

CABINET MEETING

Agenda Item 164

Brighton & Hove City Council

Subject:	General Fund Revenue Budget & Council Tax 2011/12		
Date of Meeting:	17th February 2011		
Report of:	Director of Finance		
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Key Decision:	Yes	Forward Plan No. CAB16763	
Wards Affected:	All		

Note: The special circumstances for non-compliance with Council Procedure Rule 7, Access to Information Rule 5 and Section 100B (4) of the Local Government Act as amended (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that some of the key financial information relating to grant funding announcements by the Government were delayed.

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.

TABLE 1 – Formula Grant (based on final settlement)					
	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.

TABLE 2 – Schools Funding	2010/11	2011/12
	£ million	£ million
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
Total	149.540	149.988

- 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 st September 2010
Adult Social Care	18 th October 2010
Environmental Health & licensing	18 th November 2010
Libraries and Venues	7 th December 2010
Environment	23 rd December 2010
CYPT	17 th January 2011
Environment	3 rd 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.

TABLE 3 – Usable Reserves	£m
Opening balance at 1 April 2010	0.2
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
Forecast closing balance at 31 March 2011	2.7
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
Balance of usable reserves available for allocation	11.5

- 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 overpending 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.

TABLE 4: Analysis of budget changes	£ million
Adjusted 2010/11 base budget	251.3
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
Proposed Budget 2011/12	231.0

- 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 19th 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.

TABLE 5 – Main Demographic and Cost Pressures	£ m
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 9th 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 9th 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 19th 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 9th 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.

TABLE 6: Contingency	£ m
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
Total Contingency	3.675

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. The corresponding statement on the HRA is reported to the Cabinet and Council within the HRA budget report.

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.

