

Subject: Budget Update and Savings 2013/14

Date of Meeting: 29 November 2012

Report of: Acting Director of Finance

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Key Decision: Yes Forward Plan No:

Ward(s) affected: All

Note: The special circumstances for non-compliance with Council Procedure Rule 23, Access to Information Procedure Rule 5 and Section 100B (4) of the Local Government Act 1972 (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that some of the key financial information could not be updated until the in-year budget monitoring report elsewhere on the agenda had been completed and the implications of the Government Policy Statement on Business Rates Retention made latterly on 21 November had been assessed.

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report sets out initial proposals for the General Fund Revenue Budget and Council Tax for 2013/14. As last year, information is being provided as early as practicable to enable effective scrutiny and consultation to take place and inform final proposals for the February 2013 Policy & Resources Committee.
- 1.2 Many of the proposals for 2013/14 were put before members last year as part of a 2-year set of proposals. However, recent government announcements concerning funding and council tax, together with the estimated impact of Business Rate Retention, have substantially increased the budget savings requirement and therefore 2013/14 savings have had to be re-examined and augmented.
- 1.3 The July 2012 Policy & Resources Budget Update and Process report outlined a 2-year budget setting process as last year. However, a number of 2014/15 proposals have now had to be fast-tracked for 2013/14 and there remain very significant risks and uncertainties over the level of resources likely to be available to the council. For these reasons and the fact that the proposals presented here do not fully meet the currently estimated budget savings requirement for 2013/14, it is not possible to present a 2-year set of proposals at this time.

- 1.4 A revised set of proposals will be presented to Policy & Resources Committee on 14 February 2013 taking into consideration the feedback from further consultation and scrutiny and the most up to date financial information. The final responsibility for agreeing the council's budget for 2013/14 rests with Full Council when it meets on 28 February 2013.

2. **RECOMMENDATIONS:**

That the Committee: –

- 2.1 Notes the updated forecasts for resources and expenditure for 2013/14 and an estimated budget savings requirement for 2014/15.
- 2.2 Notes the indicative allocations of one-off resources for 2013/14 set out in table 1 subject to the identification of sufficient further one-off resources to fund the proposed allocations.
- 2.3 Notes the revised savings targets for 2013/14 and considers the budget strategies and detailed savings proposals relating to the General Fund for 2013/14 shown in appendix 4 and approves their release for the scrutiny review.
- 2.4 Notes the update on the HRA budget set out in paragraph 3.41 to 3.44 and the budget strategy and proposals set out in appendix 4.
- 2.5 Notes the summary Capital Investment Programme set out in paragraphs 3.45 to 3.50 and appendix 5 and the strategy to manage the shortfall in resources and that a detailed programme will be submitted to Policy & Resources Committee in February 2013.
- 2.6 Approves the proposed Voluntary Severance Scheme set out in paragraphs 3.37 to 3.40 to support the delivery of the budget savings requirement.

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

Structure of the report

- 3.1 The report provides full information on function and funding changes and other legal and financial matters that have resource implications for the 2013/14 budget. The full set of information provided in this report is listed here as an aid to navigation:
- **Resources and Local Financial Settlement updates** - updates are given on the latest position regarding government grant announcements and anticipated changes to the method of funding local authorities;
 - **Council Tax Freeze Grant** – information is provided about recent government announcements;
 - **Taxbase, Function and Funding Changes** – information about taxbase estimates and other function and funding changes is provided at appendix 2;

- **Latest Position 2012/13** - a detailed report elsewhere on the agenda sets out the latest revenue and capital expenditure and income forecasts for the current year based on actual spending data for the first 7 months which are also summarised here;
- **Reserves Position** - a re-assessment is included of the level of reserves available to fund one-off items of expenditure and / or provide short term support for the budget;
- **Fees & Charges** - information on changes to fees and charges is provided in summary and in more detail in the Budget Strategy appendix 3;
- **Service Pressures** - information on specific investment in services, i.e. 'Service Pressure funding', is provided in summary and in detail in the Budget Strategy appendix 3;
- **Budget Savings Requirement** - summary information on the projected level of savings required is provided together with detailed service strategies and savings proposals at appendix 4;
- **Options to address the Budget Gap** - information on options and processes for identifying the remaining savings requirement for 2013/14 is provided;
- **Staffing Implications** - summary staffing implications are provided based on the best information available at the time of publishing the report;
- **Housing Revenue Account** - a summary of the HRA position is provided with more detailed information given in appendix 4;
- **Capital Programme** - implications for the capital programme and latest resource information are given;
- **Timetable** - the timetable leading up to Budget Council on 28 February 2013 is set out;
- **Community Engagement & Consultation** - feedback on the wide range of consultation undertaken to date together with information on further consultation is provided;
- **Budget Strategy and Proposals** - these key elements of the budget report are set out in appendix 3 and 4.
- **Appendices** - the full set of detailed appendices including Equality Impact Assessments is listed at the end of the main report.

Resources update

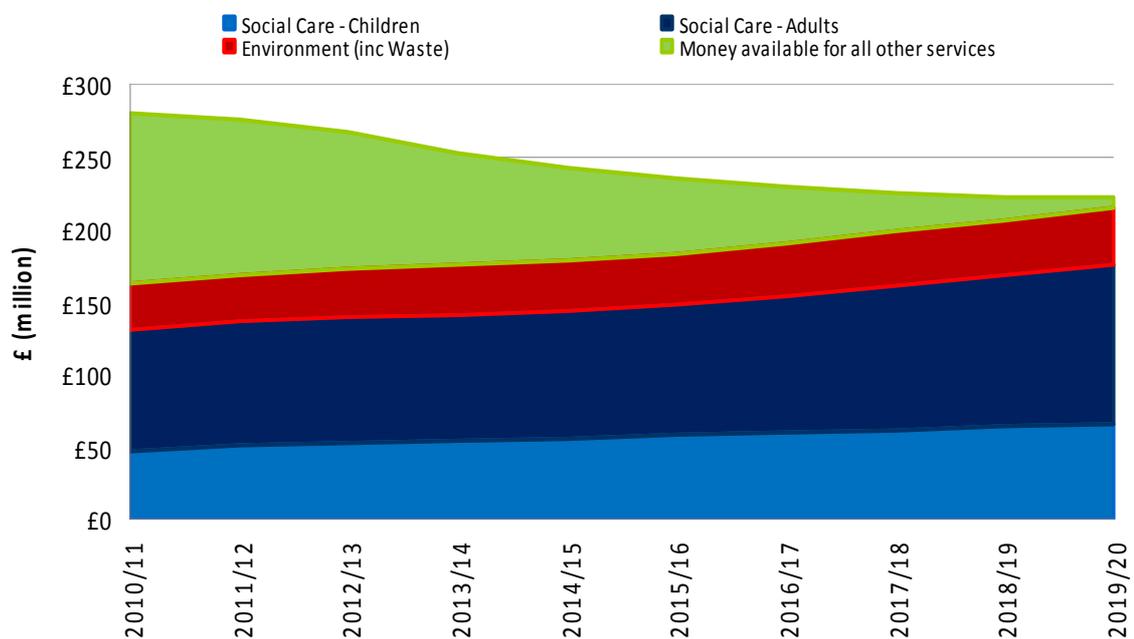
- 3.2 The Department for Communities & Local Government (CLG) issued a detailed technical consultation paper at the end of July 2012 setting out the proposed arrangements for a new system of local government funding from 1 April 2013 including the partial retention of locally collected business rates. The council responded to this consultation by the due deadline of 24 September raising a

number of significant concerns about the impact of the proposals on future funding levels.

3.3 Further information was produced by CLG in September and October and on the 21 November CLG issued a policy statement on business Rates Retention which has allowed some of these concerns to be quantified in financial terms. This policy statement provides early confirmation of the government’s policy decisions on the BRR scheme following the summer technical consultation. Details of the key issues set out in the statement are given in appendix 9. Announcements during the Conservative Party Conference also clarified the position regarding council tax increases for next year allowing an overall revised resource projection to be produced although there is still a great amount of uncertainty surrounding these projections.

3.4 All members will be aware that the government is limiting local government resources over the coming years in order to achieve its deficit reduction programme. The Local Government Association (LGA) has used the best information available to estimate the potential impact on individual local authorities up to 2020. There are many variables within this information and the position is subject to change with each government announcement and with the forthcoming Autumn Statement. However, the general position portrayed by the information produced by LGA and shown graphically below is expected to hold true and is a reasonable contextual aid to medium term financial planning.

LGA Financial Model for BHCC (spending net of fees & charges)



3.5 The LGA graph essentially indicates that after taking into account local inflationary and demographic (demand) cost pressures, mainly in relation to social care, energy and environmental costs, there will be increasingly limited resources available to support other General Fund council services. The clear message is that if social care and environmental costs cannot be effectively

managed and contained, the authority is unlikely to be able to sustain support for other services in their current form over the medium term.

Provisional Local Government Finance Settlement for 2013/14 and 2014/15

3.6 The Chancellor of the Exchequer is due to make his autumn statement on the national budget on 5 December 2012 and on the same day the Office of Budget Responsibility (OBR) will publish its economic and fiscal outlook. The provisional Local Government Finance Settlement for 2013/14 and 2014/15 depends upon spending and funding totals set out in the Autumn Statement so cannot be announced until some time afterwards with CLG quoting mid-December.

3.7 The council will no longer receive Formula Grant and certain specific grants, which are being rolled into the new funding system, will also disappear. The council will instead establish its equivalent funding position from a combination of the following:

Revenue Support Grant (RSG)

- + 49% of locally collected business rates (with 1% going to East Sussex Fire Authority and 50% to the Treasury)
- A tariff (derived by comparing resource allocations under the old and new funding systems)
- + A safety net (only if business rates income falls 7.5% below a threshold)
- A levy (only if business rates income rises above a threshold; the levy will be about 10-15% of the increase over the threshold)
- + Relevant Section 31 grants (depending on what is in and what is left out of the national spending control totals but as a minimum will cover Department of Education grant for support services to local authority schools and a new ring-fenced grant for Public Health responsibilities)

3.8 One of the original principles of the reform was “to reduce local authorities’ dependency upon central government, by producing as many self sufficient authorities as possible.” Under the system now proposed, most authorities will continue to receive substantial payments of grant through RSG. These payments will decline sharply over time as the Government continues to limit local authority funding to achieve their deficit reduction programme.

3.9 A key component of the original scheme was to “ensure a fair starting point for all local authorities” and a commitment¹ was given “that no authority loses out in its ability to meet local service needs at the outset of the new system”. The latest proposals show that the council will probably lose out significantly at the start of the new system in a number of ways:

¹ As stated in the Government Consultation ‘Proposals for Business Rates Retention’ issued in July 2011

- (i) resources have been top-sliced from all local authorities to fund the safety net system that was intended to be funded from levies on high business rates growth; and
- (ii) there are a large number of outstanding rating appeals against the 2010 rating list and for all the successful appeals determined after 31 March 2013 that result in a reduction in rateable value the council will be required to meet 49% of both the in-year reduction in the rates bill and the refunds for 2010/11, 2011/12 and 2012/13. An estimated one-off risk provision of £3m is included in the allocation of reserves at table 1 to accommodate this impact.

3.10 The various CLG papers issued to date also give rise to the following significant financial issues which have been reflected in the latest savings forecast shown in table 2:

- **Specific Grants:** The specific grants rolled into the new system have not all been rolled in at current levels. Most significant is Early Intervention Grant (EIG) which has been reduced by 27% at a national level equivalent to £3m for Brighton & Hove. Additional grant will be paid through the ring-fenced Dedicated Schools Grant (DSG) to expand early education to more disadvantaged two year olds and existing expenditure of £0.5m can be legitimately identified and charged to DSG. However, to retain all of the services currently funded by EIG and provide the new services for two year olds would cost the council's General Fund an additional £2.5m.
- **Control Totals:** The local government spending control total used to determine the overall funding available to councils has been significantly reduced from the level shown in the March National Budget. This reduction has taken the form of new top-slices for the safety net and capitalisation totalling £345m and higher than anticipated top-slicing for future funding of the New Homes Bonus (NHB). A top-slice of £500 million for 2013/14 and £800 million for 2014/15 has been proposed by CLG to fund NHB for the next 2 years compared to the £240 million each year anticipated based on actual allocations made to date.
- **Section 31 Grant:** Funding of over £1.2 billion has also been removed and re-allocated to the Department for Education (DfE) to cover the costs of school support services (LACSEG). The Local Government Association believes that this sum is far higher than the real cost of providing these services. The DfE will allocate this funding back to councils and academies / free schools in proportion to the number of pupils at the different types of school. The council has had £4.9m funding removed most of which will come back as DfE Section 31 grant because the proportion of pupils at academies and free schools within the city is currently relatively low. If more academies and free schools are created in the city then this grant will fall. The net impact on the finances of the council of these changes is hard to determine. It will not be possible to determine the real impact until both the local government finance settlement and schools funding settlements have been announced.

Council Tax Freeze Grant

- 3.11 The council will continue to receive a grant of £3m per annum for 2013/14 and 2014/15 following the council tax freeze in 2011/12 whilst the council tax freeze grant of £3m for 2012/13 ends. In September, at the Conservative Party Conference it was announced that funding would be set aside to pay a new council tax freeze grant equivalent to a 1% increase in council tax for those councils who agreed to freeze their council tax in 2013/14. This funding would be for the two years of 2013/14 and 2014/15. It was also announced that council tax could not be increased by more than 2% without securing confirmation from a local referendum.
- 3.12 Full Council on 28 February 2013 will determine both the budget and council tax for 2013/14 but the resource forecasts shown in this report assume that council tax will increase by 2% next year. A decision to freeze the council tax in 2013/14 will require an additional £1m recurrent savings to be identified and agreed for next year and further increase the savings needed in 2015/16 by £1m when the new council tax freeze grant ends.

Taxbase, Function and Funding Changes

- 3.13 This Committee is statutorily required to agree the council tax base for 2013/14 by the end of January and a detailed report will be presented for consideration to the January meeting. With the re-localisation of business rates from 1 April 2013 it will also be necessary for each authority to estimate the amount of business rates to be collected in 2013/14.
- 3.14 Details of taxbase estimates and other function and funding changes impacting on the General Fund and Schools are given in appendix 2. In particular, given the size of the budget gap it is proposed that the estimated third tranche allocation of £0.969m for the New Homes Bonus is used entirely to support the 2013/14 budget. The July budget report to this committee allocated £0.400m to support the budget and therefore this proposal allocates the remaining £0.569m to meet the budget gap. Further information on the New Homes Bonus is also provided in the appendix.

Latest Position 2012/13

- 3.15 The month 7 Targeted Budget Management (TBM) report elsewhere on the agenda shows a projected underspending of £3.534m on council controlled budgets and projected underspending of £0.388m on NHS controlled s75 services. The overall underspend is a further improvement since month 5 was presented to the Committee in October. This is mainly driven by improvements to the spending forecasts for children services and adults social care. This not only produces additional one-off usable reserves but also helps the ongoing position on the revenue budget. This is taken into account in the savings proposed in this report and the judgement on the required level of risk provision and reserves.

Reserves Position

- 3.16 The working balance is planned to be maintained at £9m over the next 3 years of the Medium Term Financial Strategy. Determining the appropriate levels of working balance requires a professional judgement based on local circumstances including the overall budget size, risks, robustness of budget estimates, major initiatives being undertaken, budget assumptions, levels of other earmarked reserves and provisions, and the council's track record in budget management. The consequences of not keeping a minimum prudent level of balances can be serious. In the event of a major problem or a series of events, the council would run a serious risk of a deficit or of being forced to cut spending during the year in a damaging and arbitrary way.
- 3.17 The current level of balances has been based on the robustness of estimates information and the Corporate Risk Register. In addition, the other strategic, operational and financial risks taken into account when considering the minimum level of the working balance include:
- (i) The complexity and degree of uncertainty associated with planned economy and efficiency measures and/or service changes and the likelihood of achieving them in full;
 - (ii) The level of balances required to complement resources potentially available under the Bellwin Scheme for Emergency Financial Assistance to Local Authorities in the event of a major emergency;
 - (iii) Risks of rising demand, increasing costs and/or falling income due to economic conditions or potential legislative changes;
 - (iv) The risk of major legal challenges, both current and in the future;
 - (v) Risks in the financial inter-relationship between NHS partners and the council.
 - (vi) The need to retain a general contingency to provide against unforeseen circumstances that may arise. For example, delays in council tax billing which could arise from a major systems or power failure;
 - (vii) The need to retain reserves for general day-to-day cash flow needs.
- 3.18 In addition, the cash flow risk for unitary authorities is significant given the full range of services provided. Taking all of these factors into account, a £9.0m working balance is considered appropriate, representing about 4 weeks of council tax revenue.
- 3.19 The following table shows the projected general reserves position to 31 March 2013 assuming spending is in line with the latest projections for 2012/13 shown in the TBM month 7 report.
- 3.20 The table includes the potential release of specific reserves to support the 2013/14 budget with allocations identified in paragraph 3.21.

Table 1 - General Reserves	2012/13
	£'m
Unallocated general reserves at 1 April 2012	0.372
Reserves already set aside to cover full year effect of 2013/14 savings	0.750
Estimated receipt from LACSEG (£384k already received)	1.140
TBM Month 7 forecast underspend	3.534
Total Resources	5.796
Commitments	
Fund part year effect of 2013/14 savings	-0.927
Increase restructure/redundancy reserve (currently £3.8m) to support the proposed Voluntary Severance Scheme	-1.200
One-off resources set aside for Wide Area Network (PSN)	-0.500
One off resources to cover potential increase cost of pension contributions following auto-enrolment	-0.800
Transformation Fund for 2013/14 & 2014/15	-1.200
Balance of one-off resources	1.169
Indicative allocations for 2013/14:	
Risk provision for successful business rates appeals that result in refunds relating to periods before 1 April 2013	-3.000
Business Rates incentive fund	-0.100
One off resources to assist Pride to develop a new business plan	-0.025
Verge parking restriction pilot schemes	-0.125
Major examination in public Local Development Framework (LDF) core strategy	-0.150
Additional support for financial advice providers	-0.300
Resources to be identified	2.531

3.21 The table above includes the following commitments : -

- The budget proposals included in appendix 4 require one off resources of £0.927m because the lead-in times, primarily due to consultation requirements, mean that not all the proposed savings for 2013/14 can be delivered from 1 April 2013.
- The proposed voluntary severance scheme will support the reshaping and redesign of services as described in paragraph 3.37 and requires one off funding. It is therefore proposed to increase the resources in the restructure and redundancy reserve by £1.2m.
- The introduction of automatic enrolment of staff into the pension scheme will potentially increase the employers' contributions. It is planned to cover the extra cost in 2013/14 with one off resources and then manage any ongoing increase from 2014/15 alongside the outcome of the pension fund triennial review which is due in December 2013.

- The budget savings for 2013/14 and future years require continued investment in the transformation of council services to make the best use of far-reaching changes in ICT, occupancy of council buildings and customer access to support services and staff to improve customer service, increase productivity and reduce costs. This will be through the Workstyles, Customer Access and Business Transformation (Systems Thinking) projects together with investment in the Wide Area Network ('the Link') which is reported elsewhere on this agenda and requires further one-off resources of £0.5m. These programmes require effective project management, business analysis and other expert support to deliver their full financial benefits over the next few years which will be important for the 2013/14 and future budget strategies.

3.22 The indicative allocations for 2013/14 are proposed for the following reasons:

- £3m for the council's 49% share of forecast refunds of business rates relating to the period prior to the 1 April 2013 following successful rating appeals in 2013/14 and 2014/15 against the 2010 rating list. At this stage this is a very provisional figure based on the level of successful appeals processed so far this year and a further analysis of outstanding appeals will be available in early January.
- £0.100m to enable the council to use new powers to award business rate reductions as an incentive to maintain or grow certain businesses within the city. Options about how this fund could be used to maximise the incentive will form part of the February budget report.
- £0.025m to provide Pride with the lead-in time necessary to develop a new financially sustainable business model.
- £0.125m to support two verge parking restriction pilot schemes in Mile Oak, North Portslade and Varndean area of Withdean.
- £0.150m to support the one-off costs of the Major Examination in Public of the Local Development Framework.
- £0.3m to provide additional support to financial advice providers across the city who are managing increased demand due to welfare reform changes whilst managing reductions in government support. In addition, there is a one off gain after meeting the requirements of the council tax support transitional grant which will enable £0.3m to be set aside in contingency to augment the Council Tax Support discretionary fund, Discretionary Housing Payments and the proposed Local Discretionary Social Fund to moderate the initial impact of welfare reforms.

3.23 The indicative allocations of one off resources for 2013/14 set out in table 1 are subject to the identification of sufficient further resources to fund the proposed allocations. A full review of all reserves and provisions will be undertaken and any recommendations from the review will be included in the Budget Report to this committee in February 2013.

Fees & Charges

3.24 Fees and charges budgets are assumed to increase each year by a standard inflation rate; 2% for 2013/14. The Council's Corporate Fees & Charges Policy

requires that all fees and charges are reviewed at least annually and should normally be increased by either: the 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 should be reported to and considered at the relevant service committee. Where appropriate, details of fees and charges changes for 2013/14 are therefore being presented to the relevant service committee prior to Budget Council. This includes consideration of parking charges following the parking review report due to be received by the Transport Committee in January 2013. In addition, an overarching review of fees and charges is undertaken to ensure there is no disproportionate or cumulative equality impact of proposed changes to fees and charges on vulnerable, minority or other groups. More information on fees & charges is given in the Budget Strategy appendix 3.

Service Pressures

- 3.25 The budget estimates for priority service pressures have been reviewed since July and the latest estimates for demographic growth and other service pressures remains at £4.35m. The current trends on the council's corporate critical budgets have been taken into account in determining levels of service pressure funding. The detailed allocation of Service Pressures investments is set out in the Budget Strategy appendix 3.
- 3.26 There remains a balance of £0.480m which will be needed to cover other pressures across services and will be allocated following a further review of the 2012/13 budget position at month 9.

Budget Savings Requirement

- 3.27 Revisions to the budget assumptions have resulted in changes to the savings targets for 2013/14. The table below shows how the 2013/14 target has moved from £14m to £21.3m.

Table 2 – Revised 2013/14 Savings Target	£ m
Savings target at July Policy & Resources Committee	14.0
Reduce Council tax increase to 2%	1.5
Net loss on specific grant transfers to Business Rates Retention scheme	2.4
Estimated impact of top-slicing of government funding	0.9
Reduction in share of Business Rates income	0.5
Anticipated further reduction in government funding from Autumn Statement	2.0
Budget Savings Requirement	21.3
Less	
Actual Savings proposals 2013/14	-14.0
Full year effect of 2013/14 savings proposals funded by one off resources	-0.9
Council Tax Discounts and exemptions additional income	-0.9
Balance of New Homes Bonus 3 rd tranche released to support the budget	-0.6
Estimated VfM savings from a Voluntary Severance Scheme	-3.0
Remaining budget gap 2013/14	1.9

- 3.28 For information, the latest estimate of budget savings required in 2014/15, assuming a 2% Council Tax increase, is £19.2m; an increase of £3.3m since the

July report. The position for 2014/15 will be updated for February along with an updated Medium Term Financial Strategy subject to available information.

Budget Strategy

- 3.29 A summary table of the budget forecasts for 2013/14 is shown in appendix 1.
- 3.30 An overarching Budget Strategy and strategies for each main budget area and the detailed savings proposals are included at appendix 3 and 4 respectively. The General Fund savings proposals for 2013/14 total £14.0m in year and £14.9m in a full year with the difference funded by £0.9m reserves as shown in table 1.
- 3.31 There are some common themes across the proposals, which fit with the principles and process set out in the budget strategy at appendix 3.

Options to address the remaining budget gap

- 3.32 The remaining budget gap for 2013/14 is £1.9m assuming one-off resources can be identified to meet the difference between the full and part year savings identified and the Voluntary Severance Scheme delivers value for money savings of £3.0m. There a number of assumptions that need to be reviewed and updated between now and the revised report to Policy & Resources Committee on 14 February. These include but are not limited to:
- The provisional local government finance settlement;
 - The council tax base which will be set in January;
 - The NNDR forecast which will be agreed in January;
 - The Month 9 position on the 2012/13 TBM budget monitoring;
 - The projections on the latest trends on corporate critical budgets and their implications for the levels of service pressure funding required and risk provisions required.
- 3.33 These updates could have positive or negative implications for the budget gap for 2013/14 and revisions or additions to the proposed savings may be required as a result. This is in addition to any changes that may be proposed following the further scrutiny, consultation and engagement processes. This report should be considered the start of that consultation process not the end.

Staffing Implications

- 3.34 The staffing budget for 2013/14 includes funding for a £7.45 living wage, the implementation of which is subject to Policy & Resources approval elsewhere on this agenda.
- 3.35 At this stage in the budget process it is difficult to determine exactly how many staff may be affected by the proposals. A broad estimate is that in 2013/14 an estimated 50 posts may be removed from the council's staffing structure as a result of the savings proposals set out in appendix 4 and a further 110 though

the voluntary severance scheme. However actual numbers will be dependent on the detailed options proposed and on the results of formal consultation where required. Some of these are already vacant and some will become vacant through normal turnover. Based on previous years' experience this is likely to account for at least half of the posts lost. As in previous years it is planned to minimise the number of staff at risk of redundancy through:

- Controlling recruitment and only making permanent appointments in exceptional circumstances and when all other alternatives have been exhausted;
- Holding any vacancies available internally to increase the opportunities for re-deployment;
- Minimise the use of interim or consultant appointments;
- Limiting the use of temporary or agency resources.

3.36 These measures will continue as we work with trades unions and colleagues on the detailed staffing implications.

3.37 With regard to a Voluntary Severance Scheme, the positives and learning points from the previous scheme have been reviewed to help define the scope and management of the new scheme. It is clear that, given the challenge and scale of the proposed budget savings requirement, the scheme needs to be adapted to have a broader reach and to link more closely to future workforce planning. The focus of the scheme will therefore be on helping to accelerate and improve value for money across services through reshaping and redesigning services. At this stage, schools based staff will not be included.

3.38 The broader reach of the scheme will mean that applications will be invited from across the workforce and in assessing applications, Heads of Service will be looking at the opportunities that arise for service redesign, particularly in relation to other initiatives including customer access improvements, workstyles investments and associated ICT and business transformation (Systems Thinking) opportunities. This will provide opportunities to accelerate value for money initiatives through doing things differently and identifying further efficiencies.

3.39 The assessment will be between maximising savings through achieving an early exit date, versus implementing a more extensive service redesign that can achieve greater value for money but may have a longer lead-in time. HR Business Partners will be working closely with managers and finance to ensure cost implications and savings are effectively monitored.

3.40 Other aspects of the scheme are being negotiated and finalised including the detailed timetable and the latest date for release. It is also proposed to offer enhanced terms compared to the council's normal redundancy provisions and a multiplier of 2 is expected to be applied to redundancy (not pension) entitlement to ensure the success of the scheme. This has been taken into account in providing one-off resources for severance costs detailed in table 1 above. Policy & Resources are asked to approve the scheme to enable immediate implementation.

Housing Revenue Account

- 3.41 The Housing Revenue Account (HRA) is a ringfenced account which covers the management and maintenance of council owned housing stock. A local authority's HRA 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. The introduction of self-financing of the HRA from 1st April 2012 means that the authority needs to ensure sufficient funds are available to meet the future management, repairs and investment needs of the stock. Self financing has given authorities the freedom to plan for the longer term and has given greater emphasis to the 30 year business plan.
- 3.42 The Commissioning framework for the HRA aims to reduce management unit costs to enable re-investment in services to reduce inequality (support) and make improvements to homes and neighbourhoods (investment). As the HRA is a ring-fenced account, any savings achieved are reinvested into council housing services. However, the significance of the HRA budget reaches beyond housing service provision and provides the opportunity to tackle inequality, create jobs and training opportunities, and improve the lives and well-being of residents. This in turn can reduce pressures upon social care and other General Fund budgets.
- 3.43 Benchmarking against comparator organisations and an analysis of the outcome of the Housing Quality Network (HQN) value for money review has identified a savings target of £1.028m over 2 years to ensure that the service provides value for money. The savings target is £0.590m in 2013/14 and £0.438m in 2014/15. Further details of the budget strategy and savings proposals are included in appendix 4 to this report.
- 3.44 Policy & Resources are asked to note the update on the HRA budget strategy and proposals. The final HRA Budget proposals for 2013/14, including rents and service charges and an update to the Medium Term Financial Strategy, will be reported separately to Housing Management Consultative Sub-Committee, Housing Committee and Policy & Resources Committee in January and February 2013.

Capital Programme

- 3.45 The projected capital programme and resources are included in the table in appendix 5; this includes all amendments highlighted in the TBM report.
- 3.46 Grant is provided to the council as unringfenced funding with the exception of Devolved Schools Grant. New grants for education, transport, health and disabled facilities are projected to be £14.0m in 2013/14 but are subject to confirmation from the Government in December 2012 with the Education announcements expected at the end of January 2013. The projected capital programme in appendix 5 includes unfunded schemes such as ICT infrastructure investment to support Customer Access, the digital city and the replacement of core security and access infrastructure of £8.0m over the three years; investment in private sector housing renewal of £1.5m for 2013/14 only;

Hollingdean Depot phase 2 requirement of £0.6m; and the education shortfall for investment in primary school places of £5.6m over three years.

- 3.47 The table shows a significant shortfall in funding of £16.5m over the 3 year period assuming planned net capital receipts of £9.1m over the 3 years are achieved.
- 3.48 The planned receipts include potentially difficult disposals such as Patcham Court Farm and if this receipt is not realised the shortfall will increase by £3m.
- 3.49 Plans to address the shortfall include reviewing the current commitments in the planned capital programme to reallocate to priority areas, reprioritising the allocation of future capital grant funding allocations announced by the government in December 2012 and January 2013 and a review of reserves subject to priority pressures elsewhere in the budget. It is intended that the programme will, as in previous years, be cash-backed and not dependent on in-year receipts.
- 3.50 A detailed capital programme report will be presented to Policy & Resources Committee in February prioritising the limited capital resources available to the council given the risks associated with delivering the planned high level of capital receipts. The programme proposed will be a fully funded capital investment programme.

Timetable

- 3.51 The Timetable for budget papers is given below. This timetable does not include detailed plans for ongoing consultation with stakeholders and this will be determined in conjunction with those involved, the latest details of which are given in table 3.

Date	Meeting	Papers / Activities
29 Nov 2012	Policy & Resources	Budget update and savings package
5 Dec 2012		Autumn Statement
7 Dec 2012	Scrutiny	Scrutiny panels begin
Late Dec 2012		Provisional Local Government Finance Settlement
17 Jan 2013	Policy & Resources	Taxbase report
14 Feb 2013	Policy & Resources	Month 9 Forecast of 2012/13 budget position General Fund Revenue 2013/14 Budget Housing Revenue Account Budget Housing Revenue Account Capital Programme Capital Programme
28 Feb 2013	Budget Council	

4. COMMUNITY ENGAGEMENT AND CONSULTATION

- 4.1 The scale of the savings required for 2013/14 and future years is likely to have increasingly significant implications for services and the way they are commissioned and delivered. This requires the council to plan and consult as effectively as possible within the context of often uncertain information. The approach to consultation and engagement was set out and approved by Policy & Resources Committee in July 2012.
- 4.2 Consultation is important to the council and we have tried various methods to consult about council spending in recent years. However, the complexity of council finances and the very wide range of services provided meant that people sometimes found it difficult to understand or to make informed choices. We have therefore tried different approaches to consult about spending this year, using traditional and more innovative methods in our “your money, your services, your say” consultation, including:
- A survey available online and on paper;
 - An online prioritisation tool;
 - An innovative, open city event for involving people in decision making on the overall approaches available to the council for running services.
- 4.3 The common themes emerging from these exercises are presented in appendix 7 to this report "Summary Report: Budget Consultation Exercises Autumn 2012" and in brief are:

Residents' high priority areas

- Education
- Children's Social Services
- Public Safety
- Leisure, Parks and Open Spaces
- Refuse Collection, Disposal and Recycling

Residents' medium priority areas

- Housing
- Libraries
- Adult Social Services
- Housing Benefit
- Capital Investment

Residents' low priority areas

- Central Services
- Council Tax Benefit
- Planning and Economic Development
- Highways and Traffic Management

Most would like service funding to be at least maintained, if not increased.

Service areas where more people (though not the majority) are in favour of cuts are the low priority areas, and where more people are in favour of increases are higher priority areas. Housing is the only exception to this, with it being a medium priority but an area where a relatively high proportion would like an increase in funding.

Justified increases in Council Tax would be acceptable to the majority who participated.

Residents are very much in favour of the exploitation of fines as a source of revenue – parking charge increases would not be welcome.

Efficiency and transparency are critical.

- 4.4 A budget roundtable discussion was held, on 4 October 2012, with Leaders and Finance Spokespeople for all political parties invited alongside representatives of the Trades Unions, Community and Voluntary Sector Forum and Economic Business Partnership. A further meeting is planned for January.
- 4.5 The review and challenge of the options as they were developed for this paper included members from all political parties in the “Budget Challenge” process.
- 4.6 A number of scrutiny meetings have been set up following publication of this report and the Community & Voluntary Sector Forum and the Chamber of Commerce have been invited to join this process. These meetings will also be able to consider the consultation feedback set out in this report.
- 4.7 The online prioritisation tool is being promoted to community groups for example through the Whitehawk Community Forum and through the Youth Council. Further consultation meetings with community groups will be set up after the publication of this report. In addition a budget consultation presentation will be held with the Older Peoples Council in January.
- 4.8 Formal consultation with business ratepayers and representatives of the wider business community will be scheduled in January 2013.
- 4.9 Engagement with statutory partners in the city is being undertaken on an ongoing basis through the Public Services Board. A strategic finance event was also held on 26 October with PSB partners to further share and understand the financial position across all sectors.
- 4.10 Full consultation with Staff and Unions will be undertaken as normal including Departmental Consultative Group (DCG) meetings in December 2012.
- 4.11 A further update of the feedback from the online budget prioritisation tool and online survey will be included in the February budget report.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

5.2 Legal Implications:

- 5.2 Policy & Resources Committee has responsibility for formulating budget proposals for adoption by the Council. The matters set out in this report form part of the process for developing the budget framework. The process itself conforms with the council's budget and policy framework procedure rules.

Lawyer Consulted: Oliver Dixon

Date: 22/11/12

Equalities Implications:

- 5.3 In Brighton & Hove City Council a Budget Equality Impact Assessment (EIA) screening process has been used to identify the potential disproportionate impacts of proposals on groups covered by legislation (the 'protected characteristics' in the Equality Act 2010). Assessing the potential positive and negative impact of decisions on different equality groups is a key part of meeting the requirements of the Act, and demonstrating that we are doing so. EIAs are important for informing decision-making, increasing opportunities for positive benefits and reducing or removing negative impacts, specifically where they affect one or more groups disproportionately, and especially where they may be unlawful.
- 5.4 All service areas that have identified proposals with a potential equalities impact have completed an EIA Screening document for the budget proposals in their area. The Communities and Equalities Team is also reviewing the final list of proposals to complete our assessment of the potential cumulative impacts and to propose mitigating actions. This will be updated and circulated as part of the process and included in the February budget report. We have identified no unlawful discrimination within the proposals, but potential disproportionate impacts have been identified on a number of groups and actions are being identified to minimise or avoid these.
- 5.5 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 Screening 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.
- 5.6 At the point at which implementation decisions are made about budgets, full Equality Impact Assessments will be carried out in a number of areas which will analyse specific impacts and develop the required mitigating actions.

Sustainability Implications

- 5.7 A carbon budget has been set for 2013/14. This shows the level of spend on energy and the estimated carbon emissions across each service area and includes a planned 4% reduction in 2012/13 and again in 2013/14. This modest target will be challenging to meet on the basis of the current approach to carbon management.

- 5.8 Carbon budgets provide the organisation with a layer of accountability for reducing carbon emissions from our buildings, street lights, fleet and the way we travel for work. They were first introduced in 2012/13 and supported by actions plans that set out how carbon budgets are to be achieved. The council spends around £9m each year heating and lighting its buildings, lighting our neighbourhoods and travelling around the city to deliver services to residents. With rising energy and fuel prices and the purchase of annual Carbon Reduction Commitment allowances, the business case for reducing carbon emissions is clear. The impact of 37,000 tonnes of carbon dioxide released into the atmosphere each year contributes to our changing climate, which is widely recognised as the major environmental problem facing our planet.
- 5.9 To make significant savings in carbon emissions a different approach is required and the One Planet Zero Carbon approach provides a fresh focus to carbon management. The 2013/14 carbon budget has an additional feature following the first carbon budget set for 2012/13. 10 buildings from across the council portfolio have been prioritised to each reduce their emissions by 4% over the next year, this will allow for real focus on the opportunities for reducing emissions. £60,000 of One Planet Living reserve has been allocated for undertaking detailed energy surveys in our buildings and this will be the initial starting point for understanding what we can achieve. In addition there will be long term investment in more energy efficient street lighting funded from Local Transport Plan resources. There will be a clear focus placed on reducing carbon emissions from buildings through the acceleration of the Workstyles programme reducing both the total number of buildings occupied by the council and also ensuring improved energy efficiency in the retained buildings.
- 5.10 The Council's 2011/12 Carbon Reduction Commitment footprint accounted for 23,727 tonnes of CO² from council buildings for which the council purchased £0.284m worth of CRC allowances at £12 per tonne.
- 5.11 The Council's carbon budget update is detailed in Appendix 6 and profiles the spend and CO² carbon footprint for 2011/12 across the council. The projected carbon budget for 2012/13 is also reported within Appendix 6. Performance against the 2012/13 carbon budget will be calculated in July 2013.

Crime & Disorder Implications:

- 5.12 The budget proposals are not expected to have significant adverse consequences on crime and disorder. The council will need to work with the newly elected Police and Crime Commissioner to ensure funds continue to be invested appropriately across the city.

Risk and Opportunity Management Implications:

- 5.13 The budget proposals include recurrent risk provisions of £1m. These will need to be reviewed again in the light of new financial risks, for example, from Business Rates Retention, and updated information from the month 9 TBM position due to be presented to this committee on 14th February. The budget report to February Policy and Resources committee will include the Chief Finance Officer's formal assessment of the robustness of estimates in the budget and the adequacy of reserves.

Public Health Implications:

- 5.14 From 1 April 2013, public health functions are due to transfer to local authorities. No account has been taken of this function and funding change in the financial projections for 2013/14 because the government has not yet published indicative allocations. The council has contributed to information requests from the Department of Health about public health spending by the Primary Care Trust. There are a wide range of proposals within this budget that have potential implications for public health in its broadest sense. The principle of prioritising services for the young, elderly and vulnerable should make a positive contribution to public health.

Corporate / Citywide Implications:

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

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 The budget process allows all parties to engage in the scrutiny of budget proposals and put forward viable alternative budget and council tax proposals to Budget Council on 28 February. Budget Council has the opportunity to debate the proposals put forward by the Committee at the same time as any viable alternative proposals.

7. REASONS FOR REPORT RECOMMENDATIONS:

- 7.1 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.
- 7.2 Approval of the proposed Voluntary Severance Scheme is required because enhanced severance terms are being proposed compared to the current policy. Financial provision for these terms is set out in the report.

SUPPORTING DOCUMENTATION

Appendices:

1. Budget Summary for 2013/14
2. Taxbase, function and funding changes
3. General Fund Budget Strategy
4. Budget Strategy for each main budget area and detailed savings proposals 2013/14 (The HRA budget strategy and proposals are included for noting only)
5. Summary Capital Investment Programme 2013/14 to 2015/16
6. Carbon Budget for 2013/14
7. Summary Report: Budget Consultation
8. Budget Equality Impact Assessment Screening Documents
9. Business Rate Retention: Policy Statement

Documents in Members' Rooms

1. Budget Equality Impact Assessment Screening Documents (Appendix 8)

Background Documents

1. Budget files held within Financial Services and Strategic Finance
2. Consultation papers

