

<b>Budget Council</b>	<b>Agenda Item 77</b>
27 February 2020	Brighton & Hove City Council

<b>Subject:</b>	<b>General Fund Revenue Budget, Council Tax and Capital Strategy 2020/21</b>		
<b>Date of Meeting:</b>	<b>27 February 2020</b> 13 February 2020 – Policy & Resources Committee		
<b>Report of:</b>	<b>Acting Chief Finance Officer</b>		
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<b>Ward(s) affected:</b>	<b>All</b>		

## FOR GENERAL RELEASE

### 1 PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This comprehensive report contains not only the General Fund Revenue Budget proposals for 2020/21 but also sets out the proposed Treasury Management Strategy and Capital Investment Strategy for 2020/21.
- 1.2 The July Budget report to this committee proposed that savings be identified for the 4-year period to 2023/24, however since that report was considered, the government announced a Spending Review for one year only instead of the expected multi-year announcement. In addition, the expected implementation of the government's Fair Funding Review and changes to the Business Rates Retention scheme have been delayed until at least 2021/22. This means that projections beyond 2020/21 are highly uncertain and therefore the budget proposals concentrate on delivering a balanced budget for 2020/21. However, medium term financial projections have been included in the report but can only work on the assumption that funding will be rolled-forward for 2021/22 to 2024/25 until further information is available.
- 1.3 The revenue budget proposals have been updated since the draft budget report, considered by Policy & Resources Committee on 5 December 2019, and reflect:
- the provisional Local Government Financial Settlement announcement;
  - updated projections and estimates, particularly for demand-led services such as social care;
  - revisions to the Council Tax and Business Rates tax bases as reported to the January Policy & Resources Committee;
  - changes to savings and investment proposals as detailed in the report.
- 1.4 The General Fund Revenue Budget proposals for 2020/21 include:
- a proposed increase of 3.99% on Council Tax including a 2% Adult Social Care precept, which, together with tax base<sup>1</sup> changes across the city, including business rates, will generate £8.564m;

<sup>1</sup> Tax base changes are driven by changes in the number or valuation of houses (for Council Tax) and changes in the number or rateable value of business premises (for Business Rates).

- provision for pay and price inflation, grant losses, and unavoidable contractual and financing commitments of £9.732m;
  - a new social care grant of £4.715m from the government spending review;
  - a savings programme of £9.272m to provide funding toward investment to support Corporate Plan commitments and other service pressures;
  - investments to support Corporate Plan commitments and outcomes, cost increases and demand-driven service pressures of £12.967m;
  - provision of a financial risk safety net of £0.750m.
- 1.5 The budget proposals are supported by Equality Impact Assessments where appropriate which must be considered by Members alongside the detailed budget proposals.
- 1.6 The proposed Capital Investment Programme for 2020/21 is set out in the Capital Strategy and includes a total programme of investments of £166.669m.

## **2 RECOMMENDATIONS:**

- 2.1 That Policy & Resources Committee recommends to Council:
- 2.1.1 The Administration's proposed budget and Council Tax increase on the Brighton & Hove element of the council tax, comprising:
- i) A general Council Tax increase of 1.99%;
  - ii) An Adult Social Care Precept increase of 2%;
  - iii) The council's net General Fund budget requirement for 2020/21 of £215.606m;
  - iv) The 2020/21 budget allocations to services as set out in the Budget book at Appendix 1 incorporating 2020/21 savings proposals;
  - v) The reserves allocations as set out in paragraph 3.16 and table 3;
- 2.1.2 That Council notes the updated Medium Term Financial Strategy included in the Budget Book at Appendix 1.
- 2.1.3 That Council approves the Capital Strategy for 2020/21 at Appendix 2 comprising:
- i) The strategy for funding the investment in change, including the flexible use of capital receipts as set out in section 6;
  - ii) The capital resources and proposed borrowing included at Annex A of the Capital Strategy;
  - iii) The Capital Investment Programme for 2020/21 of £166.669m included within the Budget book at Appendix 1 and incorporating allocations to strategic funds.
- 2.1.4 That Council notes the Equalities Impact Assessments to cover all relevant budget options and their cumulative effect as set out in Appendices 6 and 7.
- 2.1.5 That Council further notes the budget decision is an indicative resourcing decision to be taken in the context of the explanation in the Legal Implications paragraph 14.3.
- 2.1.6 That Council approves the Treasury Management Strategy Statement as set out in Appendix 3 comprising:
- i) The Annual Investment Strategy
  - ii) The Prudential and Treasury Indicators
  - iii) The Minimum Revenue Provision policy

iv) The authorised borrowing limit for the year commencing 1 April 2020 of £465m.

2.1.7 That Council notes that supplementary information needed to set the overall council tax will be provided for the budget setting Council meeting as listed in paragraph 9.3.

2.2 That Policy & Resources Committee agrees that the Acting Chief Finance Officer be authorised to make any necessary technical, presentational or consequential amendments to this report before submission to full Council.

### 3 RESOURCES AND LOCAL GOVERNMENT FINANCE SETTLEMENT FOR 2020/21

#### Local Government Finance Settlement and Tax base Forecasts

3.1 The final Local Government Finance Settlement (LGFS) is due to be announced in early February 2020 and will confirm the council's Revenue Support Grant (RSG) for 2020/21.

3.2 The table below shows the 2020/21 funding assessment for the council compared to 2019/20 along with the national percentage change.

<b>Table 1: Funding Analysis</b>	<b>Final 2019/20 £m</b>	<b>Provisional 2020/21 £m</b>	<b>Increase / (Decrease) £m</b>	<b>Change %</b>
Revenue Support Grant (RSG)	6.523	6.630	0.107	1.6%
Government assumed business rates income retained by the council	58.187	59.135	0.948	1.6%
Settlement Funding Assessment (SFA)	64.710	65.765	1.055	1.6%
<i>National SFA Change</i>				1.5%

3.3 The government-assumed level of business rates retained locally is used in the grant calculation and is different from the actual business rates forecast to be collected locally shown in the Budget Book at Appendix 1.

3.4 In December 2018 the government issued consultations on the Fair Funding Review and reforms to the Business Rates Retention system, both with a deadline for responses of February 2019. These proposed changes to local government funding were intended to be introduced in 2020/21 but have been deferred to at least 2021/22.

3.5 The provisional Local Government Finance Settlement included the continuation of the New Homes Bonus scheme (NHB) for a further year. However the councils increase in new properties up to September 2019 did not meet the minimum threshold and there was no new award for growth although an allocation of £0.031m was made relating to new affordable homes in the city. As NHB is allocated for a 4 year period the council's allocation from 4 years ago of £1.177m fell away resulting in a net reduction of £1.146m.

#### Adult Social Care (ASC) and Better Care Funding (BCF)

3.6 The Chancellor of the Exchequer presented a one year Spending Review on 4 September 2019. This included an announcement of an additional £1 billion Social Care funding nationally for 2020/21, a continuation of one-off improved Better Care

Funding (BCF) and allowing a further 2% Adult social Care precept. These announcements were confirmed in the provisional Local Government Financial Settlement.

- 3.7 All additional funding for Adult Social Care has been directed towards supporting the demand and cost pressures within the service. The table below summarises the resources available to support of Adult Social Care pressures in 2020/21:

<b>Table 2: ASC Resources</b>	<b>2019/20</b>	<b>2020/21</b>
<b>Funding from taxation:</b>		
ASC Precept	0% -	2% £2.900m
<b>Funding from grants:</b>		
Improved BCF (incl. Winter Pressure funding)	£9.181m	£9.181m
Adults and Children's Social Care Grant (one-off)	£2.100m	£2.100m
New Adult Social Care Grant	-	£4.715m

### **Referendum Threshold**

- 3.8 The provisional Local Government Finance Settlement confirmed that the threshold at which an increase in council tax requires confirmation from a local referendum will be 4% including a 2% Adult Social Care precept. Any proposal to increase council tax by 4% or more would therefore need to be accompanied by an agreed substitute budget, which would need to be implemented if the increase were voted down by the electorate.

### **Forecast Business Rate Retention and Council Tax income for 2020/21**

- 3.9 Details of the expected business rate retention income forecasts were set out in the report to the January 2020 meeting of the Policy & Resources Committee. The council is forecast to receive £67.077m from its locally retained share of business rates and Section 31 compensation grants in 2020/21. This is an increase of £2.090m compared with 2019/20.
- 3.10 The Council Tax taxbase report was also agreed by this committee in January 2020. Assuming a Council Tax increase of 3.99% and taking into account changes to the taxbase, the total projected Council Tax income in 2020/21 is £150.547m. This is an increase of £6.868m compared with 2019/20.

### **Other Government Grants**

- 3.11 The grant allocations for 2020/21 have been included within the Budget Book at Appendix 1. Some grant allocations for next year have not yet been announced and where these are critical to the setting of the 2020/21 budget, an estimate has been included.

### **Fees and Charges**

- 3.12 The council's Corporate Fees & Charges Policy requires that all fees and charges are reviewed at least annually and should normally be increased by a minimum of either the corporate standard inflation rate (currently 2%), statutory increases, or actual increases in the costs of providing a service. Increasingly, linked to the council's approach to securing value for money in the provision of services, services are benchmarking non-statutory fees and charges with other providers and councils to ensure that charges are comparable and competitive within the local context, and can maximise income to protect essential services wherever feasible.

- 3.13 Non-statutory increases above the standard rate of inflation and changes to concessions or subsidies are normally considered by the relevant service committee in advance of budget proposals. Increases in fees and charges above the standard inflation rate are reflected in the Budget Book at Appendix 1.

#### **Reserves Position and one-off funding**

- 3.14 As set out in section 10 of the report, the council's General Fund working balance is recommended to continue at a minimum of £9m to meet general risks applicable to a unitary authority. This represents about 3 weeks Council Tax revenues.
- 3.15 The following table shows the projected general reserves position and one-off resources assuming spending is in line with the latest projections for 2019/20 as shown in the Targeted Budget Monitoring (TBM) month 9 report. The table includes the release of specific reserves, the net collection fund surplus and other one-off resources to offset the projected overspend and proposed allocations.

<b>Table 3 – One-off Resources, Liabilities and Proposed Allocations</b>	<b>£m</b>	<b>£m</b>
Unallocated general reserves	0.167	
Winter Shelter (Option 1) provision 2019/20	-0.035	
Planned contribution to 2023 local elections	-0.100	
<b>Balance of General Reserves available</b>		<b>+0.032</b>
<b>Revenue Budget position 2019/20 (TBM):</b>		
Forecast outturn overspend Month 9	-3.355	
Available 2019/20 financial risk safety net	+0.805	
Projected TBM outturn improvement (based on forecast trends)	+0.884	
<b>Projected Net Position at Outturn 2019/20</b>		<b>-1.666</b>
<b>Collection Funds<sup>2</sup> position 2019/20:</b>		
Estimated 2019/20 Council Tax collection fund deficit	-1.346	
Estimated 2019/20 Business Rates collection fund Surplus	+2.137	
S31 grants to compensate for increased Business Rate reliefs	+0.156	
<b>Projected Collection Funds position</b>		<b>+0.947</b>
<b>Other One-off Resources</b>		
Release of revenue funded modernisation reserves through switching funding to capital resources	+1.137	
<b>Total Other One-off Resources</b>		<b>+1.137</b>
<b>Projected One-off Resources available at start of 2020/21</b>		<b>+0.450</b>
<b>Proposed One-off Allocations 2020/21:</b>		
Approved allocation to Council Tax Reduction Discretionary Fund	-0.190	
Approved allocation to the support the Welfare Framework	-0.260	
<b>Balance of One-off Resources</b>		<b>0.000</b>

- 3.16 More information on the allocations from one-off resources in the table above is provided below:

<sup>2</sup> Collection Funds are separate accounts where taxation revenues received from the Council Tax and Business Rates are allocated and compared to the expected tax revenues for the year.

- Winter Shelter (Option 1) provision of £0.035m supports the recommended additional services for winter 2019/20 as reported to Policy & Resources Committee on 13 February 2020.
- A planned contribution to the 2023 local elections of £0.100m is provided for in order to build up budget provision in advance of the next local elections and avoid the entirety of costs (circa £0.400m) falling in any one financial year.
- Provision of £0.190m for the Council Tax Reduction Discretionary Fund to provide support for those in temporary hardship. This is on the evidence that discretionary funds are expected to be fully utilised in 2019/20 and reflects this committee's resolution to increase this fund at its December 2019 meeting;
- Support for the impacts of Welfare Reform in 2020/21: The allocation of £0.260m will provide for continuation of a range of advisory and signposting services as well as hardship and other discretionary social fund support as the council continues to assist vulnerable families and households through the implementation of national Welfare Reforms, particularly those impacted by changes such as the benefit cap.

3.17 In order to balance one-off resources, the table above includes the assumption that the in-year financial position will improve by a further £0.884m by the year-end. This is a prudential assumption based on a combination of:

- previous years' experience of managing forecast overspend risk;
- the anticipated effect of ongoing spending and recruitment restrictions across all non-essential, non-statutory services; and
- the underlying downward trend in the forecast position since month 5 (August).

#### **4 INVESTMENTS TO SUPPORT CORPORATE PLAN COMMITMENTS AND SERVICE PRESSURES**

4.1 The government's announcement of a one-year Spending Review leaves considerable uncertainty over local government funding beyond 2020/21 and therefore presents difficulties in planning for investment in longer term priorities and commitments. In this context, a new council Corporate Plan 'A fairer city, a sustainable future' clearly sets out the council's ambitions and commitments over the next 3 years and therefore a key challenge will be to ensure the funding and resources available to the council are used to best effect and redirected to support Corporate Plan commitments wherever possible while ensuring that critical and statutory services are maintained.

4.2 Achieving this will require innovative financing solutions, a continued drive to modernise the council and identify 'invest to save' opportunities to keep improving value for money across services as well as exploring all avenues for generating income or attracting external, community or partnership investment.

4.3 The Corporate Plan identifies that there are three key areas of concern for many residents and therefore prioritises:

- making the city carbon neutral by 2030;
- improving access to good quality housing and reducing homelessness and rough sleeping; and
- building community wealth so that local people and organisations benefit from prosperity in the city.

- 4.4 In support of these priorities and aiming for a fairer, sustainable city, the Corporate Plan identifies six outcomes that are supported by a range commitments and actions. The six outcomes are:
- A growing and learning city
  - A sustainable city
  - A healthy and caring city
  - A city to call home
  - A city working for all
  - A stronger city
- 4.5 The investments necessary to support these outcomes will be developed over the medium term starting in 2020/21. However, many of these outcomes can be achieved through changing policy approaches, working in collaboration with public and third sector partners and using the council's influence as a community leader to engage businesses, residents and visitors in supporting these outcomes.
- 4.6 The proposed General Fund budget presented in this report has been tested against a set of principles outlined in the draft budget report to December Policy & Resources Committee and designed to ensure that both investments and savings align as far as possible with the Corporate Plan. However, it is recognised that the funding situation in local government, following 10 years of grant reductions of over £110m, means that there are still likely to be difficult choices to make to balance the budget.
- 4.7 A major investment area for the Corporate Plan relates to housing and homelessness including plans to deliver new build, affordable housing through the self-financing Housing Revenue Account (HRA) and other innovative General Fund schemes including the Housing Joint Venture. These plans are well advanced and are set out in detail in the Corporate Plan and the HRA Revenue and Capital Budget also reported to the February Policy & Resources Committee and Budget Council. A range of additional General Fund investments have also been identified to support the outcome of 'A City to Call Home' and these are set out below.
- 4.8 Other Corporate Plan investments are also set out in the table below under the relevant outcome to indicate how the General Fund budget supports their achievement. Significant investment relates to Children's Safeguarding & Care and Adult Social Care services to meet growing demands across the city and ensure that extensive services supporting the outcomes under 'A growing & learning city' and 'A healthy and caring city' are maintained and can meet new demands.
- 4.9 In total there are investments of £11.272m to support the Corporate Plan outcomes, which are enabled by proposed local taxation increases, including the Adult Social Care precept, and a substantial package of savings focused on delivering services at a lower cost through redesign and technological changes, or alternatively generating more income, particularly from non-statutory services. There are also additional investments of £1.695m to maintain and update the council's IT software estate and maintain important support functions that underpin delivery of front line services or contribute to delivery of savings programmes. The table below summaries the investments planned for 2020/21 against the Corporate Plan outcomes:

**Table 4: Investment to support Corporate Plan Priorities and Other Service Pressures 2020/21**

<b>Service Area/Outcome</b>	<b>£m</b>	<b>Description</b>
<b>Corporate Plan Investments:</b>		
<b>A Growing &amp; Learning City</b>		
Children's Safeguarding and Care	1.045	To support increasing demand and costs of Looked After Children to ensure the council can continue to provide extensive services for children in care and provide for their safeguarding and well-being.
Education and Skills	0.020	Investment to continue the Providing Access to Childcare Programme (PACE) by providing replacement for expiring European funding. PACE supports parents to take up free childcare for their children and supports them to return to work through a personal development plan and one-to-one support.
Education and Skills	0.020	To continue and expand the Raising Achievement in Early Literacy Programme (REAL) which aims to improve children's early literacy skills before they start school by working with and training parents to increase opportunities for learning in the home.
<b>A Healthy &amp; Caring City</b>		
Adults Learning Disability Services	2.140	To support increased demand for and costs of community care packages and thereby enable people to live as independently as possible, particularly as they transition to adult care settings.
Adult Social Care	2.310	To meet increased demand for and costs of physical, memory & cognition, and mental Health services to ensure assessed needs can continue to be met and support people to maintain independence.
Adult social Care	1.550	Investment to cover reductions in Clinical Commissioning Group partner contributions (due to pressures on local NHS budgets) to ensure the council can maintain commissioned services that support vulnerable people, in particular Section 117 Mental Health aftercare services.
Adult and Children's social care	0.780	Investment to reinstate budgets previously reduced in respect of part of the planned 'sustainable social care' savings that cannot be safely delivered and to therefore protect the provision of social care services.
<b>A Sustainable City</b>		
Carbon Neutral	0.200	A range of investments to support feasibility studies and research, communication campaigns, partnership collaboration and financing costs of capital investment (SCRIF) to support climate change and carbon reduction policy development, initiatives and actions.
City Environmental Management	0.840	Investment to meet the increased cost of communal bin collection rounds alongside fleet management, replacement and financing costs to ensure a modern refuse and recycling



		service is maintained and well-placed to support increased recycling over the Corporate Plan period.
City Environmental Management	0.250	Provision to cover income pressures on commercial operations including garden and commercial waste to ensure that this does not impact on service provision and enables these services to continue to grow and support recycling and effective commercial waste management.
Sports and Leisure	0.100	Investment to address income pressures from the two council-owned golf courses enabling support for a new model of provision including rewilding and improved biodiversity of one of the courses and a sustainable long term business model for the other course.
City Environmental Management	0.070	Provision to cover cleaning cost pressures for public conveniences to ensure improved cleanliness and operation of public conveniences and maintain the City's attractiveness for residents and visitors alike.
City Environmental Management	0.030	Investment in trees, pavilions and roads throughout the parks estate to improve the parks' environment and contribute to carbon reduction.
City Development and Regeneration	0.010	One-off investment to undertake a detailed viability study for potential future options for the Madeira Terraces.
Sustainable Transport	0.005	One-off investment to provide for a detailed viability study for potential extension of Park and Ride schemes around the city.
<b>A City to Call Home</b>		
Private Rented Sector Housing Enforcement	0.150	New investment for 2020/21 following agreement of a new Enforcement Policy at Housing Committee on 13 November 2019. This is an additional investment for staffing resources (Private Sector Housing technical officers) required to fulfil the new Enforcement Policy due to be implemented in April 2020. It relates to Housing Act enforcement outside of existing self-funding licensing activity and will contribute to improve private rented sector housing standards.
Housing Welfare Services	0.260	Permanent investment to replace one-off funding agreed at Budget Council in February 2019. The funding contributes towards 7 FTE staff in the Housing Service to provide support to vulnerable residents in emergency and temporary accommodation.
365-day Night Shelter Service	0.250	Permanent investment to replace one-off funding agreed at Budget Council in February 2019. Funding contributes towards a 15 bed Night Shelter for rough sleepers and 29 units of supported accommodation. The service is externally commissioned (at St Patrick's) and is managed by the HASC commissioning team.
Short Term & Emergency Temporary	0.300	New investment for 2020/21 to support an estimated 100 properties being re-procured during 2020/21 to provide an enhanced service offer, over and above the current level of service. This

Accommodation		includes the provision of improved facilities, services (e.g. laundry facilities, wi-fi, etc) and an enhanced caretaker role.
Housing & Temporary Accommodation (TA)	0.300	Investment to meet the increased cost of and demand for Temporary Accommodation provision, particularly as the service transitions to a new model of provision, and cover for the Seaside Homes contractual rent guarantee which is in lieu of previously capped Local Housing Allowance rates.
Housing Benefits	0.150	Provision for the increased cost and number of vulnerable tenants in supported accommodation where housing benefit is not fully funded by government, enabling continued support for the Welfare Framework through the Revenues & Benefits team.
Winter Shelter	0.050	Investment to provide a weekend Winter Shelter service through November to March, open 7pm to 7am on Saturdays and Sundays for all rough sleepers.
<b>A City Working for All</b>		
Building Community Wealth	0.020	Initiatives funding to support development of policy and practice and engagement with businesses and partners across the city to enhance the local economy, improve social value in procurement and establish a circular economy framework.
Royal Pavilion Estate	0.100	Investment to meet financing costs arising from the additional cost of capital works following insolvency of the main construction contractor to enable this important visitor attraction to be completed to a high standard and support the visitor economy.
Life Events	0.265	Provision to alleviate income pressures caused by a reduction in demand for Statutory Certificates following the government's imposed fee increases and the cessation of the nationality checking service, enabling essential life event services to be maintained.
Sports & Leisure Outdoor Events	0.057	2-year investment to support hosting of the Women's European Football Championships in 2021 expected to generate additional visitors and economic activity for the city.
<b>11.272</b>		<b>Total Corporate Plan Investments</b>
<b>Other Corporate Service Pressures</b>		
The investments below are not directly linked to Corporate Plan commitments but are essential to maintain and update the council's IT software estate and maintain important support functions that underpin delivery of front line services and enable the council to deliver greater cost economies and/or avoid unnecessary additional costs:		
Information Technology & Digital	0.500	Contractual licensing commitments including the Microsoft Enterprise Agreement to maintain the council's software estate and ensure secure and robust software is available to all services.
Information Governance	0.342	Unavoidable increased costs of responding to the substantial increase in demand for Subject Access Requests (SAR's) and to meet statutory compliance requirements.
Procurement & Contract	0.171	Permanent provision to replace one-off Modernisation Funding provided over the previous 3

Management Support		years to maintain support for achieving savings, cost avoidance and/or recovery for sub-standard contract performance from re-procurement and contract management activity.
Customer Services	0.170	Provision of recurrent funding to support the current model of service requiring enhanced security cover of council public and staff access points.
Other identified pressures	0.512	Other unavoidable above-inflation contractual and service cost increases across a range of priority services.
	<b>1.695</b>	<b>Total Corporate Service Pressures</b>
	<b>12.967</b>	<b>Total All Investments</b>

## Grant Funding Pressures:

- 4.10 In addition to the above investments and service pressures, a small number of grant funding pressures were identified in the draft budget relating to anticipated grant losses. These have now been confirmed in the provisional Local Government Financial Settlement but may be subject to change when the final settlement is received. Provision is made for these unringfenced grant reductions to maintain overall funding and determine the savings requirement to balance the budget.

<b>Service Area</b>	<b>£m</b>	<b>Description</b>
Unringfenced grants	0.932	Loss of Business rates levy funding and other changes to unringfenced grants
New Homes Bonus Grant	1.146	Net reduction in grant allocation
<b>Total Grant Funding Pressures</b>	<b>2.078</b>	

## 5 SAVINGS PROPOSALS 2020/21

- 5.1 Taxation and precept increases together with additional resources provided by the Spending Review are not sufficient to balance the budget due to other grant reductions, the need to provide cover for pay and price inflation, and the need to provide investment to support Corporate Plan priorities and outcomes including funding to manage demographic pressures, above-inflation cost increases and other increases in demands across critical statutory services. To balance the budget therefore requires a substantial savings programme as in previous years. In this respect, savings of £9.272m have been identified for consideration in 2020/21 as detailed in Appendix 1.
- 5.2 Over the previous four years, the council has focused on identifying and delivering savings through its Modernisation Programme supported by significant capital investment. This was enabled by generating capital receipts from the sale of surplus assets to create an invest-to-save budget using the government's capital receipt flexibilities, which allowed capital receipts to be applied to revenue saving projects and programmes.
- 5.3 It is proposed that investment in Modernisation Programmes continues over the next 4 years as there are not only substantial savings and efficiencies to deliver in 2020/21 but savings will be required over the following 3 years to enable investment in Corporate Plan priorities and outcomes, and to meet growing demands for statutory services. The council also aims to improve value for money and continue modernising services as a matter of course because this ensures the best use of its resources and contributes to improved customer and digital services.
- 5.4 At present the government have only extended capital receipt flexibilities to 2021/22 however this could change. Regardless of this, there are other methods of funding invest-to-save programmes including unsupported borrowing where there is a good business case for doing so. Availability of capital receipts for modernisation is also anticipated to be at a much lower level over the next four years due to high demand for other priority capital investments and fewer assets available or suitable for disposal.
- 5.5 Given the lower projected level of savings in 2020/21 and potentially over the following 3 years, a proportionately smaller Modernisation Programme of £15

million is proposed over the 4-year period which will provide essential enabling investment as follows:

- **Budget Plans (Invest-to-save):** Based on the experience of the previous 4 years, £2.0m is estimated to be required to support implementation of specific savings and efficiency programmes including service redesigns, recommissioning and process improvements. Investment requirements are currently being reviewed and finalised and will be refreshed each year. This resource will be held in a reserve and only released through review of business cases by the officer Corporate Modernisation Delivery Board. Committee approvals will also be sought where required by Financial Regulations and the council's constitution.
- **Customer Digital:** £3.5m is anticipated to be required over the next 3 years to support ongoing investment in digital infrastructure and applications and to support continued development of the council's digital services and integration of data across systems and services to improve the accessibility, efficiency and ease-of-use of on-line services. The investment is set at a lower level than in the previous four years as the underpinning work to develop the necessary technology platforms has been completed.
- **Modernisation Enablers:** £4.3m is estimated to be required to support ongoing change and modernisation programmes over the 4-year period. This includes everything from an effective project management support team, business improvement analysts, workstyles property team support, investment in 'Our People Promise' including staff development and skills programmes, together with additional specialist support where required. This investment has been scaled down to reflect the lower level of expected budget gaps over the next 4 years.
- **Managing staffing changes:** efficiency programmes and a continual drive for improved value for money will often result in changes in the level or mix of staffing and skills required across the council. Changing staffing levels or skills will often need financial consideration in order to effect voluntary severance for roles or posts no longer required or needing to be replaced with different roles or skills. Estimated resources of £2.0m are required to meet severance costs to manage change.
- **IT Modernisation Investment:** Investment in IT equipment, software, systems and services (e.g. voice and data) is important to enable the organisation to remain secure, resilient and efficient. Historically, the organisation has suffered from long periods of under-investment which has had to be addressed over the last 4 years through approval of large IT Capital Schemes including Windows 10 roll-out, replacement of the Housing and Social Care systems, General Data Protection Regulation upgrades, etc. Minimum IT Modernisation Investment of £3.2m is included here in an attempt to avoid a similar build-up of IT 'investment backlog' by supplementing existing budgets and enabling the council to keep up with necessary infrastructure changes.

5.6 The indicative Modernisation Fund will be kept under review as budget plans develop and spend-to-save opportunities and investment requirements emerge in more detail over the planning period. The indicative profile of Modernisation Fund requirements is shown in the table below.

Programme Area	2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m
Customer Digital	1.750	1.000	0.750	0	<b>3.500</b>
Modernisation enablers	1.510	0.920	0.930	0.940	<b>4.300</b>
Invest to Save (4-Year Plans)	0.650	0.550	0.450	0.350	<b>2.000</b>
Managing staffing changes	0.700	0.500	0.400	0.400	<b>2.000</b>
IT Modernisation Investment	0.800	0.800	0.800	0.800	<b>3.200</b>
<b>Total</b>	<b>5.410</b>	<b>3.770</b>	<b>3.330</b>	<b>2.490</b>	<b>15.000</b>

5.7 In 2020/21 the Modernisation Programme will support and enable the proposed savings of £9.272m. The broad categories of modernisation and savings activities are as follows:

Category	Rationale	Amount (£m)
Service Delivery Model Changes	Improving value for money can often be achieved through service redesign and remodelling or through re-commissioning or re-providing services in more effective ways based on best practice models and research.	1.449
Efficiency & Other VFM savings	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.	4.399
Income Optimisation & Enterprise Strategy	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. Savings through effective procurement and contract management are also important.	2.819
Collaboration	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. Other collaboration opportunities, including procurements, are also explored where these can help to share or reduce overall costs.	0.605
<b>Total Savings 2020/21</b>		<b>9.272</b>

## Changes from the Draft Budget Proposals

- 5.8 The draft budget proposals were submitted to the 5 December 2019 meeting of the Policy & Resources Committee. At that time a remaining budget flexibility of £0.307m was reported. The proposals submitted in this report update the draft budget for revised budget projections, assumptions and inflationary estimates and for changes in resources arising from a final review of the tax bases (as reported to the January Policy & Resources Committee) and from the Local Government Finance Settlement.
- 5.9 This report also reflects changes to savings proposals within the Budget Book at Appendix 1 and identifies new or additional investments in priorities following ongoing consultation and engagement in respect of all aspects of the draft budget proposals.
- 5.10 In summary, the main changes are:
- An overall reduction in resources of £0.404m confirmed by the Local Government Financial Settlement (LGFS) consisting of:
    - the allocation from the national £1bn additional Adult Social Care grant funding being £0.404m lower than projected due to the adoption of a less favourable distribution methodology;
    - a slightly higher than projected award for the New Homes Bonus Grant of £0.031m; and
    - a slightly lower than projected Revenue Support Grant award due a movement in the rate of inflation of £0.031m.
  - A reduction in the net recurrent resources from the final determination of the Council Tax and Business Rate tax bases for 2020/21 of £0.017m;
  - The Triennial Review of the East Sussex Pension Fund has resulted in a reduction in employer pension contributions in 2020/21 of (£0.825m) compared with previous planning assumptions;
  - Discussions with the Brighton & Hove Clinical Commissioning Group have confirmed that 2019/20 funding will be rolled-forward for 2020/21. This releases £0.500m contingency held against expected funding reductions in 2020/21. This has been applied to reduce the savings proposal on Adult Learning Disability services from £1.970m to £1.470m to provide a more achievable proposal including providing additional lead-in time for consultation and engagement with all interested parties.
  - Increased investment to meet service pressures of £0.363m consisting of:
    - A revised estimate of the additional staffing required to ensure compliance with statutory response requirements for Subject Access Requests (SARS) of £0.092m;
    - Permanent provision of £0.171m to replace one-off Modernisation Funding over the previous 3 years to ensure continued support for achieving efficiencies and savings from new tenders, re-procurements and contract management activity;
    - Provision for additional financing costs of £0.100m to ensure completion of the Royal Pavilion Estate works arising from the additional cost of capital works following insolvency of the main construction contractor.

- Additional investments of £0.360m in support of Corporate Plan priorities and outcomes including support for Carbon Neutral initiatives, additional resources for Private Rented Sector enforcement, weekend winter shelter provision for rough sleepers, and investments to improve children’s literacy and facilitate access to childcare as detailed in Table 4 above;
- Additional one-off investments of £0.015m to undertake detailed viability studies for the future options for the Madeira Terraces and potential Park and Ride schemes around the city. These are also included in Table 4 above.
- Reversal of the proposed saving of £0.035m on the Violence Against Women & Girls (VAWG) commissioned service due to continuing high levels of referrals;
- Reduction of the proposed saving on the Communities, Equalities & Third Sector team by £0.061m to ensure a more achievable proposal that will not impact on priorities for supporting a diverse and welcoming city, supporting those most affected by austerity, and upholding the council’s legal obligations under the Public Sector Equality Duty;
- Exclusion of Doctors from proposed permit increases, reducing the proposed savings across Parking Services by £0.010m;
- Other net improvements to commitments and estimates of (£0.133m).

Overall, the changes since the draft budget report allow a balanced budget to be presented.

### **Staffing Implications (General Fund Services)**

- 5.11 It is estimated that in 2020/21, approximately 52 posts are expected to be removed from the council’s staffing structure as a result of the savings proposals set out in Appendix 1. 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.
- 5.12 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).
- 5.13 These measures will remain in place as work with trade unions and staff continues.
- 5.14 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.



## 6 CAPITAL STRATEGY 2020/21

- 6.1 The revised Prudential Framework requires local authorities to produce an a 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.
- 6.2 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 including Modernisation Programme resourcing;
  - The Governance & Risk Framework;
  - Potential and pending non-financial investments;
  - An overview of the council's Risk Exposure.

### Major Capital Investment Programmes

- 6.3 **Education:** The government announced the allocation for 2020/21 for new pupil Basic Need of £2.879m. Allocations for future years will be subject to the outcome of the Spending Review, which is expected to follow later in 2020. Education Capital Maintenance funding of £4.8m is anticipated annually and is subject to confirmation. A detailed Education Capital Programme report is expected to be presented to Policy & Resources Committee in March 2020.
- 6.4 **Housing:** The Housing Revenue Account (HRA) Capital Programme elsewhere on this agenda includes investment proposals that aim to create a long-term sustainable asset base that underpins the Corporate Plan outcomes under 'A City to Call Home' and best meets the needs of residents and the City as a whole. The HRA capital strategy focuses on meeting council priorities through building new homes and improving the quality, safety and sustainability of the existing housing stock. The HRA capital strategy includes substantial investment of £58.383m in the housing stock and new homes in 2020/21 and aims to ensure that investments reach beyond the housing service and contribute to regeneration, tackling inequality, creating training and employment opportunities and improving sustainability.
- 6.5 The council has also entered into a Living Wage Joint Venture with Hyde Housing to deliver up to 1,000 new lower cost rental and sale homes. The original business plan includes up to £120m investment with the council providing half of that funding through borrowing and capital receipts with no net cost to the council and all net costs being met through the Joint Venture business plan.
- 6.6 **Sustainable Transport:** The council secures capital funding for transport schemes through the government's Local Transport Plan (LTP) process. The LTP provides support for the council's strategic transport objectives and the city's Sustainable Community Strategy. LTP funding has yet to be confirmed but indicative figures for 2020/21 of £5.169m have been announced for the Integrated Transport and Maintenance Block allocations. Further transport allocations from the Pothole Action Fund (£0.189m ) and the Highways Maintenance Incentive Fund (£0.400m) are also forecast to be received in 2020/21. The Street Lighting invest-to-save project has also been included within the Capital Investment Programme and includes over £4.1m of investment over 2 years from a combination of borrowing and LTP

contributions. A detailed Local Transport Plan report is expected to be presented to Policy & Resources Committee in March 2020.

- 6.7 **Royal Pavilion and Stanmer Estates:** The council has developed ways of providing major capital investment in the city by working with partners, for example, the Heritage Lottery Fund (HLF), Arts Council England (ACE) and the Coast to Capital Local Enterprise Partnership (C2C LEP). Recent bids include Arts Council, LEP funding and HLF funding totalling £12.922m towards the £22.945m phase 1 capital works for the Royal Pavilion Estates Regeneration project. Other resources for this project include external fundraising and match funding from the council and Brighton Dome & Festival Ltd. Further bids to HLF will be prepared and submitted for subsequent phases of the works including phases 2 and 3.
- A development grant from the HLF of £3.790m (Parks for People grant) has also been awarded to develop detailed plans to support the Stanmer Estate Restoration Project proposals. This has been supplemented with capital receipt funding to support the works which are due to complete in the summer of 2020.
- 6.8 **Madeira Terraces:** a total of £2.440m capital investment has been identified to support restoration of the Madeira Terraces including work on the first three crowdfunded arches at the western end of the terrace. The council is currently in the process of appointing the design team whilst exploring further funding options for more extensive restoration.
- 6.9 **Local Growth Fund:** In addition to the successful Royal Pavilion phase 1 bid, Local Growth Fund has been awarded from the Coast to Capital Local Enterprise Partnership (C2C LEP) to support investment for Valley Gardens Phases 1 & 2 at £8.0m and £6.0m for Valley Gardens phase 3. There is also a confirmed award of £12.111m towards the Black Rock Enabling Works / Brighton Waterfront development plus £0.833m toward the Brighton Research and Innovation Fibre Ring
- 6.10 **Strategic Funds:** The council sets aside resources for a number of strategic funds that enable it to underpin other strategies including regeneration schemes, Asset Management Plans and its IT&D Strategy and infrastructure. The planned allocations to strategic funds are as follows:
- 6.11 Strategic Investment Fund (SIF) - it is proposed to continue to allocate £0.250m to the Strategic Investment Fund each year. The council has ongoing commitments to major projects that require financial support to enable and expedite their progression. This support takes the form of project management, legal fees and specialist advisors for finance, design, architectural, transport, engineering and other external specialists.
- 6.12 Information Technology & Digital (IT&D) Fund - it is proposed to continue to allocate £0.500m resources per annum to the IT&D Fund which provides a minimum level of investment to continually maintain the council's IT infrastructure, networks, security and equipment. This is augmented with additional capital investment in years where major infrastructure investment is required. In this respect, significant investment is required in 2020/21 for Customer Digital, the desktop and laptop replacement programme and further IT&D modernisation investment. This requires investment of £3.3m, which can be financed from capital receipts and low cost PWLB borrowing and will increase financing costs from 2021/22 as reflected in the Medium Term Financial Strategy.
- 6.13 Asset Management Fund (AMF) - it is proposed to continue to allocate £1.0m resources per annum to the Asset Management Fund. The AMF includes

expenditure on a range of properties covering, fire safety, health & safety, Equalities Act 2010 responsibilities and general improvements. Allocations from the AMF will be subject to a further report to Policy & Resources Committee in March 2020.

## 7 BUDGET BOOK AND MEDIUM TERM FINANCIAL STRATEGY 2019/20

7.1 The 2020/21 Budget Book at Appendix 1 aims to support understanding and transparency of the council's budget by providing:

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

7.2 The Medium Term Financial Strategy (MTFS) planning assumptions, resource and expenditure estimates are also included within the Budget Book at Appendix 1. The MTFS does not reflect government's proposed changes for 75% Business Rates Retention or any assumptions regarding the Fair Funding Review and therefore the impacts are assumed to be cost neutral at this stage. The government's Spending Review only covered 2020/21 and therefore assumptions for 2021/22 are based largely on rolled-forward funding at this time.

7.3 The MTFS has been revised to reflect the latest cost, income and demand pressures and the proposed 3.99% council tax increase, including a 2% Adult Social Care precept. The Table below summarises how the budget is expected to change from 2019/20:

<b>Table 7: Analysis of budget changes</b>	<b>£m</b>
<b>Revised 2019/20 base budget</b>	<b>206.144</b>
Pay and Inflation	5.579
Commitments (net change)	2.967
Increased Adult Social Care grant funding	-4.715
Increased Section 31 Business Rates compensation grant funding	-0.390
Service Investments and Service Pressure Funding	12.967
Grant Funding Pressures	2.078
Change in contributions from reserves	0.248
Savings package 2020/21	-9.272
<b>Proposed Base Budget 2020/21</b>	<b>215.606</b>

## 8 TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY

8.1 The Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy (AIS) are now incorporated in the budget report to ensure that inter-related

financial decisions and strategies can be considered together. The council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the Treasury Management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed (liquidity) and that surplus monies are only invested into counterparties and instruments commensurate with the council's risk appetite.

- 8.2 Another important function of the Treasury Management service is the funding of the council's capital plans. The capital plans provide a guide to the council's borrowing need, which is essentially the longer term cash flow plan, to ensure the council can meet its approved capital spending obligations.
- 8.3 The recommended TMSS at Appendix 3 follows the drafting format recommended in the Treasury Management Code of Practice. The Treasury Management Practices and schedules identify the practices and procedures that will be followed to achieve the aims of the TMSS and that underpin the council's Treasury Management function. These practices remain unchanged from previous years and are considered 'best practice' under the Code.
- 8.4 The Annual Investment Strategy (AIS) for 2020/21 is also incorporated within Appendix 3 to this report. The AIS gives priority to security and liquidity.
- 8.5 Security is achieved by:
- selecting only those institutions that meet stringent credit rating criteria or, in the case of non-rated UK building societies, have a substantial asset base; and
  - limiting exposure risk by limiting the amount invested with any one institution.
- 8.6 Liquidity is achieved by limiting the maximum period for investment and matching investment periods to cash flow requirements.
- 8.7 There are no changes to the strategy from 2019/20.

## **9 COUNCIL TAX SETTING**

- 9.1 The Administration is proposing a council tax increase of 3.99% which includes a 2% Adult Social Care precept allowed by government within the local government finance settlement. A council tax increase of 3.99% results in a Band D council tax of £1,659.11 for the council's element, an increase of £63.66 from 2019/20; of this increase £31.90 relates to the Adult Social Care precept.
- 9.2 In order to propose an overall Council Tax for the city, the Council Tax set by the precepting authorities needs to be known and this information will be included in the Supplementary Budget Report to Budget Council.

### ***Supplementary Budget Report to Budget Council***

- 9.3 Not all the budget and council tax information needed to set the budget and council tax is available at present. Therefore, additional information will need to be provided for Budget Council; this will include:-
- The final Local Government Finance Settlement 2020/21
  - Any other grants that are announced before Budget Council.
  - The agreed Council Tax set by East Sussex Fire Authority and Sussex Police and Crime Commissioner.
  - The statutory Council Tax calculations required under the 1992 Local Government Finance Act.

- The full budget and Council Tax resolution for Budget Council.

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

10.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Section 151 Officer) of a local authority to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. This report has to be considered by the Policy & Resources Committee and the full Council as part of the budget approval and council tax setting process.

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

- 10.2 There is inevitably an element of judgement in drawing up budget estimates of expenditure and income which are made at a point in time and may change as circumstances change. This statement about the robustness of estimates cannot give a complete guarantee about the budget but provides the council with reasonable assurance that the budget has been based on the best information and assumptions available at the time, particularly in relation to demand-led budget predictions, and has considered identifiable risks.
- 10.3 For 2020/21, funding of £12.967m has been provided to support Corporate Plan priorities and outcomes including meeting growing demands across Adults Social Care and Children's Safeguarding & Care services as well as other priority areas experiencing unavoidable cost pressures. This level of investment substantially mitigates predicted demand-led service pressures at the time of setting the budget. This considerably lessens potential forecast risks in 2020/21 but cannot completely remove all risks and therefore services will need to continue to contribute to the mitigation of residual risk through management of non-statutory, non demand-led budget areas as normal. This minimises the level of any risk provisions required over and above the council's current working balance. In addition:
- The authority continues to demonstrate its long track record of managing within or close to budget despite the very challenging financial climate. At month 9 this year, the forecast overspend has been managed down to £0.884m and it is expected that break-even can be achieved by year-end. The authority's track record demonstrates that it can manage risk across demand-led statutory services of between 2% and 3% of the total net budget through effective management of non-statutory budgets and services;
  - The authority continues to enable and achieve substantial savings through its Modernisation Programmes which have enabled re-investment to support priority areas, meet cost pressures and growth in demand for statutory services, and address remaining budget gaps;
  - Although there are risks in relation to Section 75 partnership arrangements and pressures on Clinical Commissioning Group (NHS) budgets, including the Better Care Fund, the authority continues to work closely with the Clinical Commissioning Group to jointly manage and mitigate risks as far as practicable;
  - The authority has maintained adequate reserves and provisions against other known and identified risks and has made no unplanned drawdown of its reserves or balances;
  - The authority has set aside appropriate one-off, discretionary resources and funding to mitigate the impacts of Welfare Reforms including a Council Tax Reduction Scheme discretionary fund and Welfare Framework fund.

- 10.4 Based on financial performance over the previous 4 years and taking into account identified risks as set out in Appendix 5, a financial risk provision of £0.750m is recommended, striking a balance between the pressing demands for funding and providing resources to mitigate identified risks. The council is also recommended to maintain its minimum working balance of £9.000m as well as other earmarked reserves to manage any short term pressures. The two risk provisions are described below:
- **Financial risk safety net provision:** Provision of £0.750m is recommended to cover general financial performance risks including achievement of savings and forecast risks, and would be a first call if 2019/20 financial performance results in a year-end overspend. Assuming that 2019/20 achieves break-even or better, the risk provision would be available, as intended, to help to mitigate risks arising in 2020/21 such as higher than expected demand for statutory services, non-achievement of planned savings or lower income from fees and charges than budgeted, etc. Note that financial performance, including achievement of savings, is monitored through the Targeted Budget Management (TBM) process.
  - **General Fund Working Balance:** The working balance must last the lifetime of the authority and the level is recommended to remain at £9.000m which is approximately 4% of the General Fund and represents around 3 weeks' council tax income. The working balance must mitigate general legal and financial risks including appeals and challenges, as well as potential billing failures, civil contingencies and other emergencies.

#### ***Adequacy of Reserves***

- 10.5 The recommendation on the prudent level of the General Fund working balance has been based on the robustness of estimates information and a risk assessment of the budget provided at Appendix 5.
- 10.6 As indicated above, current analysis of authority-level risks indicates that a working balance at a level of £9.000m is prudent having taken into account all known and foreseeable risks in relation to the 2020/21 budget.
- 10.7 All specific reserves have been reviewed in detail to ensure they are set at an appropriate level as set out in Appendix 4. The council's earmarked reserves fulfil specific legal or financial requirements, for example the Insurance Fund Reserve, and are not therefore available to support the annual revenue position.

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

- 10.8 In relation to the 2020/21 General Fund revenue budget, the Section 151 Officer has examined the budget proposals and considers that, whilst the spending and service delivery proposals continue to be challenging, they are nevertheless achievable with effective governance and accountability at all levels. The 2019/20 financial position, although very challenging, indicates that the council is continuing to manage its financial risks.
- 10.9 In terms of the adequacy of reserves, the Section 151 Officer considers a working balance of £9.000m for 2020/21 to be adequate, taking into account other available reserves and the council's track record in budget management.

## Schools Funding and Balances

### School Balances

- 10.10 The level of school balances as at 31/03/19 was £4.225m, an increase of £2.222m from £2.003m as at 31/03/18. The £4.225m balance is split across phases as follows:-

<b>Phase</b>	<b>2018/19 £'000</b>	<b>Percentage of budget 2018/19</b>	<b>2017/18 £'000</b>	<b>Percentage of budget 2017/18</b>
Nursery	64	8.25%	53	8.43%
Primary	3,812	5.15%	2,512	3.48%
Secondary	(11)	(0.02%)	(484)	(0.93%)
Special and Alternative Provision (AP)	360	4.24%	(78)	(0.71%)
<b>Total</b>	<b>4,225</b>	<b>3.14%</b>	<b>2,003</b>	<b>1.47%</b>

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

- 10.11 There are a total of 11 schools (out of 64) with deficit balances, a decrease from 15 as at the end of 2017/18. The split of deficit balances across phases is 6 Primary, 4 Secondary and 1 Special. School budget plans for 2019/20 have incorporated these deficits.

### Schools Funding

- 10.12 The Department for Education published final Schools Block datasets and allocations for 2020/21 on the 19 December 2019.
- 10.13 During Autumn 2019 a number of proposals were made concerning the operation of the funding formula for 2020/21. These proposals were subject to consideration by the Schools Forum and Schools Block Working Group. These changes are summarised below and follow the principle of moving towards the National Funding Formula (NFF) on a gradual basis:
- increase the unit values of core formula factors by 3.9% with any additional increase being applied to the low attainment factor
  - include a mandatory factor to ensure that minimum funding per pupil levels (excluding premises factors) are set at £3,750 for primary schools and £5,000 for secondary schools
  - increase the basic entitlement (age weighted pupil unit) factor by the balance of funding available after applying increases to other factors
  - retain a lump sum of £130,000 per school
  - incrementally extend the use of the ever-6 free school meals and the income deprivation affecting children index (IDACI) factors as previously agreed by Forum
  - apply a minimum funding guarantee of +0.50% per pupil
  - seek to maintain the current funding ratio between primary and secondary

- 10.14 Following the publication of the October 2019 census dataset by Department for Education in December 2019 it became apparent that the number of children eligible for deprivation funding had increased (particularly in the Free School Meals category) whilst the number of children attracting low attainment funding had reduced. The impact of this (assuming the LA maintained the unit rates proposed at December Forum) would have been to increase the proportion of funding being allocated through deprivation but reduce the proportion through low attainment. Therefore, it was agreed at the January Forum that the unit values for deprivation would be decreased and the unit values for attainment increased.
- 10.15 The introduction of the new mandatory factor to ensure that minimum funding per pupil (MFPP) levels (excluding premises factors) are set at £3,750 for primary schools and £5,000 for secondary schools has a significant impact on the distribution of funding to schools. The introduction of this factor means that the schools who have historically received the lowest levels of funding on a per-pupil basis will receive an additional allocation within their budget share to boost their funding levels to the minimum thresholds. This will particularly apply to schools that receive relatively low amounts of funding through the deprivation and low attainment formula factors. These schools are likely to receive higher per pupil increases than most other schools in 2020/21.
- 10.16 LAs will continue to set a Minimum Funding Guarantee (MFG) in local formulae, which in 2020/21 must be between +0.50% and +1.84% per pupil. This is a change and will allow LAs to mirror the real terms protection in the NFF, which is the Government's expectation. For 2020/21, Brighton and Hove will apply the MFG at a rate of +0.50%. The rationale for adopting this approach is twofold:
- an MFG of +0.50% continues to offer a degree of protection to schools that are not otherwise gaining funding on a per pupil basis. However, the LA also believes that schools, who are gaining through characteristics identified in the formula, should receive a fair proportion of their gains – a higher level of MFG will mean that the scaling back of formula gains would increase
  - an MFG protection of greater than +0.50% would effectively 'lock in' more historical funding
- 10.17 The application of the formula on the basis outlined means that the primary / secondary funding ratio is now 1:1.29. This is a very small change from the 2019/20 ratio of 1:1.30, and has moved due to the additional funding allocated to primary schools to achieve the requirements of the minimum funding per pupil thresholds.

## **11 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 11.1 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 27 February 2020. Budget Council has the opportunity to debate the proposals put forward by this Committee at the same time as any viable alternative proposals.
- 11.2 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.

## **12 COMMUNITY ENGAGEMENT & CONSULTATION**

- 12.1 General information and advice about the council's budget will continue to be provided through the council's web site which answers common questions ('Behind the Budget'), provides information about spending on services and where the money comes from as well as links to key financial statements and committee reports.
- 12.2 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 budget are publicised, along with information about council services, and questions and comments invited from residents over the period leading to the February Policy & Resources Committee and Budget Council meetings.
- 12.3 Frequently asked questions and common themes emerging throughout the development of the budget have been monitored and responded to in our 'Behind the Budget' web page: <https://www.brighton-hove.gov.uk/content/council-and-democracy/council-finance/behind-budget>
- 12.4 The frequently asked questions and themes include:
  - Doesn't Council Tax [alone] pay for all council services?
  - How about using [i.e. raising] parking charges further?
  - [Why not] Cut pay instead of services?
  - [Why not] Make students pay Council Tax?
  - [Why not] Just cut councillors and/or their allowances?
  - [Why not] Charge wealthier people more Council Tax?
  - Extra Business Rates will solve the problem [won't they]?
- 12.5 Consultation and feedback in relation to the 2020/21 budget proposals is also promoted and invited from all quarters through a range of engagement processes including:
  - Ongoing discussions with key City Partners in developing proposals including discussions about associated Equality Impact Assessments. Feedback has been provided directly to services and members as appropriate.
  - The Schools Forum, attended by representatives of all school phases, where a report on the potential areas of interest and potential impact of the General Fund budget proposals were discussed at a meeting on 16 January 2019. This is a public, minuted meeting and agenda and minutes are available on the council's website.
  - Meetings with Trades Unions branch secretaries and Departmental Consultative Groups (DCGs) which provides an opportunity for consultation with Trades Unions' representatives across all council services and ensures they are aware of areas where their members may need support.

- Invitations to representatives of the business community to discuss budget proposals and changes to business rates and reliefs.

### **13 CONCLUSION**

13.1 The council is under a statutory duty to set its budget and council tax before 11 March each year. This report sets out the budget assumptions to be used as the basis for Council Tax calculations in order to meet the statutory duty. Only revenue and capital proposals for 2020/21 and associated council tax decisions require formal approval in February 2020. The full details of 2020/21 revenue and capital budgets are set out in the appended Budget Book. The Medium Term Financial Strategy and capital investments starting after 2020/21 are for noting only.

### **14 FINANCIAL & OTHER IMPLICATIONS:**

#### Financial Implications:

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

*Finance Officer Consulted: James Hengeveld*

*Date: 31/01/20*

#### Legal Implications:

- 14.2 Whilst the Policy & Resources Committee is being asked to recommend, and subsequently the Council asked to agree, the revenue budget and capital strategy, the budget decision is a resourcing decision and does not necessarily constitute final approval of what policies will be implemented or what sums of money will be saved under the service proposals.
- 14.3 Any decisions taken as part of the budget setting process are subject to compliance with relevant legal requirements, where appropriate, before implementation. The revenue budget and capital strategy recommendations in the report do not commit the council to implement any specific savings proposal. When specific decisions on budget reductions are necessary, focussed consultations and the full equality implications of doing one thing rather than another will be considered in appropriate detail. If it is considered necessary, in light of equality or other considerations, it will be open to those taking the decisions to spend more on one activity and less on another within the overall resources available to the council.
- 14.4 For these purposes, the “budget” includes the allocation of financial resources to different services and projects, proposed contingency funds, and setting the council tax.
- 14.5 Section 52ZB of the Local Government Finance Act 1992 requires a billing authority to determine whether its relevant basic amount of council tax is “excessive”. If the amount is excessive, the billing authority is required to hold a referendum, with a view to applying an alternative amount if the excessive amount is rejected in a referendum.
- 14.6 The determination of whether a relevant basic amount of council tax is excessive must be made in accordance with principles determined by the Secretary of State. The Ministry for Housing, Communities & Local Government (MHCLG) has stated that for the 2020/21 financial year, an increase of 4% or more, including the Adult Social Care precept, will be regarded as excessive. Therefore, local authorities opting for an increase of 4% or more (including the Adult Social Care Precept) will be required to hold a referendum.

- 14.7 Policy & Resources Committee has delegated power to formulate the council's revenue budget proposals, Capital Strategy, including the capital investment programme, and the Treasury Management Strategy Statement, including the Annual Investment Strategy, and to recommend their adoption by full Council as part of the overall budget setting process.

*Lawyer Consulted: Elizabeth Culbert*

*Date: 31/01/20*

Equalities Implications:

- 14.8 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 to promote positive impacts. This is a key part of meeting the requirements of the Act and demonstrating that the council is doing so. 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.
- 14.9 All proposals with a potential equalities impact on service-users or staff in 2020/21 have had an EIA completed (provided in Members' rooms and on-line), and this is cross-referenced within the savings proposals in Appendix 1. Staffing EIAs are also being used in the formal consultation process on proposed staffing changes.

Sustainability Implications:

- 14.10 The new Corporate Plan, 'A fairer city, a sustainable future', outlines the commitment to a Climate Assembly to develop a wide range of carbon reduction initiatives aimed at achieving a carbon neutral city by 2030 alongside improving recycling and sustainable travel planning. The budget has been set in the context of the government's one-year Spending Review and identifies capital and revenue investments to support the Corporate Plan outcomes for 'A sustainable city', however, further investments will need to be considered and developed as part of the Medium Term Financial Strategy when the government announces its longer term spending plans.

Any Other Significant Implications:

Risk and Opportunity Management Implications:

- 14.11 The budget proposals include recommended risk provisions to manage a range of general and specific risks, including maintaining the working balance at £9m. The level of risk provisions clearly needs to strike a balance between putting scarce resources to one side at a time when vulnerable people's reliance on essential public services is continuing to grow, as evidenced by demands across Adult Social Care and Homelessness services.
- 14.12 To this end, the budget report includes 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. This is set out in section 10 of the report.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Budget Book 2020/21
2. Capital Strategy 2020/21
3. Treasury Management Strategy Statement 2020/21
4. Review of Reserves
5. Assessment of Risks
6. Equalities Impact Assessment – Cumulative Impact Statement
7. Equalities Impact Assessment – Individual Assessments

### **Background Documents**

1. Budget files held within Finance
2. Consultation papers