

Subject:	Draft Revenue Budget & Capital Strategy 2019/20		
Date of Meeting:	6 December 2018		
Report of:	Executive Director Finance & Resources		
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Ward(s) affected:	All		

FOR GENERAL RELEASE**1 PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 This report presents the draft revenue budget and capital budget proposals for the final year of the 4-year planning framework introduced in 2016/17 and which is aligned with the current central government spending review period and 4-year funding deal.
- 1.2 The budget proposals are still in development and therefore the aim of this report is to provide early sight of emerging proposals to enable consultation, discussion and debate in the lead up to the Budget Council in February 2019 where the final proposals will be considered by the full Council. The proposals are based on the planning assumption of a 2.99% Council Tax increase. At this stage, the draft proposals indicate that:
- Re-investment of savings and other resources of £14.9m will be required to support increased demands and costs, most significantly across adults and children's social care, together with £5.5m to meet annual pay and price inflation increases;
 - A potential savings and efficiency package totalling £12.015m has been identified to contribute to essential re-investments above;
 - Taking into account all other net funding changes and taxation increases, there is a remaining budget gap of £2.150m to be addressed to achieve a balanced budget package.
- 1.3 In 2015 the council developed 4-year plans, referred to as Integrated Service & Financial Plans (ISFPs), covering the period 2016/17 to 2019/20. These have not been rolled-forward beyond 2019/20 because there is considerable uncertainty over local government finances beyond that point. In particular, the following may impact positively or negatively impact on the council's future funding levels:
- Fair Funding Review – this will fundamentally review the methodology used to derive the national distribution of local government funding;
 - Proposed 75% Business Rate Retention – this would increase retention of business rates locally from 50% to 75%. However, as this is intended to be fiscally neutral, it is not clear what existing funding this may replace but Public Health grant is a likely candidate;

- Comprehensive Spending Review (CSR) – the next 4-year government spending announcement will be made in autumn 2019 and will set the tone for future planning across local government;
- Addressing the long term funding of social care – government are reviewing a number of options including taxation changes but it remains to be seen if any will be taken up.

1.4 The 4-year ISFPs are refreshed annually to ensure that they take into account a number of factors including:

- Changes, up or down, in resource and funding assumptions, estimates and announcements;
- Changes in demography or demand predictions, particularly for social care, based on current trends and experience;
- Changes in the cost of services compared with initial pay and inflation assumptions.

Any or all of these can affect the projected budget gap each year and therefore the level of savings and efficiencies required to balance the budget.

1.5 The Comprehensive Spending Review (CSR) 2015 confirmed the continuation of deficit reduction measures up to 2019/20 and indicated that government Revenue Support Grant (RSG) for this council would reduce by £39.574m over the 4 year period 2016/17 to 2019/20. This is a key determinant of the council's budget gap over the period alongside growing costs and demands.

1.6 Although the council elected to accept the government's '4 year deal', this does not mean that the council's financial position is completely stable as there are other grants and funding that can change. For example, Education Services Grant of £2.895m has been removed and New Homes Bonus has been variable. There was also a major revaluation of non-domestic rateable values in 2017 affecting the Business Rate tax base and yield. On the positive side, there has been funding through the Improved Better Care Fund (iBCF) and one-off Adult Care Support Grant alongside the ability for councils to choose to set Adult Social Care precepts of up to 8% on Council Tax over the period.

1.7 This report includes draft proposals to meet the estimated savings requirement of £12.015m in 2019/20. As before, proposals also identify investment requirements in order to achieve the proposed savings, as well as to deliver priority service improvements; these will be supported by one-off resources subject to the approval of business cases.

1.8 It should be noted that the draft proposals do not meet the budget gap in full and there is a shortfall of £2.150m for which further options are being considered as set out in section 5.

1.9 The feedback from further consultation and engagement following publication of these draft proposals will be used to adapt the proposals which will be re-submitted to Policy, Resources & Growth Committee on 14 February 2019, prior to a final decision by Budget Council on 28 February 2019.

1.10 Further information from the Local Government Finance Settlement, expected on 6 December 2018, may also affect the proposals.

2 RECOMMENDATIONS:

That the Policy, Resources & Growth Committee:

- 2.1 Notes the updated forecasts for resources and expenditure and an estimated budget gap for 2019/20 based on a 2.99% Council Tax increase.
- 2.2 Notes the refreshed 4 year Integrated Service & Financial Plans (ISFPs) including draft savings proposals for 2019/20.
- 2.3 Notes that the format of the 2019/20 Budget Book will replicate the revised 2018/19 Budget Book format as per paragraph 6.1 and Appendix 5.
- 2.4 Directs that the draft savings proposals identified at Appendix 2 be subject to further consultation and engagement with relevant stakeholders and across the council and partners, meeting all statutory consultation requirements.
- 2.5 Notes the update on Schools and HRA budget setting set out in section 7.
- 2.6 Notes the Capital Strategy update set out in paragraphs 4.10 to 4.13.
- 2.7 Receives and notes the draft Equality Impact Assessments undertaken in relation to the draft budget proposals.
- 2.8 Notes that subsequent decisions and information from central government regarding the Local Government Finance Settlement (LGFS) may impact on the proposals in this report.

3 RESOURCES AND LOCAL GOVERNMENT FINANCE SETTLEMENT FOR 2019/20 AND THE 4 YEAR OFFER

Local Government Finance Settlement and Tax base Forecasts

- 3.1 As part of the provisional local government finance settlement (LGFS) announced on the 17 December 2015, the Secretary of State for Communities and Local Government announced a 4-year funding offer for local authorities for the period 2016/17 to 2019/20. The settlement provided indicative resources over the period and the offer is to provide these resources as minimum funding levels, however, the government has stated it could amend the offer depending on the national financial position as well as changes to responsibilities of local authorities. The allocations of funding for 2016/17, 2017/18 and 2018/19 were in line with the 4 year deal and financial projections are based on the indicative allocation for the 2019/20. The provisional LGFS for 2019/20 is due to be announced on 6 December 2018.
- 3.2 The Chancellor of the Exchequer presented the Autumn Budget statement on the 29 October 2018. This included announcements of an additional £240m funding nationally for winter pressures in adult social care for 2019/20. This is a continuation of the winter pressures funding announced in September for the current year and is expected to provide £1.229m for the council in 2019/20 but may require agreement with health partners. The chancellor also announced a further £410m nationally for Adults and Children's social care and a provisional allocation of £2.100m has been made to this council in 2019/20. The additional funding from these announcements will support the necessary re-investment into these services to help manage the increasing demand and costs of social care in the city.
- 3.3 The government is undertaking a Fair Funding Review across local government for implementation for 2020/21 onwards. In addition, the government intends to increase local retention of Business Rates to 75% in the same year. Further consultations on both these areas are expected in the coming months.

- 3.4 The final Council Tax Base and Business Rates forecasts for 2019/20 will be presented in separate reports to this committee on the 24 January 2019. The current estimated council tax base assumes a net 1.0% increase in 2019/20. This is mainly from the continued reduction in all ages of Council Tax Reduction claimants and from increased properties. It also includes the changes to empty homes premium included elsewhere on this agenda. Locally retained Business Rates will increase by the September Retail Price Index of 3.3% for 2019/20. The government will restrict this increase to the Consumer Price Index and the council will be compensated for the reduction in Business Rates income as a result of this policy through Section 31 grants.

Latest Position in 2018/19

- 3.5 Targeted Budget Management (TBM) is the council's system of budget monitoring and the TBM Month 7 report elsewhere on the agenda shows a projected overspend of £1.487m on the General Fund, which includes a projected overspend of £1.130m on the council's share of NHS controlled s75 partnership services. The overall overspend shows an improvement of £1.591m since Month 5 as presented to the Committee in October. A significant element of this improvement relates to the announcement of £1.229m winter pressure funding for 2018/19. The report highlights the need for ongoing mitigating actions across the council to reduce the overspend further.
- 3.6 Resources need to be set aside to cover this overspend to avoid impacting on the 2019/20 position if breakeven cannot be achieved by the year-end. Table 1 in the reserves and one-off funding section shows what impact this has on one-off resources at this time. The council has a financial risk safety net of £1.5m available to mitigate the position. Preliminary consideration of the impact of the in-year overspend on the service reinvestment requirements for 2019/20 and the deliverability of the savings proposals has been undertaken, however this will need further review at Month 9 when the final budget proposals are put forward for decision.
- 3.7 The council's share of the net deficit on the Council Tax and Business Rates collection funds is forecast to be £0.939m and must be funded from one-off resources in the 2019/20 budget. This is reflected in Table 1.

Reserves Position and one-off funding

- 3.8 The working balance is recommended to continue at a minimum of £9.0m to meet general risks applicable to a unitary authority. In addition, there is a financial risk safety net of £1.5m in 2018/19 giving total resources of £10.5m subject to the council's revenue budget achieving a breakeven position at the year-end.
- 3.9 The following table identifies potential resources and liabilities that will need to be taken into account in setting the 2019/20 budget. At the draft budget stage, this assumes that spending in 2018/19 will be in line with the TBM Month 7 report projections included elsewhere on this agenda.
- 3.10 Table 1 shows estimated unallocated resources of £0.885m based on the current TBM (month 7) and collection fund positions. The potential one off requirements identified in the table means there would be a shortfall in resources of £1.015m. This position is likely to change and will be updated for the February budget report. The main factors expected to affect the position are:

- The latest TBM position which will be updated for month 9 – any improvement to the current overspend forecast will increase available one-off resources and vice versa;
- A comprehensive review of reserves and provisions which is undertaken annually as part of the budget process;
- A further review of in-year Collection Fund (tax yield) performance. Any improvement will reduce the shortfall and vice versa.

Table 1 – One-off resources, liabilities and potential allocations (based on TBM Month 7)	£m	£m
Unallocated general reserves	0.140	
Funding set aside for 2019 local elections	0.270	
Less revised estimate for 2019 local elections	-0.370	
Balance		+0.040
Revenue Budget position 2018/19 (TBM):		
Forecast outturn overspend	-1.487	
Offset by original 2018/19 financial risk safety net	+1.500	
Projected Net Position at Outturn 2018/19		+0.013
In-year Collection Fund¹ position 2018/19:		
Estimated 2018/19 council tax collection fund deficit	-0.551	
Estimated business rates retention collection fund 2018/19 deficit	-1.939	
Additional Section 31 grants to compensate increased Business Rates reliefs	+0.337	
Royal Pavilion Business Rate rebate set aside to offset the council's share of the impact on the Collection Fund	+1.214	
Projected in year Collection Funds position		-0.939
Other one-off resources		
Net Royal Pavilion business Rates rebate prior to 2018/19	+0.929	
Successful VAT claim on prior year sports services income	+0.702	
Revised Small Business Rates Relief threshold compensation funding 2017/18	+0.140	
Total other one-off resources		+1.771
Total Projected One-off Resources Available at start of 2019/20		+0.885
Potential One-off Allocations 2019/20:		
Potential allocation of one-off transitional funding and/or replacement of the one-off financial risk safety net for 2019/20 subject to CFO review and assessment of risks and provisions	-1.500	
Allocation to Council Tax Reduction Discretionary Fund	-0.140	
Welfare Reform support 2019/20	-0.260	
Current One-off Resources shortfall		-1.015

¹ Collection Funds are separate accounts where taxation revenues received from the Council Tax and Business Rates are allocated and compared to the expected tax yield for the year.

Fees and Charges

- 3.11 As agreed by this Committee in July, the budget assumes a standard 2% increase to fees and charges income targets with the exception of penalty charge notices (parking fines) where the levels of fines are set by government and cannot be changed independently. The council's Corporate Fees & Charges Policy requires that all fees and charges are reviewed at least annually and should normally be increased by one of either the standard rate of inflation, statutory increases, or actual increases in the costs of providing the service as applicable. Non-statutory increases above the standard rate of inflation and/or changes to concessions or subsidies are reported to and considered by the relevant service committee. Fees and charges income targets are increased in this way to ensure that, as a minimum, the contribution toward overall funding from income remains proportional to expenditure.
- 3.12 The reduction of central government funding over recent years effectively requires fee-earning services to move toward self-financing to ensure that other resources can be applied to meeting the growth in costs and demands on demand-led service areas such as social care. Blanket increases to all fees & charges are not appropriate but services are required to explore opportunities to increase income from fees and charges where this is reasonable and comparable with alternatives. It should also be noted that, nationally, inflation is running ahead of the corporately applied rate of inflation.
- 3.13 Any proposals to increase charges over and above the standard inflation assumption can therefore contribute to closing the budget gap. Even where income must be applied to specific expenditure or services, this can still generate a budget saving where the General Fund, rather than the income source, is currently the source of funding. Full Council can effectively choose to replace the funding source rather than increase expenditure. All fees & charges are agreed by the relevant service committees and the details of the relevant meetings are set out in Table 8 under the section on Community Engagement & Consultation.
- 3.14 In order to increase income from fees and charges in line with this objective, they must be reviewed in accordance with any regulations governing the service area. All services continue to follow the approach below for reviewing fees and charges:
- Using benchmarking and/or other comparative information to assess where current fees and charges are set in relation to comparable or alternative services and, where lower, move (increase) toward the benchmark as far as practicable and reasonable;
 - Understand demand elasticity by undertaking market research on what the market will bear before problems arise (e.g. reduction of service take-up);
 - Assess the potential impact of financial exclusion of people from services. For example, in order to achieve an increase without excluding groups of people, thresholds, means tests and/or concession policies may need to be considered;
 - Assess the potential for differential service offers, again, to avoid financially excluding groups of people from services. This might be similar to the current approach in Life Events where basic Welfare Funerals are offered at an affordable price whilst more comprehensive funeral services are offered at higher prices.

- 3.15 All fees and charges proposals will ultimately come forward to the relevant service committee for consideration. Service Committees are advised that where proposals are not agreed, the decision may be referred to Budget Council if the financial impact of any decision will have a significant impact on the overall budget package.

Changes in budget commitments

- 3.16 Since the July Budget update report to this committee there have been some changes to commitments included in the budget. Government stated in a consultation paper their intention to increase the threshold for new properties before New Homes Bonus grant becomes payable. The latest estimate in 2019/20 has therefore been reduced by £0.460m.

4 SAVINGS AND REINVESTMENT

Overview of the 4-Year Financial Position

- 4.1 The budget for 2019/20 will be the last budget within the current 4-year Comprehensive Spending Review (CSR 2015) announced by the government in 2015. CSR 2015 continued with challenging financial settlements for local government as the government pursued its policy of deficit reduction and austerity measures. Key features of the council's funding and finances over the period are set out in table 2 below which shows that the council has had to address three primary financial challenges as follows:

- the reduction of government grant funding (Revenue Support Grant) of £39.574m over the period;
- providing for normal pay, pension and price inflation of £16.136m over the period to insure against real terms service reductions, and;
- most significantly, providing for re-investment in essential, priority services to meet the identified growth in demand, abnormal cost pressures (mainly social care) and, to a lesser extent, income shortfalls, with a combined total of £55.842m.

The above challenges, amounting to £111.552m over the 4-year planning period have had to be met from a combination of savings and resources and are summarised in the table below.

Table 2: 4-Year Summary	Year				4-Year Total
	2016/17	2017/18	2018/19	2019/20	
Re-investment (Service Pressures):	£m	£m	£m	£m	£m
Adult Social Care	6.648	5.799	6.152	10.786	29.385
Public Health (Grant Reduction)	1.096	0.521	0.651	0.640	2.908
Children's Social Care	2.648	3.384	3.286	1.281	10.599
Loss of other Core Grant Funding (mainly ESG) *	0.800	2.232	1.050	0.170	4.252
Homelessness	1.023	2.232	**	**	3.255
Additional cost of IT Infrastructure, Security and Resilience	0.857				0.857
Neighbourhoods, Housing & Community Services			0.444	0.319	0.763

2017 Business Rate Revaluation (on council properties)			0.347		0.347
City Environmental Services			0.120	0.950	1.070
All Other Priority Services	0.100	0.702	0.834	0.770	2.406
Total Re-investment Required	13.172	14.870	12.884	14.916	55.842
Inflation Provision (Pay & Prices)	2.913	3.067	4.688	5.468	16.136
Loss of Revenue Support Grant	12.971	11.508	7.474	7.621	39.574
Total Financial Challenge	29.056	29.445	25.046	28.005	111.552

* Service specific grant reductions result in a service pressure where there is no corresponding reduction or transfer of function.

** Homelessness service pressures in these years are mitigated by short term Housing Flexibility and Trailblazer grant funding.

4.2 To contribute to these financial challenges, each year the council has been able to increase Council Tax up to government defined thresholds and over the period this has generated £31.4m additional revenues through a combination of annual Council Tax increases (totalling 9.96%), Adult Social Care precepts (totalling 8%) and growth in the taxbase (i.e. more housing). Business Rate retained revenues have also improved through business growth and annual inflation and has provided a small increase in revenues of £4.8m over the period. However, even with the Adult Social Care precepts, increases in taxation revenues have not covered the loss of Revenue Support Grant and have provided less than one third of the resources necessary to address the full range of financial challenges, which has therefore required identification of substantial savings for re-investment to maintain front-line and priority service provision.

4.3 To manage these financial challenges, the council developed a 4-year planning approach and Modernisation Programme to help it plan effectively over a longer term and drive through necessary service redesign and efficiency programmes that could help contribute to savings. Including 2019/20 proposals, the total savings provided over the period will total £68.773m or approximately 20% of the gross General Fund budget. The savings identified for re-investment in 2019/20 are £12.015m, however, this does not fully close the budget gap at this stage. The areas requiring re-investment in 2019/20 to meet the projected growth in demand, cost increases or income pressures are detailed below.

Re-investment in Services 2019/20

4.4 Re-investment in essential services is a critical element of the budget proposal. A key part of the budget process involves estimating and predicting the demand and cost of services that are demand-led, statutory and support vulnerable people or communities. This primarily relates to adults and children's social care and homelessness but other important services may also experience abnormal cost pressures from time to time. The consequential costs are growing year-on-year due to a range of factors including population demographics, increasing complexity of

need, economic and market factors, and other cost factors such as the national living wage and increasing costs of safeguarding. Savings and efficiencies from across council services are therefore identified in order to re-invest these into critical service areas to maintain support for those who need them.

- 4.5 The July 2018 budget projections for 2019/20, reported to Policy, Resources & Growth Committee, included a re-investment requirement of £9.970m to meet estimated demand, cost and income pressures. However, these assumptions have now been revised to take account of the underlying pressures being experienced in the current financial year particularly in Adults and Children's social care but also in respect of cost and income pressures across City Environmental Management services. The total re-investment required to meet the pressures is now estimated to be £14.916m, adding £4.946m to the predicted savings requirement. This estimate will be further reviewed in light of TBM Month 9 budget monitoring and funding announcements from the Local Government Finance Settlement, expected on 6 December. The proposed re-investment of savings and resources is set out in Table 3 below:

Table 3 – Draft Re-investments (Service Pressures) 2019/20		
Service Area	£m	Description
Children's Social Care	1.281	To support increasing demand and costs of Looked After Children. Re-investment is after taking account of cost reductions anticipated through the Sustaining Social Care programme and other cost mitigations totalling £0.831m.
Adults Learning Disabilities	1.676	To support increased costs in community care and sleep-in costs. Provision is after taking account of cost reductions anticipated through the Sustaining Social Care programme of £0.429m.
Adult Social Care	6.304	Changes in demand for physical, memory & cognition, and mental Health services. Provision is after taking account of cost reductions anticipated through the Sustaining Social Care programme and other cost mitigations totalling £2.087m.
Adult social Care	1.806	Reductions in improved Better Care Fund grant and CCG partner contributions.
Adult Social Care	1.000	Further re-investment provision for an anticipated reduction in CCG partner contributions in 2019/20. This is subject to further understanding of the local health funding position expected in late December.
Public Health	0.640	Reduction in ringfenced grant. This must be matched by savings in the same service area.
City Environmental Management	0.290	Increased cost of weekend work for street cleansing and communal bin collection, including additional rounds.
City Environmental Management	0.345	Income pressures on commercial operations including garden and commercial waste. This may be a short term pressure and

		performance will be monitored closely throughout 2019/20.
City Environmental Management	0.285	Similarly, there is an income pressure on commercial fleet maintenance. This may similarly be a short term pressure and will be monitored throughout 2019/20.
City Environmental Management	0.030	Managing the risks of Ash dieback which is accelerating nationally and locally.
Building Control	0.100	High income targets were set for this service which cannot be maintained in current market and economic conditions.
Commercial rents	0.150	Similarly, there is an underlying pressure on rental income as lease reviews and renewals have not been able to keep up with inflation under current economic conditions.
Corporate Landlord	0.100	This relates to Business Rates increases on council properties arising from the ending of transitional reliefs.
Security and Concierge	0.150	Provision of recurrent funding to support the current model of service requiring enhanced security cover.
Money works	0.200	One-off re-investment to support the important Community Banking Partnership and the council's Financial Inclusion Strategy.
Field Officers	0.169	Re-investment to provide for the full ongoing running costs of the new service which has proven successful during its first year of operation.
Seaside Homes	0.150	Seaside Homes provides 499 properties for which the council has full nomination rights. Under the terms of the contractual arrangements, the council must provide a rent guarantee where Local Housing Allowance rates do not keep pace with inflation.
Coroners	0.070	Additional cost of a new pay structure for the service negotiated with the Ministry of Justice.
Unringfenced grants	0.170	Re-investment is provided annually where government grant funding is reduced without any loss or transfer of function.
Total Draft Re-investment	14.916	
Estimate as at July	9.970	
Increase since July	4.946	This increases the savings requirement or budget gap

Savings Proposals 2019/20

- 4.6 Taxation increases and other sources of revenue have not offset the loss of government grant funding over the period. The primary source of funding for re-investment to meet cost and demand pressures has therefore come from savings programmes. The council has focused on identifying and delivering savings through its Modernisation Programme. This has been enabled through generating capital receipts from the sale of assets to create an invest-to-save budget, which the

government's 4-year deal allowed councils to apply such resources to revenue saving projects and programmes.

4.7 The Modernisation Programme was provided with capital resources of £24.5m which have been applied to a wide range of revenue saving initiatives including:

- **4-Year Integrated Service & Financial Plans (ISFPs):** £6.8m has been applied to support implementation of specific service changes, recommissioning and redesigns (including the Orbis Shared Service partnership) as identified in the ISFPs. For 2019/20 the investment requirements are currently being reviewed and finalised. This resource is held in a reserve and only released through approval of business cases by the Corporate Modernisation Delivery Board.
- **Digital First:** £5.3m was identified to support this important investment to improve the council's digital presence and the accessibility and efficiency of on-line services. However, creating the infrastructure and platforms to enable digital services to be developed has required more effort and resources than anticipated. Ongoing investment in digital services will be required to ensure more widespread development and availability of services.
- **Modernisation Resources:** effective implementation of the 4-year plan savings requires good project management support and the co-ordination, tracking and planning of a wide range of activities from legal support to consultation and engagement activities. Business Process review and analysis skills are also required as well as augmentation of the council's Procurement and Contract Management team to help drive through savings. £5.3m will be required over the 4-year period to support modernisation.
- **Managing staffing changes:** managing changes in the level of staffing needs financial consideration with a substantial number of posts expected to be deleted from the council's staffing over the 4 year period. This will happen through a mixture of normal turnover, redeployments and voluntary severance. Estimated resources of £7.1m are required to meet severance costs to manage change and transfers.

The indicative allocations from the Modernisation Fund were included in the budget agreed by Full Council in February 2016 with updated allocations being advised and approved each year. Revised estimates for 2019/20 are being prepared in light of the updated ISFP's and will be included in the budget report to this committee in February 2019.

4.8 In 2019/20 the Modernisation Programme will support and enable the proposed savings of £12.015m. The broad categories of modernisation and savings activities are as follows:

Table 4		
Category of Saving	Rationale	Amount (£m)
Service Redesign (including Digital)	Services can and should strive for cost efficient service delivery that provides good value for money. This means continually exploring opportunities including skills development, process redesign and utilising new technologies or digital investment to improve services and/or reduce operational costs.	3.374
Shared Service Partnership (Orbis)	The Orbis Shared Service with Surrey and East Sussex County Councils aims to achieve cost reductions across support functions through scale economies, sharing best practice and investing in improved and integrated processes and teams. There is also an Orbis Public Law shared service which includes West Sussex CC.	0.808
Commissioning & Demand management changes	These savings are achieved through expert re-commissioning of services, often in partnership with others, aimed at improving or maintaining outcomes for people at lower cost wherever possible.	3.705
Enterprise Strategy - Income Generation	The council continues to explore innovative business opportunities for generating income such as developing new chargeable services, benchmarking fees & charges to alternatives, or vying for public sector service contracts where practicable.	0.813
Procurement & Contract Management	The council will invest additional one-off resources of £1.100m over 3 years to drive value in the £300m+ spent on services provided by third party suppliers and providers by improving its management of contracts and contractors and seeking economies through re-procurement of goods and services.	2.747
Funding Changes (non-priority areas)	Funding changes and cost reductions in non-priority areas.	0.568
Total Savings Package 2019/20		12.015

4.9 Complementing the above savings programmes and approaches are the following initiatives which can both generate revenue saving and also achieve cost avoidance.

- **Management & Admin:** The council recognises that cost effective management and administration of services is critical to ensure that they are well-run, have good operational plans and can plan ahead for changes and improvements. Managers ensure that services manage within budget and are organised to meet performance targets and standards, and continue to seek improved value for money and customer satisfaction. The council has used its Management Spans & Accountability (MSA) programme to test its management levels and ensure that its management resource is reasonable, with sensible 'spans of control' and the minimum safe number of management layers.

Similarly, admin arrangements are reviewed to ensure they are cost effective (e.g. pooling of support across teams or services).

All service improvements and redesigns, including those within Orbis, continue to consider management and administrative costs and there are further savings proposed in 2019/20 which will see the deletion of approximately 20 full time equivalent (fte) management grade posts. Over the 4-year period, total staffing savings of £6.375m have been taken through the deletion of management posts across all services as follows:

2016/17: £1.954m (approx. 35 fte)

2017/18: £1.833m (approx. 33 fte)

2018/19: £1.470m (approx. 22 fte)

2019/20: £1.118m (approx. 20 fte)

Note, these do not include front-line 'professional level' posts such as social workers.

- **Welfare Support and Advice:** It is proposed to provide support for vulnerable people and families on low incomes by:
 - Continuing to provide discretionary funds for the Council Tax Reduction Scheme and the Local Discretionary Social Fund to help those suffering temporary hardships;
 - Providing Council Tax discounts for Care Leavers;
 - Providing further resources to support families severely affected by Welfare Reforms (particularly benefit caps) including help to move to sustainable tenancies, provision of benefit advice and support services;
 - Continuing to support the Community Banking Partnership and the local East Sussex Credit Union to provide accessible banking services and money advice, particularly in relation to Universal Credit roll-out;

The above can help to avoid greater longer term costs that can emanate from resulting homelessness, social care needs or impacts on income collected. In addition to resources already identified, further one-off resources of £0.260m are proposed to support Welfare Reform as shown in Table 1 earlier. In future years, an option to provide permanent funding will be considered in the light of the government's Comprehensive Spending Review 2019.

- **Sustainable Social Care:** The council will be investing in improvements to its management of costs around children's and adults social care. This has no impact on eligibility criteria or the council's statutory duty to assess and meet need. Instead, this involves reviewing social care practice and procedures, improving commissioning efficacy with partners, improving the quality and use of data to scrutinise costs and activity, and ensuring regular and effective reviews of care packages while ensuring that vulnerable people are not disadvantaged, assessed needs continue to be met and that good quality services remain in place.

Capital Strategy 2019/20

- 4.10 The revisions to the Prudential Framework have introduced the requirement for local authorities to produce an additional report called the Capital Strategy which is to be presented and approved by members each year. The purpose of the Capital Strategy is to provide a single place for transparency and accountability of local

authority non-financial investments and its capital investment programme, including any commercial investments in commercial property or loans to third parties.

- 4.11 The aim of the Capital Strategy is to ensure members are fully conversant with the risks of non-financial investments and are aware of how the risks are proportional to the council's core service activity. The document will include:
- The proposed Capital Investment Programme
 - The Governance & Risk Framework
 - Potential and pending non-financial investments
 - An overview of the council's Risk Exposure
- 4.12 The Modernisation Programme investments will be incorporated into the full Capital Strategy alongside new and perennial capital investments that will support major regeneration projects, improved transport infrastructure, provision for school places, and major housing improvements and new build programmes. Key decisions are likely to be required in respect of strategic funds including IT & Digital investment, Strategic Investment Funds (supporting regeneration) and Asset Management Funds. It is intended to incorporate the Capital Strategy into the General Fund budget report to ensure that the link between capital and revenue decisions is maintained and ensure that budget resourcing decisions are taken in the context of the full range of proposed revenue and capital budgets, resources, investments and savings.
- 4.13 As previously, a 10-year capital programme has been developed and will be included in the Medium Term Financial Strategy. The Capital Strategy, including the detailed Capital Investment Programme, will be presented to Policy, Resources & Growth Committee and Budget Council in February prioritising the resources available and incorporating the information identified above. A draft high level programme is included at Appendix 3.

Staffing Implications (General Fund Services)

- 4.14 At this stage in the budget process it is difficult to determine exactly how many staff may be affected by the draft proposals. A broad estimate is that in 2019/20, approximately 70 posts may be removed from the council's staffing structure as a result of the savings proposals set out in Appendix 2. However, actual numbers will be dependent on the detailed options proposed and on the results of formal consultation where required. As previously experienced, it is likely that the majority of these posts are already being held vacant and some will become vacant through normal turnover.
- 4.15 It is planned to support staff at risk of redundancy through:
- Providing appropriate support to staff throughout the change process to enable them to maximise any opportunities available;
 - Controlling recruitment and ensuring there is a clear business case for any recruitment activity;
 - Managing redeployment at a corporate level and maximising the opportunities for movement across the organisation;
 - Managing the use of temporary or agency resources via regular reports to Directorate Management Teams (DMT's).

These measures will remain in place as work with trade unions and staff continues.

- 4.16 Whilst the focus will be on redeployment of staff, every effort will be made to reduce the impact of the proposals, including offering voluntary severance where appropriate to staff affected by budget proposals on a case by case basis. This targeted voluntary approach to releasing staff in areas undergoing change will be managed to support service redesigns whilst ensuring that the organisation retains the skills that will be needed for the future.

5 BUDGET GAP (SAVINGS REQUIREMENT)

- 5.1 The Medium Term Financial Strategy has been revised to reflect the latest cost, income and demand pressures and identifies a projected £2.150m budget gap assuming a 2.99% council tax increase. These projections are subject to change once the Local Government Finance Settlement is known, alongside potential changes in projections. The Table below shows how the budget is expected to change from 2018/19.

Table 5 - Breakdown of current Budget Gap	2019/20
	£m
Pay and standard inflation	+7.249
Cost, income and demand pressures	+14.916
Autumn Budget 2018 Social Care funding	-3.329
Other Changes	-2.982
Reduction in RSG and unringfenced Grants	+7.621
Standard inflationary increase on fees and charges	-1.781
Additional Council Tax and Business Rate Retention Income	-7.529
Budget Gap (Savings Requirement)	+14.165
Savings identified (ISFPs)	-12.015
Remaining gap	+2.150

- 5.2 The information above covers the last year of the current 4-year plan period, however, the Budget Report to this committee in February 2019 will include an updated Medium Term Financial Strategy which will contain longer term financial planning assumptions and resource projections up to the financial year 2023/24. Projections from 2020/21 onward are clearly subject to change given the uncertainties over local government funding and other key elements of the budget.

Closing the remaining Budget Gap

- 5.3 The level of savings required to re-invest in priority, demand-led services is considerable in 2019/20 and has increased since the July Policy, Resources & Growth committee. This is partly due to increased demand and costs but also reflects the need to mitigate funding reductions from the CCG and the tapering of the improved Better Care Fund. The savings requirement for 2019/20 has already been increased to over £12m which, following on top of £57m savings over the previous 3 years will be challenging to achieve without impacting adversely on service quality and availability. To close the budget gap fully, further savings of £2.150m would be required. All options continue to be explored but this may be very challenging without impacting further on levels and standards of service.
- 5.4 Another option for members to consider, subject to availability of resources, is the use of unallocated one-off funding to provide transitional resources until the next 4 year spending announcement in Autumn 2019 is known and which should provide clarity on:

- The national distribution of resources through the government's 'Fair Funding Review';
- The impact of the proposed increase from 50% to 75% local retention of business rates including the transfer of Public Health grant and other funding streams into this mechanism;
- The long term position on improved Better Care Funding and social care funding in general;
- Changes to and/or decisions on the future of the New Homes Bonus scheme and rules;
- Changes to taxation rules and regulations including 'excessive council tax regulations', and;
- The government's stance on future deficit reduction measures and what this may mean for local government finances.

Using one-off money in this way may defer decisions until the following year and can potentially store up financial problems. However, if this can be supported from unallocated one-off funds, there may be a case to argue that it is relatively safer to use such funds now rather than pursue further savings or cost reductions that could adversely impact services in advance of knowing the outcome of the above changes to local government funding. Unallocated one-off funding availability will be dependent on the month 9 budget monitoring forecast (TBM) and is unlikely to be sufficient to mitigate the whole of the current budget gap. The Chief Finance Officer is also statutorily required to assess the robustness of budget estimates and review the adequacy of reserves and provisions. This will include an assessment and potential recommendations regarding the level of risk provisions.

6 2019/20 BUDGET BOOK

6.1 The 2018/19 Budget Book has been revised and improved and is available on the council's web site. The 2019/20 Budget Book will follow this revised format and will aid understanding and transparency by providing:

- Information at sub-divisional levels to aid understanding of the wide range of services and teams in each directorate;
- Analysis of spending and income by category (subjective analysis);
- Staffing information for each service;
- Analysis of budget movements between years;
- Analysis of savings and re-investments (service pressures) by category;
- Information on capital investments.

7 OTHER FUNDS

Schools Funding and Balances

7.1 The level of school balances as at 31/03/18 was £2.003m, an increase of £0.710m from the £1.293m as at 31/03/17. The £2.003m balance is split across phases as follows:-

Phase	2017/18 £'000	Percentage of budget 2017/18	2016/17 £'000	Percentage of budget 2016/17
Nursery	53	8.43%	7	1.89%
Primary	2,512	3.48%	1,584	2.19%
Secondary	(484)	(0.93%)	(134)	(0.25%)
Special and Alternative Provision (AP)	(78)	(0.71%)	(164)	(2.92%)
Total	2,003	1.47%	1,293	0.94%

Note – Special includes the Connected Hub and Pupil Referral Unit (PRU)

National Funding Formula

- 7.2 While it remains the government's intention that a school's budget should be set on the basis of a single national formula, in 2019/20 local authorities will continue to determine final funding allocations for schools through a local formula. The national funding formula will set notional allocations for each school, which will be aggregated and used to calculate the total schools block received by each local authority.
- 7.3 In 2018/19, nationally there has been considerable movement in local formulae towards the schools national funding formula. 73 local authorities have moved 'factor values' in their local formulae closer to the national funding formula, with 41 mirroring the national funding formula values almost exactly. 62 local authorities have set their minimum funding guarantee at 0.5%, meaning all schools in that area will gain in cash terms per pupil compared to 2017/18, and 112 local authorities have brought in a minimum per pupil funding factor, mirroring its introduction in the national funding formula. There has therefore been significant progress across the system in moving towards the national funding formula in its first year.
- 7.4 In light of this progress, the DfE have confirmed that local authorities will continue to determine local formulae in 2020/21.
- 7.5 There are a number of key issues to note for the funding system this year:
- Within the schools block, the Government will provide for at least a 0.5% per pupil increase for each school in 2019/20 through the national funding formula (NFF). Local authorities' schools block allocations will be calculated by aggregating schools' notional allocations under the national funding formula and these notional allocations will reflect these increases. Schools block allocations will be expressed as separate per pupil primary and secondary rates for each local authority. They will also include funding at local authority level for premises, mobility and growth, based on historic spend.
 - The National Funding Formula (NFF) will provide local authorities with per pupil funding of at least £3,500 for all Primary Schools and £4,800 for all secondary schools that have pupils in years 10 and 11 by 2019/20.
 - Within the high needs block, the Government will provide for at least a 0.5% overall increase in 2019/20 through the high needs national funding formula. The high needs block will be protected against 2017/18 baselines.

- The minimum funding guarantee (MFG) for schools will continue, but local authorities will have the flexibility to set a local MFG between 0.5% and minus 1.5% per pupil.
- The schools block will be ring-fenced, but local authorities will be able to transfer up to 0.5% of their schools block funding out with the agreement of their Schools Forum.

7.6 In summary the approach proposed to the application of the formula for 2019/20 in BHCC would:

- reduce the lump sum from £150,000 to £130,000 per school with the balance of funding being re-allocated through the deprivation and low attainment factors;
- change the factor being used to identify deprivation from solely free school meals to a combination of free school meals, over-6 free school meals and the income deprivation affecting children index (IDACI);
- ensure all secondary schools will attract minimum per-pupil core funding of £4,700, and all primary schools £3,400 (core funding excludes funding for premises and growth);
- apply a minimum funding guarantee (MFG) of minus 1.5% per pupil;
- seek to maintain the current funding ratio between primary and secondary;
- allocate any additional 'headroom' that comes into the DSG (as a result of the possible increase in pupil numbers) directly to the basic entitlement factor.

Housing Revenue Account (HRA)

7.7 The Housing Revenue Account (HRA) is a ring-fenced account which covers the management and maintenance of council owned housing stock. This must be in balance meaning that the authority must show in its financial planning that HRA income meets expenditure and that the HRA is consequently viable. Although the HRA is not subject to the same funding constraints as the General Fund it still follows the principles of value for money and equally seeks to continuously improve efficiency and achieve cost economies wherever possible. Benchmarking of both service quality and cost with comparator organisations is used extensively to identify opportunities for better efficiency and service delivery.

7.8 The HRA Budget aims to balance the priorities of both the council and housing residents within the context of the Housing Strategy 2015, and the Corporate Plan 2015-2019 which sets out the overall direction for the council.

7.9 The HRA Budget & Investment Programme 2019/20 and the Medium Term Financial Strategy (MTFS) are currently being drafted and will be reported separately to Housing & New Homes Committee in January 2019, and Policy, Resources & Growth Committee and Council in February 2019. The revenue budget will include efficiency savings proposals as well as proposals to increase resources in order to:

- ensure that the support for increasing the numbers of new affordable rented homes in the city is sufficiently resourced;
- undertake environmental improvements to council estates to enhance tenant satisfaction levels with their neighbourhood as a place to live;
- provide for further health and safety measures to be considered in light of the Grenfell Tower fire.

- 7.10 A key area of focus will be developing arrangements for the provision of repairs & maintenance and major works when the current contract (with Mears) comes to an end in 2020. In particular, to ensure that the in-house responsive repairs and empty properties refurbishment service (as agreed at PR&G Committee in October 2018) is set up to provide a good quality, efficient service for council tenants.
- 7.11 As a result of the review carried out by government, a decision was reached to not proceed with the Pay-to-Stay policy included in the Housing & Planning Act 2016. Also the Government has announced this year that there are now no plans to introduce a levy on high value voids within the HRA. There are still some uncertainties which may have a significant impact on the long term health of the financial plan, such as the continued roll-out of Universal Credit and the potential for additional investment requirements arising from legislative or regulatory changes following review of the Grenfell Tower tragedy. Therefore the current value of HRA reserves will be reviewed in light of these factors. The government has also removed the debt cap on HRA borrowing.
- 7.12 Rents will continue to be calculated in accordance with government's rent guidance. For 2019/20, rents will be reduced by 1% in accordance with government legislation. However, on 4th October 2017, the Department for Communities & Local Government announced 'increases in social rents will be limited to Consumer Price Index (CPI) plus 1% for five years after 2020'.
- 7.13 Rents are not calculated to take into account any service charges and only include all charges associated with the occupation of a dwelling, such as maintenance of the building and general housing management services. Service charges are therefore calculated to reflect additional services which may not be provided to every tenant or which may be connected with communal facilities rather than to a particular occupation of a house or flat. Different tenants may receive different types of service reflecting their housing circumstances. All current service charges are reviewed annually to ensure full cost recovery and also to identify any service efficiencies which can be offset against inflationary increases, to keep increases to a minimum.

8 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 8.1 The budget process allows all parties to engage in the examination of budget proposals and to put forward viable alternative budget and council tax proposals to Budget Council on 28 February 2019. Budget Council has the opportunity to debate the proposals put forward by this Committee at the same time as any viable alternative proposals.
- 8.2 Any alternative proposal will need prior assessment by the Section 151 Chief Finance Officer and will not normally be allowed where an estimate is not considered to be robust for one of the following reasons:
- i) The risk of not achieving the saving is assessed to be high;
 - ii) There is insufficient evidence or information to assess the potential saving;
 - iii) The alternative proposal is adding to or bringing forward an existing saving without further information as to how this can be achieved;
 - iv) The alternative proposal requires one-off investment or loan financing that cannot be supported;
 - v) The alternative proposal is beyond the powers and duties of the local authority.

9 COMMUNITY ENGAGEMENT & CONSULTATION

Budget Timetable

- 9.1 The Timetable for budget papers is given in the table below. This timetable does not include detailed plans for ongoing consultation with stakeholders as this will be determined in conjunction with those involved.

Date	Meeting/Event	Papers / Activities
06 Dec 2018	Announcement	Provisional Local Government Finance Settlement
13 Dec 2018	Full Council	Council Tax Reduction Scheme 2019/20
16 Jan 2019	Housing & New Homes Committee	Housing Revenue Account Budget and Capital Programme
24 Jan 2019	Policy, Resources & Growth Committee	Council tax base Business Rates tax base
14 Feb 2019	Policy, Resources & Growth Committee	TBM Month 9 General Fund and HRA budget reports
28 Feb 2019	Budget Council	General Fund and HRA budget reports

- 9.2 The scale of the budget gap over the 4-year period to 2019/20 has necessarily required the development of saving and cost reduction proposals that have significant implications for the design and delivery of many council services. This carries higher risks of potential impact on service delivery and requires effective consultation and engagement on not only service changes but also financial planning over the medium term.
- 9.3 General information and advice about the council's budget will continue to be provided through the council's web site and via a refreshed 'Budget Animation' available on YouTube™ which shows how money is spent on services, where the money comes from and a summary of the financial challenges ahead.
- 9.4 The council has also widely publicised its online social media inviting residents and stakeholders to give us their views and ideas on Twitter via #BHBudget. Social media continues to be a key, low cost, mechanism for engaging with residents and other stakeholders. Key proposals from the 4 year plan will be publicised, along with information about council services, and questions and comments invited from residents immediately following their publication over the period leading to the February Policy, Resources & Growth Committee meeting. A summary of response threads will be provided to all political groups through the Budget Review Group and appended to the February budget report.
- Other consultation and engagement processes are as follows:**
- 9.5 Engagement with the Older Peoples Council is planned and information is being shared with Strategic Partners and community groups to invite feedback.
- 9.6 Local Strategic Partners remain acutely aware of the potential cumulative impact of funding pressures across public sector agencies on the city. The City Management Board, attended by all Local Strategic Partnership representatives, will therefore

ensure that information is shared across the sector to assess and mitigate adverse cumulative impacts wherever possible and develop joint actions where appropriate. Engagement with statutory partners will continue on an ongoing basis through the City Management Board and appropriate working groups to further share and understand the potential cumulative impact of budget proposals across the city as they take shape.

- 9.7 The council will be engaging fully with the Brighton & Hove Clinical Commissioning Group (CCG) with the intention of aligning the budget processes of the two organisations as far as practicably possible. As with the council, the local CCG is likely to remain under severe financial pressure due to its funding position within the regional CCG alliance whereby it is required to contribute significant savings to areas with relatively higher need and/or greater funding deficits. This will make planning for health and social care integration particularly challenging but joint financial planning can help to avoid unintended or counter-productive impacts of isolated financial decisions being made by the two organisations.
- 9.8 There are ongoing briefings and discussions with the Economic Partnership that cover potential funding sources and bids, city regeneration, economic growth, employment and apprenticeship strategies. Statutory consultation with Business Ratepayers will also be undertaken as normal.
- 9.9 For staff, updates will be provided via the council's intranet and formal consultation with Staff and Unions will be undertaken as normal including Departmental Consultative Group (DCG) meetings in November and early December 2018 followed by appropriate consultation with directly affected staff.
- 9.10 Similarly, where appropriate or required by statute, specific consultation will be undertaken with residents and other people directly affected by proposed changes to service delivery.
- 9.11 For information on specific fees and charges proposals please refer to the relevant service committee where proposals are normally considered and approved. The list of meetings is set out in the table below.

Fees & Charges Area	Meeting	Date
Private Sector Housing – HMO Licensing	Housing & New Homes Committee	16/01/19
Planning	Tourism, Development & Culture Committee	17/01/19
Licensing and Enforcement	Licensing Committee	29/11/18
Libraries	Tourism, Development & Culture Committee	17/01/19
Seafront, Outdoor Events and Venues	Tourism, Development & Culture Committee	17/01/19
Royal Pavilion and Museums	Tourism, Development & Culture Committee	22/11/18
Children & Young People	Children, Young People & Skills Committee	14/01/19
Housing Revenue Account	Housing & New Homes Committee	17/01/19
Environmental Health and Trading Standards	Environment, Transport & Sustainability Committee	22/01/19

Table 8 – Approval of Fees & Charges		
Fees & Charges Area	Meeting	Date
City Parks and City Clean	Environment, Transport & Sustainability Committee	22/01/19
Parking and Highways	Environment, Transport & Sustainability Committee	22/01/19
Life Events	Policy, Resources & Growth Committee	24/01/19
Adult Social Care Non-residential care services	Health & Wellbeing Board	29/01/19

Schools Forum Consultation

- 9.12 There is a statutory requirement on the local authority to consult with the Schools Forum on certain financial aspects of the schools budget including formula changes and the associated impact on budget distribution. The Schools Forum is a public meeting whose membership is made up of schools representation from across all phases and on which the Education Funding Agency has optional observer status.
- 9.13 Information is provided throughout the year to meetings of the Schools Forum concerning the development and/or changes to elements of the schools budget and the schools formula, now principally based on a national formula. There is a Schools Block Working sub-group that works with Education and Skills and Finance colleagues to ensure involvement and engagement of schools representatives in looking at considerations and options as proposals are developed. Annual budget shares will be presented to the 16 January 2019 meeting of the Schools Forum for consultation.

Housing Revenue Account (HRA)

- 9.14 The HRA follows a separate consultation and engagement process involving relevant stakeholders and tenant representative groups. Details and feedback will be set out in the HRA Revenue Budget and Capital Programme report to the 16 January 2019 Housing & New Homes Committee.

10 CONCLUSION

- 10.1 The council is under a statutory duty to set its budget and council tax before 11 March each year. This report sets out the latest budget assumptions, process and timetable to meet the statutory duty. The plans cover a 4 year period, however only proposals for 2019/20 and associated council tax decisions require formal approval in February 2019. The Medium Term Financial Strategy is for noting.

11 FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 11.1 These are contained within the main body of the report.

Finance Officer Consulted: James Hengeveld

Date: 20/11/18

Legal Implications:

- 11.2 Policy, Resources & Growth Committee has the necessary authority to make the recommendations set out in paragraph 2 of this report as part of its function of

formulating budget proposals for subsequent consideration and adoption by Full Council.

- 11.3 Recommendation 2.4 reflects the council's duties to consult interested parties in relation to the draft savings proposals set out in the report.
- 11.4 Any decisions taken as part of the budget setting process are "resourcing" decisions and are subject to compliance with relevant legal requirements where appropriate before implementation.

Lawyer Consulted: Elizabeth Culbert

Date: 27/11/18

Equalities Implications:

- 11.5 In Brighton & Hove City Council a budget Equality Impact Assessment (EIA) process has been used to identify the potential disproportionate impacts of proposals on groups/individuals covered by legislation (the 'protected characteristics' in the Equality Act 2010) and actions to mitigate these negative impacts or promote positive impacts. This is a key part of meeting the requirements of the Act and demonstrating that we are doing so. In law, the potential impacts identified, and how far proposed actions mitigate them, must be given due regard by decision-makers at each stage of the budget-setting process. However, as noted under legal implications above, in setting the budget members are making resourcing decisions which remain subject to compliance with all necessary legal and statutory consultation requirements.
- 11.6 All proposals with a potential equalities impact in 2019/20 have had an EIA completed (provided in Members' rooms and on-line), and this is cross-referenced within the savings proposals. Staffing EIAs will be completed alongside the formal consultation process on proposed staffing changes and feedback will be provided in the February report.
- 11.7 When the budget proposals are made public, these EIAs will also be circulated widely to stakeholders. Feedback will be used by officers to revise the first drafts of EIAs into final versions which will be available to members and scrutiny as they consider the budget proposals. They will also be published on the council website.

Sustainability Implications:

- 11.8 A carbon budget will be set for 2019/20 and included in the budget report to this committee in February 2019. This will show the level of spend on energy and the estimated carbon emissions across each carbon budget area including planned reductions.

Any Other Significant Implications:

Risk and Opportunity Management Implications:

- 11.9 The budget proposals may provide risk provisions against the uncertainty of the local government finance settlement, delivery risk across savings proposals and forecast risk on service pressure reinvestments and demands. However, the national and local picture presents growing risks in respect of the pressures on the health & social care system and hospital discharge, the growing problem of homelessness and rough sleeping, pressures on children's social care and adoption numbers, and the cumulative impact of welfare reforms, particularly the roll-out of Universal Credit. This indicates that potential risks remain high and that

good quality data and analysis will be required to ensure that trends and the impact of interventions can be closely monitored and understood.

- 11.10 The level of financial risk provisions will need to be reviewed for 2019/20 in the light of the Month 9 budget monitoring position (TBM) and available resources. The level of risk provision will clearly need to strike a balance between putting scarce resources to one side at a time when vulnerable people's reliance on essential public services is expected to grow.
- 11.11 The budget report to February Policy, Resources & Growth Committee will include the Chief Finance Officer's formal assessment of the robustness of estimates in the budget and the adequacy of reserves and provisions, including an assessment of the need for any additional risk provisions.

SUPPORTING DOCUMENTATION

Appendices:

1. Draft Budget changes from 2018/19 to 2019/20
2. Budget Narratives and Draft 4-Year Integrated Service & Financial Plans (ISFPs)
3. Draft Summary 10 year Capital Programme
4. Draft Budget Equality Impact Assessment Screening Documents
5. 2018/19 Budget Book (for illustration)

Documents in Members' Rooms

1. Draft Budget Equality Impact Assessment Screening Documents (also available online)
2. 2018/19 Budget Book (for illustration)

Background Documents

1. Budget files held within Finance
2. Consultation papers