as part of the accommodation strategy.
Carry Forward - LPSA	207	-207	0	0	Following closure of accounts.	Held to fund LPSA2 allocations in 2011/12 to be agreed by the Public Services Board.
Land Charges Provision	219	0	0	219	Following closure of accounts.	Provision for possible refunds relating to land charges personal searches.
Dome Planned Maintenance	205	0	0	205	Following closure of accounts.	Retain - subject to lease agreement with Brighton Dome & Festival Society.
Sustainable Temporary Accommodation Reserve	204	0	0	204	Following closure of accounts.	Held for dilapidation costs for leased temporary accommodation.

## Review of Reserves

## APPENDIX 5

Description	Forecast Balance at 1 April 2011 £'000	Planned usage in 2011/12 £'000	Release funds £'000	Forecast Balance at 31 March 2012 £'000	Review Arrangements	Conclusions
Sect 117 Mental Health Act	132	0	-132	0	Reserve to be released	Confirmation received that all cases have been resolved therefore the balance of £0.132m is available for reallocation.
Insurance Reserve Risk Management	111	-111	0	0	Following closure of accounts.	Earmarked for specific risk management projects during 2011/12
HMO Licensing Fees Reserve	109	-55	0	54	Following closure of accounts.	Retain to support annual inspections of HMO premises.
Connexions/Prospects Pensions Reserve	108	50	0	158	Actuarial pension valuation	Held to fund the net actuarial costs of pensions transferred to Prospect
Damage Deposit Guarantee Scheme	106	0	0	106	Following closure of accounts.	Retain to guarantee deposits for supporting people service users moving into the private rented accommodation.
Museum Objects Acquisitions Reserve	101	0	0	101	Following closure of accounts.	Retain for specified purpose.
Cemetery Replacement	95	0	0	95	Following closure of accounts.	Retained for maintenance & replacement as required.
Cemetery Maintenance of Graves in Perpetuity	85	0	0	85	Following closure of accounts.	Retained for maintenance & replacement as required.
Cemetery Maintenance of Monuments	16	0	0	16	Following closure of accounts.	Retain for maintenance & replacement as required.

## Review of Reserves

## APPENDIX 5

Description	Forecast Balance at 1 April 2011 £'000	Planned usage in 2011/12 £'000	Release funds £'000	Forecast Balance at 31 March 2012 £'000	Review Arrangements	Conclusions
Portslade Community College	80	0	0	80	Following closure of accounts.	Use at the discretion of the College.
James Green Foundation	64	0	0	64	Following closure of accounts.	This reserve was set up from a donation by Colonel James Green in 1993. The James Green reserve is used to help fund the Burmese collection.
Pavilion Renewals Fund	60	-60	0	0	Following closure of accounts.	Used to support maintenance and improvements to the Royal Pavilion during 2011/12
Civil Contingencies Reserve	35	0	-35	0	Reserve to be released	The working balance and risk provisions within the 2011/12 budget are available to cover this risk and therefore the reserve is released.
Vehicles Reserve Fund - Animal Welfare Vehicles	31	-31	0	0	Following closure of accounts.	Reserve used in 2011/12.
Brunschwig Royalties	26	0	0	26	Following closure of accounts.	This reserve was set up from the royalties paid by Brunschwig, an American firm who have used the pavilion motif on wallpaper and fabrics they produce. It is used to fund conservation projects in the Royal Pavilion.

## Review of Reserves

## APPENDIX 5

Description	Forecast Balance at 1 April 2011 £'000	Planned usage in 2011/12 £'000	Release funds £'000	Forecast Balance at 31 March 2012 £'000	Review Arrangements	Conclusions
Brighton & Hove Natural History Society	5	0	0	5	Following closure of accounts.	Reserve for maintaining the assets of Brighton & Hove Natural History Society which are held at the Booth Museum.
	67,977	-5,963	-11,518	50,496		

## Planned Use of Released Reserves

## APPENDIX 5 (a)

	Planned Usage £'000	2011/12 £'000	2012/13 £'000
<b>Available from above</b>	<b>11,518</b>		
Contribution from Reserves to support Budget:			
Part Year Effect of Savings Proposals	-3,296	-3,296	0
VFM 2 - Investment in programme over 2 years to deliver savings	-300	-150	-150
VFM 3 - Investment in programme over 2 years to deliver savings	-1,000	-500	-500
Additional legal support for the VFM programme over the next 18 months	-200	-135	-65
Castleham Industries transitional funding	-180	-180	0
Brightstart Nursery transitional funding	-87	-87	0
One - Off Risk Provision	-750	-750	0
Transfer to Reserves:			
Transfer to Restructure & Redundancy Reserve	-3,500		
New Reserve - Investment in Customer Access	-1,500		
Transition Fund for Youth Services	-500		
<b>Available balance</b>	<b>205</b>		

**Review of the Waste PFI Reserve****Background information**

The waste disposal budget has been set at a level to cover the anticipated costs and income from the disposal of waste over the whole life of the PFI contract i.e. 30 years. In the early years of the contract net costs are lower and a reserve is built up in order to pay for the higher anticipated costs later in the contract. The reserve was last reviewed in detail in December 2008 and as a result of that review £20m was released and earmarked for potential equal pay single status costs. The reserve as at 1 April 2010 was £8.6m and this is projected to rise to £9.6m by 31 March 2011.

The review has required the updating of a series of very complex financial models and the underlying assumptions under-pinning the models and a re-assessment of all the financial risks associated with PFI project. This piece of work is virtually complete and some indicative figures have been produced for use in the 2011/12 budget. It is essential that the reserve is kept at a level that is capable of covering both the future net projected costs of waste disposal and a reasonable provision for anticipated risks. The projections and risks will be reviewed and updated on a regular basis to ensure that the reserve and budget is maintained at an appropriate level throughout the contract.

**Outcome of the review**

The level of future waste tonnages generated by the city is the most important factor when determining the likely costs of waste disposal over the life of the contract. The paragraphs below set out the main reasons why the forecasts have changed but reductions in both the actual and forecast tonnages mean that resources can be released from the reserve. The resources can be released as a combination of annual budget reductions and/or a one-off transfer to usable reserves.

The proposed reductions are:

- A £900,000 per annum reduction in the waste disposal budget starting in 2011/12.
- A transfer of £3.5m from the waste PFI reserve to usable reserves on 31 March 2011.

**Central Scenario – January 2011**

The waste PFI financial models are based on a set of assumptions that officers believe on the basis of information currently available are most likely to happen. The central forecast on waste tonnage is that it will grow in proportion to the forecast number of new households in the city but that the amount of waste generated by each household will not change. The level of energy recovery will increase sharply when the Energy from Waste (EfW) facility at Newhaven is opened later this year and improvements are anticipated in recycling performance over the next few years. Table 1 at the end of this note shows the current forecast proportion of waste going through each type of disposal. Once the EfW facility is opened the amount of waste going to landfill is forecast to be below 5% of the total waste stream for the remaining life of the contract. Despite the very low levels of waste going to landfill there are still financial incentives to increase recycling within the city even if none of the council's waste goes to landfill as the council will also share the financial benefits of less East Sussex waste going to landfill.

## **Risk Provision**

The risk provision is determined by looking at the impact of likely variations in the assumptions and applying probabilities to those variances. Risk allowances provide cover for example for tonnage estimates being understated, forecasts of inflation and landfill tax being too low and forecasts of investment interest, recycling and electricity income being too high. The risk provision links directly to the risk register for the whole PFI project and the assessed likelihood of those risks.

## **Main Changes in the assumptions since December 2008**

The reduction in waste tonnages has the biggest positive effect on the reserve and the tables at the end of this note show the waste tonnage and disposal assumptions in December 2008 with the latest January 2011 assumptions.

The reasons for the changes to the tonnage forecasts are:

- The actual tonnage in 2009/10 is less than the forecast largely as a result of waste minimisation measures including subsidised household compost bins. This lower starting point is then reflected over the life of the contract.
- In December 2008 DEFRA had published draft regulations on an expanded definition of household waste that included for example all educational establishments, hospitals, prisons, care homes and charities. Relevant local authorities are responsible for the disposal of all household waste and meeting the costs of disposal. Local authorities have subsequently been successful in lobbying DEFRA to amend their regulations to remove the additional waste responsibilities. The provision for the additional waste made in December 2008 can therefore be removed.

The other main changes that have had a positive impact on the reserve are:

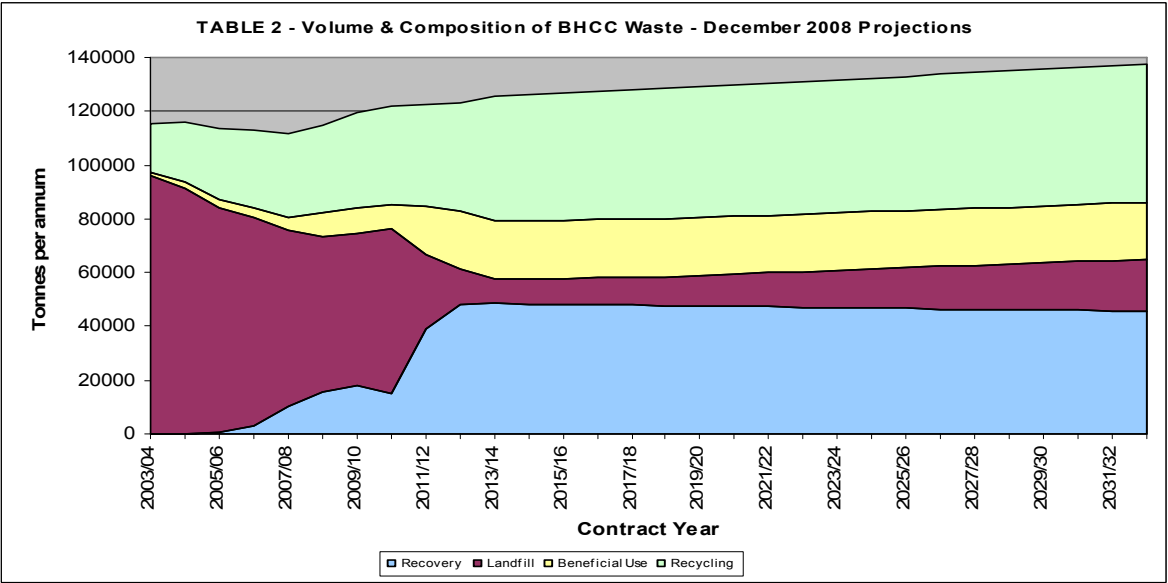
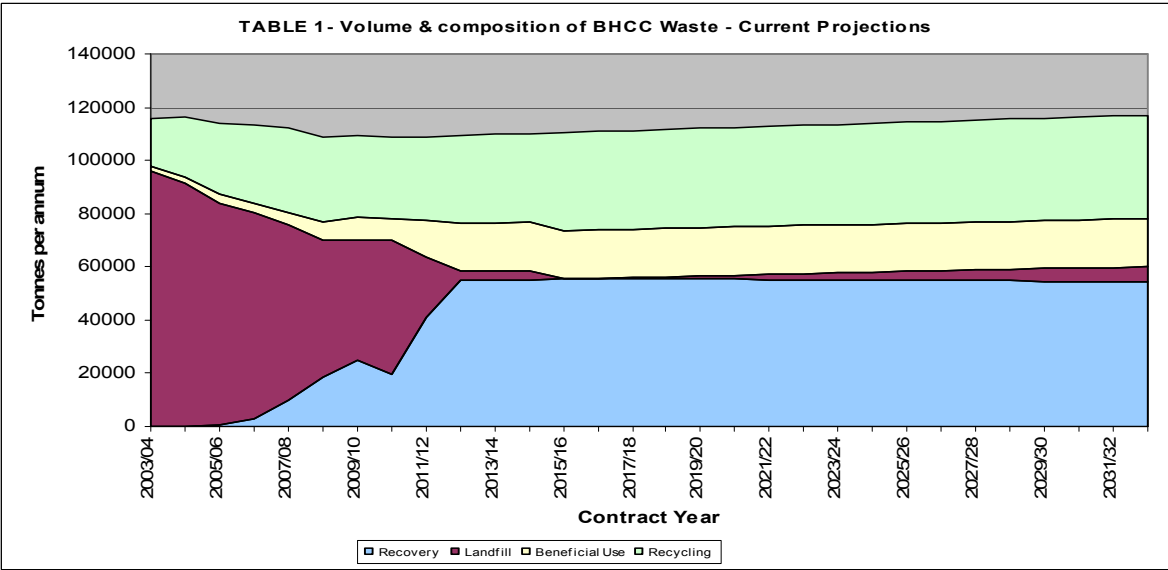
- The councils negotiated an electricity income sharing arrangement with Veolia when the PFI contract was extended whereby the councils receive 50% of any electricity income above a threshold. Electricity prices have risen substantially since December 2008 and are now above the threshold. Income from the sharing arrangement has therefore now been built into the financial models starting when the EfW facility is operational.
- Both authorities having thoroughly reviewed their contract management arrangements for this contract and have made significant savings. The resultant reduction of 30% in the annual contract management costs has now been built into the financial models.
- The recession caused the income that could be generated from recycled materials to plummet in 2008/09 and these low levels were reflected in the financial models. Since that time income levels have recovered and the financial models have been adjusted accordingly.
- After protracted negotiations with the landowner Members agreed in early 2009 to purchase the EfW site at Newhaven rather than enter into a long lease. The purchase option provided a significant saving over the lifetime of the project which has now been built into the financial models.

The main changes that have a negative impact on the reserve are:

- Following consultation with local authorities the Government is expected to end the Landfill Allowance Trading Scheme (LATs) in 2013 rather than continuing until 2020 and beyond. The council had anticipated having a substantial surplus in permits which could be sold to other local authorities to generate income. This income stream has now been removed completely from the financial model.
- The assumed annual increase in landfill tax was £3 per tonne and this has been increased to £8 per tonne in line with Government policy. Whilst this is a huge increase in the cost of landfill the impact is less significant because the anticipated tonnage going to landfill is much lower than previously forecast.
- Annual uplifts for inflation have been higher than anticipated in the last 2 years and with inflation likely to remain high for the time being the forecast for next year has also been increased.
- Investment interest earned on the reserve has been lower than anticipated because interest rates have remained at historic lows for longer than originally expected.



# Comparison of current and previous waste disposal projections



**MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2014/15****Council Tax Strategy**

The resource projections within the Medium Term Financial Strategy (MTFS) are based upon a reduction in council tax of 1% in 2011/12 following by planned increase in council tax for the period 2012/13 to 2014/15 of 2.5% per annum. A council tax freeze or reduction attracts a council tax freeze grant from the Government of about £3m equivalent to the income from 2.5% on the council tax and is payable to the council each year over the spending review period.

The overall level of council tax is also dependent upon the council taxes set by the Sussex Police Authority and East Sussex Fire Authority. Overall the comparable band D council tax for Brighton & Hove residents is slightly above the national and unitary average but well below the average in Sussex.

**Financial Planning Principles**

The combination of inflationary and demographic pressures on the budget, substantial decreases in Government grant and the council tax targets mean that significant savings will need to be identified in future budgets. As part of this savings package the council is committed to maximising efficiency savings and improving value for money over the planning period.

The underlying principles to be adopted in the savings process will be:

- Value for Money programme.
- Aligning resources with priorities.
- Using intelligent commissioning to secure the most effective service outcomes.
- Working with our partners to ensure we provide joined up services and share costs wherever possible.

**Value for Money**

The Value for Money programme has been set out in more detail in Appendix 11. Further savings from VFM 2 are expected to contribute to the 2012/13 budget setting process but some have been fast tracked to support the 2011/12 budget. Savings from VFM 3 are already built into the 2011/12 budget setting process with the exception of those expected from a renewed focus on the council's customer access strategy and opportunities for further collaboration. Options appraisals and business cases will be developed to identify the scale of potential savings that they could deliver for 2012/13.

**Aligning Resources with Priorities**

The 2011/12 budget has been set on the basis of the council's current priorities. A new corporate plan will be developed in and this will set the council's priorities for the coming four years. This will help set the financial targets for the subsequent 3 years of this MTFS.

## Intelligent Commissioning

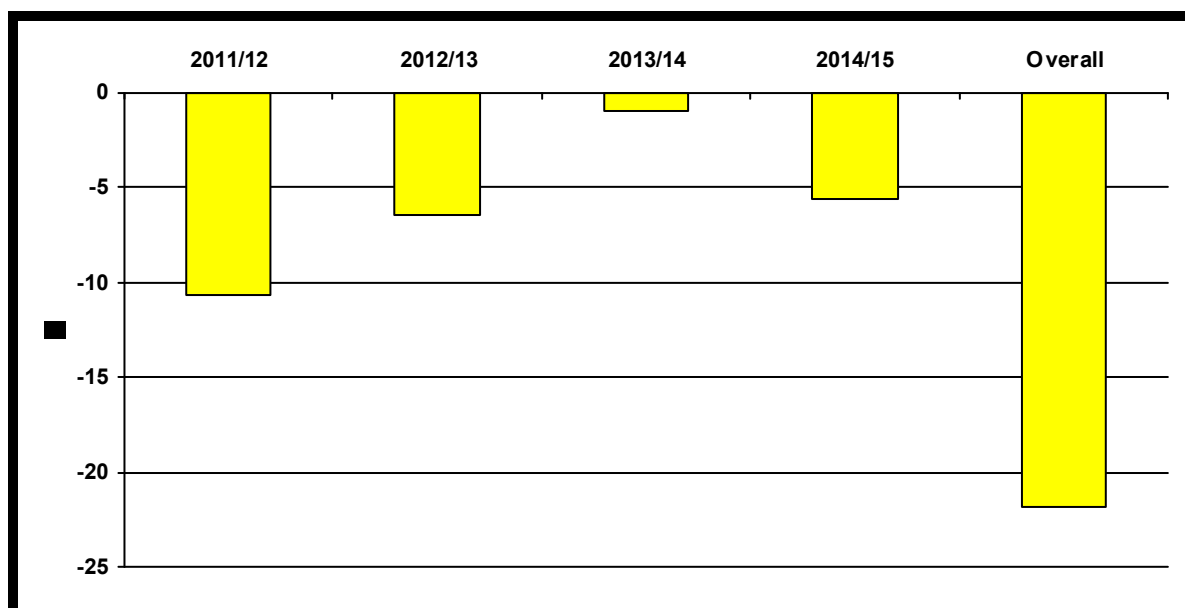
The council's intelligent commissioning model will be fully operational from 1 April 2011 following its transition period from 1 November 2010. Only limited savings in the 2011/12 budget proposals have arisen from this new commissioning approach because of the lead in time to agree the programme of commissioning activity and ensure robust needs analysis and options appraisals are conducted. It is expected that intelligent commissioning will be a critical driver in achieving savings from 2012/13 onwards.

## Partnership working

The 2011/12 budget includes examples of close partnership working across the city particularly with health and on community safety activity. The "total place" principles on which this is based will need to continue and strengthen to ensure that all partners in the city understand how their collective resources can be best used. Work with other local authorities across the region will also continue particularly through the SE7 partnership working with East Sussex, West Sussex, Medway, Kent, Surrey and Hampshire. The areas currently prioritised for joint work are ICT, led by Brighton & Hove, Waste, Transport and Special Educational Needs. The focus of this work is particularly joint procurement.

## National context

The coalition Government announced the outcome of the spending review of all Government expenditure on 20 October 2010. The spending review sets out spending limits for the next 4 years 2011/12 to 2014/15 and is designed to address unsustainable levels of national debt and put the finances of the country on an even keel. The table below shows the cash reductions in formula grant given in the spending review. Unexpectedly the reductions are not evenly spread over the spending review period but are front loaded with the biggest reduction next year. After taking into account inflation the reductions represent an average 7.1% reduction per annum over the period.



The Government expects continued restraint in public sector pay to reduce the impact of spending reductions on jobs and a pay freeze for all but the lowest paid staff has been imposed for the next 2 years. Inflation has been above target for the last 13 months and is now forecast to reach 5% before falling back later in the year. Higher inflation will increase the pressures for future pay rises, add to the spending pressures within the budget and will increase the pressures on the Bank of England to raise interest rates. Short-term interest rates remain at an all time low of 0.5% and are expected to increase only very slowly back to average levels over the next 3 years. Money market long-term interest rates have risen slightly and are expected to continue to rise to over 5% in the next few months. In the spending review the Government announced that local authority borrowing from the Public Works Loans Board (PWLB) would be increased by 1% with immediate effect. This means that long term borrowing has generally become more expensive for local authorities and money market loans currently offer better value than most borrowing from the PWLB.

## **Budget and resource projections**

### **MTFS Assumptions**

	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
Pay inflation	1.0%	0.5%	2.0%	2.0%
General inflation	2.0%	2.0%	2.0%	2.0%
Formula grant floor change	-13.3%	-9.4%	-5.0%	-10.0%
Dedicated Schools grant per pupil	0.0%	0.0%	0.0%	0.0%
Other specific grants	*	*	0.0%	0.0%
Council Tax change	-1.0%	2.5%	2.5%	2.5%

\* Forecasts made for each individual grant as per appendix 4

### **Function & Funding Changes**

For 2010/11 these were set out in detail in appendix 3. Further changes in 2012/13 include more funding being removed from the council for the academies and private sewer adjustments. In 2013/14 the council will gain an additional responsibility for Public Health but the funding transfer is not known at this time.

### **Inflation**

The Government's long term objective is to keep inflation to 2% and this is the assumption included in the projections. The recent inflation increases could put pressure on meeting this objective and lead to higher pay demands. The Government included a 2 year public sector pay freeze for those earning over £21,000 per year in the spending review for 2011/12 and 2012/13. The increased cost of those on the lowest pay is about 0.5% and the higher inflation figure included in 2011/12 also reflect changes in national insurance contributions. The spending review also promised further reform of public sector pay and pensions that has not been built into future forecasts as at this stage the impact is unknown. It is anticipated that public sector pay will be tightly controlled over the planning period therefore the planning assumption will be for a 2% annual increase in pay which will also cover any increase in future pay as a consequence of job evaluation and changes in allowances.

## Summary of MTFS projections

	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000
Budget b/fwd	230,790	231,023	222,950	220,920
Function & Funding changes	20,473	-519	-	-
Revised Budget b/fwd	251,263	230,504	222,950	220,920
Inflation	3,004	2,571	4,346	4,304
Service pressures including specific grant reductions and commitments / improvements	13,943	8,348	10,880	7,951
VFM programme, efficiency & other savings *	-24,229	-21,171	-17,998	-19,064
Changes in corporate budgets & contingency	1,434	-224	-320	293
Contribution from Health	-3,285			
Total	242,130	220,028	219,858	214,404
Change in contribution in reserves	-8,112	2,922	1,062	-
Council Tax Freeze Grant	-2,995	-	-	-
<b>Budget Requirement</b>	<b>231,023</b>	<b>222,950</b>	<b>220,920</b>	<b>214,404</b>
<b>Funding</b>				
Formula Grant	112,413	101,377	96,308	86,677
Council Tax	118,610	121,573	124,612	127,727
<b>Total</b>	<b>231,023</b>	<b>222,950</b>	<b>220,920</b>	<b>214,404</b>

\* Note: the savings total £82.5m over the 4 year period.

## Commitments

The main commitments over the period include the impact of financing the capital investment programme on the financing costs budget. It has been assumed that the impact of the East Sussex Pension Fund triennial review due to be implemented in 2014/15 will be neutral as it will depend on investment performance over the next 3 years although there may be some benefits arising from the review of public sector pensions.

## Carbon Reduction Commitment (CRC)

The spending review has made major changes to the CRC scheme. The cost of purchasing allocations to cover the carbon output of the council will now have to be met in full. Previously the payments to the Treasury were going to be recycled as income depending on how successful each authority was in reducing its carbon footprint. There is some uncertainty in the guidance but initially the council will need to buy allowances to cover only the largest energy consuming sites. The cost of allowances is under discussion but the guideline of £12 per tonne in 2011/12

requires a budget of £0.1m for next year and the year after. In 2013/14 and beyond the council will need to buy allowances to cover most of its carbon footprint which could cost £0.4m per annum or more if the cost of allowances rises as expected.

### **Service Pressures**

The council has faced significant service pressures in recent years particularly in children's and adults social services through growth in demand, clients living longer and increased complexity of need. Over £7m of pressures are included in the 2011/12 budget and this trend is expected to continue in the coming years. Further pressures arise from specific grants which are assumed to be frozen rather than rise with inflation. In 2013/14 the council will be given responsibility for the council tax benefit scheme and implement savings to cover a 10% reduction in the scheme which equates to approximately £2.6m.

### **Forecasts of Resources**

The council has a gross budget of about £765m in the current year covering the schools budget (met by dedicated schools grant and the new pupil premium), housing and council tax benefit transfer payments (met by Government grant), housing revenue account budget (met largely from council house rents) and the general fund budget. The general fund gross budget is just over £400m this year and is approximately funded 30% by council tax, 30% by fees and charges and 40% by Government grants.

### **Formula grant**

The likely level of formula grant is known for the next 2 years and the percentage change is shown in the assumptions table. The Government is about to start the local resource review which will look at the way local authorities are funded with the intention of increasing the level of income under local control and providing more incentive based grants. It is likely that the results of this review will be implemented in 2013/14 and therefore resource projections for that year and beyond are highly uncertain. The forecasts for 2013/14 and 2014/15 are based on the national figures for formula grant given in the spending review adjusted to reflect the fact that:

- The national totals will need to be top-sliced to provide ongoing funding for the New Homes Bonus, and
- The council in 2012/13 is still in receipt of £10.5m floor protection grant which is likely to continue to be lost over time.

### **Specific Grants**

The reduction in the numbers of specific grants while adding significant complexity in 2011/12 will result in simpler financial planning in the medium term. Details of the specific grants anticipated to be received in 2011/12 and 2012/13 are included in appendix 4. Allocations beyond 2012/13 are prudently assumed to be at the same level as 2012/13 where known. This creates a spending pressure equivalent to the inflation in each year.

The spending review allowed for increases in schools funding at the same rate as increases in projected pupil numbers. The Government is considering a national formula for distributing schools funding between schools rather than the current locally agreed funding formulas. This is likely to have an impact on the amount of funding available for each school in the future.

A major change in council tax benefits is due in 2013/14 when the national regulations will be replaced by a local scheme that will need to be devised to cope with a funding reduction of 10%.

### **Fees and Charges**

The fees and charges are assumed to increase by 2% over the forecast period 2012/13 to 2014/15 with the exception of parking income which is in total proposed to remain at the proposed 2011/12 levels, a 2% reduction in real terms each year.

### **Capital Forecasts**

The forecasts are included in the Capital Resources and Capital Investment Programme 2011/12 report elsewhere on the agenda.

## Appendix 7

Risk	Likelihood of occurrence (L)	Impact (I)	Risk (L) X (I)	Possible Impact on Financial Strategy	Mitigation / Management
<b>Potential Risks and Opportunities affecting 2011/12 to 2014/15</b>					
Collection of council tax falls due to the difficult financial climate and failure to achieve higher target collection rates resulting in a deficit on the collection fund	2	3 0.1% reduction in council tax collection = £0.1m	6	Immediate impact on reserves Would require reductions in the budgets for the following year to repay reserves	Close monitoring of the collection fund Implement appropriate collection strategies to minimise impact and review effectiveness of the new Debt Prevention Team
Council tax base is lower than anticipated e.g. lower number of new properties / more student exempt properties, resulting in a deficit on the collection fund	2	3 1% reduction in council tax base = £1.1m	6	Immediate impact on reserves Would require reductions in the budgets for the following year to repay reserves	Close monitoring of the collection fund particularly new property developments and student numbers Working with further education establishments to develop more dedicated student accommodation
Pay freeze in 2011/12 and 2012/13 is not fully implemented	2	3 0.25% change in pay award = £0.3m	6	Would require use of risk provision in 2011/12 and possibly lower budgets for future years	Monitor progress on pay award arbitration



<b>Risk</b>	<b>Likelihood of occurrence (L)</b>	<b>Impact (I)</b>	<b>Risk (L) X (I)</b>	<b>Possible Impact on Financial Strategy</b>	<b>Mitigation / Management</b>
Provisions for Equal pay and future pay insufficient to meet liabilities	4	4 1% variation in total pay = £1.3m p.a.	16	Successful equal pay claims above the provision would reduce the level of reserves High levels of successful job evaluation appeals would increase the overall pay bill of the council	Maintain and update the risk register Monitor progress on a frequent basis and update financial forecasts regularly particularly in the light of any new legal rulings
General inflation higher than the 2% forecast	4	3 0.5% change in inflation = £0.4m	12	Would reduce resources within budgets creating the need to find additional savings	Monitor inflation rates and impact on contract costs closely
Investment interest rates lower than anticipated	2	2 0.5% lower = £0.5m	4	Would need more reserves to cover anticipated 3 year shortfall in investment interest budget	Keep investment strategy under constant review
New borrowing as a result of reversing debt repayment (maximum £90m) has to be temporarily invested at lower investment rates	2	3 3% difference = £30k per £1m	6	Would need more reserves to cover anticipated 3 year shortfall in investment interest budget but could use surplus funds to repay debt to mitigate impact until circumstances change	Keep borrowing and investment strategy under constant review particularly timing and amount of new borrowing and use deals available to lock in rates now but borrow later
Long term borrowing rates	3	3	9	Would increase borrowing	Closely monitor long term

Risk	Likelihood of occurrence (L)	Impact (I)	Risk (L) X (I)	Possible Impact on Financial Strategy	Mitigation / Management
higher than anticipated		0.5% higher = £0.05m for each £10m borrowed		costs budget over the long-term Would hinder business cases involving borrowing and make invest to save schemes less financially attractive	borrowing rates and future borrowing requirements to help identify the best time to borrow
Services fail to operate within set budgets due to; <ul style="list-style-type: none"> <li>Increased service demand</li> <li>Price variations</li> <li>Unachieved income levels</li> <li>Unachieved savings</li> </ul>	4	3 1% overspend on net GF budget = £2.2m in 2010/11	12	Departmental service pressures that can only be met through additional resources, such as the risk provision, or savings elsewhere in the budget. Reduction in reserves	Monitor corporate critical budgets and overall budget through TBM. Identify action plans to mitigate cost pressures. Apply strict cash limits but at least repay any use of reserves over no more than 3 years should risk materialise that cannot be accommodated by management or policy action.
Waste tonnages higher than projected resulting in additional landfill costs	2	2 1% increase in tonnage in 2011/12 = £0.1m	4	Would increase the waste disposal budget and compensating savings would need to be identified elsewhere in the budget	Provision for higher tonnages made in assessment of waste PFI reserve Monitor and identify specific areas of growth and

<b>Risk</b>	<b>Likelihood of occurrence (L)</b>	<b>Impact (I)</b>	<b>Risk (L) X (I)</b>	<b>Possible Impact on Financial Strategy</b>	<b>Mitigation / Management</b>
					undertake waste minimisation measures
Continuing difficult financial climate has a greater than anticipated impact on collection of income and commercial rents	3	3 1% reduction in income = £1.2m 1% reduction in commercial rents = £0.1m	9	Services would need to identify compensating savings and in particular look at whether expenditure could be reduced in those income generation areas	Identify action plans to mitigate income and rent shortfalls
The uncertainties within housing market and changes in housing benefit create spending pressures within the homelessness budget	3	3 10% increase in homelessness budget = £0.2m	9	Would create additional pressures in the Housing Strategy budget which would need to find compensating savings	Additional specific grant funding for Homelessness Prevention has been retained to invest in this service area
The number of children taken into care is higher than anticipated particularly following recent national high profile cases	3	3 1% increase in looked after children budget = £0.2m	9	Would create additional pressures in the children's services budget to find compensating savings	Monitor corporate critical budget through TBM and develop financial recovery plans

Risk	Likelihood of occurrence (L)	Impact (I)	Risk (L) X (I)	Possible Impact on Financial Strategy	Mitigation / Management
Increasing demand for adult social care services above projections	3	3 1% increase in adult social care budget = £0.8m	9	Would create additional pressures in the Adult Social Care & Housing, Learning Disabilities and Health led services budgets to find compensating savings	Monitor corporate critical budget through TBM and develop financial recovery plans
The number of free bus journeys and / or the level of reimbursement to the bus operators is higher than the projection in the budget	2	3 1% of concessionary fares budget = £0.1m	6	Would require use of the risk provision	Number of journeys starting within Brighton & Hove monitored on monthly basis Brighton & Hove local scheme developed to minimise risk of future successful legal challenges
Major civil incident occurs e.g. storm	2	3 Estimated "Bellwin" threshold = £0.8m	6	Budget overspend/reduction in reserves Pressures on other budgets	Ensure adequate levels of reserves to cover threshold expenditure Ensure appropriate insurance cover is in place.
Severe winter weather places additional spending pressures on winter maintenance and other budgets across the council	3	3 Depends on severity of weather event and length of	9	Need to use reserves in one-off risk provisions	Advance planning to minimise possible disruption

Risk	Likelihood of occurrence (L)	Impact (I)	Risk (L) X (I)	Possible Impact on Financial Strategy	Mitigation / Management
		cold snap			
Pupil numbers lower than projected	2	3 1% of Dedicated Schools Grant = £1.3m	6	Schools funding through dedicated schools grant lower than anticipated.	Review & improve pupil number projections. Consultation with schools forum.
Cost overruns occur on schemes in the agreed capital programme	2	3 1% cost overrun on total programme = £0.7m	6	Reserves or other capital resources redirected to fund overspend Unable to meet capital investment needs	Effective cost control and expenditure monitoring. Flexibility within programme to re-profile expenditure if necessary.
Capital receipts lower than anticipated	4	3 10% reduction in receipts = £1m	12	Fewer resources available for transport programme and other strategic funds	Flexible capital programme that allows plans to be reduced or re-profiled.
<b>Further risks affecting 2013/14 onwards</b>					
Review of local government finance produces a loss of resources for the city council in 2013/14 and	2	3 1% reduction in grant floor = £1.1m	6	Review intended to give councils more freedom over their resource base Reductions in budgets or upward pressure on council	Provision for losses made in resource forecasts Lobbying Government on review and grant distribution and floor mechanisms

<b>Risk</b>	<b>Likelihood of occurrence (L)</b>	<b>Impact (I)</b>	<b>Risk (L) X (I)</b>	<b>Possible Impact on Financial Strategy</b>	<b>Mitigation / Management</b>
thereafter				tax	
Reductions in remaining specific grants in 2013/14 and beyond causing additional budget pressures	2	2 1% reduction in specific grants = £0.6m	4	Reductions in budgets or upward pressure on council tax	Provisions for reductions made in resource forecasts Develop strategies to identify priorities and mitigate impact of reductions
Council fails to deliver a council tax benefit (CTB) scheme with 10% cost reduction from 1 April 2013	2	3 1% of CTB = £0.25m	6	Reductions in budgets or upward pressure on council tax	Define as corporate critical budget, closely monitor and allow for periodic review of adopted scheme.
Transfer of funding for Public Health responsibility from 1 April 2013 insufficient to meet existing service requirements and future demand	2	4	8	Reductions in budgets or upward pressure on council tax	Work closely with NHS to ensure appropriate budget transfer and full knowledge of current and future spending pressures. Monitor budget and spending closely and identify strategies to meet any additional resource requirements.
Further changes in the reimbursement scheme for concessionary fares results in an increase in payments	2	2 1% of concessionary fares	4	Reductions in cash limits or upward pressure on council tax	Lobbying for appropriate reimbursement mechanism and matching resources.

<b>Risk</b>	<b>Likelihood of occurrence (L)</b>	<b>Impact (I)</b>	<b>Risk (L) X (I)</b>	<b>Possible Impact on Financial Strategy</b>	<b>Mitigation / Management</b>
to the local bus operators		budget = £0.1m			
Reduction in Dedicated Schools Grant following review of existing formula and possible introduction of a national model for distribution between schools	2	4 1% reduction in DSG = £1.5m	8	Additional pressure on schools budgets	Respond to consultation papers and lobby Government on impact
Pension costs increase at next actuarial review in 2014/15 to cover any deficit greater than anticipated	2	2 Each 0.1% additional employer contribution = £0.12m	4	Reductions in cash limits or upward pressure on council tax	Implement actuarial advice on contribution rate. All employment decisions include allowance for full pension costs. Maximise contributions to pension fund where affordable

Likelihood: 1 – Almost impossible, 2 – Unlikely, 3 – Possible, 4 – Likely, 5 – Almost certain.

Impact: 1 – Insignificant, 2 – Minor, 3 – Moderate, 4 – Major, 5 – Catastrophic or fantastic.

Risk (L x I): 1-3 Low, 4-7 Moderate, 8-14 Significant, 15-25 High.

**Annual Minimum Revenue Provision (MRP) Statement**

For 2011/12 the following provision will be made in the revenue account:

- for debt where the Government provides revenue support the council will set aside a sum of 4% of the notional debt relating to capital investment, but excluding capital investment on the HRA housing stock (known as the non-HRA capital financing requirement),
- for debt where the Government provides no revenue support:
  - where the debt relates to an asset the council will set aside a sum equivalent to repaying debt over the life of that asset in equal annual instalments, or
  - where the debt relates to expenditure which is subject to a capitalisation direction issued by the Government the council will set aside a sum equivalent to repaying debt over a period consistent with the nature of the expenditure under the annuity basis.
- in the case of finance leases and on-balance sheet PFI contracts the MRP requirement will be regarded as met by a charge equal to the element of the lease payment or unitary charge that is applied to write down the balance sheet liability in the year.



## Brighton & Hove City Council – Prudential Indicators 2011/12 to 2013/14

The following prudential indicators are recommended to the council. The indicators include the effect of the new accounting standards (International Financial Reporting Standards) introduced into local authority accounting last year.

### **A Prudential indicators for Affordability**

In demonstrating the affordability of its capital investment plan the council must:

- determine the ratio of financing costs (e.g. capital repayments, interest payments, investment income, etc) to net revenue stream for both the Housing Revenue Account (HRA) and non-HRA services for a 3 year period; and
- determine the incremental impact on the council tax and housing rents (in both instances the scope for increases is governed by the Government's ability to limit council tax increases and the current restriction on council rents).

Indicator A1 sets out the ratio of financing costs to net revenue stream. The estimates of financing costs include current commitments and the proposals in this budget report.

#### **A1 *Prudential indicator – Estimates of the ratio of financing costs to net revenue stream 2011/12 to 2013/14***

	<b>2011/12 Estimate</b>	<b>2012/13 Estimate</b>	<b>2013/14 Estimate</b>
Non-HRA	<b>10.6%</b>	<b>11.1%</b>	<b>11.2%</b>
HRA	<b>30.6%</b>	<b>32.2%</b>	<b>32.6%</b>

Indicators A2 and A3 set out the estimated incremental impact on both the levels of council tax (Band D equivalent) and housing rents of the recommended capital investment plans and funding proposals. The impact has been calculated using the latest projections on interest rates for both borrowing and investments. The impact does not take account of Government support included for new borrowing within the formula spending share and housing subsidy.

#### **A2 *Prudential indicator – Estimates of the incremental impact of the new capital investment decisions on the council tax 2011/12 to 2013/14***

	<b>2011/12 Estimate</b>	<b>2012/13 Estimate</b>	<b>2013/14 Estimate</b>
Addition in council tax requirement	<b>£12.25</b>	<b>£20.64</b>	<b>£22.60</b>

**A3 Prudential indicator – Estimates of the incremental impact of the new capital investment decisions on the average weekly housing rents 2011/12 to 2013/14**

	<b>2011/12 Estimate</b>	<b>2012/13 Estimate</b>	<b>2013/14 Estimate</b>
Addition in average weekly housing rent	<b>£7.15</b>	<b>£5.92</b>	<b>£6.71</b>

**B Prudential indicators for Prudence**

A key indicator of prudence is that, over the medium term, net borrowing will only be for a capital purpose (net borrowing being total borrowing less investment). Under the Code the underlying need to borrow for a capital purpose is measured by the capital financing requirement.

Indicator B1 compares the estimated net borrowing with the estimated capital financing requirement as at 31 March each year. Indicator B1a is supplemental to indicator B1 and compares the capital financing requirement against the aggregate of (i) projected gross debt levels (i.e. before the deduction of investments) and (ii) long-term liabilities under the PFI agreements.

**B1 Prudential indicator – Net borrowing and the capital financing requirement 2011/12 to 2013/14**

	<b>31 Mar 12 Estimate</b>	<b>31 Mar 13 Estimate</b>	<b>31 Mar 14 Estimate</b>
	£000	£000	£000
Net borrowing	<b>219,530</b>	<b>220,051</b>	<b>209,008</b>
Capital financing requirement	<b>337,042</b>	<b>332,284</b>	<b>321,008</b>

**B1a Prudential indicator (supplemental) – Gross borrowing (including PFI liabilities) and the capital financing requirement 2011/12 to 2013/14**

	<b>31 Mar 12 Estimate</b>	<b>31 Mar 13 Estimate</b>	<b>31 Mar 14 Estimate</b>
	£000	£000	£000
Gross borrowing	<b>243,817</b>	<b>244,588</b>	<b>234,068</b>
PFI liabilities	<b>61,038</b>	<b>59,719</b>	<b>57,977</b>
Gross borrowing (including PFI liabilities)	<b>304,855</b>	<b>304,307</b>	<b>292,045</b>
Capital financing requirement	<b>337,042</b>	<b>332,284</b>	<b>321,008</b>

Indicator B1a is not a requirement of the prudential code but it does show more clearly the comparison between the underlying need to borrow and outstanding long-term debt and other liabilities.

## **C Prudential indicator for Capital Expenditure**

Elsewhere on this agenda is a report recommending the capital investment plans for the council over the next three years. Indicator C1 summarises the recommendations within that report. Indicator C2 sets out the estimates of the capital financing requirement over the same period.

### **C1 *Prudential indicator – Estimates of total capital expenditure 2011/12 to 2013/14***

	<b>2011/12 Estimate</b>	<b>2012/13 Estimate</b>	<b>2013/14 Estimate</b>
	£000	£000	£000
Total non-HRA	<b>67,764</b>	<b>20,147</b>	<b>18,391</b>
Total HRA	<b>36,937</b>	<b>22,529</b>	<b>17,904</b>
Total programme	<b>104,701</b>	<b>42,676</b>	<b>36,295</b>

In considering the capital investment plan the council has had regard to a number of key issues, namely:

- affordability, e.g. implications for council tax/housing rents
- prudence and sustainability, e.g. implications for external borrowing
- value for money, e.g. option appraisal
- stewardship of assets, e.g. asset management planning
- service objectives, e.g. strategic planning for the authority
- practicality, e.g. achievability of the forward plan.

### **C2 *Prudential indicator – Estimates of capital financing requirement 2011/12 to 2013/14***

	<b>31 Mar 12 Estimate</b>	<b>31 Mar 13 Estimate</b>	<b>31 Mar 14 Estimate</b>
	£000	£000	£000
Non-HRA	<b>226,804</b>	<b>217,679</b>	<b>207,903</b>
HRA	<b>110,238</b>	<b>114,605</b>	<b>113,105</b>
Total	<b>337,042</b>	<b>332,284</b>	<b>321,008</b>

The estimates are based on the financing options included in the capital investment report. The estimates will not commit the council to particular methods of funding – the actual funding of capital expenditure will be determined after the end of the relevant financial year.

The council has a number of daily cashflows, both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with the approved treasury management strategy and practices. In day to day cash management no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital

spending. It is possible, therefore, that external debt could exceed the capital financing requirement in the short term.

## **D Prudential indicators for External Debt**

A number of prudential indicators are required in relation to external debt.

### ***D1 Prudential indicator – Authorised limit 2011/12 to 2013/14***

	<b>2011/12 Estimate</b>	<b>2012/13 Estimate</b>	<b>2013/14 Estimate</b>
	£000	£000	£000
Borrowing	<b>305,000</b>	<b>296,000</b>	<b>287,000</b>
Other long term liabilities	<b>61,038</b>	<b>59,719</b>	<b>57,977</b>
Total	<b>366,038</b>	<b>355,719</b>	<b>344,977</b>

The authorised limit is the aggregate of gross borrowing (i.e. before investment) and other long term liabilities such as finance leases. In taking its decisions on the budget report the council is asked to note that the authorised limit determined for 2011/12 in the above table is a statutory limit required to be determined by full Council under section 3(1) of the Local Government Act 2003.

The authorised limits are consistent with the council's current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with its approved treasury management policy statement and practices. The Director of Finance confirms that they are based on the estimate of most likely, prudent but not worst case scenario, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cashflow requirements for all purposes.

### ***D2 Prudential indicator – Operational boundary 2011/12 to 2013/14***

	<b>2011/12 Estimate</b>	<b>2012/13 Estimate</b>	<b>2013/14 Estimate</b>
	£000	£000	£000
Borrowing	<b>293,000</b>	<b>283,000</b>	<b>274,000</b>
Other long term liabilities	<b>61,038</b>	<b>59,719</b>	<b>57,977</b>
Total	<b>354,038</b>	<b>342,719</b>	<b>331,977</b>

The operational boundary is based on the authorised limit but without the additional headroom. The operational boundary represents a key management tool for in-year monitoring by the Director of Finance. As with the authorised limit figures for borrowing (gross) and other long term liabilities are separately identified.

The authorised limit and operational boundary separately identify borrowing from other long-term liabilities. The council is recommended to delegate authority to the Director of Finance, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities, in accordance with option appraisal and best value for money for the authority. Any such changes made will be reported to the council at its next meeting following the change.

## **E Prudential indicators for Treasury Management**

A number of prudential indicators are required in respect of treasury management. The indicators are based on the council's treasury management strategy and take into account the pre-existing structure of the council's borrowing and investment portfolios.

**E1 *Prudential indicator – Brighton & Hove City Council has adopted the “CIPFA Code of Practice for Treasury Management in the Public Services” within Financial Standing Orders.***

**E2 *Prudential indicators – Upper limits on interest rate exposure 2011/12 to 2013/14***

	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
Upper limit on fixed interest rate exposure	<b>110%</b>	<b>110%</b>	<b>111%</b>
Upper limit on variable interest rate exposure	<b>44%</b>	<b>44%</b>	<b>44%</b>

The above percentages are calculated on the net outstanding principal sums (i.e. net of investments). The upper limit of 110-111% is a consequence of the council maintaining an investment portfolio.

Indicator E2a exemplifies the indicator over borrowing and investment.

**E2a *Prudential indicators (supplemental) – Upper limits on interest rate exposure 2011/12 to 2013/14***

	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
Upper limit on borrowing – fixed rate exposure	<b>100%</b>	<b>100%</b>	<b>100%</b>
Upper limit on borrowing – variable rate exposure	<b>40%</b>	<b>40%</b>	<b>40%</b>
Upper limit on investments – fixed rate exposure	<b>100%</b>	<b>100%</b>	<b>100%</b>
Upper limit on investments – variable rate exposure	<b>100%</b>	<b>100%</b>	<b>100%</b>

Indicator E2a is supplemental to Indicator E2 and shows separately the maximum limits for both borrowing and investments. The indicator is

not a requirement of the prudential code but it does show more clearly the interest rate exposure limits within which borrowing and investments will be managed. The effect of the limits is the Director of Finance will manage fixed interest rate exposure within the range 60% to 100% for borrowing and within the range 0% to 100% for investments.

**E3 Prudential indicator – Upper and lower limits on the maturity structure of borrowing 2011/12**

	Upper limit	Lower limit
under 12 months	40%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	50%

The limits in Indicator E3 represent the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate at the start of the period.

**E4 Prudential indicator – Principle sums invested for periods longer than 364 days**

	2011/12	2012/13	2013/14
	£000	£000	£000
Limit	25,000	25,000	25,000

## Commisioner - Children's, Youth and Families

### Budget Changes Agreed for 9 December Cabinet

Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Agency Placements	12,441	The budget funds residential, fostering and secure placements for looked after children provided by external agencies.	10,422	Value for Money Programme : - A Value for Money programme has been developed to secure a complex transformational approach to service improvement and efficiency across children's social care in the first instance. The programme is for 4 years from 2010-2014. The savings target for 2011/12 is £2.019m with a total savings target over the 4 years for £8.04m. The focus is on prevention and strengthening processes to reduce the number of cases needing high cost or long-term social care interventions. There are 2 workstreams – Prevention and Process.	2,019	2,019
				0 Prevention Activities : The Common Assessment Framework (CAF) activities will be improved to reduce the referrals on the social care pathway. The CAF is a standardised approach to assessing children and young people's additional needs and deciding how these should be met. • A consistent approach to identify children and young people's levels of need has been designed with our partners to reduce the number of inappropriate referrals into social work and child protection services. • A new menu of service intervention options will be created so that all staff understand what services are available and their associated costs. The savings target for 2011/12 associated with prevention activities is £991,000.		
				0 Strengthening Processes : New processes to ensure the rigorous scrutiny of approval of social care placements are in place to identify the most appropriate care package for children and young people with complex needs. Early planning will be strengthened to improve the quality and timely completion of pre-birth assessments. • A more flexible review process will be put in place to make sure that the care packages we provide are the most effective and the best value for money. The savings target for 2011/12 associated with process activities is £1.028m.		
<b>Totals</b>	<b>12,441</b>		<b>10,422</b>		<b>2,019</b>	<b>2,019</b>

### FURTHER BUDGET PROPOSALS

Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Other	8	Child Trust fund - Top Ups	0	Service due to end	8	8
Other	82	Contact Point	0	Service due to end	82	82
<b>Totals</b>	<b>90</b>		<b>0</b>		<b>90</b>	<b>90</b>

## Commissioner - Schools, Skills & Learning

### Budget Changes Agreed for 9 December Cabinet

Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Home to School Transport	3,065	The service provides transport between home and school for children who live beyond the statutory walking distance. The appropriate school is the nearest maintained school to the child's home that is suitable to their age, educational needs and has a place available	2,865	Home to School Transport - A 7% saving on the home to school transport budget is being proposed which is equivalent to <b>£200,000</b> on a net budget of £3.055m The service has worked hard to achieve substantial (10%) savings in 2010/11. The additional 7% saving will be achieved by continuing to strictly apply criteria for allocation of school transport for children and young people with Special Educational Needs (SEN) as well as ensuring children in special school where possible attend their most local special school. We will continue to develop approaches to independent travel with young people and schools. Work will continue to review contract terms on retendering home to school transport contracts and looking at appropriate use of in house vehicles and cost effective routes.	200	200
Advisory & Adult Learning	967	This budget funds primary, secondary and special advisors, primary & secondary national strategies, family learning and the ethnic minority achievement service.	707	City Wide Attendance Strategy Support - As part of the review taking place in the Education Welfare Service located in the Integrated Area Working branch, 25% ( <b>£25,000</b> ) of a net budget of £100,000 will also be saved from the service that provides city wide strategy, commissioning and quality assurance regarding school attendance. This will require a review of both areas of service in the two branches and include a service redesign that ensures we continue to meet our statutory duties in this area but deliver a more efficient and effective service based on current need. This will involve consultation with schools to look at their role in delivering on school attendance and will take account of any new information or guidance we receive from the government.	25	19
				School Improvement Service - The service has been successful in driving forward education standards across the City with a strong partnership between the LA team and the schools. To build on this success we are in the process of reviewing the way the LA delivers, provides and commissions school improvement services. Part of this process involves identifying our current needs across the city and working with schools to agree priorities and targets for improvement. We are also awaiting government guidance regarding the LAs future role and the priorities regarding this important area of work. We are, however, expecting to need to make a 25% (£70,000) saving in the staffing budget (£270,000) of this service. This is in addition to the ABG savings already made which will achieve a saving of £394,000 in 2011/12. In order to achieve this we are working closely with our schools to look at effective ways of schools supporting schools and increasing their role in delivery of school improvement, with the LA providing support and challenge and leading the commissioning of services as required.  This work will also require looking at services we deliver to schools and reviewing charges where appropriate. It would be our intention to work with headteachers and governors to further redesign this service so that it is fit for the future grant regime.	70	53



				Ethnic Minority Service (EMAS) - This is a service that provides additional support for children who have English as an additional language (EAL) to help them access the curriculum and raise achievement. The service is funded via a grant (Ethnic Minority Achievement Grant - EMAG) which goes directly to schools from central government. In Brighton and Hove this funding is returned to the LA to fund EMAS as part of a Service Level Agreement. In addition to the grant the council has historically provided an additional budget of <b>£165,000</b> to this service. We are proposing that in 2011/12 we will fund this from the Dedicated Schools Grant. This is a change to the original savings proposal and will mean no reduction in the service.	165	165
Admin SEN	479	This provides administrative support to a range of SEN functions.	433	SEN - There are proposals around reducing staffing costs in the SEN statutory assessment service by <b>£46,000</b> . This will be achieved through vacancy control and looking to use SEN DSG funding to fund functions/roles that meet this criteria.	46	46
Music & Arts Study Support	304	Provides support for pupils studying music and dance.	222	Music Service - The service is funded from central government grants, fees and charges from parents and a council contribution of £0.271m. We are unusual in that the Council subsidises what is already a significant level of grant from central government. We are proposing that we reduce the council subsidy to this service by 30% which amounts to <b>£82,000</b> . We have an outstanding music service in the City which we would like to continue to provide for all our children and young people. This will require the service to review the way in which it provides its services, work more efficiently, and increase its income generation through a review of its fees and charges. We can be clearer about the precise nature of our proposals when the revised grant regime is announced. Cost reductions have been discussed with the head of service and are achievable.	82	82
Workforce Development	240	This budget includes the costs of school training & development, governor support and the learning development centre.	132	Learning Development Centre (LDC) - The LDC has an excellent reputation and is a high quality training venue available to the City which we would like to sustain and continue to promote. Over the last two years work has been taking place to make the venue even more efficient and reduce any additional costs or subsidy required. We propose that in 2011/12 we will remove the remaining budget contribution of <b>£64,000</b> . This will mean that the LDC has to generate 100% of its income as a venue to provide training for the City and by accommodating council staff on site. The expectation will be that the council use this venue as one of its preferred providers and we move more council staff into the building increasing the amount of office space used, over time driving down the costs to other services of renting this space.	64	64
				School Workforce Development & Governor Support -This will require reorganisation of the schools training and development and governor support service. We propose to charge Headteachers for their conference costs.	44	38
Other	1,056	Various Local Education Authority (LEA) functions	936	Efficiency savings made on the catering contract of <b>£8,000</b> . Responsibility for support for students is transferring to the student loans company on 1 <sup>st</sup> April 2011 resulting in savings of <b>£42,000</b> . A saving is proposed of <b>£70,000</b> on consultancy/legal fees on the Private Finance Initiative (PFI) project.	120	120
<b>Totals</b>	<b>6,111</b>		<b>5,295</b>		<b>816</b>	<b>786</b>
<b>FURTHER BUDGET PROPOSALS</b>						
<b>Service</b>	<b>Total budget £'000</b>	<b>Description of service</b>	<b>Proposed new budget £'000</b>	<b>Service Change</b>	<b>Savings identified £'000</b>	<b>Savings - Part year effect in 2011/12 £'000</b>
Various	1,024	Various grant funded areas	630	Full year effect of 2010/11 in year saving on Area based Grant and School Development Grant areas.	394	394
<b>Totals</b>	<b>1,024</b>		<b>630</b>		<b>394</b>	<b>394</b>

## Delivery Unit - Children's & Families

### Budget Changes Agreed for 9 December Cabinet

Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Fostering & adoption service	9,890	The bulk of this budget (£6.6m) relates to allowance payments to carers for fostered and adopted children. This budget also includes the costs of staffing teams assessing and supporting foster carers and potential adopters	9,528	Fostering and Adoption Service –Brighton & Hove's spend on this service is both higher than the national benchmark and significantly higher than that of our statistical neighbours. This is a direct consequence of the very high numbers of children taking into care in the City, itself a consequence of the high number of drug users. It is proposed, therefore, to redesign this service with a view to reducing its costs by <b>£362,000</b> of the total resource presently committed to it. It is a substantial budget area and these savings are a result of more effective and efficient use of present resources. Further, we will be looking to improve further the understanding of thresholds across the City so that fewer referrals come through that require a formal assessment	362	362
School & Community Teams	767	This relates to education welfare officers and educational psychologists	297	Education Welfare Service – it is proposed to reduce the service by 50% ( <b>£170,000</b> ) of the present budget – this equates to a reduction of 4.7 Education Welfare Officers (EWOs) from the current staffing establishment of 9.4. The service will be realigned to focus more on prevention and early intervention with families having difficulty around attendance and school issues. It will also be more aligned with the social work service and, bring synergies to interventions by doing this. We will be moving to savings within the EWO service by reviewing some of the terms and conditions of the staff in this service when there is an anomaly within BHCC. <b>Educational Psychology (EP)</b> –it is proposed to reduce the service by 20% ( <b>£200,000</b> ) in the area EP budget (£989,000) – this will be achieved by restructuring of the service and the reduction of EP posts to bring it more in line with the national benchmarking of the number of EPs within BHCC. An option is being explored around term time only working to achieve an additional saving. This may provide a further saving of <b>£100,000</b> .	470	378
Youth Offending Services	692	The Youth offending service works with young people and their families to offer support and supervision to young people involved in the Criminal Justice System and preventative work for children and young people at risk of becoming involved in offending	601	Youth Offending Service (YOS) by £65,000 (10%) with the abolishment of the Youth Justice Board (YJB) we are likely to get revised accountabilities in this area. We believe we can reduce this service by <b>£65,000</b> as a result of the national changes. Until the new guidance is made available both in terms of grants but also our revised responsibilities, it is hard to be precise about the scale of savings available. Initially, we will look to securing better co-operation and synergies with other council colleagues and external bodies promoting employment for young people. An additional <b>£26,000</b> staffing saving will be made from YOS.	91	74
Services for Children with Disabilities	4,328	This budget includes various services including residential and respite placements, social work time, direct payments and family support services.	4,278	This small saving can be achieved through rescheduling staff work programmes in conjunction with health colleagues. There will be no impact on frontline service delivery to children with disabilities. This is a lower saving than originally proposed in this area. There will be no impact on respite care.	50	50
Brightstart Nursery	87	The provision of Brightstart nursery is currently subsidised by £87,000	0	We plan to reduce the current council subsidy for Brightstart of £87,000 during 2011/12. The consultation process on the future of Brightstart has been extended to allow all options to achieve this to be considered. Temporary funding of £87,000 from reserves has been included in the budget package to enable this to happen.	87	87
Other	88	various services including Early Years, brightstart Nursery, Play service and some substance misuse and mental health services.	53	A saving of <b>£35,000</b> is proposed on part of the budget for a vacant Assistant Director post.	35	35
<b>Totals</b>	<b>15,852</b>		<b>14,757</b>		<b>1,095</b>	<b>985</b>

FURTHER BUDGET PROPOSALS						
Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
School & Community Teams	297	Provision of speech & language therapy teacher support.	277	The Speech & language SALT (Speech & Language Therapy) Project was a short term project to support teachers which was not planned to continue. This will have no impact on services to children and young people.	20	20
Other	53	Autism Spectrum Disorder Support Service (ASDSS) - DSG Switch	23	Same level of service but funded from the DSG and not Sure Start as the support focusses on children receiving early years free entitlement.	30	30
Early Intervention Services	12,236	The budget figure represents the total council spend in 2010/11 on those services covered by the new Early Intervention Grant for which the council will receive £10.658m in 2011/12.	11,121	The EIG will be used to mainstream a number of programmes e.g. counselling for schools. Re-commissioning areas will also include a single programme for parenting projects and services for youth. <b>£476,000</b> will be saved on the Connexions service which will support schools to provide careers guidance in the year leading up to the implementation of a national careers service. We will also fund advisors to concentrate on SEN pupils and NEETS (Not in Employment, Education or Training). The new budget will include a top up of £463,000 on the government grant.	1,115	901
<b>Totals</b>	<b>12,586</b>		<b>11,421</b>		<b>1,165</b>	<b>951</b>

## Delivery Unit - City Services

### Budget Changes Agreed for 9 December Cabinet

Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Revenues & Benefits	1,840	Revenues & Benefits covers Collection of Council Tax and National Non Domestic Rates (NDR), Payment of Housing and Council Tax Benefit (including Investigations).	1,540	Benefits staffing restructure to deal with the decrease in DWP Administration subsidy. Housing Benefits performance impacts on other areas of income across the Council. The service is currently undertaking a systems thinking review, which will help determine the eventual structure for 2011/12. This will lead to a lower benefits administration unit cost.	300	225
Life Events -	1,279	Bereavement Services, Registrars, Land Charges & Electoral Services	1,229	Reduce expenditure through efficiency savings and lean systems review.	50	50
<b>Totals</b>	<b>3,119</b>		<b>2,769</b>		<b>350</b>	<b>275</b>

### FURTHER SAVINGS PROPOSALS

Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Life Events	1,229	Bereavement Services, Registrars, Land Charges & Electoral Services	1,187	Reduce expenditure through efficiency savings and lean systems review. Review working patterns by introducing a five day rota over seven days for all staff.	42	37
Access Services	1,918	Front line services include main switchboard and reception at main Civic buildings, City Direct at Brighton and Hove and Payments, Enquiries & Concessionary Travel at Priory House	1,808	The deletion of the Head of Access Services post should not have a direct impact on the customer but will require a realigning of services, and the management team capacity will be considerably reduced. There should be no impact with the deletion of the remaining 3.5 posts as these have currently been held vacant for many months.	110	100
<b>Total</b>	<b>3,147</b>		<b>2,995</b>		<b>152</b>	<b>137</b>

## Delivery Unit - Adult Assessment

### Budget Changes Agreed for 9 December Cabinet

Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Community/Hospital Assessment	47,481	These services provide the statutory assessment and review functions for Adult Social Care. As a result of the assessment, the service has a duty to meet assessed needs within Fair Access to Care (FACS) criteria	44,966	Personalisation programme- allocation of personal budgets, reablement and promoting independence, service redesign of workforce. This is part of the agreed VFM programme.	870	870
Community/Hospital Assessment				Below inflation increase to independent providers- Older People and Physical Disabilities element	414	414
				Introduction of Electronic Care Management System ( ECMS) will release savings on the homecare provision by external providers	279	279
Learning Disabilities Assessment				Personalisation programme -allocation of personal budgets, reablement and promoting independence, service redesign of workforce-Learning Disabilities element. This is part of the agreed VFM programme.	601	601
Learning Disabilities Assessment				Below inflationary increase to Independent providers-Learning Disabilities element	351	351
Sussex Partnership Foundation Trust ( SPFT)	10,443		10,192	Below inflationary increase to Independent Providers- mental health	251	251
Sussex Community Trust (SCT)	1,816	Integrated services in providing Intermediate Care and Equipment (ICES) as part of a joint commissioning/provider arrangement	1,778	Review Community Equipment services to deliver efficiency savings.	38	38
Commissioning & Management	2,986	To commission and contract manage services to meet our statutory duty from above Assessment teams. Voluntary Sector/Third Sector on behalf of the Local Authority and Primary Care Trust (PCT)	2,976	Various minor efficiencies.	10	10
<b>Totals</b>	<b>62,726</b>		<b>59,912</b>		<b>2,814</b>	<b>2,814</b>

### FURTHER BUDGET PROPOSALS

Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Community Care budgets- no inflation on budgets	43,335	Statutory services arranged through the independent sector to 3,000 vulnerable older people, people with mental ill health, younger disabled adults and those with drug and alcohol misuse issues. The authority has a duty under the NHS and Community Care Act (1990) to assess needs and provide services to meet those assessed needs.	42,945	Through a nil inflation increase to providers services should remain of same quality with the providers making efficiency savings to be able to work within agreed fees(across all client groups as above).	390	390
Home care incentive scheme	371	Incentive scheme linked to quality of provision	341	Release funding available in this incentive scheme during this last year of the contract	30	30
Review staffing structures	2,976	As a result of transitional phase of the new council structure there has been a review of posts in Contracting And Performance	2,916	Deletion of 1 vacant post in Contracting & Performance that is not required as a result of the review.	60	60

Learning Disabilities Assessment & Community Care Services	19,677	Review contracts for individuals across Community Care	19,427	Opportunity to redesign services for individuals-this is through review and redesign of individual care packages which will result in changes to accommodation and support provided.	250	190
Community Assessment	24,056	These services provide the statutory assessment and review functions for Adult Social Care. As a result of the assessment, the service has a duty to meet assessed needs within FACS criteria	23,606	Additional savings from acceleration of VFM project - personalisation programme ( as above)	250	250
				To meet assessed need develop an exceptions policy that would look at the costs of care provided within a residential setting and where appropriate use this to benchmark domiciliary care cost. It is acknowledged this will work as a guide to exploring appropriate models of support. This will bring BHCC in line with other Local Authorities' practice.	200	200
Across Adult Social Care- grant funding	1,236		0	Social Care Reform Grant rolled in to Formula Grant that had been expected to end. Exit strategy has been developed so funding available for savings.	1,236	1,236
<b>Totals</b>	<b>91,651</b>		<b>89,235</b>		<b>2,416</b>	<b>2,356</b>

Delivery Unit - Adults Provider						
Budget Changes Agreed for 9 December Cabinet						
Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Independence at Home- Homecare	3,845	Provides reabling homecare to vulnerable people living in the community or leaving hospital to return home. Provides services 24/7 and to support extra care.	3,706	Improve efficiency within the Homecare service to increase the number of people who benefit from reablement in line with personalisation strategy and to support hospital discharge. Efficiencies through the introduction of e-monitoring and rostering technology.	139	139
<b>Totals</b>	<b>3,845</b>		<b>3,706</b>		<b>139</b>	<b>139</b>
FURTHER BUDGET PROPOSALS						
Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Independence at Home- Homecare	3,706	Provides reabling homecare to vulnerable people living in the community or leaving hospital to return home. Provides services 24/7 and to support extra care.	3,496	Jointly with NHS partners a review of all short term services promoting independence is underway. The value of the in house service to support the range of options in partnership with others will refocus the work of Independence at Home.	210	157
Accommodation with support for people with learning disabilities.	354	A number of small registered residential homes and supported living, includes Respite Service providing for carers relief, and Shared Lives scheme providing placements for adults with learning disabilities within carers own homes in the community.	129	Increase the flexibility of staff to work across all services thereby reducing the use of agency staff and overtime which will not affect the service to users.The ongoing accommodation strategy and care review will release additional savings in year.	225	169
Day Services	2,005	Services provided during the day for older people and older people with mental health needs to enable them to continue living independently and to provide carer relief.	1,905	In line with personalisation we have seen a reduction in occupancy of building based day services. As a result of reviewing this position changes are being made to the type of services offered.	100	100
<b>Totals</b>	<b>6,065</b>		<b>5,530</b>		<b>535</b>	<b>426</b>

Commissioner - Communities & Equalities						
Budget Changes Agreed for 9 December Cabinet						
Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Communities & Equalities team	2,318	The team sits within the Commissioning Unit and is responsible for tackling inequality, promoting equality, the provision of grants to the voluntary sector and community development and engagement.	2,086	The loss of £450k Local Public Service Agreement (LPSA) funding has resulted in a service pressure which particularly impacts on the commissioning of community development and engagement. However this has reduced by an additional £250,000 new corporate funding	232	232
<b>Totals</b>	<b>2,318</b>		<b>2,086</b>		<b>232</b>	<b>232</b>
FURTHER SAVINGS PROPOSALS						
Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Grants to voluntary organisations	1,918	This is made up of: 3 year strategic grants programme which funds organisational core costs, annual grants supporting one-off events, commissioning of community development activity and commissioning of engagement with the community & voluntary sector	1,903	No inflation on three year grants in line with agreed practice.	15	15
<b>Totals</b>	<b>1,918</b>		<b>1,903</b>		<b>15</b>	<b>15</b>

Commissioner - City Regulation & Infrastructure						
Budget Changes Agreed for 9 December Cabinet						
Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Other Sustainable Transport	11,638	This division manages all aspects of transport planning, traffic and highway management, including assessing the impact of the council's major projects, road safety, highway maintenance, street furniture and support to public transport. In addition, the division supports 12km of coastline structures and sea defences, and manages and maintains 650km of highways.	11,317	Savings of <b>£115,000</b> will be generated by reducing the number of posts in Environment Initiatives, Traffic & Transport, Road Safety and Transport Planning. There will be further Value for Money savings through a variation of certain bus routes, with no risks attached, of <b>£50,000</b> . Through more accurate charging of officer time to events in the city <b>£25,000</b> in Value for Money savings will be achieved. Efficiency savings of <b>£83,000</b> will be generated by reducing the number of posts in Highways Engineering & Projects, and Road Safety . In addition, a further <b>£10,000</b> efficiency can be made by transferring part of the Surface Water Management grant to revenue for technical support costs. The Highway Enforcement Team will achieve an additional <b>£21,000</b> income by reviewing the fees and charges. Other minor efficiencies of <b>£17,000</b> .	321	301
<b>Total</b>	<b>11,638</b>		<b>11,317</b>		<b>321</b>	<b>301</b>
FURTHER BUDGET PROPOSALS						
Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Other Sustainable Transport	11,317	This division manages all aspects of transport planning, traffic and highway management, including assessing the impact of the council's major projects, road safety, highway maintenance, street furniture and support to public transport. In addition, the division supports 12km of coastline structures and sea defences, and manages and maintains 650km of highways.	11,218	A range of savings including: * Switch off some of the automatic traffic counters in the city that no longer provide value for the transport model *Deletion of a Transport Planning Admin Post. Further reduction in the use of specialist consultants, and recharging of officer time to alternative sources of funding that are available for developing and delivering transport projects and development projects with planning permission. *Not purchasing software 'add ons' *Reduce the budget for Publicity and Marketing of Road Safety and Public Transport materi Priority would be given to targeting remaining resources towards vulnerable road users and essential public transport information.	99	96
<b>Total</b>	<b>11,317</b>		<b>11,218</b>		<b>99</b>	<b>96</b>



Delivery Unit - City Infrastructure						
Budget Changes Agreed for 9 December Cabinet						
Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Sustainable Transport: Parking Services	-13,280	The service manages on-street parking and enforcement, bus lane enforcement, management of parking permits, payment handling and parking appeals. There is also the provision of a number of off-street car parks. Parking equipment and facilities maintenance	-14,096	<p>The increased patronage experienced during 2010-11 at the refurbished Lanes and London Road car parks is expected to continue into 2011-12, achieving additional income of £380,000. Further proposed capital investment in the ex leased car parks, (£3.5 million will be required), particularly Regency Square and Trafalgar Street is expected to yield additional income of £57,000 after repaying investment costs. There will be slight variations in the individual on-street tariffs due to the need to round them to the nearest 10p. A further £64,000 in savings can be realised by reviewing the use of permits, charging for Car Club bays and ensuring consistency of operation. A potential management fee for operating the car park at Park Wall for events at the Stadium could achieve an additional income of £25,000. The proposals include efficiency savings in the Parking Information and Notice Processing areas. This will be achieved at no impact to service levels due to lower Penalty Charge Notice (PCN) volumes and improved performance management.</p> <p>Enforcement on-street will be made more effective by introducing more flexibility into beats. Contract efficiencies, a reduction in staffing levels and improved enforcement will achieve savings of £90,000, while a tightening of restrictions on Blue Badges will increase this by a further £5,000. Other options for savings in the car parks include maintaining the equipment in house, and allowing advertising in council car parks, achieving an additional £40,000. Efficiencies in the cash collection contract will achieve savings of £15,000; while a further £50,000 can be saved by bringing the machine data maintenance back in house. Efficiency savings of £40,000 will be generated by reducing the number of posts in Parking Strategy.</p>	816	791
City Services: City Clean and Parks	29,917	This division is responsible for the development and delivery of sustainable street cleansing, recycling and refuse service to all residents in the city and manages some 1,100 hectares of parks and green spaces as well as the 6,000 hectares of countryside the council owns ranging from urban city parks to chalk Downland.	29,674	In City Clean, small efficiency savings have been identified totalling <b>£128,000</b> . City Parks' budgets have been reassessed with the intention of producing savings which have less of an impact on the image of the city and its parks, achieving savings of <b>£25,000</b> . In addition, the release of the South Downs Joint Committee contribution of <b>£90,000</b> following the establishment of the national park has been included.	243	243
<b>Totals</b>	<b>16,637</b>		<b>15,578</b>		<b>1,059</b>	<b>1,034</b>
FURTHER BUDGET PROPOSALS						
Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
City Services: City Clean and Parks	29,674	This division is responsible for the development and delivery of sustainable street cleansing, recycling and refuse service to all residents in the city and manages some 1,100 hectares of parks and green spaces as well as the 6,000 hectares of	29,189	Reduction in budgets for back office functions - £163,000 full year impact, saving £80,000 in 2011-12. Removal of budget for consultants' fees £50,000.	213	130
				Renegotiation of gullies contract and reduction in frequencies of cleaning £78,000. This will have very little impact on the service provided.	78	78

				Fleet; reduction in maintenance costs following fleet replacement programme, <b>£40,000</b> , increase in productivity levels, reduction in stock and sub contractor costs <b>£97,000</b>	137	137
				Delete post dedicated to overseeing rights of way and administering the Local Access Forum (a Statutory body) £37,000. Delete a vacant post in City Clean £20,000. Work to be absorbed by other officers.	57	48
Sustainable Transport: Parking Services	-14,096	The service manages on-street parking and enforcement, bus lane enforcement, management of parking permits, payment handling and parking appeals. There is also the provision of a number of off-street car parks Parking equipment and facilities maintenance	-14,136	Reducing posts in Parking Services and Contract Monitoring will save £40,000. It is envisaged that this can be achieved by deleting vacant posts. The impact to services will be absorbed by improved performance management systems and a partnership approach with our contractor.	40	30
Waste PFI	11,123	The Waste PFI Reserve is held to smooth out the impact of the costs and grant income over the life of the project.	10,223	The saving relates to a reduction in the budget for waste disposal following a review of the Waste PFI reserve. Further information is included in Appendix 5b.	900	900
<b>Total</b>	<b>26,701</b>		<b>25,276</b>		<b>1,425</b>	<b>1,323</b>

Delivery Unit - Planning & Public Protection						
Budget Changes Agreed for 9 December Cabinet						
Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Development Planning	2,729	This division deals with over 3,000 planning applications each year and over 2,500 building regulations applications. It is also responsible for developing the spatial planning framework for the city and contributing to regional planning. The division leads on urban design and conservation and contributes to the development of the city council's portfolio of major projects.	2,426	For 2011/12 the proposals are to reduce the number of staff in Development Control, Planning Strategy, and Building Control saving <b>£227,000</b> with a further saving of <b>£10,000</b> by reducing consultants' fees. Fees will be charged for pre-application planning advice, achieving <b>£20,000</b> in income. The proposed service changes include a reduction in the funding available to support Examinations in Public for plan preparation, achieving <b>£46,000</b> in savings.	303	303
Public Protection	2,672	This division provides environmental health, licensing, trading standards, emergency planning and business continuity management services.	2,562	A review of Public Protection budgets and deleting vacant staff posts will contribute a further £110,000 in savings. Efficiency savings of <b>£84,000</b> will be achieved through the deletion of 3 vacant posts, expenditure reductions and a review of the method of replacing the animal welfare vehicles. Contributions from income will increase this by <b>£26,000</b> .	110	110
<b>Total</b>	<b>5,401</b>		<b>4,988</b>		<b>413</b>	<b>413</b>
FURTHER BUDGET PROPOSALS						
Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Development Planning	2,426	This division deals with over 3,000 planning applications each year and over 2,500 building regulations applications. It is also responsible for developing the spatial planning framework for the city and contributing to regional planning. The division leads on urban design and conservation and contributes to the development of the city council's portfolio of major projects.	2,284	Examinations in Public; reduce the budget for Inquiries by <b>£70,000</b> . Will need to seek corporate funding for any Local Development Framework (LDF) or Waste inquiries	70	70
				City Planning: Removal of two further senior posts. Work would be absorbed across the wider planning team	72	67
Public Protection	2,562	This division provides environmental health, licensing, trading standards, emergency planning and business continuity management services.	2,377	Civil Contingencies; reduction in supplies and services budget <b>£12,000</b> .	12	12
				Reduction in expenditure from License Fee trading accounts to achieve break even position, as reported to Licensing Committee (Licensing Act 2003 Functions) in November 2010	40	40
				Licensing Act 2003; reduction in supplies and services budget of <b>£72,000</b> . This area does not operate as a Trading Account; funded from corporate budgets.	72	72
				A combination of staff savings across civil contingencies and environmental protection.	61	61
<b>Total</b>	<b>4,988</b>		<b>4,661</b>		<b>327</b>	<b>322</b>

Community Safety						
Budget Changes Agreed for 9 December Cabinet						
Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Community Safety Team & Partnership and Drug and Alcohol Action Team	2,073	Delivering services and leading partnership work to reduce crime in ten priority crime areas, fear of crime, anti-social behaviour, and drug and alcohol dependency	1726	A review and restructure of the Partnership and Drug and Alcohol Action Team could save <b>£111,000</b> . In addition, management flexi-retirement arrangements should deliver a further <b>£40,000</b> savings. By reviewing service delivery in this area a further <b>£95,000</b> can be found. By delivering services differently within the wider community safety partnership work <b>£60,000</b> can be achieved, and by reducing contributions to two civilian posts in the police a further <b>£41,000</b> .	347	347
<b>Totals</b>	<b>2,073</b>		<b>1,726</b>		<b>347</b>	<b>347</b>

Commissioner - Housing						
Budget Changes Agreed for 9 December Cabinet						
Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Homelessness	1,595	Statutory homeless assessment and corporate provision of temporary accommodation.	1,567	In renewing leases on temporary accommodation and in negotiating new leases we will drive down unit costs with landlords and owners.	28	28
Supporting People	131	Providing support services to vulnerable people to enable them to sustain or move towards independent living.	-206	Draft commissioning plan with indicative allocations has been produced in consultation with providers, commissioiners and stakeholders against the Supporting People Welfare programme of £10.9 million. Maximising all opportunities to deliver the same outcomes for service users by re-configuring and integrating services/contracts to maximise the social return on investment	337	337
<b>Totals</b>	<b>1,726</b>		<b>1,361</b>		<b>365</b>	<b>365</b>

FURTHER BUDGET PROPOSALS						
Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Homelessness and temporary accommodation	1,567	Statutory homeless assessment and corporate provision of temporary accommodation.	1,340	Renegotiate lower unit costs of existing and new leased contracts with providers. Improve Value for Money through regional benchmarking.	227	227
<b>Totals</b>	<b>1,567</b>		<b>1,340</b>		<b>227</b>	<b>227</b>

<b>Commissioner - Arts</b>						
<b>FURTHER BUDGET PROPOSALS</b>						
<b>Service</b>	<b>Total budget £'000</b>	<b>Description of service</b>	<b>Proposed new budget £'000</b>	<b>Service Change</b>	<b>Savings identified £'000</b>	<b>Savings - Part year effect in 2011/12 £'000</b>
Commissioning unit for culture	1,663	The Commissioning Unit for Culture includes the Commissioner post plus the Arts and Cultural Projects Team (£238,000), funding for the Brighton Dome and Festival year round programme of events and activities in the Brighton Dome venues, custodianship of those buildings and the annual arts Festival in May for residents and visitors (£1.4m) plus annual funding for Pride, an annual large scale event with city centre parade and event in Preston Park (£25,000)	1,580	Reshape administrative support to team through vacant post. This funding located in Commissioner for Sports budget area.	26	26
		Annual funding for Dome & Festival under contract £1.4m		Cut inflation from the funding to Brighton Dome and Festival for 2011/12 at just over 4% of total.	57	57
	<b>1,663</b>		<b>1,580</b>		<b>83</b>	<b>83</b>

Commissioner - Sports & Leisure						
Budget Changes Agreed for 9 December Cabinet						
Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Sport & Leisure	1,801	The division provides a wide range of sports facilities and sports development opportunities across the city. It also manages 12 kilometres of seafront and the city's extensive annual programme of outdoor events. The service improves the health & wellbeing of residents through opportunities to undertake physical activity.	1,681	Efficiencies in expenditure budgets, including contract variations, private contractors and professional fees will deliver £120,000 in savings.	120	120
<b>Totals</b>	<b>1,801</b>		<b>1,681</b>		<b>120</b>	<b>120</b>
FURTHER SAVINGS PROPOSALS						
Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Sport & Leisure	1,681	The division provides a wide range of sports facilities and sports development opportunities across the city. It also manages 12 kilometres of seafront and the city's extensive annual programme of outdoor events. It aims to improve the health & wellbeing of residents through opportunities to undertake physical activity.	856	Achieved through the re-tendering of the sports facilities management contract which now includes the King Alfred Leisure Centre to Freedom Lesiure	825	825
<b>totals</b>	<b>1,681</b>		<b>856</b>		<b>825</b>	<b>825</b>

<b>Delivery Unit - Tourism &amp; Leisure</b>						
<b>Budget Changes Agreed for 9 December Cabinet</b>						
Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Sport & Leisure	4,352	The division provides a wide range of sports facilities and sports development opportunities across the city. It also manages 12 kilometres of seafront and the city's extensive annual programme of outdoor events. It aims to improve the health & wellbeing of residents through opportunities to undertake physical activity.	4,322	Further reviews of rents for seafront properties ensuing we retain fair and reasonable rents will generate £30,000.	30	30
Royal Pavilion & Museums	2,422	Create visitor demand, care for the city's rich historic assets and improve the life chances of local people through culture and education.	2,311	Estimated reduction in Renaissance grant which would have an impact on the services' ability to provide additionality in its cultural offer but could be managed without impacting on the operation of the Royal Pavilion and Museums service. Business plan has been submitted and latest indications are that grant level may not reduce-grant level announcement awaited.	111	83
<b>Totals</b>	<b>6,774</b>		<b>6,633</b>		<b>141</b>	<b>113</b>

#### FURTHER SAVINGS PROPOSALS

Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Tourism & Venues	1,598	Sustain employment in the local area by promoting the city to visitors and producing events and conferences.	1,518	Undertake service restructure to drive out efficiencies and savings across the new delivery unit. Review venues ticketing arrangements to deliver revenue improvements. Partial delivery of savings in year 1. Procurement variables re ticketing may impact timing of savings.	80	60
Royal Pavilion & Museums	2,311	Create visitor demand, care for the city's rich historic assets and improve the life chances of local people through culture and education.	2,224	Charitable relief on business rates for Preston Manor and Booth museum £20,000. Revenue growth through admissions though risk of fluctuating demand £40,000; efficiencies in supplies and services £27,000.	87	70
<b>Totals</b>	<b>3,909</b>		<b>3,742</b>		<b>167</b>	<b>130</b>

#### Major Projects

##### FURTHER BUDGET PROPOSALS

Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Major Projects & Regeneration	355		335	Residual savings identified further to prior year staffing changes. Major Projects to be reviewed early next financial year. Re-commissioning of economic development to follow the major projects review and in light of assessing changes in government funding, Local Employment Partnership, etc.	20	20
<b>Totals</b>	<b>355</b>		<b>335</b>		<b>20</b>	<b>20</b>

Resources						
Budget Changes Agreed for 9 December Cabinet						
Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Democratic Service Team	2,396	The service supports the democratic decision-making process, Member development, administration of Members' allowances, running the Mayor's Office and general support to Members. Provides legal, constitutional and Monitoring Officer support to the Council. Supports the Council's Overview & Scrutiny function by providing research, procedural advice, administrative and clerical support.	2,373	Reorganisation of Democratic Services Team, especially the management arrangements. Reorganisation of secretarial and administrative support arrangements to achieve greater efficiencies. Reduction in Scrutiny Officer numbers by 0.2 FTE and reallocating functions.	23	23
Health, Safety & Wellbeing	459	Provision of Business Partnering service	418	Resources will be reprioritised to protect existing Service Level Agreements and Statutory requirements. May impact cycle times and range of non critical interventions and assurance mechanisms. Greater reliance on managers to adhere to Health and Safety management Processes	41	41
Core HR Services	2,503	Provision of Core HR Services to include:HR Management Team, HR Admin, HR Advice & Guidance, HR Business Partnering and Strategic support to Pay, Policy and Reward	2,457	Reduction in coaching & advice service to operational managers, cycle time on some services will be affected and managers will be required to complete their own administration	46	46
Learning & Development (including Workforce Development)	514	Provision of a learning and development offer to Council employees, plus targeted workforce development to Adult & Childrens services	496	Reduction in Administration and ICT support within Learning and Development will increase cycle time or delay product delivery	18	18
Corporate Accommodation and VFM2 Workstyles project	3,385	VFM2 and Phase One of the Corporate Workstyles project aims to rationalise corporate office accommodation and enhance productivity through flexible working choices. Phase One is a spend to save project where savings are achieved by the re-location of services and staff from Priory House to Bartholomew House and subsidiary buildings. The lease of Priory House is surrendered.	3,285	Phase One Workstyles project is customer and service led. Revenue & Benefits are looking at service changes and have reviewed their service work flow. A new customer service centre will be created on the ground floor of Bartholomew House that replaces 5 Council counter services in Barts Square precinct and enhances the existing City Direct services, resulting in part year effect accommodation savings in 2011/12.	100	100
ICT	4,314	Provides ICT services, support and development across the Council, Councillors and school. Implementation of the VFM programme will deliver savings across the Council.	3,890	Savings from VFM programme for ICT include spend outside the ICT service. Rationalising systems is a longer term ambition, (£368,000). Deletion of 1.5 vacant posts following Lean Systems Thinking Review of the Service Desk (£56,000).	424	424
Communications	488	The communications team promote and defend the reputation of Brighton & Hove City Council - informing residents about the work of the authority, building understanding about the role of the council, increasing community engagement and improving access to services. This is achieved through the delivery of targeted marketing communications including online and social media, media relations, social marketing, design, event management and internal communications.	477	Review and change of media analysis service. Reduction in ad-hoc advertising spend. Reduction in Newspaper subscriptions. Limited impact on productivity/activity/service. As focus online risk that may miss some print coverage	11	11



Policy Unit	757	The Unit provides policy and strategy support to cross-cutting issues important to the Leader, Cabinet, Council and its partners, with particular regard to sustainability. It has corporate responsibilities for Programme Management (including Intelligent Commissioning) and it is also focused on the continual improvement of the city's partnerships. The Unit is divided into four teams:- Cabinet Support & Policy Development: supporting the Leader, Cabinet and Council - Partnerships & External Relations: supporting the Strategic Partnerships, including the LSP and PSB - Sustainability: supporting delivery of the authority's sustainability agenda. - Programme Management Office: supporting delivery of the council's key transformational programmes including Intelligent Commissioning	739	With the end of temporary funding for the Partnerships Team the Unit is having to manage significant in year pressures of at least £60,000. Additional savings are being sought through the review of all activities, contracts, supplies and services.	18	18
Analysis and Performance	748	Provides evidence base for corporate decision making and Intelligent Commissioning. Provides corporate and partnership performance management. Is implementing the performance management framework for Intelligent Commissioning. Oversees consultation activity and provides service areas with advice on good practice. Oversees production of city-wide needs analysis which provide the evidence for commissioning decisions. Hosts information sharing IT systems which make information open to the public and partners: Interplan; the consultation portal; and Brighton and Hove Local Information Service (BHLIS).	555	Efficiencies gained from the removal of the national performance burden are being used to manage funding pressures and ensure continued delivery of key intelligence functions (e.g. support for the Brighton and Hove Local Information Service). Additional savings are being sought through the review of all activities, contracts, supplies and services.	193	193
<b>Totals</b>	<b>15,564</b>		<b>14,690</b>		<b>874</b>	<b>874</b>
<b>FURTHER SAVINGS PROPOSALS</b>						
<b>Service</b>	<b>Total budget £'000</b>	<b>Description of service</b>	<b>Proposed new budget £'000</b>	<b>Service Change</b>	<b>Savings identified £'000</b>	<b>Savings - Part year effect in 2011/12 £'000</b>
Core HR Services	2,457	Provision of Core HR Services to include: HR Management Team, HR Admin, HR Advice & Guidance, HR Business Partnering and Strategic support to Pay, Policy and Reward	2,377	A full review of the strategy and operation of HR is being undertaken and will be covered in 3 parts: Training & Development, Health & Safety and core HR services. These further savings could directly impact on the core advisory and support services provided to the organisation at a time of key service changes and could impact on organisational risk management of procedures and legal frameworks.	80	60
Learning & Development (including Workforce Development)	496	Provision of a learning and development offer to Council employees, plus targeted workforce development to Adult & Childrens services	402	The spend previously funded by the Adult Social Care Workforce Grant will be reduced in proportion to the overall formula grant reduction.	94	71
Environment - maintenance to sports pavilions, bus shelters, monuments and parks buildings.	488	Provides day to day maintenance on these properties. Reactive maintenance is dependant on areas out of the council's control like weather, vandalism, arson, etc.	458	Improved property data and centralisation of corporate landlord functions means efficiencies can be achieved without affecting current service levels.	30	30

Social care - maintenance to residential care properties, learning disability and children and adult social care buildings	677	Provides day to day maintenance on these properties. Reactive maintenance is dependant on areas out of the council's control like weather, vandalism, arson, etc.	657	Improved property data and centralisation of corporate landlord functions means efficiencies can be achieved without affecting current service levels.	20	20
Corporate Planned Maintenance	3,806	Provides corporate planned maintenance for all council's operational buildings excluding housing and schools in an annual rolling programme. Under the Asset Management Plan and Building Maintenance Strategy the property performance data helps to inform the 5 year programmes of work to reduce this maintenance backlog of approx £20m	3,769	Improved property data and centralisation of corporate landlord functions means efficiencies can be achieved without affecting current service levels.	37	37
Resources	0	Marketing council potential advertising sites to the commercial sector	-250	Develop opportunities to maximise advertising and sponsorship revenue from available sites through contract procurement that is already agreed.	250	250
Desktop Renewals	367	Provides replacement of Desktop devices (PC's and Laptops) on rolling replacement programme. Deployment includes baseline software installation, device implementation and disposals service. 800 x Devices targeted for replacement annually after 4.5 years	151	Reduced deployment in year of @350x replacement devices (accounting for unit cost price reduction). Devices would be replaced only when they are no longer able support base level computing needs (inhibiting users from performing their role) or where a particular range of device can no longer be cost effectively supported (either technically or compromises data security)	216	216
<b>Totals</b>	<b>8,291</b>		<b>7,564</b>		<b>727</b>	<b>684</b>

Finance						
Budget Changes Agreed for 9 December Cabinet						
Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Financial Services	4,261	Financial Services - Provision of financial advice and support to the council, produces the statutory financial accounts, supports value for money and efficiency programmes, manages the council's bank accounts, and provides an accounts receivable and payable function.	3,986	Finance restructure in June 2010 reduced staffing to deliver £180,000 savings for 10/11 and a further £55,000 for 11/12. There is an estimated reduction in external audit fees following the ending of the Comprehensive Area Assessment and Use of Resources judgements of £75,000 although this is subject to confirmation and negotiation with the Audit Commission. It is proposed to end the 11x staff bus service which currently costs £95,000 because it is not a considered a cost effective means of enabling staff to undertake any essential travel between key corporate buildings during working hours. £20,000 of the saving will be set aside to refund staff for travelling on the main bus network for work related activities and to ensure that special arrangements can be made for any staff with disabilities when needed. We anticipate the continuation for one more year of the contracts to provide Chief Finance Officer and Financial Services support to the South Downs National Park Authority, the estimated one off net additional income is £70,000.	275	275
Strategic Finance & Procurement	912	This team is responsible for the MTFS and Budget strategy, centrally managed budgets such as concessionary fare, insurance, treasury management, advice to major projects and PFIs and procurement	123	Savings are generated by the corporate value for money procurement workstream. The savings will continue to be re-allocated to other cost centres as contract details are finalised.	789	789
<b>Totals</b>	<b>5,173</b>		<b>4,109</b>		<b>1,064</b>	<b>1,064</b>
FURTHER SAVINGS PROPOSALS						
Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Financial Services	3,986	Financial Services - Provision of financial advice and support to the council, produces the statutory financial accounts, supports value for money and efficiency programmes, manages the council's bank accounts, and provides an accounts receivable and payable function.	3,941	Removal of two posts in the central payments team. Deletion of the posts would have an impact on payment processing performance, however, due to improvements in reorganising processes the impact should be fairly marginal.	45	34
Strategic Finance & Procurement	123	This team is responsible for the MTFS and Budget strategy, centrally managed budgets such as concessionary fare, insurance, treasury management, advice to major projects and PFIs and procurement	105	Release of a part time vacancy in the treasury management team. The service is currently operating with this level of resources.	18	18
Internal Audit	656	This team provides the council's internal audit function	631	Team structure to be reviewed to ensure sufficient headcount to provide adequate Internal Audit coverage but reducing the management overhead.	25	25
<b>Totals</b>	<b>4,765</b>		<b>4,677</b>		<b>88</b>	<b>77</b>

Corporate Budgets						
FURTHER SAVINGS PROPOSALS						
Service	Total budget £'000	Description of service	Proposed new budget £'000	Service Change	Savings identified £'000	Savings - Part year effect in 2011/12 £'000
Former Employees Pension Costs	2,928	Corporately held budget.	2,098	Ongoing revenue savings generated by the use of reserves to repay in full redundancy and early retirement costs incurred in prior year budgets that had been spread out over 5 years.	830	830
Insurance	3,459	Corporate insurance.	3,009	Details at paragraph 3.68 and 3.69 in the body of the report.	450	450
VFM Savings	0	VFM Savings	0	Details at Appendix 11.	6,000	2,875
Sussex Inshore Fisheries & Conservation Area (IFCA)	116	IFCA (formerly Sussex Sea Fisheries)	79	Renegotiation of levy following the transition from Sussex Sea Fisheries to IFCA.	37	37
<b>Total</b>	<b>6,503</b>		<b>5,186</b>		<b>7,317</b>	<b>4,192</b>

**VALUE FOR MONEY PROGRAMME**

Value for Money (VFM) is a commonly used term across private and public sectors. Good value for money requires that the cost of providing services is appropriately balanced with the outputs and outcomes (results) required. The council's Value for Money Programme is primarily concerned with achieving the same or, preferably, increased outputs and/or better outcomes while driving down costs by delivering services more efficiently. The programme aims to achieve substantial efficiency savings through significantly changing systems, processes and ways of working (e.g. mobile or home working), and further improving the use of resources, particularly the property estate.

The VFM Programme is split into phases. Phase 1 was completed in 2010 while Phase 2 started in 2009/10 and is ongoing over the next 3 years. Brief details of progress under Phase 2 are given below along with information about Phase 3 which will start in 2011/12.

**Phase 2 – Progress to Date**

Six priority areas were identified for Phase 2 with (originally) anticipated savings (gains) of circa £35 million anticipated over a 4 year period. Updates on the projects have been provided throughout the year. A brief summary and highlights from each project are set out below.

As at TBM Month 9, Phase 2 of the Value for Money Programme is expected to achieve savings of £3.575 million in 2010/11. This is a significant overachievement of £0.766 million compared with the target of £2.809 million. This has not only helped the council to manage well within budget during 2010/11 but the ongoing impact of these higher savings will also contribute significantly to meeting the financial challenges inherent in the 2011/12 budget. Phase 2 of the VFM programme will contribute savings of £5.552 million to the 2011/12 budget, which is an additional £2.802 million compared to the original 4-year savings profile set out in the VFM Update report to Cabinet in July 2010.

**Adult Social Care:**

This project is focused on introducing new models of delivery and 'Personalisation' to provide greater choice (i.e. Self Directed Support and Personal Budgets) and more effective 're-ablement' of people needing care. Progress is ahead of schedule as highlighted below:

1. Performance Indicator NI130 (number people receiving Self Directed Support) has been met ahead of schedule. 32% of people are now receiving Self Directed Support compared to the target of 30% by April 2011. A new 'stretch' target of 40% by April 2011 is now being aimed for.
2. Re-ablement services have been increased considerably and recent analysis shows that 90% of those referred experienced lower or no ongoing requirement for care and support.

## **CYPT:**

The project aims to improve prevention, planning and delivery of care across all levels of need. The project is on schedule and is over-achieving compared with anticipated financial gains. Highlights include:

1. Successful launch of 'Supporting Families' approach which engaged 160 participants from across 60 agencies. The approach introduces the 'continuum of needs' model to more consistently identify needs and corresponding services for children and families requiring support.
2. The processes to improve Common Assessment Framework (CAF) activities have been put in place to reduce the number of referrals progressing through the social care pathway. The CAF is a standardised approach to assessing children and young people's additional needs. The Team Around Family (TAF) process addresses these needs through robust action planning.
3. A new decision-making process (Children's Integrated Services Planning, CISP Group) has been developed to identify the most appropriate care packages for children and young people with complex needs.
4. A business case for 'spend to save' investment at the Clermont Unit will result in reduced costs of expert assessments in care court proceedings.
5. A new recruitment strategy for in-house foster placements has been developed.
6. Projected savings for 2010/11 are at 217% (£2,134,600) against the originally anticipated financial benefits of £984,000 of the project.

## **ICT**

This project is concerned with improving ICT investment decisions and reducing infrastructure costs across the council. Highlights include:

1. A new Change Advisory Board (CAB) now oversees all ICT investment proposals and ensures appropriate fit with corporate priorities and existing infrastructure and ensures payback of any financial investment.
2. Technical solutions to support the 'Workstyles' approach (see below) and associated mobile and flexible working have now been tested and successfully implemented. This is critical to leveraging savings in the property estate in future.
3. A range of ICT initiatives have been identified by the South East 7 (SE7) group of authorities who will combine resources, knowledge and skills to identify improved ICT solutions, reduce procurement costs, and maximise ICT investment. BHCC is the lead authority for the ICT workstream.

## **Procurement**

The project will ensure that the council is able to make the best use of its considerable buying power.

1. Category Management, i.e. reviewing all contracts across the council for specific types of expenditure, has been introduced for ICT and Vehicle Fleet procurement as pilot areas. Immediate in year savings

are expected to be in the region of £120,000 with potential ongoing savings estimated at £1.2m in ICT alone. 3 further Category Management areas have been identified for 2011/12 with potential savings of over £300,000.

2. Contract Management improvements are being made through procurement of an IT system to record, manage and monitor contracts more effectively.
3. A 'Purchasing Card' scheme is also currently being piloted. Once this has been assessed, a corporate scheme will be designed and a mini-competition conducted to select a card provider. Purchasing Cards will save money through increased discounts and by removing/reducing the need for petty cash and some other bank accounts.

### **Sustainable Transport, Fleet and Outdoor Events**

This collection of smaller projects will enable us to reduce costs by organising and procuring services and fleet more efficiently. Highlights include:

1. In Public Transport, cumulative Bus Subsidy savings and objectives have been achieved by realigning services according to need and/or passing services over to commercial operation. For example, Service 27 – Park & Ride and some Winter Sunday Evening services have now successfully moved over to commercially supported operations. In addition, a number of school bus services have been changed to reflect changes in catchment areas and generate cost efficiencies.
2. Fleet Replacement programmes for CYPT, Adult Social Care and City Parks have been completed which will save at least £150,000 on procurement costs through standardised specification and reduced maintenance, insurance, fuel and tyre costs.
3. In August 2010 the city council's outdoor events team was awarded BS8901. The BS8901 Standard is applicable to all organisations involved in the design, delivery and implementation of outdoor events. Within the Standard BS8901, sustainable development is defined as 'an enduring balanced approach to economic activity, environmental responsibility and social progress'. In any one calendar year there are over 300 events that take place ranging from a family picnic to major events like Pride and the Brighton Marathon. The implementation of this management system will provide data and information needed to contribute to the reduction of the council's Environmental Footprint.

### **Workstyles**

The Workstyles project is about making more efficient use of the council's property estate by improving office working environments and using new IT to enable more flexible and mobile working.

1. Plans for the new Customer Service Centre in Bartholomew Square and changes to office accommodation in Bartholomew House (known as 'Smartspace') continue to progress well and will enable the move of staff out of Priory House through better flexible working arrangements and improved IT capability. Contractor negotiations have been completed and work started in January 2011. This will release substantial efficiency savings of £300,000 per annum through reduced lease rentals for Priory House.

2. A full property portfolio study has been completed to identify opportunities for property rationalisation within the council's property strategy from 2011 (e.g. break clauses on leases, buildings with low occupancy or usage, etc).
3. A 'virtual desktop solution' has been developed to enable staff to operate from any desk or location to support mobile and flexible working and make more efficient use of office space. Similarly, a telephony solution has been provided to enable staff to work flexibly from any location. Alongside this, an EDRM solution (electronic document management) has been decided upon and implementation has started. This will allow expensive office space to be utilised by people and services rather than paper files, as well as paving the way for more efficient processing of information.

### Summary of Phase 2 VFM Gains (Benefits Realisation)

The financial gains for individual VFM Phase 2 projects are set out in the table below.

VFM Project	TBM 9 Forecast 2010/11	2011/12	2012/13	2013/14	Total Ongoing Gains	Cumulative Cashable Gains
	£m	£m	£m	£m	£m	£m
Adults Personalisation	1.342	1.801	1.172	0.579	4.894	14.432
CYPT *	2.135	2.019	0.046	0.907	2.972	9.191
ICT	0	0.218	0.307	0.525	1.050	1.793
Procurement	0	1.039	2.091	1.250	4.380	8.549
Sustainable transport:						
Bus Subsidies	0.098	0.050	0.024	0.012	0.184	0.602
Fleet Management	0	0.150	0	0	0.150	0.450
Sustainable Transport	0	0.115	0	0	0.115	0.345
Outdoor Events (Fees)	0	0.060	0	0	0.060	0.180
Workstyles **	0	0.100	0.200	3.100	3.400	3.800
<b>Total VFM Phase 2</b>	<b>3.575</b>	<b>5.552</b>	<b>3.840</b>	<b>6.373</b>	<b>17.205</b>	<b>39.342</b>

\* CYPT gains in 2010/11 are non-cashable going forward (i.e. gains have been achieved but are offset by in-year service pressures in 2010/11).

\*\* Future Workstyles (property) savings may be across capital and/or revenue budgets.

Services have re-prioritised existing staffing and resources to ensure effective support for the delivery and implementation of these projects. The projects also include other 'invest-to-save' resources and costs where these are essential to lever in the substantial value for money gains.

### Phase 3 VFM Programme

Phase 3 will be a new programme of efficiency activity designed to challenge all service areas to be as 'lean' and efficient as possible in terms of overhead costs including: management, admin and business support, energy costs, systems and processes, and controls on expenditure. Phase 3 will also aim for increased responsiveness by looking at the ways that customers access services and developing both quicker and more cost-effective access routes. The programme will include workstreams that will:



1. challenge operational decision-making structures and management hierarchies to ensure they are consistently lean, efficient and reflect the Government's drive to reduce bureaucracy and increase transparency;
2. ensure back office services, and admin and business support activities are consistently undertaken by the right people in the best place across the organisation, making full use of available technology, pooling and/or centralisation to be as cost-effective and responsive as possible;
3. develop the 'Systems Thinking' approach to remove non-value added activities (from a customer perspective) and remove constraints from our processes and procedures to promote innovation and improvement;
4. ensure other business support costs and overheads are at a minimum including administrative support, business travel costs, energy costs, etc. with a view to both saving money and reducing carbon footprint through appropriate invest-to-save initiatives;
5. identify and take advantage of collaboration opportunities with other partners and agencies within the region to reduce costs wherever this makes good business sense and aligns with organisational priorities;
6. continue to develop our customer access strategy to ensure we are responsive and people can access our services through the most cost-effective 'channels'.

The Phase 3 programme aims to achieve financial gains of £5 million, excluding Collaboration Opportunities and Customer Access where potential savings opportunities are still being developed. The projected financial gains for VFM Phase 3 projects are as follows:

<b>VFM Phase 3 Project</b>	<b>Full Year Saving</b>
	<b>£m</b>
Systems Thinking (related efficiencies)	0.500
Leaner Management	2.500
Admin & Business Support	1.250
Consolidated Spend	0.250
Carbon Reduction	0.500
Collaboration Opportunities	*
Customer Access	*
<b>Total VFM Phase 3</b>	<b>5.000</b>

\*Savings opportunities will be identified during 2011/12

The lead-in times to deliver efficiency gains from the phase 3 programme will vary according to complexity, further detailed business analysis, and the outcome of any consultation processes. This means that savings may not be achievable in full in 2011/12 and for this reason funding of up to £2.375 million has been drawn down from reserves to manage the risk of part-year savings.

The potential impact of management savings from the Leaner Management project will be closely monitored. The impact of reduced management capacity in any service is dependent on a range of factors including current capacity and management layers, spans of control, management burdens (i.e. balance of direct (service) versus indirect (management) activity) and current vacancies, etc. Organisational design principles will be used to cross-check the impact of reduced management capacity and every effort will be made to minimise the impact on front line services by reducing the management burden on services as well as reducing the impact of sickness absence.

Similarly, the potential impact of proposed changes to Admin & Business Support on front line services will be carefully considered. Every effort will also be made to minimise current agency admin costs and reduce sickness absence cover to reduce the potential impact on staff. Options for improving the efficiency of administrative processes will also be explored including for example:

- Exploring more effective use (by all staff) of available technologies and administrative tools (e.g. electronic scheduling) to reduce administrative burden;
- Alongside the Workstyles VFM Project, reviewing current ways of working and HR Policies to reduce non-productive time including: video conferencing, operation of supervision or appraisal, increased laptop or notebook usage versus traditional workstations, etc;
- Exploring possibilities for sharing or pooling admin or business support functions across the organisation;
- Centralising admin or business support activities within central Resource Units where this offers efficiency opportunities.

As set out in the main body of the report, the success of VFM 2 projects to date has stemmed from effective project management and one-off resourcing. Significant investment will therefore be required to support all ongoing VFM projects and one-off resources will be provided over 2 years to provide effective project management and ensure VFM gains can be achieved.

Similarly, an earmarked reserve is also proposed to ensure that major changes to Customer Access and Accommodation can be delivered to support improved services and further efficiency savings.

These one-off investments are separate from any potential 'invest-to-save' opportunities identified as the projects progress. Invest-to-save opportunities are considered on the basis of submitted business cases which must demonstrate sustainable service and financial benefits with an appropriate payback period for the initial investment.

## Equality Impact Assessment Corporate Budget Overview

Different Groups to be included in Screening	Is there a possible impact on a group/groups	Describe Potential Impact	Action/s (including details of a full EIA to be completed if required/relevant)
Age	Yes	<p>Due to the ending of government funding a number of services from within the Children and Young People's Trust will be transferring responsibility directly to schools.</p> <p>Some teams that support vulnerable young people are being reorganised e.g. Connexions and Educational Welfare and there may be a cumulative impact of this. However, Surestart children's centres and youth services have been protected from any budget reductions.</p>	The Youth Review will inform the re-commissioning of youth services to ensure that any remaining areas of concern are addressed. Any potential impact on specific equality strands will be monitored and addressed.
Disability	Yes	The shift to personalised care should have a positive effect on the control that people have over their lives. There may be short term issues associated with the changes required to our care services.	The Personalisation Programme was Equality Impact assessed in 2010 and will be reviewed in 2011. Full EIAs in service areas will be carried out where required.
Ethnicity	Yes	Plans to restructure the Ethnic Minority Achievement Service have been reviewed and this service will now continue funded by	

Different Groups to be included in Screening	Is there a possible impact on a group/groups	Describe Potential Impact	Action/s (including details of a full EIA to be completed if required/relevant)
		<p>dedicated Schools Grant.</p> <p>Due to loss of funding for the Healthy Schools Team there is an identified impact of the reduction in support for schools to develop equalities and anti-bullying practice which may well affect black and minority ethnic children. The responsibility will sit with schools but there is concern that there will not be a co-ordinated approach and a variance in ability of the schools to address these issues effectively.</p>	Mechanisms are in place for schools to share best practice and the council will maintain a monitoring role.
Gender	<b>Potential</b>	See below re Community Safety – women are more likely to be victims of domestic and sexual violence and female headed, single parent households are over-represented in the Family Intervention and Think Family projects. Note these schemes are funded.	See below
Transgender	<b>Yes</b>	The reduction in support for schools to develop equalities and anti-bullying practice could affect young LGBT people, those with LGBT parents as well as those with minority religions/beliefs. The responsibility will sit with schools but there is concern that there will not be a co-ordinated approach and a variance in ability of the schools to address these issues effectively.	Mechanisms are in place for schools to share best practice and the council will maintain a monitoring role. The Stonewall Education Equality Index will provide a framework for monitoring LGB equality.
Religion or Belief			
Sexual Orientation			

Different Groups to be included in Screening	Is there a possible impact on a group/groups	Describe Potential Impact	Action/s (including details of a full EIA to be completed if required/relevant)
Other Group (please complete with appropriate social inclusion key groups) i.e. Homeless People, Unemployed People, Lone Parents etc	<b>Potential</b>	The funding for this area remains complex because of the partnership arrangements. The reorganisation of the Partnership Community Safety team will potentially have an impact on all groups including those at a high risk of offending. The team play a key role in service provision to vulnerable and disadvantaged people and engaging with communities of interest to ensure access to these services.	Additional corporate funding has been identified to replace a range of lost grants. If further changes are required further EIAs will be carried.

## APPENDIX 13

### EXTRACT FROM THE DRAFT MINUTES OF OVERVIEW & SCRUTINY COMMISSION 2.00PM 1 FEBRUARY 2011

**Present:** Councillors Mitchell (Chairman); Pidgeon (Deputy Chairman), Cobb, Elgood, Kennedy, Morgan, Peltzer Dunn, Wakefield-Jarrett and Janio

#### **PART ONE**

##### **60 SCRUTINY OF BUDGET PROPOSALS**

60.1 The Director of Finance introduced the report which had previously been presented to 14 December OSC, prior to the Local Government Finance Settlement announcement. A budget gap of approximately £30million was now identified and work is in hand to address this.

60.2 The 17 February 2011 Cabinet report is being prepared and it is recognised that the timing would affect the scope for scrutiny of the proposals. Feedback from Members on this report would be welcomed.

60.3 Budget setting was particularly complex this year and arrangements for certain specific grants were still awaited. Some would be rolled into the general formula grant, or moved to the dedicated schools grant, while others would remain separate funding streams or be discontinued. Budget-setting was anticipated to be less complex for 2012/13 and 2013/14

60.4 Asked about decisions on the Council's reserves, the Director outlined the principles concerning the use of reserves. For example reserves could not be used as a 'one-off' measure without clear plans for future savings. The Council had a responsibility to meet legal requirements and to set a balanced budget. The table report paragraph 3.14 showed the reserves that were completely unallocated and the detailed position would be set out line by line in the final proposals.

60.5 Members expressed considerable disappointment that the Cabinet Member for Finance was not present to answer questions, in particular about the use of reserves (report paragraph 3.17); also that this report gave little opportunity for meaningful scrutiny.

60.6. Other local authorities had produced their budget books. Notwithstanding late information on grant funding streams, it was preferable for Members to work together as far as possible and delaying scrutiny was not helpful.

60.7 The meeting noted that, for the first time, more satisfactory budget scrutiny had been possible of the current year's budget proposals. The settlement for 2010/2011 had been known earlier and more details were present to scrutiny in December 2009. The timescales for 2011/12 budget were tighter.

60.8. It was agreed to reconvene OSC at a suitable time.

60.9 Answering a question on the extent of budget changes that could be made following the local election, the Director said that with the exception of Council Tax, changes could be made by the appropriate decision-making body. A new Cabinet would be able to make changes

within the Council's Budget and Policy Framework. More significant changes could be made with the approval of full council.

60.10 The Director of Finance answered questions on the flexibilities and legal requirements concerning the use of Council reserves, giving examples of the approach to decision-making within different scenarios.

60.11 Asked if the high-level screening of Equalities impacts (EIAs) of the proposals could be provided, including cross-cutting impacts of reductions in different service areas, the Director told that meeting that clarification of the process and summary information was planned to be published alongside the budget report.

60.12 Members asked questions about individual specific grants such as the aids support grant and short breaks for children with disabilities.

60.13 Chris Todd, Community and Voluntary Sector Forum co-optee welcomed the commitment to sharing the EIAs. However equalities implications needed thorough consideration. Those that were available were of little help in guiding decision-making he said. In the case of personalisation, the EIA did not consider the impact on individual service users, but rather on the Council's budget.

60.14 As regards front-loading of the budget reductions to 2011/2012, the Director of Finance replied that a more even spread over the 4-year period of the Comprehensive Spending Review had been expected. The Local Government Association had made representations about the challenge to local authorities in implementing the changes within the timescale. Nationally the overall reductions amounted to approximately 25% in all departments, with the exception of Health and Department for International Development.

60.15 Councillor Warren Morgan, Chairman of ECSOSC referred to the draft minutes at Appendix C and pointed out the concern at the low level of scrutiny that was possible on this year's proposals, expressed by the Committee (minute 37.7). The £2.27 million Environment savings required was not an up-to-date figure.

60.16 ECSOSC was concerned that there should not be a reduction in the number of parking enforcement officers and had asked for more information on the funding of council-owned car parks. Car Club parking bay charges had been discussed in the context of increasing the take-up of sustainable transport. ECSOSC had asked that Car Clubs be added to the work plan.

60.17 The Commissioner Community Safety had outlined the savings in this report and the prioritisation of early intervention however there were unanswered questions on the further savings that would be needed.

60.18 Councillor Tony Janio Deputy Chair ECSOSC had congratulated officers in identifying savings thus far and giving reassurances as far as possible about the protection of frontline services. He told OSC that as a substitute member on budget CYPOSC he had called for an officer report on closer working with the third sector on services for children and young people.

60.19 Councillor Amy Kennedy, Chair of CTEOSC said the main budget impacts within the remit of the Committee appeared at this stage to relate only to Renaissance funding which had been prepared for, and supported employment. The Committee had asked for more detail of



the future of supported employment services used by some 200 people, and the best use of the Castleham building, which was owned by the Council.

60.20 Chris Todd referred to Appendix F and said that CVSF was pleased to be co-opted to the Committee for discussions on the budget as it gave the Council an opportunity to hear from key stakeholders about some potential impacts of budget reductions. He said it would be helpful to know the scale of the impact of the additional savings which will be required and asked to what extent these were already known.

60.21 He stressed the importance of avoiding cuts to preventive services which would be a false economy in the longer term; and looked forward to closer working on decision-making, stating that discussions with CVSF had become 'quieter' around budget-setting time, when they should be getting 'louder.' Co-production should be right at the heart of the process, he said.

60.22 Contractual roll-overs carried significant risks in the view of CVSF, putting re-commissioning or de-commissioning in a difficult position later on.

60.23 CVSF welcomed avoiding cuts to the voluntary sector. Contracting to the voluntary sector produced opportunities not always immediately apparent such as achieving better value for money by drawing in additional funding and contracts from various trusts and other bodies. These would otherwise would be lost to the City.

60.24 Chris Todd commented that it would be helpful to receive an update on the Prevention and Wellbeing Strategy referred to at ASCHOSC (appendix B minute 47.20).

60.25 The Director of Finance replied to queries on the proportion of savings proposed in the areas of Equalities and Communities which appeared to be relatively high compared with Human Resources (Appendix F 3a Environment and Community Safety.)

60.26 Equalities and Communities had been reliant on short-term grant funding, assuming £450,000 of which was being lost. The proposals showed £250,000 being replaced from core funding which would represent a net gain in resources from the Council's budget (though not total resources) for Equalities and Communities.

60.27 Savings being generated under proposals for Human Resources took into account the prudential borrowing arrangements for implementing the new HR and Payroll system.

60.28 Clarification on issues raised about investment in car parks would be circulated to Members.

60.29 The Head of Scrutiny clarified that the CVSF report, Appendix F, was published here for the first time.

**60.30 RESOLVED:** That the Commission

(i) Notes the draft minutes from the Overview and Scrutiny Committee Meetings and agrees to send these to Cabinet

(ii) Notes the CVSF response and agrees to forward it to Cabinet

(iii) Agrees on specific issues it wishes to raise with Cabinet based on O&S Committee minutes and the CVSF response, as minuted above.

(iv) Instructs officers to review the budget setting process for 2012/2013 with a view to improving the scrutiny process.



**APPENDIX 13a**

**EXTRACT FROM DRAFT MINUTES OF ADULT SOCIAL CARE & HOUSING OVERVIEW & SCRUTINY COMMITTEE 6 JANUARY 2011**

**Present:** Councillors Meadows (Chairman); Wrighton (Deputy Chairman), Allen, Davey, Janio, Older, Barnett and A Norman

**Also Present:** Councillor K Norman

**Co-opted Members:** Steve Lawless, LINK

**PART ONE**

**47. SCRUTINY OF BUDGET STRATEGIES**

**Housing Revenue Account**

- 47.1 Nick Hibberd, Head of Service, Housing & Social Inclusion , presented the Housing Revenue Account (HRA) element of the Budget Strategy papers and responded to councillors' questions.

Mr Hibberd explained that the council was still waiting for the final confirmation of the HRA subsidy determination from central Government. The budget strategy being discussed today reflected the current housing subsidy system; a new system of self-financing was due to come into force from April 2012 which would mean that the council could keep all of its housing revenue.

The service was planning to make savings by reducing management unit costs. Investment proposals are focused upon the Turning the Tide initiative, and maximising revenue resources in order to invest in decent homes, renewable energy and house building.

- 47.2 In response to a query about the £130,000 employee pension savings in the Property and Investment section on page 33 of the report, Mr Hibberd said that this was a saving in the pension liability cost estimation made at the time of the TUPE transfer of staff to Mears. He confirmed that all of the staff had been transferred on full Local Government pension arrangements.
- 47.3 In response to a question about the current situation with the Local Delivery Vehicle (LDV), Mr Hibberd confirmed that Cabinet had approved a report in November 2010 giving officers permission to work with the LDV to seek funding, and this was proceeding. In addition, officers were continuing discussions with the CLG regarding consent..
- 47.4 Members asked why the leaseholder charges mentioned on page 32 appeared to be £100,000 higher than the actual charges.

Mr Hibberd clarified the strategy include an estimated reduction in the income budget for leaseholder service charges, due to the budget being set a greater level than the actual charges

- 47.5 Members asked for more information about the Turning the Tide initiatives, which was a programme to improve the lives of residents in the city to tackle issues such as unemployment and anti-social behaviour.

Mr Hibberd said that the pilot interventions had been successful and were due to be introduced on a citywide basis where appropriate. There had been some local initiatives including Rate Your Estate.

- 47.6 In response to a query about possible impacts on frontline staff due to any budget reduction, Mr Hibberd said that he was not anticipating any significant impact on staff. In future, the service may work with staff to try and deliver services in a different way, but it would not significantly affect the numbers of staff.

On page 44 of the report, there was more information about the staffing implications of the Customer Access Review. The review was intended to streamline customer access arrangements to housing management services, co-locating some back office functions and reducing Housing Officer time spent on administration. Mr Hibberd explained that the review work was due to be completed in October 2011, at which point there would be more concrete information about staffing proposals.

- 47.7 Members asked whether it was possible to borrow now against the potentially increased 2012-13 Housing Revenue Account money, in light of the proposals in the Localism Bill to allow authorities to keep all of their housing revenue. Mr Hibberd said that as the Localism Bill was not statute yet, it would not be possible to do this.

- 47.8 Members asked whether any planning and budgeting had been made for the impact of cold weather and contingency plans.

Mr Hibberd said that the budgets had seasonal profiles to reflect trends in service demand. This was particularly important for Repairs, who always had a spike in demand in winter months. Housing Management had business continuity plans, which had worked well to date, particularly in the recent snow spells. Extra grit bins had been installed in larger estates as well as the gritting service provided by the highways service.

#### **Housing Strategy Budget**

- 47.9 Martin Reid, Head of Housing Strategy and Development, and Narinder Sundar, Commissioning Manager, Supporting People presented the Housing Strategy element of the Budget Strategy papers and responded to councillors' questions.

Key elements to the budget strategy included renegotiating provider contracts for temporary accommodation, and joint commissioning of some supported housing. Housing Strategy did provide some hostel accommodation but was much more often a commissioner of services.

- 47.10 Members asked for clarification of the homelessness grant amount referred to on page 24 of the report. Mr Reid said that the council had retained the same level of homelessness grant as last year with indications that this may rise in the future.
- 47.11 Members said that they were concerned that the drive to re-commission and streamline services referred to on page 23 would have a negative impact on smaller third sector providers.

Mr Reid said that this should not be the case; it was important to retain a mixed economy of providers for the Supporting People programme. It was necessary to look at the economies of scale and also to help support small providers.

Ms Sundar said that they were very keen to protect small specialist providers; it was important to provide a range of services for all client groups. They had been working with their Supporting People providers throughout 2010, reviewing their processes through a number of mechanisms including stakeholder groups. The new Supporting People strategy would be in place from April 2011.

- 47.12 Members raised queries about potential work duplication with the forthcoming Health White Paper, in which local areas would be given resources to improve housing and improve poor health.

Mr Reid assured the committee that Housing Strategy would work with colleagues in Adult Social Care and in Health in order to avoid duplication and coordinate the best use of money. However it should be noted that the Supporting People programme was a specialist one with a focus on housing and homelessness in vulnerable people.

#### **Adult Social Care budget scrutiny**

- 47.13 Councillor Ken Norman, Cabinet Member for Adult Social Care, and Karin Divall, Assistant Director, Adult Social Care, presented the Adult Social Care element of the Budget Strategy papers and responded to members' questions.

There had been increased pressures due to demographic growth and increased expectations of customers. Key strands to the budget strategy included the further roll out of personalisation, Value for Money initiatives and workforce efficiencies.

- 47.14 Members commented that that ringfencing around Learning Disabilities funding was disappearing; would services be affected?

Ms Divall confirmed that it was the intention that efficiencies would be made in Learning Disabilities through integration of the service within Adult Social Care and with personalisation. Efficiencies would be made around reablement, the use of technology etc. There were no plans to reduce services or funding.

- 47.15 Members asked whether it was the case that everybody would be moved onto Personal Budgets or whether there was any scope for discretion. How were savings being made through personalisation?

Councillor Norman assured the committee that personal budgets were available for those who wanted them but that people would never be forced into using them, as not everybody would want to use them. It had been shown from experience that people using personal budgets were able to get lower prices for services than the local authority so savings were being made.

- 47.16 Members asked about the implications of some grants ending. Ms Divall said that some of the grants had been scheduled to end and provision had been made in those cases. In particular, in the case of the dementia grant, this had been used to run a time-limited project for carers from the BME community. The PCT had now committed to finding the funding for the project so the work would be sustained.

- 47.17 Members commented that personalisation seemed like a very positive story, with benefits for the customer, for the provider and for the local authority, leading to genuine choice for users. Councillor Norman said that it was about rearranging services in a more proportionate manner. The savings made by doing so would eliminate the need for cuts.

- 47.18 Members asked whether Councillor Norman thought that Intelligent Commissioning would help to make significant future savings; Councillor Norman said that he was unable to say at this stage what the outcome would be but he hoped that this would be the case. It might be better to direct this question toward the Director of Finance.

- 47.19 Members asked for more information about the Section 75 reviews.

Jane Simmons, Head of Commissioning and Partnerships, explained that there were three Section 75s in place in Brighton and Hove concerning joint working with a variety of health partners. The arrangements were working very well, but there had been some lack of clarification around contract requirements, roles and responsibilities and it was an opportune time to review and clarify working arrangements for everyone.

- 47.20 Members said that they welcomed the intention to continue building social capital as this had huge benefits for the city. However long-term gain was only possible with short term investment now; was this being planned?

Ms Simmons said that the council needed to complete a 'Prevention and Wellbeing' strategy which would show how the council could provide universal services. There was thinking around introducing community hubs to deliver some services. The Supporting People team also had some resources to help support social capital. The challenge was to bring the funding streams together in a coherent and meaningful way. Nevertheless it was recognised that developing social capital was a major challenge.

- 47.21 Members asked about the impact on the workforce with the planned rearrangement of services.

Ms Divall explained that it was about changing the way in which people worked. She gave the example of Access Point, which provided a proportionate and timely response to their callers and had dealt with the backlog of clients waiting for Occupational Therapy assessments. It was able to deal with 90% of cases at the point of contact, freeing up social workers to carry out the more involved and complex work. There was a similar situation in the case of reablement, where some concentrated work with the client at the outset freed up social worker time later on to focus on more demanding cases.

- 47.22 Some members queried how it was the case that there could be no additional service pressures with the removal of some significant grant funding. Councillor Norman assured them that this was the case and that personalisation and new ways of working such as Access Point had freed up considerable resources for other areas. He said that he believed that the service could continue to be provided within budget.

- 47.23 The committee thanked all of the officers for their work and thanked Councillor Norman for attending the scrutiny committee. Councillor Norman expressed his thanks for the officers' work too.

- 47.24 RESOLVED** – That the Committee have noted and commented on the proposed budget strategies and that the minutes are sent to the Overview and Scrutiny Commission for their information.





**APPENDIX 13b**

**EXTRACT FROM THE DRAFT MINUTES OF ENVIRONMENT & COMMUNITY SAFETY  
OVERVIEW & SCRUTINY COMMITTEE 25 JANUARY 2011**

**Present:** Councillors Morgan (Chairman); Janio (Deputy Chairman), Davis, A Norman, West and Older

**PART ONE**

**37. SCRUTINY OF BUDGET PROPOSALS**

- 37.1 The Head of Planning and Public Protection introduced the report on Budget Proposals for the Environment Directorate.
- 37.2 The Strategic Director Place and Strategic Director Communities were present with other senior officers to discuss their areas of work and reply to Members' questions. The officers included Lead Commissioner City Regulation and Infrastructure, the Commissioner Community Safety; Head of Environmental Health and Licensing; Head of City Infrastructure and the Head of Financial Services, Environment.
- 37.3 The Strategic Director Place told the meeting that during the year there had already been preparations for a fall in income across the Council. There had been loss of grant or reduced income in Community Safety, Parking Services and Development Planning. There was still uncertainty around Local Authorities' grant settlements.
- 37.4 The Head of Planning and Public Protection said the some of the changes made in last year's budget needed time to establish. Therefore for 2011/2012 only limited savings in CityClean waste collection service and little change to parking charges were being proposed.
- 37.5 These proposals were based on work done earlier in the financial year and further work was needed. The report showed around £2.27 million savings were needed to be found, which would be a challenge for Environment.
- 37.6 The overall aim for Environment was to achieve saving of 7% in each of the service areas. This broadly would be achieved under these proposals, including for example renegotiating parking enforcement contracts, reducing the use of consultants and making better use of car parks.
- 37.7 Members asked for a clearer description of the table of budget proposals summary at the end of Appendix 2 and questioned whether there was enough up to date information in the report to enable meaningful scrutiny of the proposals.

- 37.8 The meeting heard that the Heads of Service had outlined their budget savings, based on the report that was considered by 9 December Cabinet. More savings and increased income were being sought; officers could highlight directions of travel.
- 37.9 The Head of City Infrastructure told the meeting that relatively small savings this year by CityClean would be achieved by vacancy management, the benefit of newly introduced equipment in street sweeping, changes to the 'In Bloom' competition arrangements and consistency in funding of hanging baskets. There were no significant changes planned for the waste or recycling collection services; recycling was constrained at present by the materials that the materials recycling facility can receive; costs of diesel had risen and there were changes to where 'red' diesel can be used.
- 37.10 Replying to questions the Lead Commissioner City Regulation and Infrastructure told the meeting that the Council was working with the Car Club owners on charging for parking bays and expanding into other areas of the City.
- 37.11 There was new government guidance on concessionary bus fares and this area now formed part of the corporate critical budget. Officers were working with corporate finance and the bus operators, he said.
- 37.12 The Strategic Director Communities said there was considerable uncertainty about the overall level of Community Safety funding for the City. This presented significant challenges especially as the Community Safety services are delivered in partnership with other organisations whose budgets are not synchronised with the Council's budget timetable. However the close working relations in the Community Safety Partnership was an advantage.
- 37.13 A key budget management principle was to minimise the impact of changes on the community and voluntary sector. At this time when all the Council's work is being reviewed, ways were being considered to link up Community and Equality areas of work.
- 37.14 The Commissioner for Community Safety explained that the £347,000 savings identified thus far would result from changing working arrangements without impacting on service delivery. It was proposed to look at four teams and to re-prioritise work in the Drug and Alcohol Action Team. It was planned to merge the Environment Improvement Team with the Communities Against Drugs Team and to combine the Hate Crime and Anti-Social Behaviour Teams. One or possibly two vacant posts may be held but there would be no reduction in frontline services including casework services to communities.
- 37.15 Criteria had been agreed in partnership and early intervention would be prioritised. Some savings had been jointly agreed, with the police and probation service taking into their mainstream budgets up to 12 posts previously funded from pooled budgets.
- 37.16 Restructuring and better focussing on priorities would result in better outcomes; for instance in more support for Local Action Teams and for minority groups. Benefits would also accrue from co-location of services.
- 37.17 The Strategic Director Communities emphasised that parts of the Government settlement were particularly complex and that following the relevant budget lines was a

challenge. For example former Home Office community safety grants would now transfer to Children and Young Peoples' Trusts.

- 37.18 Removal of ring-fencing from Government grants meant more flexibility and also more complexity. Next year's budget proposals would be based on the new Council structure.
- 37.19 The Head of Planning and Public Protection outlined the measures to help offset the significant loss of the Planning Delivery Grant.
- 37.20 He reassured Members that all the proposed savings in each area were based on the principle of avoiding impacting on frontline services, customers and stakeholders. Asked about the report's references to reductions in staff, he stated that every effort was being made to avoid redundancies. However some aspects of the reduction in grant funding still needed to be resolved.
- 37.21 The Committee heard answers to further questions on investment in car parks, parking tariffs for penalty charge notices (PCNs) and the number of parking enforcement officers. The £230,000 'Director' budget line in the adjusted Base Budget 2010/2011 would not appear under the new council structure. The impact of inflation would be absorbed during the year and at this stage, was not expected to be high.
- 37.22 Councillor Tony Janio, Deputy Chairman thanked the officers for identifying the savings in this report. Members expressed support for the maintenance of car park equipment in-house.
- 37.23 Councillor Warren Morgan the Committee Chairman felt it would be helpful to include a report on measures to encourage the use of car club vehicles, on the scrutiny work programme for next year.
- 37.24 He thanked the officers for providing information to the Committee.
- 37.25 **RESOLVED:** That the comments from this committee be forwarded to the 1 February Overview and Scrutiny Commission meeting to be incorporated into a single scrutiny response to the budget.



## **APPENDIX 13c**

### **EXTRACT FROM THE DRAFT MINUTES OF CULTURE, TOURISM & ENTERPRISE OVERVIEW & SCRUTINY COMMITTEE 26 JANUARY 2011**

**Present:** Councillors Kennedy (Chair); Davis, Harmer-Strange, Allen and Randall

**Also Present:** Councillors Smith and Fallon-Khan

#### **PART ONE**

#### **48. SCRUTINY OF BUDGET PROPOSALS**

- 48.1 The Cabinet Member for Culture, Recreation and Tourism, Councillor Smith introduced the report, noting that Brighton & Hove had once been a seaside resort, then became a City and is now a world-class City for Culture and Tourism. Despite the current economic position the City is still faring well. The report sets out a strategy to deal with current service pressures and would be revisited as more information was available.
- 48.2 Councillor Smith was pleased at the good relationship between Cabinet and Scrutiny. This was a testimony to Members and officers working well in co-operation. This close working with officers was key to getting the best outcomes possible for residents of the city and people who work and study here.
- 48.3 The Cabinet Member for Enterprise, Employment and Major Projects, Councillor Fallon-Khan said he was focussing on boosting the City's economy and attracting inward investment. He referred in particular to the development of New England House, to closer working with the Universities for example, who were changing courses to better support new businesses and retain the finest students, and working to help smaller businesses find office accommodation. As part of the Business Retention and Inward Investment work, they were approaching those who had unused land in the city to explore its use through improved flexibility around planning.
- 48.4 There were relatively high levels of inward investment and the City was 'punching above its weight.' He was working to accelerate a number of major projects and the officers were to be congratulated for bringing together Amex with the Community Stadium.
- 48.5 Councillor Fallon-Khan said he was looking at creative ways to bring in from outside the council, more investment into local organisations. Social enterprises were welcome and businesses needing help were encouraged to write to him.
- 48.6 The Strategic Director Communities outlined the three key principles underlying the budget proposals: protecting frontline services as far as possible; looking how to trim budgets and make efficiencies across the Council without affecting services; and creating the new Delivery Unit – how to deliver services such as library services in different ways.

- 48.7 The proposals contained no changes in the Library pfi, other than to maximise its value, and no library closures. This was probably unique for any Local Authority under the present conditions, he said.
- 48.8 The Chair was pleased that many of the service areas did not appear to be facing significant cuts but asked for more information on the proposed changes to the Renaissance programme and Supported Employment.
- 48.9 Janita Bagshawe, Head of Royal Pavilion & Museums explained that nationally there had been a 15.04% cut for 2011/12 compared with the previous year. However the dismantling of the central team of the SouthEast region Renaissance Strategic Group, hosted by Hampshire had in fact led to a minor increase in the budget for Brighton & Hove compared with last year. But this was a transition year and there would be competitive rounds in future, leading to fewer museums in receipt of this funding. Officers were considering how to deliver good practice on a core budget and draw in further funding.
- 48.10 Asked about boosting visitor donations to museums, Ms Bagshawe explained that a recent scheme to encourage visitors to donate more had met its income target, albeit a fairly modest one. The charitable arm of the Royal Pavilion had now moved from the status of Friend to Foundation and membership had risen from 1,000 to 1,400. Membership target for 2011 was 2000 rising in future years to 6,000 which would provide a sounder infrastructure for further fundraising.
- 48.11 Regarding the use of Renaissance funding for 'additional's Ms Bagshawe referred to examples such as website development, digitisation of collections to meet museum accreditation standards which could not be done on core capacity of staff; bringing in external staff and expertise on archaeology and natural history; micro-museums in libraries, and work in Children's Centres. She highlighted the fact that programmes starting out as 'additional's could quickly develop into 'core' provision. This can be challenging in terms of staffing levels.
- 48.12 If the challenge of tackling staff roles, responsibilities and work emphasis would allow it, Ms Bagshawe said she would like to do more educational work.
- 48.13 With reference to the Booth Museum and Preston Manor, Ms Bagshawe told Members that the original focus of the Renaissance funding was on Brighton Museum and Arts Facility. In recent years smaller museums were being included. Preston Manor now had more interpretation and sound, and they were working with Sussex Museums who had formerly decanted natural history collections to Brighton and Hove. There had been cataloguing and a thorough review of the social and scholarly value of the Booth Museum collection. Special evening events there had also been successful.
- 48.14 The Libraries and Museum service had good relations with the universities. Cataloguing and other projects by students and other working as volunteers supervised by expert curatorial staff were of mutual value. This area was worth developing further.
- 48.15 The Museums Service does loan both abroad and in the UK. It also borrows temporary exhibitions from elsewhere but transport and specialist staff are costly. Costs are paid by the host organisation.

- 48.16 Replying to a question on potential staff reductions the Strategic Director David Murray pointed out that in shaping the Delivery Unit structure Adam Bates , Head of Tourism and Leisure was now setting out roles and responsibilities, looking at spans of control, numbers of staff reporting to one manager, and dealing with seasonal work. Mr Bates was combining the different ways of working to build on positive experiences such as the customer approach, and to tackle other areas to be identified for improvement.
- 48.17 It would take time to meet the challenge of setting a structure that would be fit for purpose not only for 2011/2012 but also for several years hence. There had been early conversations with the Unions but it was early stages as yet and there were no firm proposals. Draft structure charts would be drawn up in around a month. The Chairman asked for further information for the Committee in 31 March 2011 on DLU staffing structure and arrangements
- 48.18 The Committee asked about supported employment and Castleham Industries. Councillor Fallon-Khan (Cabinet Member for Enterprise, Employment and Major Projects) stated that the Council's main consideration was the 22 vulnerable employees and a number of options were being considered. The Strategic Director said an action plan would be produced by the end of the financial year.
- 48.19 Paula Murray, Commissioner for Culture, explained that the Work Step funding had ended and the Government had brought in Workchoice funding which was contracted nationally to Working Links and subcontracted to Scope. At a local level, Castleham had become a subcontractor to Scope and 22 Castleham employees had transferred onto the new funding scheme. She clarified that the additional 180 people using the supported employment scheme outside of Castleham had also been offered the option to transfer to the new funding scheme.
- 48.20 Discussions with the Third Sector were in hand. Options concerning the building were being considered as part of the Property Strategy undertaken by the Strategic Director of People, and the Strategic Director of Resources. An answer about ownership of the Castleham building and assets would be provided to the Committee.
- 48.21 .Responding to other questions, the Strategic Director was comfortable with the Council's partnerships, especially within the Community Safety partnership and in other areas such as with the Dome and Festival. The Library pfi had the advantage that the Council could spend more on stock at a time when other local authorities were cutting their book funds.
- 48.22 The Strategic Director updated the Committee on the Freedom sports contract. The new contract with Freedom produced big potential savings and was one reason that savings did not have to be made in other areas. Detailed legal advice was being sought on continuity of service for transferred staff and they were close to completion with the unions. Officers would be meeting with Freedom and closely monitoring delivery of the contract.
- 48.23 The Cabinet Member Councillor Smith answered a query about Whitehawk FC. He said this club, the second largest football club after Albion in the City, was in pre-planning

development regarding the ground in East Brighton and were likely to play two seasons at the Withdean Stadium.

- 48.24 Ian Shurrock, Commissioner for Sport & Leisure, said ongoing talks with Whitehawk FC were positive, as well as with Brighton & Hove Albion. There was a good dialogue on the use of seating and some buildings at Withdean Stadium. The hospitality suite was not to be retained at Withdean.
- 48.25 The Head of Finance, Anne Silley, stated that the inflation element of the budget proposals was low, assumed to be around 1% which is in line with general inflation and reflects current rates around staff costs and supplies and services.
- 48.26 The Committee especially congratulated the officers on work on the budget so far, though in the knowledge that further challenges were still to be met. Members thanked the officers for giving their information.
- 48.27 The Chairman welcomed the fact that frontline services including in Libraries, appeared to have been protected and without loss of staff. Councillor Kennedy asked for regular updates on Renaissance funding, and an update on the Library PFI to the next meeting.
- 48.28 **RESOLVED:**
- (1) That the minutes of the meeting be referred to the 1 February Overview and Scrutiny Commission and;
  - (2) That the committee receive updates on staffing and structure changes and on Renaissance funding and the library PFI at the next meeting.



**APPENDIX 13d**

**DRAFT EXTRACT FROM CHILDREN & YOUNG PEOPLE'S OVERVIEW & SCRUTINY COMMITTEE 26 JANUARY 2011**

**Present:** Councillors Older (Chairman); McCaffery (Deputy Chairman), Deane, Hyde, A Norman, Phillips and Janio

**Statutory Co-optees: with voting rights::**

**Non-Statutory Co-optees:** Carrie Britton (Children's Health) (Non-Voting Co-Optee), Joanna Martindale (Community Voluntary Sector Forum) (Non-Voting Co-Optee) and Rohan Lowe (Youth Council) (Non-Voting Co-Optee)

**Apologies:** Councillor Melanie Davis, Mike Wilson, David Sanders, Amanda Mortensen and Mark Price

**PART ONE**

**42. SCRUTINY OF DIRECTORATE OF BUDGET STRATEGIES**

- 42.1 Councillor Vanessa Brown, the Cabinet Member for Children & Young People, introduced the budget proposals for 2011/12. Councillor Brown reminded the committee that the budget papers placed before them had been produced in December 2010, but that work on the budget was an ongoing process. In addition, some Government grant allocations had still to be confirmed and that hopefully this could help offset the reduction in funding.
- 42.2 Cllr Brown then answered members' questions, with support from Terry Parkin, Strategic Director, People; Steve Barton, Lead Commissioner for Children, Youth & Families; Gill Sweetenham, Acting Lead Commissioner for Schools, Skills & Learning and Louise Hoten, Head of Business Engagement Children's Services & Environment Finance.
- 42.3 Responding to concerns about a 50% reduction in funding for the Education Welfare Service, Mr Parkin told members that there was an opportunity to progress service integration in the council's Delivery Unit including the role of Education Welfare Officers in relation to the mainstream children's social work teams. This would create efficiencies and savings, but more importantly would create a simpler and more coherent care pathway for children requiring support. This was an instance in which improving the service would also create savings. Mr Barton went on to summarise the Children's Services Value for Money Programme and gave specific examples of initiatives which have enabled the council to deliver services more efficiently.
- 42.4 In reply members expressed concern at the impact of any cuts to early intervention services; Mr Parkin told the committee that the council was acutely aware of the importance of early intervention. Indeed, this was a particular local priority given the high numbers of children in care in the city, and, subject to finalisation of the budget it was

anticipated that additional resources would be made available to support early intervention. The council was currently examining why the city figures for children in care were so high including the relationship, and assumptions about the links to local patterns of substance misuse. Particular attention is being given to the incidence of domestic violence and the numbers of children entering the care system. This work (and early interventions based on its findings) will be key to managing the number of children taken into care within the current threshold for intervention which has been carefully reviewed and validated.

Members requested further written details of the detailed plans to restructure children's care services when these became available.

- 42.5 In answer to a question about the quality and timeliness of social work assessments, as identified in the previous report to CYPOSC in relation to the Ofsted Inspection, Mr Parkin told members that the council continues to work closely with its partners about thresholds for referred to social work teams. Inappropriate referrals are an issue as they also require proper assessment and these impacts on available social work resources. By working with partners, the number of inappropriate referrals could be reduced and costs better managed.

Officers agreed to return to the committee at a later date with more details on this issue.

- 42.6 In answer to queries about savings identified in out of city SEN placements, Mr Sweetenham told members that effective early intervention work had reduced the need for specialist out of city placements for children with SEN. It was therefore possible to make savings in this budget area.
- 42.7 In response to questions about plans to reduce city Educational Psychologist (EP) capacity, Mr Sweetenham explained the background to the headline figures in the budget report. When the city had first developed an area team approach to children's services, educational psychologists had taken a lead role in developing services in each locality. As this work was now successfully established and with the improved understanding with partners and parents regarding Special Educational Needs Statements this should reduce the need for Educational Psychologist time.
- 42.8 Rohan Lowe, Youth Council Representative asked whether young people had been involved in the budget consultation, it was confirmed that although the focus groups used for the consultation were in the main adults that Young People were involved in consultation through the work of the Youth Participation Team and specific projects such as the Youth Services Review.
- 42.9 In response to a query as to how a reduction of £130K in youth services could be managed, Mr Barton told members that proposals were being developed through the Youth Service Review to make best use of resources, particularly in terms of efficient use of estates.
- 42.10 In response to questions about city music services, Councillor Vanessa Brown told members that it was an outstanding service, that the savings identified had been agreed by the Head of City music services and that if the grant was lower than expected it would be looked at again. Mr Parkin informed members that these services received

relatively generous direct government funding and it should be possible to reduce local subsidies without a negative impact. However, the council was committed to offering musical opportunities to all city children and would closely monitor the effect of the changes to ensure that they did not unduly impact upon particular communities.

- 42.11 In answer to whether the authority was responding to the SEN Green paper challenges, Members were told the authority works closely with the local Special schools and that it would consult fully with its partners over the planned changes.
- 42.12 In relation to the savings for the Ethnic Minority Achievement Services (EMAS) Members were informed that the service could be provided better and more economically by working directly with schools.
- 42.13 It was agreed to add “outcomes” to the “menu of service interventions options - Prevention activities”.
- 42.14 In answer to a question on when the Equalities Impact Assessments pertaining to these plans be published, members were told that these would be ready for the appropriate Cabinet meetings.
- 42.15 Further concern was expressed that there would be a need to consider the cumulative impact of savings on multiple service users. The Committee were told that this would be taken into account.
- 42.16 The Committee were informed that the minutes from CYPOSC would be forwarded onto the Overview & Scrutiny Commission.
- 42.17 **RESOLVED:** That additional information be supplied at a later date on:
- (1) The restructuring of the Education Welfare service;
  - (2) Partner performance regarding welfare assessment referrals;
  - (3) Staffing information of social worker assessment times;
  - (4) A report on how Children’s Services was engaging with the local 3<sup>rd</sup> sector
  - (5) “Outcomes” added to the “menu of service interventions options – Prevention activities”



## **CVSF Report to BHCC Overview and Scrutiny Commission** **January 2011**

### **1. Introduction and context**

The following report summarises the contribution of the Brighton and Hove Community and Voluntary Sector Forum (CVSF) to the Overview and Scrutiny Commission's review of the 2011/12 Brighton and Hove City Council (BHCC) budget.

CVSF welcomes:

- The support set out in the BHCC budget principles for protecting the contribution of the community and voluntary sector
- The opportunity for the sector to express its concerns and come together with senior-level decision-makers to share its feedback and influence the budget setting process
- The protection of key budgets which will help sustain important sector services and functions, eg the voluntary sector grants programme and the Discretionary Rate Relief.

CVSF has however significant concerns about emerging budget proposals and the process being followed to draw up the budget. Our summary recommendations are set out below, along with further information on our consultation processes and findings.

### **2. Questions for the Overview & Scrutiny Commission**

- 2.1 What are the service implications of budget proposals to find an additional £12-18 million savings, on top of those savings identified in the December proposals (based on the 5% and 10% scenario projections currently being developed across service areas)?
- 2.2 How do these additional savings affect the budget principles set out in December? Will these principles be retracted or amended?

### **3. CVSF headline recommendations on the budget proposals**

- 3.1 Cuts to preventative services would be a false economy and could cost far more in the long term and compromise the Council's ability to make future savings.
- 3.1 A long-term view in service planning should be maintained.

- 3.2 Co-design and co-production should be at the heart the process to find and make efficiency savings which must be supported by a proper and meaningful dialogue.
- 3.3 More cross-cutting work needs to be done for Equality Impact Assessments (EIAs) and information needs to be shared outside the Council.
- 3.4 Contractual rollovers carry **significant risks** and should be minimised as otherwise services could be hit even harder beyond the first quarter.
- 3.5 More services should be contracted out to the voluntary sector, as a means for achieving better value for money in service delivery.

#### **4. CVSF full recommendations on the budget proposals with additional background information**

- 4.1 Cuts to preventative services should be avoided. Maintaining spending on these services will ensure savings in the future by reducing dependency on expensive crisis services:
  - 4.1.1 There are obvious examples: a disabled child in local authority care costs up to 500K / year following family breakdown. Preventative services such as parent carer support and respite, cost a fraction of this amount.
  - 4.1.2 There is clear evidence which demonstrates the long term cost benefit of preventative services, eg in Supporting People.
  - 4.1.3 More intelligence is needed which helps commissioners understand the costs involved in preventative services (eg of supporting service users who are vulnerable) and measure the full value of services which have a social impact (eg measuring soft outcomes, such as improvements to people's lives, tends to be harder to evidence).
  - 4.1.4 The Intelligent Commissioning pilot projects recommendations emphasise that increased investment is needed in prevention and early intervention work.
  - 4.1.5 Preventative services help build social capital and strengthen communities in the longer-term, which is identified as a key principle in the budget setting process.
- 4.2A long-term view in service planning is needed, given further budget reductions must be found in 2012/13 and beyond.
- 4.3 Dialogue needs to be instigated as soon as possible to ensure that commissioners, providers and ideally users work through the remaining

budget issues together, as this is the best way in which efficiencies and savings can be found.

- 4.3.1 Preparing budget proposals is of course a challenging exercise and difficulties have been exacerbated by the un ring-fencing of grants. Increased flexibility however allows for more choice about where and how much to spend. Co-design and co-production should have been at the heart the process to find and make efficiency savings. It is unfortunate that even the most basic of dialogue has been lacking, as this means significant opportunities have been missed to find innovative practices which might have resulted in better value for money.
- 4.3.2 The overview and scrutiny process should be adjusted in future to allow enough time for full engagement in decision-making processes.
- 4.3.3 Dialogue with council officers needs to continue in spite of some council officers' own jobs potentially being affected by cuts. Protective behaviour must be minimised.
- 4.4 More cross-cutting work should be done to understand the implications of reducing multiple services and / or increasing service charges / fees, to fully explore how these changes might disproportionately affect vulnerable people and allow for future long-term service delivery planning.
  - 4.4.1 For people who require the highest amount of services the impact of cuts across the board will be felt most keenly. The implications of this are likely to be increased crises where intervention is at its most costly. This is especially true of mental service users, carers, disabled people and children. Mapping 'service users' journeys' would help see the cumulative effect of someone who receives a number of services.
  - 4.4.2 Budget screening EIAs have been requested from Lead Commissioners and Heads of Delivery Units. Only three have been supplied to date from the Lead Commissioner for Adult Social Care. It is unclear what, if any, process there has been for involving residents and community and voluntary organisations in undertaking EIAs, to ensure that their voice is being heard and they are engaged in investment priority setting.
- 4.5 There needs to be more and clearer communication from BHCC around how ongoing uncertainties and delays in decision-making are being handled. The lack of information or updates on contractual arrangements is being interpreted by the sector that contracts will roll over and funding be extended into quarter one of 2011/12. In some cases this is now being communicated by senior officers.
  - 4.5.1 Delayed decision-making jeopardises the sector's ability to properly plan for and implement processes for resource reduction, eg groups risk being unable to properly carry out their statutory responsibilities when making

staff redundant and it is impossible for meaningful exit strategies to be developed.

4.5.2 With contractual uncertainty and in many cases redundancy processes underway, (vulnerable) service users risk being affected by services being interrupted or diminished, in advance of any conclusive decisions being taken around cuts.

4.6 Contractual rollovers carry **significant risks** and must be minimised. Delaying cuts only means that budgets will be even further stretched and cuts will fall harder later in the year.

4.6.1 A practical illustration of this relates to Youth Services: the budget was in December identified as being reduced from £2m to £1m. If £500K is spent in April- June of 2011/12, then half of the 2011/12 anticipated budget (of £1mn) will be spent in just one quarter of the year. This will present significant challenge to commissioners / decision-makers and providers when the services are eventually de/recommissioned.

4.7 More services should be contracted out to the voluntary sector, as a means for achieving better value for money in service delivery. This principle should be embedded in intelligent commissioning frameworks and a community & voluntary sector strategy for the city.

4.7.1 Voluntary sector service provision ensures that services in the city are diverse, innovative and more focused on the whole person. Any cuts to the sector risks losing key provider organisations from the mix and diversity / choice of services.

4.7.2 Contracts/grants which groups receive from BHCC help groups lever in contracts/grants from other sources. A loss of BHCC funding could therefore result in a greater loss of funding for key service areas in the city.

## **5. Summary of services areas identified by CVSF as high risk**

CVSF members have identified the following services as being most at risk of being affected by proposed cuts, in addition to principles which need to be embedded in the budget proposals. For more detail on issues raised by the sector see section 4, pages 6-10.

5.1 **Youth services:** the proposed £1mn budget cut is unacceptable and the delayed recommissioning process highly problematic.

5.2 **Children and Young People disability services:** the recommissioning process and budget must be confirmed ASAP.

5.3 **The new Child Poverty Strategy:** should make clear recommendations for which services should be invested in and which should be cut.



- 5.4 **Advice services:** national benefits changes will significantly impact Brighton and Hove. Advice services must be protected in order to prevent increase demand on high-end, expensive services. For example, a reduction in services, which help increase access to benefits or provide support networks, risks increasing the isolation of those already on the edge of service provision, i.e. those with poor mental health, parents of people with learning disabilities and those using services which they are not technically entitled etc.
- 5.5 **Supporting People contracts:** already demonstrate value for money and the impact of investment in preventative services. We under this budget has been ring-fenced and would support continued contracting to the voluntary sector.
- 5.6 **Personalisation savings:** evidence is needed to demonstrate how savings will be achieved through the personalisation of services, in addition to more planning and prevention for minimising any negative impact on users, providers and the market place (in relation to ongoing service choice and sustainability).
- 5.7 **Learning Disability:** the Learning Disability Development Fund has been unring-fenced. This fund has in the past funded a large number of interventions at a grassroots level for very vulnerable people and these projects should continue to be supported.
- 5.8 **Community engagement activities:** should be maintained at existing levels as a minimum, and increased in future years. This is required to ensure that BHCC can deliver on policy agendas such as the Localism Bill and Big Society and the statement in December's budget proposals "that building social capital will decrease demand on mainstream services."
- 5.9 **Community safety:** any budget proposals must take into account reduction in policing budgets and ensure that anti-social behaviour does not increase as a result of service cuts. The ending of a range of community safety grants also presents particular challenge for eg domestic violence services.
- 5.10 **Making savings and increasing fees:**  
Savings on back-office functions must be maximised, eg no savings have been put forward in HR which is inconsistent with other departments. Budget proposals which rely on increases in income generation / revenue at a time when most people will have less money to spend seem unrealistic and must be based on real projections rather than speculation.

## 6. Background on CVSF's representation and consultation processes

- 6.1 In preparation for this submission and for representing the community and voluntary sector's views in the budget setting process, CVSF:
- Consulted its member organisations: 40 representatives from community groups and voluntary organisations came together on 11<sup>th</sup> January 2011 and discussed the budget, the process for developing the budget and key areas of concern
  - Convened meetings of representatives from CVSF and the Local Involvement Network (LINK – health and social care network) on BHCC overview and scrutiny committees. The group met 4 times to process information available on the budget, identify key concerns and prepare for representatives' contribution to meetings/written submissions. The group also engaged with the wider sector to seek its feedback and input on priority messages and issues
  - Co-opted and supported a temporary CVSF elected representative to participate in the Overview and Scrutiny Commission's meetings and discussions around the budget.
- 6.2 CVSF prepared a schedule of work to coincide with the key dates at which O&SC were due to meet and when it was anticipated information on the budget proposals would be available. Because the local government finance settlement was delayed and the preparations for finding savings split into two stages, CVSF's representation has been significantly impeded by a lack of information on the service reductions being proposed.
- We have thus far not been able to engage CVSF members in fully interrogating the budget proposals as we had hoped, given full details of how £30mn savings will be found are yet to emerge (we know only about £12mn to date). *"I feel none the wiser having come to this event"* (participant from 11 Jan 2011 consultation event on the draft BHCC budget)
  - Budget proposals have largely been drawn up behind closed doors so we have been unable to facilitate dialogue between the sectors in relation to identifying and preparing for savings. This is a missed opportunity. *"The silence is deafening"* (participant in 11 Jan 2011 consultation event on the draft BHCC budget)

## **7. Notes from CVSF consultation event on the BHCC budget**

7.1 The following notes summarise feedback from CVSF members gathered at our budget consultation event on 11<sup>th</sup> January 2011. More detail and explanation is available on request.

### **7.2 Housing**

#### **Headlines**

1. Preventative services: CVSF welcomes the protection to date for initiatives which “spend to save”. This principle needs to be extended
  - a. Supporting People (SP) have done a great job in measuring and the communication of cost-benefit
  - b. SP prevents ‘revolving doors’ and has increased the quality and through put of services
  - c. Services which are preventative, like SP and advice, might need to be rationed at a time where more people than ever need to access them.
2. ‘Advice Services Perfect Storm’: cuts to funding nationally and potentially locally, coupled with growing emerging need and a policy maelstrom to navigate, puts advice services at great risk in the city:
  - a. Different budget and policy agenda items are impacting upon Advice Services which are an important part of homelessness prevention: LSC cuts; local cuts; Housing Benefit cuts and redundancies; massive housing policy changes.
  - b. Housing benefit pressures: The voluntary sector has through its Housing Providers Network agreed a set of indicative impacts on the city in relation to the proposed changes. The city is disproportionately affected by these changes and it is of huge strategic concern. BHCC should publish a full impact assessment and predictive modelling of these impacts and work with partners to create mitigating action plans.
  - c. Pressures might unevenly impact on different equalities groups / will even more exclude vulnerable potential tenants from the housing markets.
3. The BHCC planning team and committee needs to better meet housing need, e.g. by embracing new flexibilities to change purposes of buildings (e.g. change of use from retail, office and current statutory sector owned offices and assets into housing)

### **7.3 Other comments made**

- The community and voluntary sector would like more information in relation to the changes in relation to Housing Revenue Account and impacts on the BHCC budget

- The Housing Team have done some great work in developing a Financial Inclusion Strategy for BHCC tenants – could this be rolled out to more landlords and tenures?
- The Planning Team and Committee should look to work more effectively with developers and the Universities to create more purpose build student accommodation to reduce pressure on properties suitable for families or sharing 'professionals' etc
- City landlords need to increase their role in building 'communities' and tenant voice
- Home owners might need support and advice about taking in lodgers to manage their cost of living

### 7.3 Children and Young People

#### Headlines

1. The city's youth services are some of the best in the country and have been widely recognised as being so. They are also an excellent example of investment in prevention, rather than crisis support. Why are these services seeing further reductions and how will community provision be developed whilst also reducing funds?
2. The effect of cuts in one service area will have an impact on other service areas, such as the example of cuts to community transport impacting on the services provided by the people who can no get to them; the services are interwoven. Will commissioners be looking at the 'whole web'? Are commissioners working together to see the full picture of cuts impact?
3. The process for decommissioning existing services and the commissioning of new services needs to be clear and transparent. Particularly problematic to contracted organisation is the lack of clarity around future joint funding, eg between BHCC and PCT

#### 7.4 Other comments made

- The only information CYP reps have about future commissioning is about an opening discussion on the 'youth offer', which includes looking at arts, libraries, colleges and paid for activities that are available across the city. Information which has been received is unclear.
- There will be other things the city loses as a result of cuts, as well as the cuts themselves. For example, Community Transport's funding enables low cost transport to be provided for groups who work with children and young people. If they can't afford to run the buses, this has a consequence for the groups which use their services. Another example, the cuts to the Connexions Service will impact on the children with disabilities who receive careers support – which they will no longer get.
- Loss of core skills training funding is a concern because groups need access and support to safeguarding information and skills, to comply with OFSTED and safeguarding children.
- Will the Child Poverty Strategy be used to inform how services are commissioned?
- Music Service: has a detailed analysis of who uses this service been undertaken? Are only the most vulnerable of individuals able to access these subsidies? In this time of austerity, could this money be spent on other services (eg generic youth services) to better ensure that need in the city is better met?
- Disability Service: how is this re-commissioning process taking place and are all contracts being re-commissioned?

## 7.5 Environment and Community Safety

### Headlines

1. Spending on prevention services must be prioritised in order to make savings in the long term. What is being done to ensure that front line service providers are being prioritised for funding over backroom services?
2. There is a lack of equality impact assessments and cost benefit analyses
3. Cuts to services around community engagement/user involvement could have far reaching impacts beyond the outcomes specified in existing service contracts
  - a. Why if the Human Resources budget is £4 million is this department of the Council not being asked to identify and make more efficiency savings? The Equalities and Communities team has a much smaller budget and yet are making double the amount of savings. Indeed this team's savings make up almost half of the entire directorate's savings and this is a team which provides much valued support to communities in the city.
  - b. How will the proposal to "Build on the social capital in the City to reduce demand on mainstream services" be achieved, particularly in a context of reduced funds? Building social capital, whilst it has long-term benefits, requires funding.
4. There needs to be creative and sophisticated use of new revenue streams to fund projects eg tourism

## 7.6 Other comments made

The sector has voiced a range of concerns in relation to the high level of savings affecting the environment and community safety budget and how much more can really be shaved off before services are affected:

- This is especially so with regard to communities and neighbourhoods funding, where there is a lack of impact assessment and where there is proven evidence that services are operating well and are effective
- The council's 'picture' of their proposals as set out in December 2010 doesn't really fit with the reality of what groups are hearing eg groups are having to make cuts of 20-30%, higher than those indicated in the budget proposals at that time
- If Community Safety budgets are cut then antisocial behaviour in neighbourhoods may increase. Tenant's Groups would be a good barometer for any impacts of cuts in this budget
- Policy developments around Big Society and the Localism Bill set out a clear future role for the sector and any cuts to eg community engagement/empowerment activities do not fit with these agendas
- Cuts being made within the council are not equitable to the cuts being made outside the council in terms of personnel
- The cost of ending services has not been considered
- The intelligent commissioning pilots are delayed and the processes have not adequately pooled resources to achieve fully joined up commissioning, eg domestic violence, where other budgets should be feeding into services in this area

- Services which rely on user involvement and community engagement are in tension with reduced funding, as reducing a little could have potentially much larger impact
- There are mixed messages about whether the three year and annual voluntary sector grants programmes are both protected

#### **Crime related comments:**

- Police budget savings will affect community safety so there is the threat of double whammy to services in this area – how is this being accounted for?
- Any planning around savings will be using scenarios of reduced crime (as this is what we have had in recent years) yet, crime is likely to increase in the coming years!
- Volunteering impacts upon community safety: if a service is being delivered by volunteers where is the accountability and can we ask volunteers to take on additional risk?

#### **Environmental related comments:**

- Why is 3.5 million being invested into car parks at a time of austerity?
- Why are parking tariffs not increasing, surely this would be one way to discourage private car use and increase revenue for the city? Charging for car club spaces also risks undermining efforts to increase sustainable transport, ie we should be encouraging more car clubs to open up in the city.

## **7.7 Adult Social Care**

### **Headlines**

1. Personalisation:
  - a. Where is the evidence of how personalisation is REALLY producing savings? Most people emerge with the same needs / service costs, rather than savings
  - b. Many people are not eligible for personalisation so we cannot expect savings here
  - c. Personalisation risks undermining the viability of particular services, ie if these services are no longer purchased on block then we risk de-stabilising the market
  - d. "Better commissioning of services from independent sector providers will drive out efficiencies of £1,016,000". How exactly will efficiencies in better commissioning be achieved / what plans are in place for this?
  - e. BHCC has not done enough to prepare externally for personalisation, especially around market development. East Sussex County Council could provide learning.
2. The Learning Disability (LD) Development Fund has been un ring-fenced and transferred into to the formula grant for 2011/12. This fund has in the past

supported a large number of interventions at a grassroots level for very vulnerable people. How will these projects continue to be supported by the council?

3. There are particular equality groups effected by service cuts in this area
  - a. LD advocacy service is reported as having a disproportionate spend but the reason for this needs to be better analysed/understood before decisions are made (ie the need is acute and the service intensive)
  - b. Loss of DWP grant for Castleham Supported Employment Service: what work is being undertaken to re-design and transform this service and will the community and voluntary sector be involved in this conversation? What will happen to any assets released as part of this loss, and will the potential for asset transfer to the community and voluntary sector be discussed with the sector?
  - c. Autism and Aspergers: there is little support and little information on service need.
4. There is lots of critical need in the city which often diverts resources away from services addressing the needs of those with mild or moderate conditions (eg in mental health services, where the Equality Commission has identified that mental health issues are the highest priority in B&H). The situation risks being intensified in the context of cuts, which might result in those with less severe needs becoming further away from services
  - a. eg a reduction in services to those at risk of isolation which help increase access to benefits or provide support networks will marginalise users further, eg people on the edge of services, those with poor mental health, parents of people with learning disabilities, those using services which they are not technically entitled to but need. This will have a knock on effect eg to GPs.
5. There is significant added value of voluntary sector provision in this service area eg money is very often brought into service areas by sector providers – trust/faith, lottery, empowerment. If sector services are cut then this additional income may no longer be levered in.

#### **7.8 Other comments made**

- There needs to be greater understanding of the impact on users. A good practice example was identified in learning disability services where an officer has scrutinised individual LD service users' packages of care and come up with £1,000s of savings. This good practice pilot needs replicating
- Three year contracts do not guarantee funding and should not be assumed to do so.



## Council

3 March 2011

## Agenda Item 76(b)

Brighton & Hove City Council

**Subject:** **Supplementary Financial Information for Budget Council**

**Date of Meeting:** **3 March 2011**

**Report of:** **Director of Finance**

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

E-mail: [Mark.Ireland@brighton-hove.gov.uk](mailto:Mark.Ireland@brighton-hove.gov.uk)

**Wards Affected:** All

### FOR GENERAL RELEASE

#### 1. SUMMARY AND POLICY CONTEXT:

- 1.1 To update Members with further budget information that has been received since the General Fund Revenue Budget & Council Tax 2011/12 report was written for Cabinet on the 17 February 2011.
- 1.2 The proposed reduction in the city council element of the council tax is 1%. Incorporating the Police and Fire elements of the council tax the overall decrease for most residents of Brighton & Hove will be 0.85%.

#### 2. RECOMMENDATIONS:

- 2.1 That Council use the statutory budget and the Council Tax Resolution set out in this report as the basis for moving amendments at the meeting.

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

##### ***2011/12 Budget***

- 3.1 The new and revised information in this report was set out in paragraph 4.5 of the 17 February 2011 Cabinet report and covers the following:-
  - Corrections and clarifications.
  - Minutes of the business ratepayers meeting held on 16 February 2011.
  - The Environment Agency levy figure agreed for 2011/12.
  - A gross general fund revenue expenditure budget for 2011/12 showing how it has changed since 2010/11.
  - The agreed council taxes set by the Police and Fire Authorities.
  - The statutory council tax calculations required under the 1992 Local Government Finance Act.
  - The full statutory budget and council tax resolution.

### ***Corrections and Clarifications***

- 3.2 A list of corrections and clarifications to the capital and revenue reports submitted to Cabinet on 17 February is attached at appendix 14. The reports printed for Budget Council have been amended accordingly.

### ***Business Ratepayers Meeting***

- 3.3 The minutes of the Business Ratepayers meeting held on 16 February 2011 are attached at appendix 15.

### ***Environment Agency Levy***

- 3.4 The Environment Agency levy has been set at £60,386 which is about £600 less than the amount provided for in the budget report to Cabinet on 17 February 2011. The difference has been transferred to contingency and therefore there is no impact on the net revenue budget or council tax. A revised appendix 1 has been attached to this report for completeness.

### ***Gross Revenue Budget***

- 3.5 The gross revenue budget of £765m for the current year has been adjusted for function and funding changes to enable a like-for-like comparison with next year. This has reduced the gross expenditure to just over £757m in 2010/11. The gross expenditure forecast for 2011/12 is just over £751m a reduction of about £6m or 0.8%.
- 3.6 The main reasons why the reduction in gross expenditure is £14m less than the £20m reduction in the general fund net expenditure can be summarised as follows:
- There is a £3.1m increase in spending on housing benefit & council tax benefit.
  - Gross spending in the Housing Revenue Account has increased by £2.6m for next year.
  - Gross spending on schools has also increased by approximately £1m for higher pupil numbers and the pupil premium less spending transferred to Falmer Academy.
  - There is £3.3m extra funding from the Health Service to maintain spending on social care.
  - The 2011/12 budget relies on £4m funding from reserves to cover the part year effect of the proposed savings package.

### ***Council Tax***

- 3.7 The following table shows the overall council tax proposed incorporating the amounts set by Sussex Police Authority and East Sussex Fire Authority.

<b>TABLE 7: Council Tax</b>			
	2011/12 Band D Council Tax	Change on 2010/11	Percentage change
Brighton & Hove City Council	£1,249.58	-£12.62	-1.0%
Sussex Police Authority	£138.42	-	0.0%
East Sussex fire Authority	£81.86	-	0.0%
Total for Brighton & Hove residents	£1,469.86	-£12.62	-0.85%

- 3.8 The Rottingdean Parish precept has remained at £27,000 for 2011/12. Residents of Rottingdean Parish will pay an additional council tax of £17.53 at Band D for Parish Council services.

### ***Budget and Council Tax Appendices***

- 3.9 Details of the additional council taxes paid by residents of Enclosure Committees for the maintenance of gardens in Hanover Crescent, Marine Square and Royal Crescent are given in appendix 19.
- 3.10 The following revised and new budget and council tax appendices are attached to this report:
- Appendix 14 corrections and clarifications.
  - Appendix 15 minutes of the Business Ratepayers meeting.
  - Appendix 16 gross expenditure.
  - Appendix 17 shows the council tax for each band and for households entitled to a single person discount.
  - Appendix 18 summarises the statutory calculations required under the 1992 Local Government Act.
  - Appendix 19 shows the Cabinet proposed full resolution for Budget Council.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

14. Corrections and clarifications.
15. Minutes of the Business Ratepayers meeting held on 16 February 2011.
16. Gross Expenditure
17. Council tax for each band for 2 or more adult households and households in receipt of 25% discount plus some council tax statistics.
18. Statutory calculations of the budget requirement and council tax required under the 1992 Local Government Act.
19. Proposed formal resolution of Budget Council on 3 March 2011.

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

1. No further documents.

### **Background Documents**

1. No further background documents.

**Corrections & Clarifications to 17<sup>th</sup> February Cabinet reports**

The following amendments have been made to the reports printed in the Budget Council papers.

**General Fund Revenue Budget & Council Tax 2011/12 report**

Page 90 – The report of the Chief Finance Officer

- Under paragraph 6.1 the last sentence has been deleted.

Page 101 - Appendix 4 Summary of Specific and Special Grant allocations

- The following grants have been added to the table and are both under review by the Government:
  - Health Authority – Milk for Under 5s
  - Teachers Training Agency – Golden Hello

Page 111 - Appendix 5 (a) Planned Use of Released Reserves

- Amended wording on “Full Year Effect of Savings Proposals” to say “Part Year effect of Savings Proposals”.

Page 121 - Appendix 6 Medium Term Financial Strategy 2011/12 to 2014/15

- The Fees & Charges paragraph has been replaced with the following wording “The fees and charges are assumed to increase by 2% over the forecast period 2012/13 to 2014/15 with the exception of parking income which is in total proposed to remain at the proposed 2011/12 levels, a 2% reduction in real terms each year.”

Page 138 - Appendix 10 Budget Savings Package: Commissioner – Schools, Skills & Learning

- In the text of the service change under the Advisory and Adult Learning £70k savings item the additional amount from the ABG savings has been amended from £374,000 to £394,000.

Page 141 – Appendix 10 Budget Savings Package: Delivery Unit – City Services

- Amended wording on service change under Life Events to say “Reduce expenditure through efficiency savings and lean systems review. Review working patterns by introducing a five day rota over seven days for all staff”.

Page 146 - Appendix 10 Budget Savings Package: Commissioner City Regulation & Infrastructure

- Amended wording on second bullet point on service change under Other Sustainable Transport to say “Deletion of a Transport Planning Admin post. Further reduction in the use of specialist consultants, and recharging of officer time to alternative sources of funding that are available for developing and delivering transport projects and development projects with planning permission”.

Page 148 - Appendix 10 Budget Savings Package: Delivery Unit – City Infrastructure

- Deleted the word “vacant” from service change under the City Clean and Parks £57k savings item.

Page 158 - Appendix 10 Budget Savings Package: Delivery Unit Corporate Budgets

- Amended the paragraph numbering within the service change description for Insurance to say “paragraph 3.68 and 3.69”.

Page 164 – Appendix 11 Value for Money Programme

- In the first paragraph under the table the funding figure has been amended to say “up to £2.375m”.

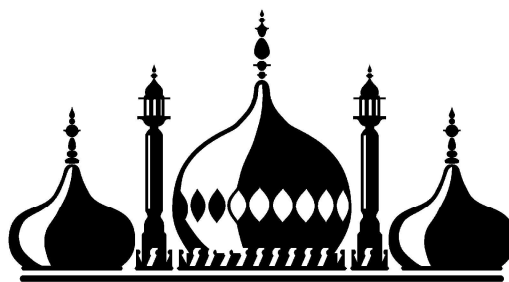
**Capital Resources and Capital Investment Programme 2011/12 report**

Page 207 – Report of

- This has been amended to say Director of Finance

Page 208 - Context

- Under the first bullet point of paragraph 3.3 the amount of £0.5m has been replaced with £0.2m.



# Brighton & Hove

## NON-DOMESTIC RATEPAYERS

### CONSULTATION MEETING

Wednesday 16<sup>th</sup> February 2011 at 5.00pm.

Room 126, King's House, Grand Avenue, Hove

#### **MINUTES**

1. **Welcome**

- 1.1 The Director of Finance, Ms Catherine Vaughan, welcomed attendees to the meeting and noted that this meeting was an annual statutory obligation that the Council had to fulfil to consult business rate payers on budget proposals. The meeting was formally minuted and comments made during the meeting would be recorded and passed on to all Councillors for consideration.

2. **Introductions**

- 2.1 Mr David Sewell, North Laine Traders Association, Ms Maddy Carr, Hove Town Centre Manager, Mr Andrew Nichols, Hove Business Association, Mr Mark Jones, Chairman of Brighton & Hove Hotels Association, Mr Martin Searle, Mr Trevor Freeman, Federation of Small Businesses, Mr Paul Ross-Dale, Brighton & Hove Council Tax and Business Rates, Ms Jane Clarke, Brighton & Hove Democratic Services, Councillor Jan Young, Cabinet Member for Finance and Ms Catherine Vaughan, Director of Finance attended the meeting.

3. **Revenue and Capital Budget 2011/12**

- 3.1 Ms Vaughan introduced the revenue and capital budget proposals and noted that planning for the 2011/2012 budget had formally begun by Cabinet in July 2010, with the expectation that significant savings would need to be made. The results of the Comprehensive Spending Review (CSR) were significantly worse than expected, especially over the short-term, as much of the savings the Council would need to make were front-loaded onto the first year. Whilst

all Councils across the country were facing a similar position it was nonetheless a very difficult challenge.

- 3.2 A set of proposals to deliver a balanced revenue budget had been put forward for this year, and it was noted that the capital grants available to the council were better than expected. Significant capital investment is therefore planned for schools, transport infrastructure and housing in particular.
- 3.3 Councillor Young stated that initial work on the Value for Money programme had begun three years ago, and she praised staff for embracing the principles of the programme so well. This had resulted in greater than expected savings, putting the Council in a better position to move forward with budget cuts for 2011/2012. The proposed 2011/2012 budget was balanced, and included a 1% Council Tax cut. But it was recognised that residents of the city were struggling during this financial downturn, and it was fair that the Council should do all it can to relieve financial pressure on residents during this time. She pointed out the proposed removal of the cycle lane on Grand Avenue and the Drive as part of a plan to improve the flow of traffic, particularly bearing in mind the links to Shoreham Harbour. It was noted that residents' car parking permits had increased year on year, and it was felt by the administration that this area could be looked at to provide better value for money. The availability of business permits available to small business owners in the city had been increased also.
- 3.4 Mr Nichols raised concerns about there only being one parking office, which did not open early enough for many contractors who needed permits in the early morning. Councillor Young recognised this and noted that it was proposed to web-enable many of the services provided by the parking office to overcome this problem. Mr Nichols felt this idea was excellent and would be more efficient and cost-effective than the current system.
- 3.5 Mr Jones felt that the availability of permits was an issue, and the increase was welcome. Councillor Young agreed and noted that parking across the city was a major concern for the administration and would be looked at more holistically in the following term should the administration be re-elected.
- 3.6 Questions were raised about progress in identifying park and ride sites. This was felt to be an important issue for businesses. There were also discussions about controlled parking zones and a request for further information about progress in developing the transport model which had been included in last year's budget package and how it would be used.
- 3.7 Mr Jones asked how much of the allocated £9.3 million transport capital budget would be used for essential works, and how much for improvement projects. Ms Vaughan replied that £4.5 million was allocated for car park upgrades, £1.1 million for cycle lanes, and 3.3 million for the local transport plan. Key work in the local transport plan would improvements to pavements, road repairs and lighting.
- 3.8 Ms Vaughan explained the purpose of the New Homes Bonus Grant and how the funding was planned to be allocated for the LOCOL Homes Venture Fund, helping the reduction in council tax and providing some replacement funding following the loss of LABGI.. Mr Freeman raised concern that LABGI funding



had not always filtered through to direct benefit for businesses in the city. This was discussed further and representatives felt the picture was mixed with some very good examples but that the Council should be clearer in the outcomes it expected to be delivered by the organisations receiving this funding. Concern was expressed about the low value of the Local Homes Venture Fund given the need for new homes in the city particularly family housing . There was a discussion about issues of family housing, student accommodation and the supply of hotel accommodation in the city.

- 3.9 Mr Jones noted the total number of new homes delivered as being low. Councillor Young felt that the developments at Shoreham Harbour would help with the housing shortage in the area. Mr Freeman asked if more council housing stock would be built and Ms Vaughan replied that it was only recently that Councils had been allowed to build more council housing, and £40 million of investment was being put into the housing budget. Councillor Young noted that self-build options were being investigated. Mr Freeman believed that the city could be much more densely populated and Ms Vaughan explained options were being looked at to improve the density of accommodation. The Local Homes Venture Fund had been allocated £200,000 of seed funding to look at different ways in which further housing could be provided across this city. It was a strategic investment and would help to fund major projects. The Council was looking at ways to combine funding and deliver housing in new and innovative ways.
- 3.10 Mr Freeman asked if major projects that had been approved were now coming to fruition. Councillor Young replied that the Falmer Stadium was nearing completion, the Brighton Station gateway project was progressing and the Historical Records Office had recently received planning permission. The Brighton Centre had received funding for some refurbishment and upgrades, but any further development depended on funding from Standard Life. Both the Open Market and Preston Barracks applications were at the planning applications stages.
- 3.11 Mr Freeman asked if the Council would consider signing up to a procurement accord that would ensure that as much procurement as possible was done within the local economy. Mr Searle added that this was a small business engagement accord and other Councils such as Eastbourne Borough Council were considering it. Councillor Young replied that initiatives were in place to encourage as much procurement was done in the local economy as practical. Ms Vaughan agreed to meet to discuss this accord further
- 3.12 Mr Jones noted the deletion of 250 posts and asked how many posts there were overall. Councillor Young described the position in respect of vacant posts and actions taken to limit the number of compulsory redundancies.
- 3.13 Mr Searle asked if there was an overall strategy for the city including for economic growth and Ms Vaughan replied that this was a consideration of several plans and strategies of the Council, the main one being the Sustainable Community Strategy signed off by the Local Strategic Partnership.

- 3.14 Mr Freeman raised the issue of funding for the Economic Partnership, which would be ceasing in September from SEEDA. Ms Vaughan replied that this was not funded currently by Brighton & Hove City Council and agreed to look into the position further. Mr Nichols agreed that this was a valuable forum that needed to be retained.
- 3.15 Mr Nichols highlighted that communication between businesses and with the Council was fundamental to ensuring a healthy and thriving economy and Councillor Young suggested further quarterly meetings to ensure that the Council was engaging with the business community. Mr Freeman noted that Brighton & Hove was already well developed in terms of community activity and engagement, but agreed that it was vital to growth and progress.
4. **Questions and Answers**
- 4.1 There being no further questions the meeting was closed at 6.30pm.

**APPENDIX 16****Gross Expenditure on Brighton & Hove City Council's services****Services Provided**

<b>Services</b>	<b>Original 2010/11 £m</b>	<b>Adjusted 2010/11 £m</b>	<b>Original 2011/12 £m</b>
Education	201.7	194.3	192.3
Adult Social Care	117.8	117.8	114.6
Children's Social Care	47.4	47.4	49.8
Refuse Collection & Disposal and Recycling	26.7	26.7	25.8
Highways & Traffic Management	33.7	33.7	32.3
Planning & Economic Development	12.5	12.5	11.8
Housing	71.4	71.4	71.7
Leisure, Parks and Open Spaces	13.5	13.5	13.2
Libraries, Museums & Tourism	24.3	24.3	24.3
Public Safety	8.9	8.9	8.8
Housing Benefit and Council Tax Benefit	156.6	156.6	159.7
Central Services	23.9	24.1	22.9
Costs of funding Capital Investment Programme	22.2	22.2	24.0
Contribution to reserves	4.3	4.1	0.0
<b>Gross expenditure</b>	<b>764.9</b>	<b>757.5</b>	<b>751.2</b>

**Where the money comes from**

<b>Funded by:</b>	<b>Original 2010/11 £m</b>	<b>Adjusted 2010/11 £m</b>	<b>Original 2011/12 £m</b>
Council Tax	119.3	119.3	118.6
Collection Fund Surplus	2.3	2.3	0.0
Council Tax Freeze Grant	-	-	3.0
Formula Grant from Government	109.2	130.5	112.4
Dedicated Schools Grant	134.0	153.4	154.0
Housing Benefit & Council Tax Benefit Grant	157.3	157.3	160.5
Specific Government Grants	84.7	42.8	39.8
Fees, charges and rents	114.8	108.4	112.9
Housing Rents	42.7	42.9	45.5
Investment Income	0.6	0.6	0.5
Use of Reserves	0.0	0.0	4.0
<b>Gross revenue</b>	<b>764.9</b>	<b>757.5</b>	<b>751.2</b>

Note: 2010/11 has been adjusted for changes in function and funding

Band		A entitled to disabled relief reduction	A	B	C	D	E	F	G	H
Ratio to Band D		0.5556	0.6667	0.7778	0.8889	1.0000	1.2222	1.4444	1.6667	2.0000

<b>Council Tax (including Police and Fire Precepts):</b>										
2011/12	816.59	979.90	1143.23	1306.54	1469.86	1796.49	2123.13	2449.76	2939.72	
2010/11	823.60	988.32	1,153.04	1,317.76	1,482.48	1,811.92	2,141.36	2,470.80	2,964.96	
<b>2 or more Adults household:</b>										
Decrease £	7.01	8.42	9.81	11.22	12.62	15.43	18.23	21.04	25.24	
Decrease %	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	
Decrease per week	£0.13	£0.16	£0.19	£0.22	£0.24	£0.30	£0.35	£0.40	£0.49	
Decrease per month	£0.58	£0.70	£0.82	£0.94	£1.05	£1.29	£1.52	£1.75	£2.10	
<b>Households in receipt of 25% discount:</b>										
Decrease £	5.26	6.32	7.36	8.41	9.47	11.57	13.67	15.78	18.93	
Decrease %	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	
Decrease per week	£0.10	£0.12	£0.14	£0.16	£0.18	£0.22	£0.26	£0.30	£0.36	
Decrease per month	£0.44	£0.53	£0.61	£0.70	£0.79	£0.96	£1.14	£1.32	£1.58	

<b>Other Council Tax Statistics:</b>											<b>Total</b>
Chargeable Dwellings - No.	8	24,698	26,803	30,894	18,116	10,549	4,296	2,522	130		118,016
- %	0%	21%	23%	26%	15%	9%	4%	2%	0%		
Discounts - 25% - No.	4	14,691	12,290	10,382	5,231	2,626	859	409	11		46,773
- %	50%	61%	46%	34%	29%	25%	20%	16%	8%		

<b>Council Tax Benefit:</b>											<b>Total</b>
No. of properties receiving < 100% benefit (at 04-01-11)		3,414	3,362	3,308	1,112	366	74	31	0		11,677
% of chargeable dwellings receiving < 100% benefit		13.8%	12.5%	10.7%	6.1%	3.5%	1.7%	1.2%	0.0%		9.9%
No. of properties receiving 100% benefit (at 04-01-11)		7,134	5,484	3,727	1,150	329	80	20	0		17,924
% of chargeable dwellings receiving 100% benefit		28.9%	20.5%	12.1%	6.3%	3.1%	1.9%	0.8%	0.0%		15.2%
Total % of chargeable dwellings receiving benefit		42.7%	33.0%	22.8%	12.5%	6.6%	3.6%	2.0%	0.0%		

**CALCULATION OF BRIGHTON AND HOVE'S BUDGET REQUIREMENT AND COUNCIL TAX****CALCULATIONS REQUIRED UNDER THE LOCAL GOVERNMENT FINANCE ACT 1992**

<b>S32</b>	<b><u>Expenditure</u></b>	£	£
	Gross Revenue expenditure on Brighton and Hove services	696,528,143	
	Contingency	3,676,000	
	Levies and "County-wide" services	139,377	
	Special levies	27,480	
	Parish precept	27,000	
			700,398,000
	<b><u>Income</u></b>		
	Fees, charges and specific Government Grants	465,364,000	
	Contribution from reserves	3,984,000	
			469,348,000
	<b>Net Budget Requirement (R)</b>		231,050,000

<b>S33</b>	R = Budget requirement		231,050,000
	P =		
	Revenue Support Grant	26,542,853	
	NNDR income	85,870,605	
	Previous year surplus/deficit	0	
	Total of P		112,413,458
	R - P (Total Council Tax required)		118,636,542
	T = Taxbase		94,897.89
	(R-P)/T =Basic Council Tax		1,250.15

<b>S34</b>	<b>(i) S34 (2)</b>		
	B = Section 33 Calculation		1,250.15
	A = Total of Special Items (as defined in S35)		54,480
	T = Taxbase		94,897.89
	B - (A / T) = Council Tax for areas with no special items		1,249.58
	<b>(ii) S34 (3)</b>		
	C = Section 34 (2) calculation		1,249.58
	S =		
	Rottingdean Parish special item		27,000
	Hanover Crescent Enclosure Committee special item		6,674
	Marine Square Enclosure Committee special item		15,251
	Royal Crescent Enclosure Committee special item		5,555
	TP =		
	Rottingdean Parish taxbase		1,540.33
	Hanover Crescent Enclosure Committee taxbase		39.59
	Marine Square Enclosure Committee taxbase		78.37
	Royal Crescent Enclosure Committee taxbase		30.40
	C + (S / TP) = Council Tax for areas with special items:-		
	Rottingdean Parish		1,267.11
	Hanover Crescent Enclosure Committee		1,418.16
	Marine Square Enclosure Committee		1,444.18
	Royal Crescent Enclosure Committee		1,432.31



**GENERAL FUND REVENUE BUDGET 2011/12****RESOLUTION OF BUDGET COUNCIL ON 3 MARCH 2011**

- 1 That it be noted that at its meeting on 20 January 2011 the Council calculated the following amounts for the year 2011/2012 in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under Section 33(5) of the Local Government Finance Act 1992.
  - a 94,897.89 being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as its council tax base for the year,
  - b Parts of the Council's Area
    - Rottingdean Parish – 1,540.33
    - Hanover Crescent Enclosure – 39.59
    - Marine Square Enclosure – 78.37
    - Royal Crescent Enclosure – 30.40
 being the amounts calculated by the Council, in accordance with regulation 6 of the Regulations, as the amounts of its council tax base for the year for dwellings in those parts of its area to which one or more special items relate.
- 2 That the following amounts be now calculated by the Council for the year 2011/2012 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992 ("the Act"):-
  - £696,528,143 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act net of contingency, levies and "County-wide" services and special items
  - Contingency – £3,676,000
  - Levies and "County-wide" services:-
    - £60,386 Environment Agency (Flood Defence)
    - £78,991 Sussex Inshore Fisheries & Conservation Authority
  - Special expenses:-
    - £27,000 Rottingdean Parish
    - £6,674 Hanover Crescent Enclosure Committee
    - £15,251 Marine Square Enclosure Committee
    - £5,555 Royal Crescent Enclosure Committee
    - £54,480 Total of special items
  - a £700,398,000 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2) (a) to (e) of the Act including contingency and special items.
  - b £465,364,000 Income from Fees, Charges and specific Government grants.
    - £3,984,000 Contribution from reserves
    - £469,348,000 being the aggregate of the amounts which the Council estimates for the

items set out in Section 32(3) (a) to (c) of the Act.

- c £231,050,000 being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council in accordance with Section 32(4) of the Act as its budget requirement for the year.
- d £112,413,458 being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates and revenue support grant and decreased by the amount of the sums which the Council estimates will be transferred in the year from its collection fund to its general fund in accordance with section 97(3) of the Local Government Finance Act 1988 (Council Tax surplus) and increased by the amount of any sum which the Council estimates will be transferred from its collection fund to its general fund pursuant to directions under section 98(4) of the Local Government Finance Act 1988 (Community Charge Surplus).
- e £1,250.15 being the amount at 2(c) above less the amount at 2(d) above, all divided by the amount at 1(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year
- f £54,480 being the aggregate amount of all special items referred to in Section 34(1) of the Act
- g £1,249.58 being the amount at 2(e) above less the result given by dividing the amount at 2(f) above by the amount at 1(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special items relates
- h Parts of the Council's area
- Rottingdean Parish - £1,267.11
- Hanover Crescent - £1,418.16
- Marine Square - £1,444.18
- Royal Crescent - £1,432.31

being the amounts given by adding to the amount at 2(g) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 1(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its council tax for the year for the dwellings in those parts of its area to which one or more special items relate

i

Valuation Band: Parts of the Council's are	A* £	A £	B £	C £	D £	E £	F £	G £	H £
Rottingdean Parish	703.95	844.74	985.53	1,126.32	1,267.11	1,548.69	1,830.27	2,111.85	2,534.22
Hanover Crescent	787.87	945.44	1,103.01	1,260.59	1,418.16	1,733.31	2,048.45	2,363.60	2,836.32
Marine Square	802.32	962.79	1,123.25	1,283.72	1,444.18	1,765.11	2,086.04	2,406.97	2,888.36
Royal Crescent	795.73	954.87	1,114.02	1,273.16	1,432.31	1,750.60	2,068.89	2,387.18	2,864.62
All other parts of the the councils area	694.21	833.05	971.90	1,110.74	1,249.58	1,527.26	1,804.95	2,082.63	2,499.16

\* Entitled to disabled relief



being the amounts given by multiplying the amounts at 2(g) and 2(h) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands

- 3 That it be noted that for the year 2011/2012 the Sussex Police Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

Valuation Band (£)								
A*	A	B	C	D	E	F	G	H
76.90	92.28	107.66	123.04	138.42	169.18	199.94	230.70	276.84

\* Entitled to disabled relief

- 4 That it be noted that for the year 2011/2012 the East Sussex Fire Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

Valuation Band (£)								
A*	A	B	C	D	E	F	G	H
45.48	54.57	63.67	72.76	81.86	100.05	118.24	136.43	163.72

\* Entitled to disabled relief

- 5 That having calculated the aggregate in each case of the amounts at 2(i), 3 and 4 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts of council tax for the year 2011/2012 for each of the categories of dwellings shown below:-

Valuation Band:	A*	A	B	C	D	E	F	G	H
Parts of the Council's are	£	£	£	£	£	£	£	£	£
Rottingdean Parish	826.33	991.59	1,156.86	1,322.12	1,487.39	1,817.92	2,148.45	2,478.98	2,974.78
Hanover Crescent	910.25	1,092.29	1,274.34	1,456.39	1,638.44	2,002.54	2,366.63	2,730.73	3,276.88
Marine Square	924.70	1,109.64	1,294.58	1,479.52	1,664.46	2,034.34	2,404.22	2,774.10	3,328.92
Royal Crescent	918.11	1,101.72	1,285.35	1,468.96	1,652.59	2,019.83	2,387.07	2,754.31	3,305.18
All other parts of the the councils area	816.59	979.90	1,143.23	1,306.54	1,469.86	1,796.49	2,123.13	2,449.76	2,939.72

\* Entitled to disabled relief



**BRIGHTON & HOVE CITY COUNCIL****CABINET****4.00PM 17 FEBRUARY 2011****COUNCIL CHAMBER, HOVE TOWN HALL****DRAFT MINUTES**

**Present:** Councillors Mears (Chairman), Brown, Caulfield, Fallon-Khan, K Norman, Simson, Smith, G Theobald and Young

**Also in attendance:** Councillors Mitchell (Opposition Spokesperson) and Randall (Opposition Spokesperson)

**Other Members present:** Councillors Hamilton, Hawkes, Kemble, Kitcat and A Norman

**PART ONE****166. CAPITAL RESOURCES & CAPITAL INVESTMENT PROGRAMME 2011/12**

166.1 The Cabinet considered a report of the Director of Finance concerning the council's 2011/12 Capital Resources and Capital Investment Programme proposals.

166.2 **RESOLVED** – That, having considered the information and the reasons set out in the report, the Cabinet accepted the following recommendations:

(1) That the following be recommended to Council:

- The Capital Investment Programme for 2011/12 and note the estimated resources in future years as detailed in appendix 1.
- To allocate £0.5m resources in 2011/12 for the Strategic Investment Fund for the purposes set out in paragraph 3.26.
- To allocate £0.5m for the ICT fund.
- To allocate £1.0m for the Asset Management Fund.
- The potential use of council borrowing as set out in table 5.



**Council****3 March 2011****Agenda Item 76(c)**

Brighton &amp; Hove City Council

<b>Subject:</b>	<b>Capital Resources and Capital Investment Programme 2011/12</b>		
<b>Date of Meeting:</b>	<b>3 March 2011</b> 17 February 2011 - Cabinet		
<b>Report of:</b>	<b>Director of Finance</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>
	<b>E-mail:</b>	<b>mark.ireland@brighton-hove.gov.uk</b>	
<b>Key Decision:</b>	<b>Yes</b>	<b>Forward Plan No. CAB16950</b>	
<b>Wards Affected:</b>	<b>All</b>		

For General Release

**1. SUMMARY AND POLICY CONTEXT**

- 1.1 The purpose of the report is to inform Cabinet of the level of available capital resources in 2011/12 to enable Cabinet to propose a Capital Investment Programme for 2011/12 to Budget Council. The capital programme is set in the context of the Medium Term Financial Strategy approved by this Cabinet. The proposed programme results in £104.7m investment in council services next year.
- 1.2 In December 2010, the Government announced the capital allocations within the Local Government Capital Finance Settlement for 2011/12 and some indicative allocations for the following three years to 2014/15. All future support from the Government now comes in the form of capital grants.
- 1.3 This report includes the use of revenue contributions and general reserves to support capital investment and should be read in conjunction with the General Fund Revenue Budget and Council Tax and the Housing Revenue Account Budget 2011/12 reports elsewhere on the agenda.

**2. RECOMMENDATIONS:**

- 2.1 To recommend to Council the following:-
  - The Capital Investment Programme for 2011/12 and note the estimated resources in future years as detailed in appendix 1.
  - To allocate £0.5m resources in 2011/12 for the Strategic Investment Fund for the purposes set out in paragraph 3.26.
  - To allocate £0.5m for the ICT fund.
  - To allocate £1.0m for the Asset Management Fund.
  - The potential use of council borrowing as set out in table 5.

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

#### **Context**

- 3.1 The capital programme has been split between the main funding blocks: education, social care, housing and transport. All other schemes have been grouped together as corporate schemes. This is because in general there are no specific funding allocations for any other service areas and so they need to be prioritised in the context of the council's overall available capital resources.
- 3.2 The capital programme is funded through a combination of Government grants, borrowing, capital receipts and reserves, external contributions and revenue contributions. The level of sales of council homes through 'right to buy' has been falling in recent years not helped recently by uncertainty in housing market and a reduction in the availability of mortgages. In 2010/11 the gross receipts are estimated to be £1.2m about the same as the previous year compared with levels of £5m to £9m between 2004/05 and 2007/08. Over the last 3 years the level of other capital receipts received by the council has fallen dramatically as a result of the economic downturn and a decline in the property market. Only a small recovery in capital receipts is expected in the medium term and this will present the council with new challenges to identify resources that are available for capital investment.
- 3.3 For this reason the General Fund Revenue Budget has some specific strategies to help deal with this in the medium term through two key sources:
  - setting aside £0.2m from the New Homes Bonus to help stimulate further investment and in particular deliver affordable housing. If successful this should reduce the call on the direct capital requirements from the Council helping to provide a sustainable capital investment programme for the future.
  - setting aside £1.5m from reserves to help fund a customer access and accommodation rationalisation strategy over the next two years. If successful this should enable further capital receipts to be realised from disposal of surplus assets.
- 3.4 In the short term the council has been successful in attracting new grants and working with partners to generate other resources to enable a programme of over £104.7m to be proposed.
- 3.5 The agreed policy of the council is to set a fully funded Capital Investment Programme for 2011/12 dependent upon the achievement of certain capital receipts. Forecast levels of capital receipts for the next few years are sufficient to cover proposed allocations in the capital strategy, however, receipts from sales such as Patcham Court Farm will need to be achieved. If allocations to education, social care, housing and corporate funds are protected then failure to deliver these sales will reduce the resources available for transport schemes.

## Capital Resources

- 3.6 A fully financed Capital Investment Programme is proposed for 2011/12 assuming that existing approved capital projects spend in-line with their budget and certain usable receipts of just under £2.2m in total are achieved next year. Table 1 below shows how the programme will be financed in 2011/12. The position for the years 2012/13 to 2014/15 is less clear until future Government allocations are confirmed, however, it is expected that capital grant funding will remain at similar levels to those announced in 2011/12. All Government support is now allocated through capital grants and all grants are unringfenced with the exception of Devolved Schools Capital Grant which must be allocated to schools and grants awarded for specific schemes such as Academy funding.

<b>TABLE 1: Capital Resources</b>	<b>2011/12 £ million</b>
Capital Grants:	
- Capital grant announcements in previous years and profiled for spend in 2011/12	19.3
- New capital grants	27.6
<b>Total Government Support</b>	<b>46.9</b>
Capital Receipts	2.2
Capital Receipts - Forecast initial tranches from the housing Local Delivery Vehicle (LDV)	8.1
Capital Reserves	5.5
External Contributions	1.2
Direct Revenue Funding – Major Repairs Allowance	7.6
Direct Revenue Funding – Housing Revenue Account	3.8
Direct Revenue Funding – Service Departments	1.5
Council Borrowing	27.9
<b>Total Capital Resources</b>	<b>104.7</b>

## Capital Grants

- 3.7 The Government distributes capital grants towards the financing of certain capital expenditure. In 2011/12, the council anticipates that it will receive new capital grants of £27.6m a summary of these grants is shown in the table 2 below, and £19.3m from grants already announced and the spending of these grants is now profiled in 2011/12.
- 3.8 It is possible that other capital grants may be received during the year and these will be reported through Targeted Budget Management (TBM) monitoring reports to Cabinet. Bids for housing grants for 2011/12 were submitted to the Department of Communities and Local Government and the Homes and Communities Agency in December 2010 and the outcomes of these bids are due to be announced shortly and reported to Cabinet in due course. Similarly announcements on Disabled

Facilities Grants not yet been made and the amounts shown in this report are assumed to be in line with previous years allocations.

### 3.9 The capital grants are in five main areas:

- Funding for the Portslade Community Academy where it is estimated that £12.8m will be drawn down during 2011/12.
- Basic Need Education funding of £3.1m is included for new pupil places.
- Education funding of £3.6m for investment in the maintenance of educational buildings and the Surestart children's centres in the city.
- Transport funding of £6.0m to include the transport related schemes and highways maintenance.
- Health capital grant funding of £0.6m to fund alternatives for residential care and extra care housing.

<b>TABLE 2: New Grants announced for 2011/12</b>	<b>£ million</b>
Portslade Community Academy	12.764
Basic Need Education	3.119
Education Capital Maintenance	3.575
Schools Devolved Capital	0.543
Transport and Maintenance (LTP)	5.953
Department of Health Grant	0.628
Disabled Facilities Grant *	0.600
Homes & Communities Agency redevelopment **	0.400
<b>Total</b>	<b>27.582</b>

Note: \* Estimate as announcement is still awaited

\*\* Awaiting announcement on outcome of bid

- 3.10 The grant funding is provided to the council as a "Single Capital Pot" and with the exception of Schools Devolved Capital can be reprioritised as the council sees fit. All capital grants will be allocated in full to the relevant service area with the exception of transport. In previous years the Local Transport Plan (LTP) has been funded through a mix of capital grant and approval to borrow. Because the council has been at the grant floor it has been unable to afford the financing costs associated with the full transport borrowing approvals and £3.48m was reallocated in 2010/11. This has resulted in a much lower LTP programme in recent years (£3.0m original budget in 2010/11 reduced further to £1.8m by the in-year grant reductions).
- 3.11 This year's transport funding is entirely from capital grant providing the council with real additional cash to spend on capital. A grant topslice of £1.503m is proposed in order to maintain corporate funds at planned levels. Without investment in these corporate funds there is a risk that the council will create additional revenue pressures, (for example through backlogs in maintenance programmes), or fail to deliver planned savings (for example through better use of technology to drive efficiency savings). In order to improve the visual impact and traffic flow along this important north – south corridor including access to the A27 / A23 from the A259 /



Shoreham Harbour it is proposed to remove the cycle lane along both sides of Grand Avenue and The Drive. An indicative cost of removing the lanes including changes to the signalling is £1.1m to be funded by a further topslice from LTP grant. Detailed costings have yet to be undertaken and any residual funds would be given back to the LTP. There is a low risk that up to £0.3m grant funding may need to be repaid.

- 3.12 The proposed new LTP programme for 2011/12 of £3.350m represents an increase of 86% over 2010/11 which will cover proposals coming forward from Brighton Station Gateway scheme. The programme will be prioritised to maintain roads, pavements and lighting alongside other sustainable transport initiatives.
- 3.13 Brighton Station Gateway was granted Project Status and approval to proceed by Cabinet in November 2010. The project aims to improve the layout, efficiency and appearance of the Station entrances and surrounding area to increase economic activity and further improve the experience of residents, businesses and visitors to the city. It is envisaged to fund design and implementation of a package of sequential Transport improvements utilising LTP funding from 2011/12 to 2014/15, initial consultation has commenced and feasibility design will begin in April 2011 alongside proposals for developing a wider package of infrastructure improvements with private sector partners for a match funding bid in July 2011.

### ***Capital Receipts***

- 3.14 The funding of the 2011/12 capital programme is dependent upon the achievement of £2.182m capital receipts during the year. Progress will be closely monitored throughout the year and reported through the regular TBM reports. Beyond 2011/12 the generation of certain large capital receipts generated from Patcham Court Farm, Charter Hotel, the old Sussex Ice Rink and Amex House are included in the forecasts. Failure to achieve some of these receipts will require the capital allocations for future years to be reviewed. The strategies set out in paragraph 3.3 are part of the planned response to this risk.
- 3.15 The net receipts from 'right to buy' sales are split between funding for corporate strategic projects delivering regeneration including affordable housing opportunities and investment directly in housing. The first £0.5m of this income is to be used to finance support for major regeneration and housing projects through the Strategic Investment Fund (SIF) with the remainder set aside for investment in housing.
- 3.16 The Council housing capital programme assumes £8.1m receipts from the initial tranches of leasing properties to the Local Delivery Vehicle, Brighton & Hove Seaside Community Homes Limited. This funding will be used for investment only in council owned houses within the Housing Revenue Account. It is the means by which the council is securing additional investment to bring council housing up to decent homes standard through leveraging in private finance. The exact profile of the receipt for the lease premium over the 3 year programme is still subject to negotiation with the LDV. Therefore the level of capital receipts will be monitored throughout the year and the level of capital expenditure adjusted through the regular TBM reports as necessary to reflect the resources actually available.

### ***Capital Reserves***

- 3.17 The council has not identified any additional capital reserves, the level of reserves relates purely to unspent resources carried forward from previous years and has already been earmarked for specific schemes. The council monitors these resources over a rolling period, by continually updating projections and comparing these against the level of commitments within the approved Capital Investment Programme.

### ***External Contributions***

- 3.18 The council will receive new external contributions totalling £1.2m in 2011/12. These relate to S.106 contributions for capital investment in parks and recreational area improvements and investment in education.

### ***Direct Revenue Funding***

- 3.19 Proposals in the budget reports elsewhere on the agenda show the council will finance capital expenditure in 2011/12 from the General Fund and Housing Revenue Account of £12.9m. A summary of the allocations by service is shown in the table below.

<b>TABLE 3: Direct Revenue Funding</b>	<b>£ million</b>
Resources – planned maintenance	0.500
Structural maintenance for schools	0.920
Hollingdean Depot	0.150
<b>Total General Fund Services</b>	<b>1.570</b>
Housing Revenue Account	3.778
Major Repairs Allowance	7.589
<b>Grand Total</b>	<b>12,937</b>

### ***Council Borrowing under the Prudential Code***

- 3.20 Council borrowing under the Prudential Code can be undertaken only when it can be demonstrated that it is affordable particularly where the investment leads to greater efficiency in future service provision and generates revenue savings or reductions in budgeted spend. Details of borrowing for 2011/12 are included in paragraphs 3.30 to 3.39.

### ***Capital Investment Programme***

- 3.21 A proposed Capital Investment Programme for 2011/12 together with the impact in future years, by project, is shown at appendix 1 to this report. The latest capital re-profiling arising from the 2010/11 capital programme is incorporated into the 2011/12 programme and will be finalised when the capital accounts are closed in May 2011. The re-profiling is funded from resources carried forward from earlier years.
- 3.22 The financial implications of individual projects are included in the detailed reports that are submitted by services for each project to allow the Executive to give their full consideration to the capital and revenue costs prior to their approval. Full

provision for the revenue implications arising from the proposed Capital Investment Programme has been made in the General Fund and Housing Revenue Account revenue budgets.

3.23 The 2011/12 capital programme includes additional investment in the following areas:-

- £36.2m will be spent on vital investment in schools including £13m on Portslade Community Academy.
- Nearly £37m in housing stock.
- £9.3m in transport related schemes.
- £7.9m to help deliver regeneration schemes including a £4m contribution towards a £19m new historical records centre (the Keep) in a joint scheme with East Sussex County Council and Sussex University.

3.24 The council has committed to achieve the Decent Homes Standard by the end of 2013. The large capital programme for new heating systems, rewiring, doors, kitchens, bathrooms and windows is designed to deliver 88% decency by the end of March 2012 and decency will largely have been achieved during 2013/14. Details of the investment beyond 2013/14 in items that are very important for residents' comfort and security are set out in the HRA capital programme report elsewhere on this agenda.

3.25 The council has also developed ways of providing major capital investment in the city by working in partnership with the private sector and public bodies (i.e. Lottery, Sports Council etc) whereby most of the capital investment is undertaken and accounted for by the private sector. A list of major projects is shown in appendix 2.

### **Corporate Funds**

3.26 Revised projections for future capital receipts should enable sufficient resources to cover allocations to corporate funds as detailed below.

<b>TABLE 4: Corporate Funds</b>	<b>2011/12 £ million</b>	<b>2012/13 £ million</b>	<b>2013/14 £ million</b>	<b>2014/15 £ million</b>
Strategic Investment Fund (SIF)	0.5	0.5	0.5	0.5
Asset Management Fund (AMF)	1.0	1.0	1.0	1.0
ICT Fund	0.5	0.5	0.5	0.5

### ***Strategic Investment Fund***

3.27 It is proposed to allocate £0.5m to the Strategic Investment Fund (SIF) in 2011/12. The council has ongoing commitments to major projects that require financial support to enable their progression. The financial support takes the form of legal fees and specialist advisors for finance, design, architectural, transport, engineering and other external specialists. It is proposed that £0.4m is allocated to support major projects for 2011/12 and £0.1m for refurbishment works at Portslade Town Hall. The detailed allocation of the SIF is being finalised and will be the subject of a further report to Cabinet.

### **ICT Fund**

- 3.28 It is proposed to allocate £0.5m resources to the Information and Communication Technology (ICT) Fund to finance the cost of improvements in ICT. The allocation of the ICT fund is currently being finalised and will be subject to a further report to Cabinet.

### **Asset Management Fund**

- 3.29 It is proposed to allocate £1.0m resources per annum to the Asset Management Fund (AMF). The AMF includes expenditure on a range of properties covering, fire safety, health & safety, DDA responsibilities and general improvements. Bids to the fund are currently being finalised and proposals for allocations of resources to schemes will be subject to a further report to Cabinet. The AMF will make a significant contribution towards the accommodation strategy for investment in Bartholomew House within 2011/12 which was detailed in a report to Cabinet on 9 December 2010.

### **Council Borrowing under the Prudential Code**

- 3.30 For 2011/12 it is proposed that the council will undertake borrowing to finance capital expenditure plans as detailed below.

<b>TABLE 5: Council Borrowing in 2011/12</b>	<b>£ million</b>
Housing Revenue Account - 10/11 reprofiled schemes	3.547
Housing Revenue Account	10.647
Replacement programme vehicles & plant	2.920
Social Care buildings	0.500
Historical Records Centre – The Keep	4.000
Spend to save schemes:	
Accommodation Strategy	1.430
Human Resources System	0.020
Ex leased car parks - improvements	4.000
Lanes car park - access	0.546
Volks Railway Shed	0.245
<b>Total for Capital Programme</b>	<b>27.855</b>

- 3.31 As part of the HRA business plan borrowing will be used to support the delivery of Decent Homes, the redevelopment of Ainsworth House and the purchase and installation of communal tv aerials. These will be incorporated through the HRA capital programme over the 3 years 2010-13. The financing costs will be met from the Major Repairs Allowance and the HRA capital financing revenue budget. Details are included within the HRA Capital Programme report considered at Housing Management Consultative Committee on the 24 January 2011 and elsewhere on the agenda of this meeting.

- 3.32 The provision of £2.92m is for replacement of vehicles during the year. This includes 7 replacement gritters and 7 replacement refuse collection vehicles for Cityclean, potential replacement of miscellaneous waste and parks vehicles during the year and parking equipment if this proves to be the most cost-effective way of procurement. These assets are currently provided through operational leases and paid for through the relevant service revenue budget.
- 3.33 As a result of condition surveys on Social Care operational buildings an annual programme of planned works has been incorporated into the capital programme to ensure the buildings meet current standards and are fit for purpose.
- 3.34 The new Historical Records Centre (the Keep) is being developed in partnership with East Sussex County Council and will house archival and historical public records. The city council contribution of £4m towards the development and construction costs is planned for 2011/12. The financing costs of borrowing have been included in the revenue budget.
- 3.35 The Accommodation Strategy will be funded as part of a 'spend to save' scheme through a combination of borrowing, corporate funds and revenue budgets. The financing costs will be met from savings generated from the operational costs of the vacated Priory House. This was detailed in a report to Cabinet on 14 January 2010.
- 3.36 The Human Resources System is financed from a combination of revenue budgets, corporate funds and borrowing. The financing costs for borrowing will be met from repayments from the revenue budget resulting from savings on the project. This was detailed in a report to Cabinet on 15 January 2009.
- 3.37 Borrowing was approved in a report to Policy and Resources on 29 November 2007 to support the management and improvements to car parks transferred to the council. Plans to invest additional resources of £2.6m will be subject to a report to Cabinet in the future. This brings the total investment planned for 2011/12 to £4.0m.
- 3.38 The Lanes car park will require funding to support the reconfiguration of the pedestrian access and lift renovation in order to create a safer environment and meet modern standards and the council's regulatory obligations and policy commitments. Financing costs are to be met from improved income streams at the car park. This was detailed in a report to Cabinet on 14 January 2010.
- 3.39 Investment in the Volks Railway shed will be subject to a report to Cabinet in the future.

#### **4. CONSULTATION**

- 4.1 The level of consultation undertaken on individual schemes will be reported to Members when the detailed report is submitted to the Executive for approval. The overall programme and appropriate levels of capital investment are subject to the same consultation processes as the revenue budget, which are described in the revenue budget report elsewhere on the agenda.

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

### ***Financial Implications:***

- 5.1 The financial implications are included within the body of the report.

*Finance Officer consulted: Rob Allen*

*Date 28 January 2011*

### ***Legal Implications:***

- 5.2 Under regulation 4(1)(b) of the Local Authorities (Functions and Responsibilities) (England) Regulations 2000, formulating a plan or strategy for the control of the Council's borrowing, investments or capital expenditure is the responsibility of the Cabinet. The adoption of the plan or strategy is the responsibility of Full Council.
- 5.3 With regard to borrowing, credit arrangements, capital receipts and investment, the Council must comply with Part 1, Chapter 1 of the Local Government Act 2003 and regulations made thereunder.

*Lawyer consulted: Oliver Dixon*

*Date: 3 February 2011*

### ***Equalities Implications:***

- 5.4 The equality implications of individual schemes included within the Capital Investment Programme are reported to Members when the detailed report is submitted to the Executive for final approval along with any appropriate Equality Impact assessments. The programme includes resources to finance adaptations to the homes of disabled people and capital projects that are designed to improve living conditions of all sections of the community, through direct investment by the council or through capital grants to the private sector. The Asset Management Fund will address access improvements to council services and buildings.

### ***Sustainability Implications:***

- 5.5 The environmental implications of individual schemes included within the Capital Investment Programme are separately reported to Members when the detailed report is submitted to the Executive for final approval. All projects are required to give due consideration to sustainability issues including energy conservation and the procurement of materials from managed and sustainable sources.

### ***Crime & Disorder Implications:***

- 5.6 The prevention of crime and disorder implications of individual schemes included within the Capital Investment Programme are reported separately to the Executive when the detailed report is submitted for approval.

### ***Risk & Opportunity Management Implications:***

- 5.7 The risk implications of individual schemes included within the Capital Investment Programme are reported to Members when the detailed report is submitted for approval. The Risk Matrix in appendix 7 of the Revenue Budget report elsewhere on the agenda highlights some of the general risks to the Capital Investment Programme.

***Corporate / Citywide Implications:***

- 5.8 The report is relevant to the whole City.

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

- 6.1 The budget process allows all parties to put forward viable alternative capital investment proposals to Budget Council on 3 March 2011. Budget Council has the opportunity to debate both the proposals put forward by Cabinet at the same time as any viable alternative proposals. All budget amendments must have been “signed off” by finance officers no later than 12.00 noon on 28 February.

**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. The recommendations to Budget Council contained within this report together with the recommendations in the revenue budget report, will enable the council to meet its statutory duty.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Capital Investment Programme 2011/12
2. Other capital investment

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

1. None.

### **Background Documents**

1. Notification from the Department for Education and Skills dated 13 December 2010.
2. Notification from the Department for Transport dated 13 December 2010.
3. Letter from the Department of Communities & Local Government relating to housing allocations dated 13 December 2010.
4. Letter from the Department of Health relating to the Local Authority Personal Social Services Capital Programme dated 13 December 2010.
5. Various files held within the Strategic Finance and Integrated Financial Management & Planning units. Budget and accounting files are held within Integrated Financial Management & Planning.



## Appendix 1

### Capital Investment Programme 2011/12 to 2014/15

Capital Scheme	Spend to Mar 2010 £000	Approved Payments 2010/11 £000	Profiled Payments 2011/12 £000	Profiled Payments 2012/13 £000	Profiled Payments 2013/14 £000	Profiled Payments 2014/15 £000
<b><u>SUMMARY</u></b>						
<b>Approved Schemes</b>						
Education	12,922	27,388	<b>13,010</b>	391		
Transport	7,118	6,014	<b>2,201</b>			
Housing	0	15,982	<b>8,940</b>			
Social Services	26	154	<b>233</b>			
Corporate & Other Items	5,636	9,851	<b>13,134</b>	500		
<b>New Schemes</b>						
Education			<b>23,170</b>	7,444	6,842	6,299
Transport			<b>7,089</b>	6,576	6,349	7,479
Housing			<b>31,297</b>	23,129	18,504	17,328
Social Services			<b>1,127</b>	1,136	1,100	1,100
Corporate & Other Items			<b>4,500</b>	3,500	3,500	3,500
<b>Total</b>	<b>25,702</b>	<b>59,389</b>	<b>104,701</b>	<b>42,676</b>	<b>36,295</b>	<b>35,706</b>
<b><u>Funded by:</u></b>						
Government Grants			<b>46,901</b>	14,752	13,496	14,058
Capital Receipts			<b>2,182</b>	2,000	2,000	2,000
Capital Receipts to support the LDV			<b>8,133</b>	4,517	4,722	3,328
Capital Reserves			<b>1,805</b>	84		
HRA Capital Reserves			<b>2,692</b>	2,782	3,271	3,400
Specific Reserves			<b>1,000</b>			
External Contributions			<b>1,196</b>			
Major Repairs Allowance			<b>7,589</b>	7,638	7,839	8,000
Direct Revenue Funding			<b>5,348</b>	3,487	3,467	3,420
Council Borrowing			<b>27,855</b>	7,416	1,500	1,500
<b>Total</b>			<b>104,701</b>	<b>42,676</b>	<b>36,295</b>	<b>35,706</b>

**Note - Only schemes that have an impact on the capital programme in 2011-12 and future years have been included within these tables**

Capital Scheme	Spend to Mar 2010 £000	Approved Payments 2010/11 £000	Profiled Payments 2011/12 £000	Profiled Payments 2012/13 £000	Profiled Payments 2013/14 £000	Profiled Payments 2014/15 £000
<b><u>EDUCATION</u></b>						
<b><u>Approved Schemes</u></b>						
Falmer Academy	5,381	17,559	5,445	391		
Primary Capital Programme	3,740	5,000	5,904			
Targeted Capital Fund	2,307	3,160	714			
NDS Modernisation 2010/11	1,296	55	104			
Schools Access Initiative 2010/11	198	0	247			
Devolved Formula Capital 2010/11		1,614	596			
<b><u>New Schemes</u></b>						
New Pupil Places			5,368	2,806	2,526	2,273
Capital Maintenance			3,575	3,218	2,896	2,606
Devolved Formula Capital			543	500	500	500
Structural Maintenance			920	920	920	920
Portslade Community Academy			12,764			
<b>Total for Service</b>	<b>12,922</b>	<b>27,388</b>	<b>36,180</b>	<b>7,835</b>	<b>6,842</b>	<b>6,299</b>

Capital Scheme	Spend to Mar 2010 £000	Approved Payments 2010/11 £000	Profiled Payments 2011/12 £000	Profiled Payments 2012/13 £000	Profiled Payments 2013/14 £000	Profiled Payments 2014/15 £000
<b><u>TRANSPORT</u></b>						
<b><u>Approved Schemes</u></b>						
Integrated Transport schemes 10/11		2,382	220			
Ex Leased Carparks	1,189	86	1,361			
Improvements to London Road & Lanes Carparks	2,693	42	546			
Falmer Infrastructure Works	3,236	3,500	58			
Cedar Gardens Roadworks		4	16			
<b><u>New Schemes</u></b>						
Local Transport Plan			3,350	6,576	6,349	7,479
Removal of cycle lanes in Grand Avenue and The Drive			1,100			
Ex Leased Carparks			2,639			
<b>Total for Service</b>	<b>7,118</b>	<b>6,014</b>	<b>9,290</b>	<b>6,576</b>	<b>6,349</b>	<b>7,479</b>

Capital Scheme	Spend to Mar 2010 £000	Approved Payments 2010/11 £000	Profiled Payments 2011/12 £000	Profiled Payments 2012/13 £000	Profiled Payments 2013/14 £000	Profiled Payments 2014/15 £000
<b><u>HOUSING</u></b>						
<b><u>Approved Schemes</u></b>						
Private Sector Renewal Grant BEST		6,423	2,700			
Minor Capital Works		780	40			
Car Parks & Garages		40	565			
Windows		587	288			
TV Aerials			560			
Communal Rewire			845			
Domestic Rewire		1,182	80			
Door Entry Systems & CCTV		50	164			
Lift Refurbishment		455	1,317			
Cold Water Tanks		170	312			
Building elements & Design		502	276			
Domestic Boilers		3,700	340			
Cladding		13	1,193			
External Decorations & Repairs		2,080	260			
<b><u>New Schemes</u></b>						
Disabled Facilities Grant			600	600	600	600
Housing Stock Programme						16,728
Health & Safety			6,390	5,033	5,320	
Decent Homes			17,009	15,358	10,751	
Discretionary Areas			3,095	2,138	1,833	
Ainsworth House			1,974			
Refurbishment of Temporary Accommodation			2,229			
<b>Total for Service</b>	0	15,982	40,237	23,129	18,504	17,328

Capital Scheme	Spend to Mar 2010 £000	Approved Payments 2010/11 £000	Profiled Payments 2011/12 £000	Profiled Payments 2012/13 £000	Profiled Payments 2013/14 £000	Profiled Payments 2014/15 £000
<b><u>SOCIAL SERVICES</u></b>						
<b><u>Approved Schemes</u></b>						
ASC IT Infrastructure	26	73	166			
Social Care Reform Grant		81	67			
<b><u>New Schemes</u></b>						
Social Services Buildings			500	500	500	500
Adult Social Care			627	636	600	600
<b>Total for Service</b>	26	154	1,360	1,136	1,100	1,100

Capital Scheme	Spend to Mar 2010 £000	Approved Payments 2010/11 £000	Profiled Payments 2011/12 £000	Profiled Payments 2012/13 £000	Profiled Payments 2013/14 £000	Profiled Payments 2014/15 £000
<b><u>CORPORATE &amp; OTHER ITEMS</u></b>						
<b><u>Approved Schemes</u></b>						
Support for Major Projects		443	<b>400</b>			
Human Resources System	594	693	<b>285</b>			
ICT Information Management		152	<b>113</b>			
ICT Communications		83	<b>101</b>			
Financial Information System	964	0	<b>195</b>			
Asset Management Fund		512	<b>58</b>			
Accommodation Strategy		1,263	<b>1,430</b>			
Planned Maintenance - New England house	103	0	<b>31</b>			
Planned Maintenance - Madeira Lift	249	34	<b>47</b>			
Whitehawk Colocation	310	4,510	<b>2,689</b>			
Volks Railway Shed	15	0	<b>245</b>			
King Alfred H&S works	1,157	593	<b>500</b>			
Downland Initiative Programme	96	75	<b>279</b>			
S106 Works		34	<b>704</b>			
PlayBuilder	521	140	<b>458</b>			
Purchase of Gritter Vehicles	74	0	<b>920</b>			
DEFRA waste Performance and efficiency	1,423	136	<b>28</b>			
Hollingdean Depot	11	683	<b>651</b>	84		
Historical Records Centre (The Keep)	429	500	<b>4,000</b>	416		
<b><u>New Schemes</u></b>						
Strategic Investment Fund			<b>500</b>	500	500	500
Replacement of Vehicles			<b>2,000</b>	1,000	1,000	1,000
Planned Maintenance to Operational Buildings			<b>500</b>	500	500	500
Asset Management Fund			<b>1,000</b>	1,000	1,000	1,000
ICT Fund			<b>500</b>	500	500	500
<b>Total for Service</b>	<b>5,946</b>	<b>9,851</b>	<b>17,634</b>	<b>4,000</b>	<b>3,500</b>	<b>3,500</b>

## Other Capital Investment

The table below identifies capital investment projects and proposed funding arrangements.

Project	Procurement Route	Investment
American Express Community Stadium	Through Brighton & Hove Albion Football Club	Circa £100m development
Black Rock	Private Sector Partnership	Circa £80m total development
Brighton Station Gateway	Regeneration project with private sector partners	To be determined
Brighton Centre	In conjunction with Standard Life Investment	Additional works to improve the facade and reception areas whilst the major scheme is being developed have already been approved. £100m to £150m for centre. Total development of £350m to £450m.
Circus St Development	Joint development with the University of Brighton	Circa £100m Development
Edward Street / American Express	Private Sector Partnership	To be determined
Historical Records Centre	East Sussex County Council and Sussex University partnership	Circa £19m
i360 Project	Private Sector Partnership	Circa £40m
Integrated Waste Management Project	Private Finance Initiative	Circa £300m
London Road	Private Sector Partnership	To be determined
Open Market	Open Market Traders Association and enabling development	Circa £15m development
Preston Barracks / University of Brighton land	Regeneration development with Brighton University & private sector partners	To be determined



**BRIGHTON & HOVE CITY COUNCIL****CABINET****4.00PM 17 FEBRUARY 2011****COUNCIL CHAMBER, HOVE TOWN HALL****DRAFT MINUTES**

**Present:** Councillors Mears (Chairman), Brown, Caulfield, Fallon-Khan, K Norman, Simson, Smith, G Theobald and Young

**Also in attendance:** Councillors Mitchell (Opposition Spokesperson) and Randall (Opposition Spokesperson)

**Other Members present:** Councillors Hamilton, Hawkes, Kemble, Kitcat and A Norman

**PART ONE****167. HOUSING REVENUE ACCOUNT BUDGET 2011/12**

- 167.1 The Cabinet considered a joint report of the Strategic Director, Place and the Director of Finance concerning the Housing Revenue Account (HRA) Forecast Outturn for 2010/11 as at month 9 and the proposed Budget for 2011/12.
- 167.2 The Cabinet Member for Housing praised the Head of Housing Management & Social Inclusion and the Head of Finance, Business Engagement for their work on the HRA.
- 167.3 Councillor Randall acknowledged that improvements had been made, but that there was still much to do. In light of the recently published HRA Government consultation and the information on prudential borrowing, it appeared that the proposed new subsidy system would be beneficial. He noted the ongoing problems of high private sector rents and waiting lists for council housing.
- 167.4 The Chairman advised that the council had slipped out of housing subsidy as a result of the “no” decision in the housing stock transfer vote and that the new Government proposals would provide the council with more money to invest in its housing stock. She stated that the Administration was committed to improving tenants’ homes and consulting with tenants at all times.
- 167.5 **RESOLVED** – That, having considered the information and the reasons set out in the report, the Cabinet accepted the following recommendations:
- (1) That Council be recommended to:

- (a) Approve the budget for 2011/12 as shown in Appendix 1.
- (b) Approve individual rent increases and decreases in line with rent restructuring principles as determined by the Government.
- (c) Approve the changes to fees and charges as detailed in paragraph 3.17 to 3.26.



**Subject: Housing Revenue Account Budget 2011/12****Date of Meeting: 3 March 2011**  
17 February 2011 - Cabinet**Report of: Strategic Director, Place**  
**Director of Finance****Contact Officer: Name: Sue Chapman Tel: 29-3105**  
**E-mail: sue.chapman@brighton-hove.gov.uk****Key Decision: Yes Forward Plan No: CAB16952****Wards Affected: All****FOR GENERAL RELEASE****1. SUMMARY AND POLICY CONTEXT:**

- 1.1 This report presents the Housing Revenue Account Forecast Outturn for 2010/11 as at month 9 and the proposed Budget for 2011/12 as required by the Local Government and Housing Act 1989. Members are required to consider the budget proposals including changes to rents, fees and charges as well as savings and service pressures.
- 1.2 The council's Housing Revenue Account (HRA) contains the income and expenditure relating to the council's landlord duties in respect of approximately 12,300 properties and 2,230 leasehold properties. These properties are accounted for separately from the council's other services/activities which form part of the council's General Fund.

**2. RECOMMENDATIONS:**

- 2.1 That Cabinet recommends Council to:
- (a) Approve the budget for 2011/12 as shown in Appendix 1.
  - (b) Approve individual rent increases and decreases in line with rent restructuring principles as determined by the Government.
  - (c) Approve the changes to fees and charges as detailed in paragraph 3.17 to 3.26.

**3. HRA BUDGET PROPOSALS 2011/12****Summary**

- 3.1 The HRA budget has been set within the context of the City's Housing strategy and the overall aim of 'achieving excellence in housing management'. It sets out to do this by focusing on five core strategic priorities as detailed in the Housing Management Service Improvement Plan 2009 - 2012. These are:

1. Improve services to an excellent standard, with residents at the heart of everything we do
  2. Improve the quality and sustainability of our homes and neighbourhoods
  3. Deliver value for money services and maintain a sustainable 30 year business plan
  4. Make best use of our housing stock to address housing need
  5. Ensure that social housing provides a platform for reducing inequality and creating opportunity
- 3.2 The budget strategy also reflects the priorities of tenants and leaseholders as a result of their close involvement in deciding how housing services are planned and delivered (as detailed in the Housing Management Annual Report 2010).
- 3.3 The HRA budget has also been developed to provide a balanced budget, taking into account the HRA subsidy determination, other income and expenditure assumptions and the reserves position. The council's Medium Term Financial Strategy outlines an efficiency savings target for all services across the city of 4%. Officers have taken into account this required level of efficiency savings and have also sought to maximise the level of resources available to invest in meeting the Decent Homes Standard and commissioning priorities. They have therefore identified savings of 9.1%.
- 3.4 The HRA revenue budget is also set in the context of an annual Housing Subsidy settlement which will result in a net transfer of resources to the government. This presents a key challenge coupled with the following priorities:
- (a) *Aligning resources with the Housing Improvement Plan priorities:*  
The budget includes continued investment in the Turning the Tide strategy to tackle anti-social behaviour and reduce social exclusion; identifying measures to tackle overcrowding through an enhanced housing options approach; engaging with residents in developing a local priorities framework; reducing our management costs through phase 2 of the Customer Access Review, in recognition of the need to achieve greater value for money and to have a sustainable future.
  - (b) *Leasing of Properties to the Local Delivery Vehicle (LDV)*  
Leasing properties to Brighton & Hove Seaside Community Homes, the housing company set up by the council to raise investment for improvements to council tenants' homes.
  - (c) *Development of a comprehensive estates masterplan:*  
Working in partnership with tenant representatives to develop an estates masterplan to inform best use of our assets and identify opportunities to build new Council homes. The initial findings have identified development sites where there is the potential to build over 800 new homes over the next few years.
  - (d) *Maintaining and improving our Homes:*  
Maximising the level of revenue resources available to support the Decent Homes Programme and working with residents to ensure that we are able to respond to opportunities to generate renewable energy.

- 3.5 The HRA budget for 2011/12 is shown in Appendix 1 with the main budget variations detailed below in table 1. In preparing the base budget, inflation of 2% on other non employee costs has been applied with no increases to pay except for increases in national insurance contributions and pay awards to those employees earning less than £22,000 per annum. Savings proposals, service pressures, and changes to rents, fees and charges and housing subsidy are detailed in paragraphs 3.6 to 3.26.

<b>Table 1: Main Budget Variations</b>	<b>£'000</b>
Adjusted Base Budget 2010/11	0
<i>Increases in Resources:</i>	
Savings Proposals as detailed in paragraph 3.6 to 3.8	(963)
Increase in Rent for Dwellings (net of Empty Properties)	( 2,600)
Transfer from Major Repairs reserve	(600)
<i>Reductions in Resources:</i>	
Employees pay award and other inflation	550
Other Service Pressures as detailed in paragraph 3.9	214
Increase in Revenue Contribution to Capital Programme	235
Increase in Capital Financing Costs	1,226
Increase in Subsidy Payable to the Government	1,607
Reduction in major works income from leaseholders	330
Other minor variances	1
Base Budget 2011/12	0

### **Savings & Service Pressures**

- 3.6 Housing Management has identified savings of £0.963 million (equivalent to 9.1% savings target) in the following areas:

#### Housing Management

- 3.7 A reduction in the Housing Management unit costs will be achieved through a mixture of:
- A savings target of £0.263 million from the implementation of the Customer Access Review in order to meet the management cost savings target included in the HRA 30 year Business Plan.
  - A reduction in the miscellaneous fees and stationary budgets of £0.050 million and a reduction in the support required from legal services and human resources resulting in a saving of £0.044 million.
  - The shared use of Lavender Street Housing Office by CYPT will enable the HRA to share the running costs and provide savings of £0.090 million.

- The efficient procurement of a new gas contract achieving savings of £0.050 million.

#### Property & Investment

3.8 Savings within Property & Investment will ensure that long term contracts continue to deliver value for money and some savings will also support the reduction in Housing Management unit costs. These savings include:

- A saving in employee costs of £0.130 million from reduced pension liability costs associated with the transferring of staff to Mears under the Repairs, Refurbishment and Improvement Partnership.
- Deletion of a Water Engineer vacant post whose duties will be incorporated into an existing Health & Safety Manager role at a saving of £0.036 million.
- The budget strategy includes target savings of £0.300 million for the new Mears responsive repairs and planned maintenance contract. The Mears IT systems provide savings through efficient booking of repairs jobs and delivery of 'Right First Time' repairs. In addition, the IT systems enable Mears to assess whether some repairs should form part of future planned works and through packaging works together, further savings can be achieved. This sum also includes savings in the leasing of an office through co location at the Housing Centre.

3.9 Service pressures included in the budget are:

- Pay and inflationary increases of £0.550 million.
- A reduction in the income budget for leaseholder service charges of £0.159 million due to the budget originally being set at a greater level than the actual charges.
- In line with recent announcements of grant reductions, the Supporting People grant will reduce by 3% for 2011/12. This will result in a loss of Supporting People grant income of £0.042 million.
- A loss of car parking income of £0.013 million from St James House whilst essential repairs continue.

#### **Housing Subsidy Determination**

3.10 The HRA is part of the national housing subsidy system through which Council Housing Rents are standardised across the country. The subsidy system uses a national formula to set guideline rents for each property together with allowances for management, maintenance and capital charges based on notional costs. The current subsidy system was introduced in 1990 and relies on the Secretary of State publishing annual 'Determinations' which set out the basis of subsidy.

3.11 The department for Communities and Local Government (CLG) has now announced it's intention to use the Devolution and Localism Bill to abolish the current housing subsidy system, subject to Parliamentary approval. A new system of self financing is intended to come into effect from 1 April 2012. Under this system the council will no longer be required to transfer it's resources to central government, but in return will be required to take on additional housing debt at a level which is sustainable in the long term. This system will enable the council to plan for the longer term and to use some of the extra resources to maintain homes and possibly to build new ones.

- 3.12 The CLG have issued this year's determination using the same parameters as those issued in earlier years. This budget has been set using the final subsidy determination.
- 3.13 The 2011/12 Subsidy Determination proposes changes resulting in revenue subsidy payable of £14.532 million compared to £12.991 million payable last year. The overall subsidy position (taking also into account the capital item called the Major Repairs Allowance) is an increase in 'Negative Subsidy' (the transfer of resources to the government) of £1.269 million to £4.754 million. Further details of the draft subsidy position are attached in Appendix 2.

### **Rents 2011/12**

- 3.14 Rents are calculated in accordance with the government's rent restructuring guidelines. Target rents for each property are calculated based on the relative property values, bedroom size and local earnings. The act of moving tenants' current rents to the target rent is called rent convergence. In order to limit increases in current rents to reach target rents, the guidance specifies a maximum rent increase equivalent to inflation + ½% + £2 per week.
- 3.15 The Housing Subsidy Determination 2011/12 requires Local Authorities to use the September 2010 Retail Price Index of 4.6% plus 0.5% for setting rent inflationary increases, resulting in a net inflationary increase of 5.1%. Due to the limits mentioned in 3.14, the Government sets a "provisional" rent convergence date annually, depending on the level of inflation set for that year.
- 3.16 Therefore, the rent convergence date has now been set at 2015/16 (compared to 2012/13 last year). As the majority of the rents are increasing towards target rents, this results in an average rent increase of 6.32% for Brighton & Hove. This is the equivalent to £4.21 per week, increasing the average rent to £70.76. However, in line with rent restructuring, all rents are moving towards their individual targets and some rents will be increasing by more or less than the average rent. The maximum increase will be approximately £7.79, with the lowest increase being £1.29 per week.

### **Fees and Service Charges 2011/12**

- 3.17 The proposed changes to fees and charges for 2011/12 are as follows:

#### ***Heating***

- 3.18 From October 2010, a new contract for the supply of gas has led to a significant reduction in the unit price of gas for Housing sites. Heating charges are also being revised to reflect the latest estimates of gas consumption for 2011/12. Taking both these changes into account, it is estimated that gas heating charges will reduce by between 41% and 11% which is an average reduction of 26%, the equivalent of £2.82 per week (with the exception of Mayflower Square where the charge remains unchanged). The new prices are for one year only and current indications are that prices will increase again in October 2011.
- 3.19 The electricity contract continues at its current contract prices for the financial year 2011/12, until 1<sup>st</sup> April 2013. Service charges for those with electric heating may be amended during this time to reflect the latest estimates of consumption.

However, for 2011/12, the blocks with electric heating (Broadfields and Elywn Jones Court) will see no change to their heating charge.

### ***Water Charges***

- 3.20 The HRA administers water charges for three sheltered blocks. These charges will be amended to reflect the latest estimates of consumption, and also contract price increases by Southern Water which are estimated at 4%.

### ***Grounds maintenance***

- 3.21 Grounds maintenance charges will increase by 2% in line with contract charges. This service is currently under review. Tenants will be consulted and notified of any changes to the current service charges, resulting from future changes to service provision, at the appropriate time.

### ***Communal Cleaning Services***

- 3.22 The communal cleaning charges will increase by 1%, the equivalent of an average of £0.02 per week, to ensure the costs of the service are fully recovered through service charges. This increase includes the costs of the pay award to those employees earning less than £22,000 and increases in employers national insurance contributions.

### ***Garages & Car Parking***

- 3.23 All garages and car parking charges will increase by the September Retail Price Index of 4.6%. The proposed increase in charges is attached in Appendix 3.

### ***Supporting People***

- 3.24 Supporting people charges will remain at £12.85 per week.

### ***Sheltered Services***

- 3.25 The sheltered service charge for common ways will remain at the current level of charge. It is anticipated that efficiency savings in the cleaning contract will be achieved to cover inflationary increases.
- 3.26 The launderette sheltered service charge will remain at £1.26 per week.

### ***Projected HRA Revenue Reserves***

- 3.27 The forecast outturn for 2010/11 as at month 9 is an underspend of £0.402 million providing a contribution to reserves. The main variances are detailed in Appendix 1.
- 3.28 The contribution to reserves increases projected reserves as at 31 March 2011 to £3.725 million. The 2011/12 budget has been set with a breakeven position, so the reserves are therefore projected to remain at £3.725 million by 31 March 2012. The recommended minimum level of reserves is £2.500 million.

<b>Table 2 : Projected General Revenue Reserves at 31 March 2012</b>	<b>£'000</b>
Reserves at 1 April 2010	3,623
Less: Contribution to fund 2010/11 Capital Programme (Commissioning of Temporary Accommodation project)	(300)
Plus: Forecast contribution from 2010/11 Revenue Outturn	402
<b>Projected reserves at 31 March 2011</b>	<b>3,725</b>
<b>Projected reserves at 31 March 2012</b>	<b>3,725</b>

- 3.29 Estate Development Budget reserves, which are held separately from the HRA general reserves, are £0.234 million as at 1 April 2010. These reserves relate to committed revenue and capital expenditure for schemes agreed in previous financial years that are not yet completed. Therefore these reserves will reduce as schemes are finished.

#### **4. CONSULTATION**

- 4.1 Tenants are consulted during the year on the HRA Budget and the Estate Development Budget. After Cabinet approval, tenants will receive notification of their individual rents and charges for 2011/12.

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

##### Financial Implications:

- 5.1 Financial Implications are included in the main body of the report

*Finance Officer Consulted: Sue Chapman*

*Date: 05/12/10*

##### Legal Implications

- 5.2 The Council is required to keep a separate Housing Revenue Account (HRA) by virtue of the Local Government and Housing Act 1989. Preceding any financial year, the council must formulate for that year proposals relating to i) the income from rent and charges of all property within the HRA, ii) the expenditure on repair, maintenance, supervision and management of that property and iii) any other prescribed matters. In formulating the proposals, the council must use its best assumptions and estimates to secure that on their implementation the account will not show a debit balance. Within one month of formulating the proposals it must prepare and place on deposit a statement setting out the proposals and estimates.

*Lawyer Consulted:*

*Liz Woodley*

*Date: 5/12/10*

Equalities Implications:

- 5.3 The HRA budget will fund services to people with special needs due to age, vulnerability or health needs.

Sustainability Implications:

- 5.4 The HRA budget will fund a range of measures that will benefit and sustain the local environment.

Crime & Disorder Implications:

- 5.5 The Budget includes financial provision for Crime and disorder implications.

Risk & Opportunity Management Implications:

- 5.6 Financial risks have been assessed throughout the development of the council's budget.

Corporate / Citywide Implications:

- 5.7 The Budget seeks to improve the quality of housing and services provided to tenants across the City.

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

- 6.1 There are no alternative options proposed. Rents are set in accordance with the Government's rent restructuring guidance and increases are in line with the Housing Subsidy Determination. The Housing Subsidy Determination controls rent setting by removing resources from local authorities through non compliance.
- 6.2 The budget proposals also includes maintaining the current service provision with improvements as identified in the Service Improvement Plan and investment in priorities such as Turning the Tide strategy. It is possible for alternative options to be considered such as increasing or reducing service provision, which would result in a reduction or increase in the revenue contributions to the capital programme. However, officers recommend that the budget proposals provide the appropriate service provision whilst ensuring that the revenue contributions to capital are in line with the current HRA Business Plan.

**7. REASONS FOR REPORT RECOMMENDATIONS**

- 7.1 The Local Government and Housing Act 1989 requires each Local Authority to formulate proposals relating to income from rent and charges, expenditure on repairs, maintenance, supervision and management and any other prescribed matters in respect of the HRA. In formulating these proposals using best estimates and assumptions the Authority must set a balanced account. This budget report provides a breakeven budget and recommends rent increases in line with current government guidance.



## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. HRA Forecast Outturn 2010/11 and Budget 2011/12
2. HRA Subsidy Determination 2011/12
3. Car Parking & Garages Fees 2011/12

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

None

### **Background Documents**

1. CLG Housing Revenue Account Subsidy Determination 2011/12
2. 2011/12 Housing Revenue Account Working Papers



## HRA Forecast Outturn 2010/11 and Budget 2011/12

	2010/11 Adjusted Budget £'000	2010/11 Forecast Outturn £'000	2011/12 Original Budget £'000
<b>EXPENDITURE</b>			
Employees	9,187	8,754	9,057
Premises - Repairs Response & Empty Properties	7,904	7,729	7,726
Premises - Cyclical Maintenance & Servicing	3,433	3,233	3,179
Premises - Grounds Maintenance	512	512	520
Premises Other	2,729	2,611	2,766
Transport	179	179	183
Contribution to Bad Debt Provision	263	263	268
Supplies & Services	1,591	1,656	1,677
Third Party Payments – Launderette contract	54	54	54
Support Services - From Other Departments	2,153	2,128	2,144
Revenue Contributions to Capital Schemes	3,543	3,724	3,778
Capital Financing Costs	3,729	3,585	4,955
Housing Subsidy Payable	12,925	12,991	14,532
<b>Total Expenditure</b>	<b>48,202</b>	<b>47,419</b>	<b>50,839</b>
<b>INCOME</b>			
Rents Dwellings	(41,613)	(41,619)	(44,213)
Rents Car Parking / Garages	(823)	(743)	(785)
Commercial Rents	(495)	(495)	(505)
Service Charges	(4,034)	(3,781)	(3,454)
Other Recharges and Interest	(1,237)	(1,183)	(1,882)
<b>Total Income</b>	<b>(48,202)</b>	<b>(47,821)</b>	<b>(50,839)</b>
<b>DEFICIT / (SURPLUS)</b>	<b>0</b>	<b>(402)</b>	<b>0</b>

## **Targeted Budget Management (TBM) 2010/11 as at Month 9**

The forecast outturn for month 9 is an underspend of £0.402 million which will provide a contribution to revenue reserves.

Employee's costs are forecast to underspend by £0.433 million due to TUPE costs for Property & Investment staff being less than forecast in the original budget and due to vacancy management both in Housing Management and Property and Investment. This is partly due to some Property and Investment posts in the new structure, which came into effect from 1 April, being recruited to later in the financial year than anticipated. The budget had assumed a full year establishment for all posts, therefore resulting in an underspend.

The responsive repairs and empty properties budget is forecast to underspend by £0.175 million of which £0.092 million is in relation to unit cost efficiencies on the works carried out on empty properties due to Mears achieving a reduction in the budgeted unit costs of £387 per unit. Service contracts which are being procured over the next 18 months, included within cyclical maintenance, are anticipated to underspend by £0.273 million.

The Premises Other budget is forecast underspend by £0.118 million which mainly relates to the reduction in costs for Gas and Electricity. This has been offset by a reduction of heating charges to tenants included in the Service Charges income forecast.

Supplies and services includes £0.100 million towards the phased introduction of Automatic Meter Readers (AMR's) in Housing sites that fall within the gas and electric contracts. The installation of AMR's will support the Government and Council's commitment to reduce carbon emissions through lowering energy consumption as part of the 10.10 campaign, as well as legal commitments such as the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, which specifically states the need for installing AMR's as part of its early action metrics. By installing and using AMR's the Council will be able to actively monitor and manage its usage through the use of accurate actual reads from each meter. With this data to hand the reliance on estimated bills and gaps in data can be removed, allowing for a detailed analysis of high consuming sites with the intention of making savings.

Revenue Contributions to the Capital Programme have been increased by £0.181 million towards the costs of the Housing Centre refurbishment.

Capital Financing costs are forecast to underspend by £0.144 million due to forecast interest rates for the year being lower than the assumptions used for budget setting.

Leaseholder service charges income is projected to underachieve by £0.160 million. This projection has been forecast following analysis of last year's outturn which has shown that the charges are likely to be less than budgeted for.

## HRA Housing Subsidy Determination 2011/12

The Housing Subsidy Determination proposes changes resulting in revenue subsidy payable of £14.532 million compared to £12.991 million payable last year. The overall subsidy position (taking into account the capital element) is an increase in the transfer of resources to the Government of £1,269 million to £4.754 million. The following table summarises the determination and the notional elements included:

<b>Housing Subsidy</b>	<b>2010/11 Forecast £'000</b>	<b>2011/12 Determination £'000</b>	<b>Change £'000</b>
<i><u>'Notional' Revenue Items</u></i>			
Management Allowance	(8,236)	(8,374)	(138)
Maintenance Allowance	(15,256)	(15,722)	(466)
Capital Charges	(4,884)	(5,229)	(345)
	(28, 376)	(29,325)	(949)
Less Guideline Rent	41,367	43,857	2,490
<b>Net revenue subsidy payable to the Government (exc. MRA)</b>	<b>12,991</b>	<b>14,532</b>	<b>1, 541</b>
<i><u>Capital Items</u></i>			
Major Repairs Allowance	(9,506)	(9,778)	(272)
<b>Overall subsidy position – net payment to the Government</b>	<b>3,485</b>	<b>4,754</b>	<b>1,269</b>

*Note: credits represent income*

### Management

The Management Allowance has been calculated on the same formulae basis as last year and will increase by 1.77% to £680.60 per dwelling, compared to a national average increase of 2.6% at £697.84 per dwelling.

### Maintenance

The Maintenance Allowance has been calculated on the same basis as last year and will increase by 3.14% to £1,277.81 per dwelling, compared to a national average increase of 1.9% at £1,203.33, per dwelling.

### Capital Charges

The HRA receives subsidy based on the cost of financing historical borrowing allocations. The amount of subsidy allowance for the cost of financing reflects a forecast increase in interest rates for 2011/12.

### **Guideline Rent**

The subsidy system assumes a notional guideline rent per dwelling which increases annually in line with the government's Rent Restructuring Policy. The guideline rent for 2011/12 is £69.95 per property per week, an increase of 6.11%.

### **Major Repairs Allowance (MRA)**

In addition to the revenue subsidy the HRA also receives a Major Repairs Allowance for each property, which is used to partly fund the Capital Programme. The MRA represents the estimated long term average amount of capital spending required to maintain the stock in it's current condition.

The MRA will increase by 2.95% (compared to 1.7% last year), increasing average MRA to £794.68 per dwelling compared to a national average of £719.88. The total MRA, including the loss of stock from Right to Buy sales, has increased by £0.271 million to £9.777 million.

## Proposed Garages and Car Parking Fees 2011/12

Charge per week	Current Charge	2011/12 charge	4.6% Increase
	£	£	£
<b>Garage Central</b>			
Private	19.62	20.52	0.90
Private blue badge	9.09	9.51	0.42
Council / Leaseholder	9.81	10.26	0.45
Council / LH blue badge	4.36	4.56	0.20
<b>Garage Middle</b>			
Private	17.16	17.95	0.79
Private blue badge	8.58	8.97	0.39
Council / Leaseholder	8.58	8.97	0.39
Council / LH blue badge	4.29	4.49	0.20
<b>Garage Outer</b>			
Private	14.71	15.39	0.68
Private blue badge	5.95	6.22	0.27
Council / Leaseholder	7.35	7.69	0.34
Council / LH blue badge	3.25	3.40	0.15
<b>CPS Central</b>			
Private	16.35	17.10	0.75
Private blue badge	8.40	8.79	0.39
Council / Leaseholder	8.17	8.55	0.38
Council / LH blue badge	1.81	1.89	0.08
<b>CPS Middle</b>			
Private	10.63	11.12	0.49
Private blue badge	5.95	6.22	0.27
Council / Leaseholder	5.31	5.55	0.24
Council / LH blue badge	1.38	1.44	0.06
<b>CPS Outer</b>			
Private	4.09	4.28	0.19
Private blue badge	1.52	1.59	0.07
Council / Leaseholder	2.04	2.13	0.09
Council / LH blue badge	1.12	1.17	0.05

**Note: These charges exclude VAT where it applies.**





3 March 2011

## **Budget Council 3 March 2011: Setting a lawful budget for 2011/12**

### **Introduction**

Under section 30 (6) of the Local Government Act 1992 the Council has a duty to set the **Council tax by 11 March 2011**. A failure to set the tax then does not in itself invalidate the tax demands but it has other adverse consequences including the potential loss of income to the Council.

The legal obligations for setting the budget mean in practical terms that:

- Members should not put forward proposals that would mean setting an unlawful budget and need to take officer advice in particular from legal and finance to ensure that proposals are in order;
- although the Council corporately sets the budget the Council acts through Members collectively, each and every Member is therefore jointly and severally responsible for the setting of the budget; and
- wherever possible Members are expected to facilitate rather than frustrate the setting of a lawful budget.

### **Before Budget Council**

- The Cabinet's budget will be worked up including all amendments from Budget Cabinet with full service, financial and legal implications. They will be incorporated in full into the main papers despatched for Budget Council.
- Other Groups' amendments are also evaluated by finance officers to determine the service, financial and legal implications of implementing those proposals. The proposals will be held confidential from the other political parties by the finance officers involved and all proposals must have been **"signed off" by finance officers no later than 12 noon 3 days before Budget Council. (i.e. by 12 noon Monday 28<sup>th</sup> February 2011).**
- Only the Chief Executive and Director of Finance (with appropriate officers from the finance team) will be aware of the full range of amendments being proposed and they will not be shared with any parties until after they have been given to the Group Leaders.
- The Chief Executive shall have a "brokering" role if this would appear to facilitate agreement on particular amendments or proposals.

- The Mayor will refuse to accept any amendment subsequently moved that has not been “signed off” by the Director of Finance.
- All amendments are shared **at 5 PM on Tuesday 1st March** between the Group Leaders.
- There will be a meeting of Group Leaders (attended by the Chief Executive, the Director of Finance and other relevant officers) **at 4:00 pm on Wednesday 2<sup>nd</sup> March** with a view to exploring agreement on proposed amendments.
- There will be a second meeting of Group Leaders, with relevant Officers as mentioned above, on **Thursday 3rd March at 10:00 am**, unless the Chief Executive considers that, given any progress made on 2nd March, it is not needed.
- Any variations to the amendments or any new amendments arising from the Leaders meetings shall be limited to grouping and repackaging of amendments or other changes providing that they do not, in the opinion of the Director of Finance, involve significant costing or evaluation that cannot reasonably be done within the available timescale.

The Chief Finance Officer / Monitoring Officer may advise the Mayor of the need for a short adjournment in order to adjust the budget model in light of amendments that are agreed. The budget resolutions shall not be treated as concluded until any consequential adjustments are agreed.

Should Council fail to set the Council Tax on the 3rd March 2011 there is one significant practical implication; the contractor who prints and sends out the Council Tax bills has a slot booked to process the city council's bills on the 4 March and a delay in setting the Budget would significantly affect this process.

Abraham Ghebre-Ghiorghis  
Head of Law  
(Monitoring Officer)

Catherine Vaughan  
Director of Finance  
(Chief Finance Officer)