# BRIGHTON & HOVE CITY COUNCIL MEETING

**4.30PM 25 FEBRUARY 2010**

**COUNCIL CHAMBER, BRIGHTON TOWN HALL**

# AGENDA

Brighton & Hove City Council

# Council Meeting

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| Title: | **Budget Council** |
| Date: | **25 February 2010** |
| Time: | **4.30pm** |
| Venue | **Council Chamber, Brighton Town Hall** |
| Members: | **All Councillors**<br>You are summoned to attend a meeting of the BRIGHTON & HOVE CITY COUNCIL to transact the under-mentioned business. |
| | Prayers will be conducted in the Council Chamber at 4.20pm by Reverend Andrew Bousfield. |
| Contact: | **Mark Wall**<br>Head of Democratic Services<br>01273 291006<br>mark.wall@brighton-hove.gov.uk |

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|  | **The Town Hall has facilities for wheelchair users, including lifts and toilets** |
|  | **An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter and infra red hearing aids are available for use during the meeting. If you require any further information or assistance, please contact the receptionist on arrival.** |
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# AGENDA

**Part One** **Page**

**53. STATUTORY OR VOLUNTARY DISCLOSURE BY COUNCILLORS OF INTERESTS IN MATTERS APPEARING ON THE AGENDA.**

**54. MAYOR'S COMMUNICATIONS.**

**55. TO CONSIDER THE REPORTS AND RECOMMENDATIONS OF THE CABINET OF THE 11 FEBRUARY 2010 IN RESPECT OF:-** **1 - 188**

**(a) General Fund Revenue Budget and Council Tax 2010/11.** Report of the Director of Finance & Resources, together with an extract from the proceedings of the Cabinet meeting held on the 11th February 2010 (copies attached).

**(b) Supplementary Financial Information for Budget Council.** Report of the Director of Finance & Resources (copy attached).

**(c) Capital Resources and Capital Investment Programme for 2010/11.** Report of the Director of Finance & Resources, together with an extract from the proceedings of the Cabinet meeting held on the 11th February 2010 (copies attached).

**(d) Housing Revenue Account Budget 2010/11.** Joint report of the Director of Adult Social Care & Housing and Director of Finance & Resources, together with an extract from the proceedings of the Cabinet meeting held on the 11th February 2010 (copies attached).

*Contact Officer:* *Mark Ireland* *Tel: 29-1240*
*Ward Affected:* *All Wards;*

**NOTE:**

(i) A Guidance Note on Setting a Lawful Budget has been included with the agenda papers for Members' information.

(ii) A procedural note has been included with the agenda papers for Members' information and reference during the budget meeting.

(iii) Light refreshments will be available for Members from 4.00pm in rooms 2 & 3.

**COUNCIL**

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

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

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

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

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

Date of Publication - Wednesday, 17 February 2010



Chief Executive

King's House
Grand Avenue
Hove
BN3 2LS

| COUNCIL | Agenda Item 55(a)<br><br>Brighton & Hove City Council |
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|---|---|---|---|---|
| **Subject:** | | **General Fund Revenue Budget & Council Tax 2010/11** | | |
| **Date of Meeting:** | | **25 February 2010**<br>11 February 2010 - Cabinet | | |
| **Report of:** | | **Director of Finance & Resources** | | |
| **Contact Officer:** | **Name:** | **Mark Ireland**<br>**James Hengeveld** | **Tel:** | **29-1240**<br>**29-1242** |
| | **E-mail:** | **mark.ireland@brighton-hove.gov.uk**<br>**james.hengeveld@brighton-hove.gov.uk** | | |
| **Key Decision:** | **Yes** | **Forward Plan No: CAB13926** | | |
| **Wards Affected:** | **All** | | | |

**FOR GENERAL RELEASE**

## 1. SUMMARY AND POLICY CONTEXT

1.1 In July 2009 Cabinet considered and agreed the budget setting process for 2010/11 in the context of having reasonable certainty over government funding allocations for next year. In December 2009 Cabinet received a budget update report which set out budget strategies for each service area to achieve the indicative cash limits agreed by Cabinet in July. Since the December meeting the budget strategies have been scrutinised by a series of Scrutiny Panels in December and January. The Overview and Scrutiny Commission agreed at their meeting on 26 January 2010 that the minutes of those meetings would be forwarded to this meeting for Cabinet to consider when taking decisions on the budget. The Leader and the Cabinet have very carefully considered the issues and concerns raised by Scrutiny and in response have made changes from the December proposals which are described in paragraph 3.48 of the report.

1.2 This report sets out the latest budget information needed for Cabinet to recommend the 2010/11 revenue budget and council tax to Full Council on the 25 February 2010. Not all the relevant information is currently available, for example the council tax precepts for Sussex Police Authority and East Sussex Fire Authority have not yet been agreed, so as in previous years a supplementary report will be prepared for Full Council. Details of the likely contents of that report are shown in paragraph 4.7.

1.3 The resource projections continue to be based on an indicative council tax increase for 2010/11and beyond of 2.5%. Given the financial uncertainties created by the recession, elections and government resource allocations beyond 2010/11 the medium term financial strategy needs to provide for some flexibilities within the budget by creating risk provisions and a reserves strategy, proposals for which are set out in the report.

1.4 Cabinet are reminded that all decisions about the 2010/11 budget need to take into account future projections of resources and expenditure and the medium term financial strategy sets out the latest forecasts. Over 60% of the council's

gross expenditure is funded by government grants which will not be determined for 2011/12 and beyond until after the general election. The position on the national finances was updated by the Chancellor of the Exchequer in the pre-budget report announced on 9 December 2009 and a very significant squeeze on public spending is inevitable to help address the growing levels of government debt. A significant amount of value for money work has been undertaken and this work together with major changes proposed for the future structure and working practices of the council will help deliver the anticipated savings of about £15m per annum needed in the years ahead.

## 2. RECOMMENDATIONS:

2.1 That Cabinet recommends to Council, subject to 2.3 below, the 2010/11 General Fund Revenue Budget proposals including;

- The 2010/11 budget allocations to services as set out in appendix 1.
- The investment in services and new allocations proposals as set out in paragraphs 3.42 to 3.46.
- The council's budget for 2010/11 of £230.8m.
- The Directorate budget strategies as set out in appendix 8.
- The corporate budgets of £19.3m.
- The contingency budget of £4.2m as set out in table 6.
- The reserves allocations as set out in appendix 3.
- The borrowing limit of £302m for the year commencing 1 April 2010.
- The annual Minimum Revenue Provision statements as set out in appendix 4.
- The prudential indicators as set out in appendix 7 to this report.

2.2 That the Medium Term Financial Strategy budget and resource projections for 2011/12 and 2012/13, as set out in appendix 5, based on council tax increases of 2.5% for each year be noted.

2.3 That it be noted that supplementary information needed to set the overall council tax will be provided for the budget setting Council as listed in paragraph 4.7.

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

***Format of the Budget report***

3.1 The report sets out for the General Fund Revenue Budget:

- Projections of the resources available to fund the 2010/11 budget.
- A summary of the expenditure estimates for the current year, set out in detail in month 9 Targeted Budget Management report elsewhere on the agenda,

and details of the forecasts and proposals for 2010/11 including an analysis of the movements from 2009/10.
- The proposed council tax increase for 2010/11.
- The medium term financial strategy covering the 3 year period 2010/11 to 2012/13 and risk assessment.
- A report from the Chief Finance Officer on the robustness of the estimates included in the budget and the adequacy of the level of reserves provided for in the budget.
- The budget consultation undertaken to date and the outcomes.

3.2 The council has a gross budget of about £750m in 2009/10. Approximately 62% is funded by government grants some of which given to the council for very specific purposes whilst others are general grants which can be used to support expenditure as the council determines. Most government grants are announced as part of the Local Government Finance Settlement and 2010/11 is the last year of a 3 year settlement. The largest grant is the dedicated schools grant which must be used to fund schools or school related expenditure.

3.3 The remaining 38% of the budget is funded by fees and charges 16%, housing rents 6%, council tax 15% and reserves 1%. A separate report on the Housing Revenue Account and rent setting is included elsewhere on the agenda. The paragraphs below in the projected resources section set out in more detail the forecast funding available for the General Fund in 2010/11.

3.4 The 2010/11 expenditure estimates section details the changes from the 2009/10 budget including:

- An adjusted base budget for 2009/10 to enable a like-for-like comparison between the years covering any changes in function and funding and internal budget transfers between services.
- Assumed levels of pay and general inflation including information on the key factors which will influence future pay related budgets.
- The additional amounts included in the budget to cover higher spending needed to maintain current service levels described as spending pressures.
- Proposed new investment in services.
- Proposals for efficiency and other savings needed to set a balanced budget including the latest staffing implications.
- Analysis of the changes in the corporate budgets including the minimum level for the risk provisions.

3.5 The section on council tax shows the proposals for the Brighton & Hove council element which is about 85% of the total tax with the balance being set by Sussex Police and East Sussex Fire Authority. The section also includes the latest information on council tax capping which all members need to be mindful of when setting both the budget and council tax.

**Projected Resources available in 2010/11**

***Local Government Finance Settlement***

3.6 The final settlement for 2010/11 was announced on 20 January 2010 and showed that the council will continue to receive the minimum floor increase in formula grant of 1.5% or £1.6m for 2010/11 compared to a national average increase of 2.6%. The 2010/11 formula grant is £109.185m.

3.7 The provisional 2010/11 non-domestic rating multiplier is 41.4 pence in the pound and the provisional 2010/11 small business non-domestic rating multiplier is 40.7 pence in the pound.

***Schools Funding***

3.8 Schools funding in the form of the Dedicated Schools Grant (DSG) will increase by £6m in 2010/11 based on the council's latest estimates of pupil numbers and the fixed per pupil increase announced on 27 October 2009. This sum may change when the results of the January 2010 pupil count are known.

| **Table 1: DSG allocation for Brighton & Hove** | | | | |
|---|---|---|---|---|
| | Dedicated Schools Grant £m | Cash increase | Per pupil increase | National Per pupil increase |
| 2009/10 | 127.734 | | | |
| Governments indicative pupil numbers in provisional allocation | | | | |
| 2010/11 | 134.682 | +5.4% | +4.1% | +4.3% |
| Revised allocation based on council's latest estimate of pupil numbers | | | | |
| 2010/11 | 133.712 | +4.7% | +4.1% | +4.3% |

3.9 The funding allocation to each school within Brighton & Hove is determined by a local funding formula, which distributes the total funding pot between each school. This local formula is agreed by the Schools Forum which is made up of representatives from local schools and provides for an absolute minimum funding guaranteed increase of 2.1% per pupil.

3.10 The other important funding source for schools is government specific grants. Details of these grants are contained in appendix 2.

***Specific Grants; Area Based Grant (ABG) and Local Public Services Agreement 2 (LPSA2) reward grant***

3.11 In 2010/11 the council is anticipating the receipt of about £50m specific and special grants, a like for like increase of approximately 8.7% over 2009/10 although a few grant allocations have not yet been announced. Details of all the known grant allocations are shown in appendix 2. Specific and special grants are allocated by the government with strings attached and must be spent in the service areas specified.

3.12 ABG is an unringfenced grant where the council is given the freedom over how this money is spent. The government has transferred the supporting people specific grant into ABG for 2010/11. In addition a new Economic Assessment

Duty Grant which requires the council to prepare an assessment of the economic conditions of the area, has been added to ABG.

3.13 In 2010/11 the council is anticipating the receipt of about £24.1m ABG, approximately 6.6% less than 2009/10 on a like for like basis, a notional breakdown of which is also shown in appendix 2. The main reductions relate to the loss of transitional grant for stronger safer communities and neighbourhood renewal, and a 5% reduction in supporting people.

3.14 This budget proposes £0.4m recurrent funding in 2010/11 as replacement funding for priority services where grant is coming to an end. In addition, some priorities will be supported through allocations from the LPSA2 reward grant.

3.15 The council along with public sector partners will achieve targets included within the LPSA 2. These targets were incorporated into the previous Local Area Agreement. As a result the council estimated to receive reward grant of at least £3.2m over the next 2 years. In addition the council is awaiting the outcome of a further claim for £0.9m which will be allocated when confirmed in consultation with the Public Services Board. The allocations of the reward grant confirmed so far and agreed by the Public Services Board are included in appendix 9.

***Local Authority Business Growth Incentive Scheme***

3.16 The LABGI grant is now allocated on the basis of sub-regions and the council forms part of the East Sussex sub-region. The national allocation for 2010/11 was previously confirmed at £50m and based on the council's share of this allocation the council could receive about £0.2m. The provisional grant payable in 2010/11 has not been announced yet and therefore any recommendations on the use of LABGI funds will be submitted to a future Cabinet meeting when the grant is formally confirmed.

***Fees and Charges***

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

- Culture Recreation & Tourism 15th Sept 2009
- Environment 26th Jan 2010
- CYPT board 1st Feb 2010

3.18 The Licensing fees and charges were agreed at Council on 28 January 2010.

### *Council Tax*

3.19 The council tax funds approximately 15% of the councils gross budget and the collection fund is the account into which all council tax is paid. It is a statutory requirement that the collection fund is reviewed each January to determine whether it is projected to be in surplus or deficit. The collection fund is forecast to have a total surplus of £2.685m at 31 March 2010, of which £1.185m relates to a reduction in the 2008/09 outturn deficit and a £1.500m surplus which is forecast to occur during 2009/10. The main reason for the surplus is the higher than anticipated number of new properties being completed in 2009/10. The council tax element of the surplus is shared with Sussex Police Authority and East Sussex Fire Authority in proportion to the previous year's demand or precept. The total share for the council is £2.286m.

3.20 The tax base is the amount of money that could be raised in Brighton & Hove by levying a council tax of £1. The 2010/11 tax base of 94,511.05 was agreed by Cabinet on 14 January 2010 and represented a 2.2% increase from the 2009/10 figure and again is mainly as a result of increased numbers of new properties being added to the valuation list during 2009/10. This was higher than previously forecast in December and generates additional resources of approximately £1.1m for next year. Proposals for the allocation of these resources within the 2010/11 budget are shown in paragraph 3.46.

### *Reserves*

3.21 The council holds reserves for 2 main purposes:

- A working balance to temporarily cover major unexpected items of expenditure or emergencies.
- Earmarked reserves set aside for a wide range of specific purposes such as the insurance fund, winter maintenance or donations towards the upkeep of graves.

3.22 The working balance is currently £9m and is planned to remain at this level over the next 3 years. The justification for the level of the working balance is given within the Chief Finance Officers comments section.

3.23 A list of all the earmarked reserves held by the council is given in appendix 3. The table in the appendix shows for each reserve the purpose of why it is held, the forecast opening and closing balance and the anticipated movement within the year.

3.24 Any reserves balances held in addition to those above are treated as usable reserves and can be used to support one-off items of expenditure or shortfalls in income in the revenue budget. The following table shows the projected usable reserves position assuming 2009/10 spending is in line with current projections. The table particularly reflects the improved council tax collection fund performance in 2008/09 and 2009/10.

| Table 2 – Usable Reserves | £m |
|---|---|
| **Reserves Balance at 1st April 2009** | **2.3** |
| Planned transfers agreed at Budget Council 26th Feb 2009 | -1.9 |
| Improvements in council tax collection fund and taxbase in 2008/09 actual, 2009/10 and 2010/11 projections | 3.5 |
| Resources generated in 2010/11 by lower than anticipated pay award in 2009/10 | 1.3 |
| Provisional funding for 2009/10 overspend (see paragraphs 3.26 and 3.27 below) | -0.6 |
| Allocations approved by Cabinet during 2009/10 including the Marina planning appeal, swine-flu preparations, Building Schools for the Future, preparation for carbon trading, transfer to the redundancy restructure reserve and the upfront costs of supporting the development of the Local Delivery Vehicle which will be repaid when the properties are leased | -2.6 |
| **Balance estimated as at 1st April 2010** | **2.0** |
| Minimum provision assessed by the Chief Financial Officer to be needed for one-off risks to cover temporary additional spending or loss of income as a result of the continuing economic downturn and other pressures within the budget | -0.5 |
| **Balance available for spending in 2010/11** | **1.5** |

3.25 Expenditure funded from reserves must be one-off to ensure that it does not create additional unfunded spending commitments for future years. Proposals for allocating the £1.5m one-off resources are shown in paragraph 3.45.

**Expenditure Estimates**

***Latest position in 2009/10***

3.26 The month 9 Targeted Budget Management (TBM) report elsewhere on the agenda shows a projected over spending of £0.6m which is virtually unchanged since month 6.

3.27 Cabinet has already agreed that the £0.7m contribution towards the Building Schools for the Future (BSF) programme from reserves would only be approved if the 2009/10 budget broke even. In light of the latest projected over spend alternative funding resources are therefore required for BSF and these have been identified within the capital investment programme report elsewhere on the agenda. The net over spend of £0.6m has been taken into account in the projection of usable reserves shown in table 2.

**2009/10 Adjusted Base Budget**

***Changes in function / funding***

3.28 The finance settlement for 2010/11 did not include any significant function and funding changes.

### *Internal Transfers*

3.29 Internal transfers relate to changes in responsibility between directorates and corporate budgets. There have been two significant internal transfers and a number of minor changes. The significant changes were the savings generated from a lower than anticipated pay award in 2009/10 transferred from each directorate into the contingency budget; and the transfer of £0.8m from contingency to the financing costs budget to support the borrowing costs for the equal pay back pay settlement. There have been no additional resource requirements as a consequence of any of these changes.

## 2010/11 Budget

### *Analysis of Budget Changes between 2009/10 and 2010/11*

3.30 The following table shows how the budget has changed since 2009/10.

| **Table 3: Analysis of budget changes** | £m |
|---|---|
| **Adjusted 2009/10 base budget** | **219.00** |
| Pay awards and Inflation | 2.93 |
| Service pressures & investment in services | 13.38 |
| Efficiency & other savings | -12.32 |
| Changes in corporate budgets | 0.07 |
| Change in use of reserves | 7.73 |
| **Proposed Budget 2010/11** | **230.79** |

3.31 The following sections give details of each change.

### *% changes in service budgets*

3.32 The following table shows the percentage changes for services, appendix 1 shows the detailed build up of the budget and the directorate budget strategies in appendix 8 show how each service will deliver budgets based on these changes.

| **Table 4: 2010/11 Budget** | **Change** |
|---|---|
| CYPT – Children's and Other Services | 5.0% |
| Adult Social Care & Housing | 0.6% |
| Section 75 Partnership | 0.9% |
| Environment | 1.5% |
| Finance & Resources | 0.2% |
| Strategy & Governance | -0.1% |
| Culture & Enterprise | 3.3% |

### *Pay and general inflation assumptions*

3.33 The council has a statutory duty to address inequalities in pay. Having conducted an equal pay review in accordance with the National 2004 NJC Agreement, the ongoing costs of implementing the agreed new pay rates has been incorporated into the budget and is included in contingency for allocation out to services. There remains a Single Status reserve to cover a range of risks as set out in the report to the Governance Committee on 9th July 2009.

3.34 In terms of the annual pay award the unions have claimed a 2.5% pay increase from the 1 April 2010 and the employers have responded with a proposal for a cash freeze for next year. A provision of 1% has been allowed in the budget to incorporate both the pay award and the costs of ongoing modernisation of the council's pay and reward structure. This assumption has been revised downwards since the July report following the lower settlement of the 2009/10 pay award. The cash limits have been adjusted to reflect this change.

3.35 The government has set a 2% per annum target inflation rate for consumer prices for the Bank of England Monetary Committee to deliver through monetary policies. After a period of very low or negative inflation during most of 2009 rates increased sharply in December and are anticipated to stay above target for a few months before falling back.

3.36 The provision for general inflation on both expenditure and income is 2% per annum in line with the government target.

### *Pension Fund Contributions*

3.37 The pension fund contributions of every local authority are reviewed by independent actuaries every 3 years by law. The next review will be carried out next year and revised contribution rates will be established for implementation in 2011/12. The contribution rates depend on a wide range of factors but the main ones relate to the investment performance of the fund, the levels of pay and pension increases and the projected longevity of current and future pensioners.

3.38 The council is one of 60 employers within the East Sussex Pension Fund managed by East Sussex County Council (ESCC). Although the Pension Fund has performed consistently above the average for local authority pension funds it has not been immune from the impact of adverse changes in the financial and property markets. However, following an average increase of more than 50% in stock markets across the globe since April 2009 the overall value of the Fund in mid-November was £1.7 billion, about the same level as at the last triennial valuation.

3.39 At the annual pension fund forum held by ESCC on 19 November the actuary indicated that the combination of improved investment performance and a smoothing factor within the calculation of future contribution rates, would mean that the latest estimate of the increase in 2011/12 for employers contribution rates is on average 1% which can be phased in over 3 years. The impact of future pay may mean that the increase for the council is slightly higher so 1.5% will be allowed in the budget projections i.e. 0.5% increase or about £0.65m per annum from 2011/12.

***Service Pressures***

3.40 Provision for spending pressures to maintain existing service levels are incorporated into directorate budget strategies. The spending pressures include the known impact of the recession for example loss of income from commercial property, land charges, Royal Pavilion, museums and venues.

3.41 The table below shows the other main service pressures.

| **Table 5: Main Service Pressures** | **£m** |
|---|---|
| **CYPT** | |
| Independent Foster Agency Placements & in house foster payments | 2.53 |
| Legal costs for Looked After Children | 0.55 |
| Residential Agency Placements | 0.39 |
| **Adult Social Services** | |
| Physical Disabilities pressure from 2009/10 | 0.78 |
| Learning Disabilities increasing clients, long term placements and transitions from CYPT | 1.49 |
| Demographic changes resulting in increasing older people, adult mental health and physical disabilities clients | 1.08 |
| **Loss of Grant** | |
| Area Based Grants – reduction in grant for Stronger Safer Communities and Working Neighbourhoods | 0.76 |
| Reduction in Supporting People grant | 0.59 |

***Investment in services and new allocations proposals***

3.42 The budget proposals allow for some new investment in services, re-prioritisation within existing services and provide upfront resources to help deliver future efficiency savings. Some of these proposals were set out in the December Cabinet report whereas others are new to this report following the identification of new resources from an increased taxbase and a review of the amounts held in contingency.

3.43 The borrowing costs of £0.045m needed to cover the first phase of the capital works to build a new historic records office jointly with the County Council were agreed in the budget process last year and have therefore been treated as a commitment for 2010/11. Further sums have been included in the projections for 2011/12 and 2012/13 to enable the projected construction works to be fully funded.

3.44 The following proposals are generated from ongoing resources and were set out either in the body of the December report or in the directorate budget strategies:

- £0.25m recurrent funding to replace government grants that have come to an end such as neighbourhood renewal and stronger safer communities grants.
- £0.2m increased investment in youth outreach work.
- £0.19m for the Royal Pavilion and Museums to support the review of commercial service management and to reduce income targets to a level that is achievable within the current economic climate in admissions and the commercial enterprises.
- £0.1m investment in regular annual seafront maintenance.
- £0.046m for investment in modernisation the library services.

- £0.050m to provide a new gum removal service.

3.45 The December report also identified £1.5m one-off resources from reserve and set out proposed allocations to services. The amount of usable reserves and been confirmed at this level and there are no changes proposed to the allocations set out in December:

- £0.5m investment in the Seafront for the painting of railings and improvements to shelters as well as work at Hove Lagoon.
- £0.5m to provide a new Transport Model for the City which will be valid for 5 years and will be a platform for planning a range of potential improvements to the city's transport infrastructure for example the development of new park and ride facilities.
- £0.180m to ensure that Castleham Industries can be kept open in 2010/11 to allow time for careful consideration of the future options for the staff delivering this service in the light of substantial cuts in central government funding.
- £0.100m for additional internal programme and project management capacity to ensure the delivery of the savings proposals for 2010/11.
- £0.070m to support the delivery of the council's 10:10 commitment.
- £0.150m start up loan funding for a new model of delivery of youth services linked to the Falmer Academy.

3.46 The increased resources generated by the higher than anticipated taxbase plus a review of the resources held in contingency have generated in total £1.379m ongoing resources. Proposals to allocate these resources are as follows:

- £0.750m to increase the risk provision to £1.5m to cover risks identified in the Learning Disabilities budget.
- £0.150m to provide replacement permanent funding for grants ending in Crime Disorder Reduction Partnership
- £0.276m to remove savings proposals in CYPT in response to concerns raised at the scrutiny meetings.
- £0.100m additional annual investment in winter maintenance.
- £0.103m to reduce the subsidised bus route saving proposal.

***Savings Proposals***

3.47 Each directorate has been required to identify efficiency savings as part of their budget strategies as well as any further savings or income needed to manage within their cash limit. Overall the savings package includes £8.88m efficiency savings and £3.44m additional savings and income. Further details of the proposed savings are included in the directorate budget strategies at appendix 8.

3.48 The proposed savings published in December have been subject to scrutiny at a series of meetings in both December and January. All the issues raised at those meetings and concerns about some of the proposals raised by residents have been very carefully considered by the Leader and the Cabinet. As a result there have been some changes to the proposals shown in the budget strategies reported to Cabinet in December. These include:

- The December report identified a £1.9m shortfall in the CYPT budget. This has been addressed through a transfer of £1m from the risk provision held in contingency to the CYPT cash limit delivering a 5% increase and an

additional £0.9m efficiency savings that were considered at the scrutiny panel in early January and are detailed in the CYPT budget strategy in appendix 8.

- The re-design of day care services will be the subject of a public consultation and no decisions regarding these services will be made until the results of this consultation have been analysed.
- An additional efficiency saving of £0.102m from the discretionary advertising budget has replaced proposals to relocate the Brighton History Centre and reduce opening hours at the Booth Museum.
- The proposals to reduce respite care at Drove Road and to use the Aiming High Grant to fund existing services have been removed.
- A review of the current marketing of council owned venues, such as the Old Courthouse, will be carried out to assess whether further savings proposals can be identified.
- The proposed savings on subsidised bus services is reduced by £0.103m and the remaining £0.097m found as a result of the subsidy on the No 27 bus route no longer being required.

3.49 Following requests for additional information on some proposals at the Scrutiny Panels further information has been included within the budget strategies.

***Staffing Implications of Proposed Savings***

3.50 The proposed savings package results in an estimated reduction of 95.7 full time equivalent (FTE) posts across the council and 51.5 (FTE) possible redundancies. The council is committed to working positively with staff and unions to avoid compulsory redundancies wherever possible through redeployment and has a good track record of keeping compulsory redundancies to an absolute minimum.

3.51 To minimise the impact on staff directorates have been operating vacancy management controls for some time. Human Resources are coordinating the following measures:

- The examination of every post to be advertised as a possible redeployment for staff at risk before other applications are considered.
- Searches for alternative employment options across the council and externally in partnership with the Trade Unions.
- Supported trial periods and identification of training needs.

3.52 This process has already reduced the number of staff at risk of redundancy who have been offered/undertaking trial periods or been successfully redeployed.

***Corporate Budgets***

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

***Corporate Budgets - Concessionary Fares***

3.54 The concessionary fares budget for 2010/11 of £7.7m net of £1.8m special grant from the government covers the costs of the concessionary fares scheme adopted by the council. The bulk of the budget relates to the cost of reimbursing the bus operators for all concessionary journeys which start within the boundaries of the city. The original budget projections for 2010/11 allowed for an

increase of 5% in the budget for concessionary fares net of government grant. The payments to the bus operators largely depend upon the number of journeys undertaken by concessionaires and the level of bus fares. The number of journeys is projected to increase by approximately 3.4% this year and it is anticipated that further increases due to the popularity of the scheme will occur next year. Recent discussions with local operators suggest that they currently do not have plans to increase fares next year.

3.55 The government has consulted on amendments to the distribution of special grant for 2010/11 and has recently confirmed the amended distribution but the proposals did not affect the amount of grant received by the City Council. Based on all the most recent budget and grant information the budget increase allowed for in the original projections for 2010/11 is therefore considered reasonable.

***Corporate Budgets – Insurance Premia***

3.56 The insurance budget of £3m for 2010/11 represents both the estimated cost of insurance premia and the cost of meeting successful claims against the council paid during the year. The council achieved substantial savings when it tendered the bulk of its insurance cover in 2008. Although the agreements are for 3 years the insurance companies re-quote at the end of each financial year for the coming year. The insurance market remains relatively soft and early indications show that any significant cost increases for next year are unlikely although the outcome of negotiations will not be known until March 2010. However, Officers will take the opportunity to ask for a range of quotes for different levels of cover in order to establish the optimal balance between the level of the premium payments and the level of cover. Preliminary work undertaken on the insurance of the vehicle fleet has identified an opportunity to deliver savings on this element of the portfolio but the level of these savings will also not be known until March. Despite an increasing claims culture within the country as a whole the overall value and level of successful claims has fallen slightly largely as a result of improved risk management across the council.

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

3.57 The financing costs budget reflects the cost of the council's capital investment plans. The council has a fully funded capital programme and the costs of funding the programme are provided for in both the general fund and housing revenue account revenue budgets.

3.58 The financing costs budget for 2010/11 is estimated to be £10.4m an increase of £0.9m on the original budget for 2009/10. Most of the increase £0.8m relates to the financing of borrowing undertaken in relation to equal pay back pay and the remainder £0.1m relates to the net costs of funding the capital programme.

3.59 The most significant variable element in the 2010/11 budget is the level of income generated by investing reserves and temporary surplus cash-flows which depends on forecasts of interest rates. At budget Council last year reserves of £2.9m were earmarked for 2009 - 2012 to fund reductions in investment interest income whilst investment rates are at all time lows until rates were projected to return to average levels of about 5%. Approximately £0.9m of the reserve is forecast to be used in 2009/10. It is now anticipated that interest rates will remain at lower levels for longer than originally anticipated, however, the debt repayment

policy of using invested reserves to repay long term debt adopted over the last year should ensure that the balance of £2m reserves are now sufficient for the period up to the end of 2012/13. Some new borrowing will be undertaken during the year to take advantage of the historically low long term borrowing rates available in the market but the timing of borrowing decisions will be critical to the short and long term performance of this budget.

3.60 The prudential capital finance system introduced in 2004 requires the council to set a number of indicators for affordability, prudence and sustainability. The recommended indicators are set out in appendix 7. Cabinet should note that the indicator for the authorised limit is a statutory limit required to be determined by full Council under section 3(1) of the Local Government Act 2003.

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

3.61 The council is required by law to prepare an annual statement on the amount of debt that will be repaid in the following year. Councils now also have to comply with International Financial Reporting Standards and that requires a retrospective adjustment to the 2009/10 statement. A revised statement for 2009/10 and the new statement for 2010/11 are shown in appendix 4.

***Corporate Budgets - Contingency***

3.62 The council's contingency budget includes provision for costs which are likely to occur but for which the estimated cost cannot be adequately foreseen at this stage. It also includes resources awaiting transfer to services. The proposed contingency for 2010/11 is £4.18m.

| **Table 6: Contingency** | **£m** |
|---|---|
| Provision for equal pay and future pay to cover the grading changes already announced and awaiting allocation to Directorate budgets | 1.66 |
| Investment fund to help deliver value for money initiatives | 0.15 |
| Financing costs to support the new historic records centre | 0.05 |
| Start up loan funding for a new model of delivery of youth services linked to the Academy | 0.15 |
| Risk provisions | |
| • Ongoing risk provision to cover uncertainties in the budget | 1.50 |
| • One off risk provision to cover the impact of the continuing economic downturn and other pressures | 0.50 |
| Allocation to services to be finalised in 2010/11 | 0.17 |
| **Total** | **4.18** |

***Change in use of reserves***

3.63 There is a significant year on year change in the use of reserves of £7.7m which has led to an artificially high increase in the budget largely because in 2009/10 reserves were needed to meet an estimated deficit on the council tax collection fund whereas in 2010/11 reserves have been generated by a sizeable projected surplus.

## 4. COUNCIL TAX

4.1 The proposed council tax at band D, for the city council only, will be £1,262.20, an increase of 2.5% or £30.78 per annum.

4.2 In order to propose an overall council tax for the city the council taxes of the precepting authorities need to known. The Sussex Police Authority is due to set its council tax on 11 February 2010, the East Sussex Fire Authority is due to set its council tax on 4 February 2010 and the precept for Rottingdean Parish was due to be set on 1 February 2010.

### *Council Tax Capping*

4.3 The Parliamentary Under Secretary of State in the Department for Communities and Local Government Barbara Follett MP wrote to all local authority leaders in December 2009. An extract from that letter is shown below:

> "Capping principles have always been determined on a year by year basis to take into account current economic and social circumstances and this will again be the case in relation to 2010/11. It would, therefore, be a mistake for any authority to assume the previous years' capping principles will apply to 2010/11. I have made it very clear that the Government expects the average Band D council tax percentage increase to reach a 16 year low in this period. I have also indicated that we will take capping action against excessive increases and I do not propose to send any further written warnings about the risks involved."

4.4 The government will not determine capping limits on budgets and council taxes until all authorities have set their 2010/11 budgets.

4.5 The budget and council tax increases for 2010/11 proposed in this report are extremely unlikely to result in the council being capped. However, any alternative budget proposals that result in a council tax increase of more than 5% will certainly lead to capping and any increase of more than 4% carries a very significant capping risk.

4.6 Capping can result in the authority having to incur the considerable costs of re-billing, a reduction council tax cashflow and collection performance estimated to be in excess of £0.1m and having to identify savings to match the reduction in resources generated by the lower council tax.

### *Supplementary Budget report to Budget Council*

4.7 Not all the budget and council tax information is available at present therefore additional information will be provided for Budget Council. This will include:-

- Feedback from the meeting with Business Ratepayers to be held on 2 February 2010.
- An update on LABGI grant if any announcement is made.
- The levies agreed by the levying bodies.
- The council taxes set by the Police and Fire Authorities.
- The statutory council tax calculations required under the 1992 Local Government Finance Act.
- Council Taxes and increases for each property band.

- The full budget and council tax resolution for Budget Council

## 5. MEDIUM TERM FINANCIAL STRATEGY AND RISK ASSESSMENT

5.1 The Medium Term Financial Strategy (MTFS) is set out in appendix 5. It shows the projected resources and spending projections for 2010/11 to 2012/13. The financial projections have been prepared for 2011/12 & 2012/13 based on council tax increases of 2.5% for each year.

5.2 These projections are based on the best information currently available, however, in the current financial climate and with 2010/11 being the last year of the current national budget cycle there are many uncertainties. The risk assessment set out in appendix 6 explains in more detail the uncertainties facing the budget over the next 3 years.

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

6.1 Section 25 of the Local Government Act 2003 requires the Chief Finance (Section 151) Officer of a local authority to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. This report has to be considered by Cabinet and full Council as part of the budget approval and council tax setting process. The budget reports on this agenda are focused on the general fund 2010/11 and capital programme. It also considers key medium term issues faced by the council. The corresponding statement on the HRA is reported to the Cabinet and Council within the HRA budget report.

### *Robustness of Estimates*

6.2 There is inevitably an element of judgement as budget estimates of spending and income are made at a point in time and may change as circumstances change. This statement about the robustness of estimates cannot give a 100% guarantee about the budget but gives the council reasonable assurance that the budget has been based on the best information and assumptions available at the time.

6.3 In setting the budget for 2010/11, current expenditure trends and service demands have been considered by service management and joint commissioners (for social care). The budget for 2010/11 has therefore been set on the basis of the trends in the TBM 9 report elsewhere on this agenda and further projections of future demand and cost.

6.4 The scale of savings set out in this budget, particularly in the areas of Adult Social Care and Children's Services are challenging to achieve. For this reason there is additional one off investment to provide internal project management capacity to support their delivery and ensure careful tracking of their implementation. £0.5m recurrent risk provision has also been set aside.

6.5 The area of most significant financial risk is in relation to assumptions about the levels of Continuing Care funding sought from the Primary Care Trust primarily for learning disability services. This is a highly complicated area in terms of determining whether services should be health or social care funded and it is also challenging to find ways to resolve disputes where there are differences of

views. The most recent decisions on cases would mean a service pressure of £0.730m unless the Council decides it is in a position to successfully dispute the decisions. The process for reviewing other outstanding cases by the PCT is taking a long time and so judgements have to be made in this budget about when they will be settled and the likely financial outcome. In total £1m risk provision has been set aside for this issue.

6.6 A further £0.5m one off risk provision has been set aside to cover other risks unforeseen at budget setting time across the council.

6.7 The government has proposals to require councils from October 2010 to provide personal care free of charge to people with the highest needs living in their home. No provision has been included in the 2010/11 budget because legislation has yet to be agreed by parliament and the financial consequences are uncertain.

***Adequacy of Reserves***

6.8 The recommendation on the prudent level of general fund working balance has been based on the robustness of estimates information and a risk assessment of the budget.

6.9 The analysis indicates a continuation of an underlying prudent level of working balance of £9m (excluding school balances). This represents 3.9% of the council's net revenue budget excluding schools.

6.10 The level of working balance is currently at this target as set by the council in the MTFS of £9m and it is proposed to retain this level for the period 2010/11 to 2012/13, subject to annual review.

6.11 In addition there is a projected further £2m reserves over the next 3 years to cover falling investment income due to dramatically reduced interest rates.

6.12 2010/11 and the period of the MTFS represents is likely to bring a very significant reductions in public sector funding due to the national economic climate, an unprecedented period of external financial volatility and unpredictability. This presents the council with additional financial risk against which it should reinforce its reserves strategy. In these circumstances, the Council, Cabinet, and Directors will need to:

- Remain within their service budget for 2010/11 and within agreed MTFS cash limited targets for future years with a strict adherence to recovering overspends within future years' financial plan targets.
- Repay any use of working balance over a period of no more than three years should risks materialise that cannot be accommodated by management or policy action.
- Direct any windfall revenue savings/under spends to reserves should the general fund revenue reserves/working balance fall below the approved level.

6.13 Details of the review of reserves, proposed transfers between reserves and further information on the analysis of risk for the working balance are set out in appendix 3.

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

6.14 In relation to the 2010/11 general fund revenue budget the Section 151 officer has examined the budget proposals and believes that, whilst the spending and service delivery proposals are challenging, they are nevertheless achievable given political and management will to implement the changes, good management, and the sound monitoring of performance and budgets.

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

## 7. CONSULTATION

7.1 This report represents the culmination of the budget process, which has included a number of consultative processes with residents, businesses, members and trade unions.

7.2 The council also has a statutory duty to consult with business ratepayers and a meeting will be held on 2 February 2010.

7.3 The council tax consultation process this year concentrated on a postal questionnaire to randomly chosen households across the city. The results of the consultation were presented to the cross party Budget Review Group on 7 December 2009. The key conclusions from the consultation have been circulated to all Members as well as access to the full report.

## 8. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

*Finance Officer Consulted:* *Mark Ireland* *Date: 29/01/10*

Legal Implications:

8.2 Under regulations 9-11 of the Local Authorities (Functions and Responsibilities) (England) Regulations 2000, the preparation, for submission to the council for their consideration, of estimates of the amounts to be aggregated in making the calculation as to the budget requirement and the basic amount of council tax is the responsibility of the Cabinet. The approval and adoption of the budget based on the Cabinet's proposals are the preserve of Full Council.

*Lawyer Consulted:* *Oliver Dixon* *Date: 01/02/10*

Equalities Implications:

8.3 The budget includes provisions to meet both equal pay compensation and address inequalities in pay through the implementation of job evaluation. All budget proposals have been considered by each Directorate to determine whether they are covered by existing Equalities Impact Assessments or whether new ones are required and if so, how and when they need to be completed.

Where appropriate the findings from existing Equality Impact Assessments have been considered as part of the proposal process.

Sustainability Implications:

8.4 Sustainability issues have been taken into account throughout the council's budget setting process.

Crime & Disorder Implications:

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

Risk & Opportunity Management Implications:

8.6 There are considerable risks to the council's short and medium term budget strategy including the impact of the recession and changes in the national economy, spending exceeding budgets, pressures on existing budgets, further reductions in grant, legislative change demands for new spend. The budget process includes the recognition of these risks in determining the 2010/11 budget and relevant risk provisions are set out in the body of the report. A risk and opportunity matrix for the medium term financial strategy is included as appendix 6.

Corporate / Citywide Implications:

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

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

9.1 The budget process allows all parties to put forward viable alternative budget and council tax proposals to Budget Council on 25 February. Budget Council has the opportunity to debate both the proposals put forward by Cabinet at the same time as any viable alternative proposals. All budget amendments must have been "signed off" by finance officers no later than 12 noon on Monday 22 February.

## 10. REASONS FOR REPORT RECOMMENDATIONS

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

## SUPPORTING DOCUMENTATION

**Appendices:**

1. Movements in Block Allocations 2009/10 to 2010/11
2. Summary of special, specific and area based grant allocations
3. Review of the Council's reserves
4. Minimum Revenue Provision statements
5. Summary of Medium Term Financial Position 2010/11 to 2012/13
6. Assessment of risks
7. Prudential Indicators 2010/11 to 2012/13
8. Directorate Budget Strategies
9. LPSA2 reward grant allocations
10. Minutes from Overview & Scrutiny meetings

**Documents in Members' Rooms**

None

**Background Documents**

1. Files held within Strategic Finance section

***Movements in block allocations 2009/10 to 2010/11***

| | *2009/10 Revised Base* | *Changes in function / funding* | *Internal Transfers* | *2009/10 Adjusted Base* | *Inflation* | *Service Pressures / Improvements* | *Savings* | *2010/11 Original Budget* | *Change over adjusted base* | *Change over adjusted base* |
|---|---|---|---|---|---|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | % |
| CYPT - Non Schools | 45,459 | -22 | -208 | 45,229 | 686 | 4,564 | -3,002 | 47,477 | 2,248 | 5.0 |
| Adult Social Care & Housing | 40,801 | 0 | -179 | 40,622 | 589 | 2,639 | -2,968 | 40,882 | 260 | 0.6 |
| Section 75 Partnership | 35,334 | 0 | -126 | 35,208 | 569 | 2,031 | -2,280 | 35,528 | 320 | 0.9 |
| Environment | 36,425 | 0 | -213 | 36,212 | 439 | 1,732 | -1,635 | 36,748 | 536 | 1.5 |
| Finance & Resources | 18,495 | 0 | 148 | 18,643 | 172 | 1,274 | -1,401 | 18,688 | 45 | 0.2 |
| Strategy & Governance | 11,795 | 0 | -63 | 11,732 | 127 | 720 | -412 | 11,717 | -15 | -0.1 |
| Culture & Enterprise | 11,208 | 0 | -87 | 11,121 | 112 | 873 | -620 | 11,486 | 365 | 3.3 |
| **Total Directorate Spending** | **199,517** | **-22** | **-728** | **198,767** | **2,694** | **13,383** | **-12,318** | **202,526** | **3,759** | **1.9** |
| Corporate Budgets | 8,582 | 0 | -224 | 8,358 | 140 | 317 | 0 | 8,815 | 457 | |
| Financing Costs | 9,519 | 0 | 800 | 10,319 | 0 | 127 | 0 | 10,446 | 127 | |
| Contingency | 4,317 | 0 | 152 | 4,469 | 86 | -380 | 0 | 4,175 | -294 | |
| Levies to External Bodies | 195 | 0 | 0 | 195 | 4 | 1 | | 200 | 5 | |
| **NET REVENUE EXPENDITURE** | **222,130** | **-22** | **0** | **222,108** | **2,924** | **13,448** | **-12,318** | **226,162** | **4,054** | **1.8** |
| Contributions to/ from(-) reserves | -3,104 | 0 | 0 | -3,104 | | 7,732 | | 4,628 | 7,732 | |
| **BUDGET REQUIREMENT** | **219,026** | **-22** | **0** | **219,004** | **2,924** | **21,180** | **-12,318** | **230,790** | **11,786** | **5.4** |
| **Funded by** | | | | | | | | | | |
| Formula Grant | 107,593 | -22 | | 107,571 | | | | 109,185 | 1,614 | |
| Collection Fund surplus/(deficit) | -2,515 | | | -2,515 | | | | 2,286 | 4,801 | |
| Council Tax | 113,948 | | | 113,948 | | | | 119,319 | 5,371 | |
| **Total** | **219,026** | **-22** | | **219,004** | | | | **230,790** | **11,786** | |

## Summary of Specific and Special Grant allocations

*(Note: This reflects the latest position at 29/01/10 with some grants having indicative allocations)*
tba = to be announced

| | 2009/10 | 2010/11 |
|---|---|---|
| | £m | £m |
| **Adult Social Care & Housing** | | |
| AIDS Support | 0.429 | tba |
| Supporting People [1] | 11.841 | Area Based |
| Homelessness Strategies | 0.856 | 0.855 |
| Social Care Reform Grant | 0.956 | 1.167 |
| Teenage Parent Supported Housing Pilot Grant | 0.212 | 0.221 |
| Handyman Grant | 0.050 | 0.070 |
| Stroke Strategy Grant | 0.094 | 0.093 |
| **CYPT - Schools** | | |
| School Development Grant [2] | 6.999 | 7.182 |
| School Standards Grant (including personalisation) [2] | 6.148 | 6.352 |
| School Lunch Grant | 0.310 | 0.313 |
| Ethnic Minority Achievement Grant | 0.336 | 0.350 |
| Music Services | 0.427 | 0.428 |
| Playing for Success | 0.160 | 0.160 |
| Extended Schools - Sustainability | 0.523 | 0.736 |
| Extended Schools - Subsidy | 0.124 | 0.673 |
| Targeted Support for Primary & Secondary Strategy | 1.207 | 1.119 |
| One-to-one tuition | 0.506 | 1.029 |
| Funding for Sixth Form Students | 5.690 | tba |
| Early Years : Increasing Flexibility for 3-4 year olds | 0.332 | 1.305 |
| Targeted Mental Health in Schools | 0.241 | 0.157 |
| Schools PFI special grant | 2.390 | 2.390 |
| **CYPT - Non Schools** | | |
| Youth Opportunity Fund | 0.141 | 0.141 |
| Sure Start, Early Years & Childcare grant | 6.171 | 7.208 |
| Contact Point | 0.152 | 0.152 |
| Think Family Grant | 0.819 | 0.819 |
| Two Year Old Offer – Early Learning and Childcare | 0.201 | 0.267 |
| Youth Crime Action Plan Grant | 0.160 | 0.175 |
| Youth Justice Board funding | 0.286 | tba |
| 14-19 prospectus & common application process | 0.011 | 0.011 |
| Aiming High for Disabled Children | 0.854 | 0.859 |
| **Cultural** | | |
| Library PFI special grant | 1.505 | 1.505 |
| **Environment** | | |
| Waste PFI special grant | 1.498 | 1.498 |
| Free Swimming Programme – Aged 60 years or over | 0.066 | 0.066 |
| Free Swimming Programme – Aged 16 or under | 0.105 | 0.105 |
| Fair Play Playbuilder | 0.027 | 0.018 |
| Housing & Planning Delivery Grant | 0.110 | tba |

| | 2009/10 | 2010/11 |
|---|---|---|
| | £m | £m |
| Drug Intervention Programme | 0.391 | 0.325 |
| Challenge & Support funding | 0.075 | 0.075 |
| **Finance & Resources** | | |
| Housing Benefit & Council Tax Benefit administration | 3.103 | 3.051 |
| Additional HB/CTB administration costs subsidy [3] | 0.441 | 0.513 |
| **Corporate Items** | | |
| Concessionary Bus Fares | 1.756 | 1.804 |

## Summary of Area Based Grant allocations

| | 2009/10 | 2010/11 |
|---|---|---|
| | £m | £m |
| 14-19 Flexible Funding Pot | 0.058 | 0.059 |
| Adult Social Care Workforce | 0.677 | 0.689 |
| Care Matters time for change white paper change fund | 0.254 | 0.281 |
| Carers | 1.167 | 1.232 |
| Child and Adolescent Mental Health Services(CAMHS) | 0.443 | 0.466 |
| Child Death Review Processes | 0.034 | 0.035 |
| Children's Fund | 0.798 | 0.798 |
| Children's Social Care Workforce | 0.082 | 0.083 |
| Children's Trust Fund | 0.007 | 0.008 |
| Choice Advisers | 0.030 | 0.030 |
| Climate Change Policy | 0.023 | 0.023 |
| Community Call for Action / Overview Scrutiny Cttee | 0.002 | 0.002 |
| Connexions | 2.190 | 2.168 |
| Designated Teacher funding | 0.011 | 0.011 |
| Economic Assessment Duty | 0.000 | 0.065 |
| Education Health Partnerships | 0.095 | 0.056 |
| Environmental Damage Regulations [4] | 0.000 | 0.000 |
| Extended Rights to Free Transport | 0.107 | 0.162 |
| Extended Schools – Start up | 0.798 | 0.328 |
| General Duty on Sustainable Travel to School | 0.016 | 0.016 |
| Learning Disability Development Fund | 0.232 | 0.232 |
| Local Involvement Networks (LINks) | 0.147 | 0.147 |
| Mental Capacity Act grants | 0.152 | 0.145 |
| Mental Health | 0.777 | 0.819 |
| Pitt review implementation - SWMPs | 0.180 | 0.095 |
| Positive Activities for Young People | 0.192 | 0.249 |
| Preserved Rights | 1.698 | 1.596 |
| Prevent | 0.143 | 0.195 |
| Primary Strategy: Central Co-ordination | 0.121 | 0.121 |
| Rural Bus Subsidy | 0.028 | 0.029 |
| School Development Grant (LA Retained Grant) | 1.071 | 1.071 |
| School Improvement Partners | 0.077 | 0.077 |
| School Intervention Grant | 0.049 | 0.049 |
| School Travel Advisers | 0.026 | 0.026 |
| Secondary: Behaviour and Attendance | 0.068 | 0.068 |
| Secondary: Central Co-ordination | 0.146 | 0.146 |
| Social Care Checks Funding | 0.001 | 0.000 |

| | 2009/10 | 2010/11 |
|---|---|---|
| | £m | £m |
| Specific Road Safety grant (resource) | 0.389 | 0.396 |
| Stronger Safer Communities | 0.312 | 0.312 |
| Stronger Safer Communities Fund | 0.258 | 0.000 |
| Supporting People [1] | 11.841 | 11.249 |
| Supporting People Administration | 0.191 | 0.164 |
| Teenage Pregnancy Support | 0.151 | 0.151 |
| Working Neighbourhoods Fund – Transitional | 0.504 | 0.000 |
| Young Peoples Substance Misuse Grant (Home Office) | 0.071 | 0.071 |
| Young Peoples Substance Misuse Grant (DCSF) | 0.030 | 0.030 |
| Youth Taskforce | 0.150 | 0.150 |
| **Total Area Based Grant** | **25.795** | **24.096** |

**Notes to the tables for Specific, Special and Area Based Grants**

1. The supporting people grant has been transferred into Area Based Grant from 2010/11. In order to provide a like for like comparison the supporting people grant has been included in the 2009/10 Area Based Grant total.
2. These are provisional figures as they will be partly based on January pupil numbers in each year.
3. As a result of the economic downturn government has provided additional administration subsidy grant to respond to the expected extra Housing Benefit and Council Tax Benefit workload in local authorities.
4. The environmental damage regulations element of Area Based Grant is £311 for 2009/10 and £319 for 2010/11.

## Review of Reserves

*Adequacy of Reserves – working balance*

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

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

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

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

- There is always some degree of uncertainty over whether the full effects of any economy measures and/or service changes will be achieved. Directors have been advised to be prudent in their assumptions and that those assumptions, particularly in respect of demand-led budgets, should hold true in changing circumstances.
- The Bellwin Scheme for Emergency Financial Assistance to Local Authorities provides assistance in the event of an emergency. The Local Authority is able to claim assistance with the cost of dealing with an emergency over and above a threshold set by the Government.
- Risks surrounding the funding of equal pay compensation settlement in order to implement the single status agreement.
- Risks of rising demand and falling income during the recession.
- The risk of major legal challenge, both current and in the future.
- Risks in the financial inter-relationship between NHS partners and the council.
- The risk of losing subsidy arising from outstanding Housing Benefit and Council Tax Benefit Subsidy Claims.
- Major and unforeseeable volume increases, for example due to new legal requirements, in demand led budgets, particularly in children's services, learning disabilities, physical and sensory impairment, and housing benefits.
- The need to retain a general contingency to provide for some measure of unforeseen circumstances which may arise.

- The need to retain reserves for general day-to-day cash flow needs.

The potential financial sensitivity of the budget and financial risks has been analysed. In addition, the cash flow risk for unitary authorities is significant given the full range of services provided. £9.0m represents about 4 weeks of council tax revenue. The working balance would help cover any costs arising from delays in council tax billing. This could arise, for example, from a systems failure. It could also arise if the council had to re-bill following it or a precepting authority being designated for capping. In either of these scenarios it is likely that the first payment instalment would be missed and the council would need short term funding for its running costs.

*Schools' Balances*

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

*Estimated Earmarked General Fund Revenue Reserves*

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

| | Forecast Balance 1 Apr 2010 | Estimated change in 2010/11 | Forecast balance 31 Mar 2011 | Review arrangements | Conclusions |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | | |
| Working Balance | 9,000 | 0 | 9,000 | Against register of financial risks taking into account CIPFA guidelines and requirements of Local Government Act 2003. | To meet the CIPFA guideline a minimum unallocated reserve of £9m is required. |
| Schools LMS Balances | 2,500 | 0 | 2,500 | Following closure of accounts | Best estimate of usage based on latest projections of schools expenditure. |
| Collection Fund Working Balance | 2,685 | -2,685 | 0 | Reviewed in January each year as part of council tax surplus/deficit calculation | Surplus included in the 2010/11 budget and council tax calculations for the council, the Police Authority and Fire Authority. The Councils element is £2.286m. |
| General Reserves - GF | 2,000 | -2,000 | 0 | Following closure of accounts & through TBM monthly monitoring | Resources fully committed. £2m included in 2010/11 budget for a risk provision and investment priorities. |
| Pension reserve | 1,400 | -400 | 1,000 | Following closure of accounts | Held to spread the cost of early retirements |
| Finance Costs Reserve | 1,972 | -777 | 1,195 | Following closure of accounts | Held to cover reductions in investment interest. Planned contributions from this reserve are included in the financial strategy. |
| Insurance Reserve - General | 6,948 | 0 | 6,948 | Actuarial review undertaken every 5 years and an annual independent health check. | Maintain reserve at £6.9m in line with the most recent actuarial advice. |
| Capital Reserves | 4,828 | -2,575 | 2,253 | Following closure of accounts | Committed to fund the capital programme. |
| Single status | 14,097 | 0 | 14,097 | Following closure of accounts | Earmarked for equal pay and one-off costs. |

| | Forecast Balance 1 Apr 2010 | Estimated change in 2010/11 | Forecast balance 31 Mar 2011 | Review arrangements | Conclusions |
|---|---|---|---|---|---|
| Mercury Abatement Reserve | 269 | -90 | 179 | Following closure of accounts | Earmarked for works required to the Crematorium to meet mercury abatement legislation. |
| Schools PFI Project Reserve | 1,770 | 32 | 1,802 | Following closure of accounts | Use for funding project over the lifetime of the PFI |
| Waste PFI Project Reserve | 8,923 | 190 | 9,113 | Following closure of accounts | Use for funding project over the lifetime of the PFI. |
| Library PFI Project Reserve | 228 | 76 | 304 | Following closure of accounts | Use for funding project over the lifetime of the PFI |
| Brighton Centre Redevelopment Reserve | 2,812 | 750 | 3,562 | Following closure of accounts | Retain to support the development. A contribution of £0.75m is included in the 2010/11 budget |
| Section 106 Interest | 546 | 16 | 562 | Following closure of accounts | Held to support section 106 schemes |
| Building Schools for the Future | 2,000 | 200 | 2,200 | Following closure of accounts | Retain to support the project development. Planned contribution and spending identified up to 2013/14 included in the budget strategy. |
| Civil Contingencies Reserve | 35 | 0 | 35 | Following closure of accounts | Held for civil emergencies |
| Portslade CC Adult Education balance | 80 | 0 | 80 | Following closure of accounts | Use at the discretion of the college |
| Sect 117 Mental Health Act | 141 | -30 | 111 | Ongoing review & resolution of cases with potential liability | Retain at current level for potential outstanding liabilities |

| | Forecast Balance 1 Apr 2010 | Estimated change in 2010/11 | Forecast balance 31 Mar 2011 | Review arrangements | Conclusions |
|---|---|---|---|---|---|
| Sustainable Temporary Accommodation reserve | 204 | 41 | 244 | Following closure of accounts | Held for dilapidation costs for leased temporary accommodation |
| HMO licence fee reserve | 109 | -55 | 54 | Following closure of accounts | Retain to support annual inspections of HMO premises |
| Damage Deposit Guarantee Scheme | 111 | -20 | 91 | Following closure of accounts | Retain for specified purpose |
| Winter Maintenance | 100 | 0 | 100 | Following closure of accounts | Options for additional resources to be identified at closure of accounts to increase to £0.25m. |
| Animal Welfare Vehicles reserve fund | 31 | -17 | 14 | Following closure of accounts | Retain for specified purpose |
| Museum Objects Acquisition Reserve | 96 | -5 | 91 | Following closure of accounts | Retain for specified purpose |
| Pavilion Renewals Fund | 102 | -5 | 97 | Following closure of accounts | Retain for specified purpose |
| Jack Thompson - Hove Museum | 268 | 0 | 268 | Following closure of accounts | Retain for specified purpose |
| James Green Foundation | 52 | 3 | 54 | Following closure of accounts | Retain for specified purpose |
| National History Society | 4 | -1 | 4 | Following closure of accounts | Retain for specified purpose |
| Preston Manor Fund | 17 | 0 | 17 | Following closure of accounts | Retain for specified purpose |
| Brunschwig Royalties | 26 | 0 | 26 | Following closure of accounts | Retain for specified purpose |
| Carry Forward - LPSA | 1,637 | -1,637 | 0 | Following closure of accounts | Held to fund LPSA2 allocations in 2010/11 |

| | Forecast Balance 1 Apr 2010 | Estimated change in 2010/11 | Forecast balance 31 Mar 2011 | Review arrangements | Conclusions |
|---|---|---|---|---|---|
| Insurance Reserve - Risk Management | 110 | -50 | 60 | Following closure of accounts | Earmarked for future risk management projects |
| Priory House dilapidations reserve | 350 | 0 | 350 | Following closure of accounts | Retain for specific purpose |
| Accommodation Strategy Reserve | 250 | 0 | 250 | Following closure of accounts | Retain to support the accommodation strategy |
| Investment properties dilapidations reserve | 244 | -244 | 0 | Following closure of accounts | Retain for specific purpose and used in 2010/11 |
| Carbon Management Fund | 359 | -25 | 334 | Following closure of accounts | Retain for spend to save schemes that reduce energy usage |
| Cemetery - Replacement | 95 | 1 | 96 | Following closure of accounts | Retain for maintenance & replacement as required |
| Cemetery - Maint of Graves in Perpetuity | 85 | 1 | 86 | Following closure of accounts | Retain for maintenance & replacement as required |
| Cemetery - Maint of Monuments | 16 | 0 | 17 | Following closure of accounts | Retain for maintenance & replacement as required |
| Dome Planned Maintenance | 200 | -50 | 150 | Following closure of accounts | Retain - subject to lease agreement with Festival Society |
| HRA Working Balance | 3,536 | -1,166 | 2,370 | Following closure of accounts | Planned transfers included in HRA budget. Working balance in line with CIPFA guidance |
| Total | 70,236 | -10,522 | 59,714 | | |

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

Statutory guidance issued by the government in February 2008 requires the council to prepare an annual statement on the amount of debt that will be repaid in the following year.

The move to International Financial Reporting Standards (IFRS) in local government will bring the council's three PFI schemes on balance sheet and may result in some leases (or parts of leases) being reclassified as finance leases instead of operating leases. These contracts will become subject to the requirement to provide MRP from 2009/10.

IFRS requires these changes to be accounted for retrospectively, with the result that an element of the rental or service charge payable in previous years (and previously charged to revenue accounts) will be taken to the balance sheet to reduce the liability. Revised guidance to be issued on or before 31st March 2010 aims to ensure local authorities are in the same cash position as if the change had not occurred.

The following statements cover a revision to the 2009/10 Statement approved by Council on 26th February 2009 and recommends the Statement for 2010/11:

*Annual MRP Statement 2009/10 (revision)*

The 2009/10 Statement will be revised to include the following additional provision:

- In the case of finance leases and on-balance sheet PFI contracts the MRP requirement will be regarded as met by a charge equal to the element of the lease payment or unitary charge that is applied to write down the balance sheet liability in the year (including any retrospective adjustments as required under IFRS).

*Annual MRP Statement 2010/11*

For 2010/11 the following provision will be made in the revenue account:

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

## MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2012/13

### Council Tax Strategy

The resource projections within the Medium Term Financial Strategy (MTFS) are based upon a planned increase in council tax for the period 2010/11 to 2012/13 of 2.5%. If a Conservative government is elected it has pledged that any council setting a council tax increase of 2.5% or less will receive sufficient additional funding to enable the council to freeze its council tax for 2 years.

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

### Financial Planning Principles

The combination of inflationary and demographic pressures on the budget, below inflation increases in government grant and the council tax targets mean that significant savings will need to be identified in future budgets. As part of this savings package the council is committed to delivering 4% efficiency savings per annum over the planning period in line with government targets.

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

- Value for Money programme
- Aligning resources with priorities
- A Council the City deserves - restructuring the Council

### Value for Money

The council has refreshed its approach to the value for money programme and has developed a high level business case for large scale initiatives to deliver value for money savings over the next 4 years to support the council's financial position.

The high level business case concentrates on the following priority areas:-

- Adult Services – Implementing personal budgets and re-ablement.
- Children's Services – Investing in prevention, changing planning & processes and improving procurement & commissioning.
- ICT – Improving governance & processes, improving application and infrastructure management.
- Work-styles – Rationalising property and improving productivity
- Procurement – Introducing category management and operational changes.
- Sustainable transport – fleet management, bus subsidies, restructuring the workforce and fees.

### Aligning Resources with Priorities

The Leader of the Council has set out the council's priorities over the coming year through the announcement of 10 priorities for creating a city of opportunity. These priorities guide the allocation of resources. The 10 priorities are:

- Improving housing in the city and building more affordable family homes.
- Creating stronger communities.
- Ensure that we protect and respect our heritage.

- Building a reputation as a great place to live, work and visit.
- Improving community safety.
- Creating opportunities so young people can meet their aspirations and potential.
- Making sure that older people feel connected with their communities
- Continue building on our strong education results.
- Promoting a sustainable city.
- Creating a sustainable economy.

**A Council the City deserves**

The VFM programme will deliver very substantial savings but it will not be sufficient to bridge the budget gap on the current assumptions. The council will need to continue to explore new operating models to ensure that it can continue to deliver priority outcomes for citizens, businesses and visitors within these challenging financial constraints. This might include:

- A stronger emphasis on strategic commissioning.
- Reductions in layers of management and increasing spans of control.
- Greater partnership working and more joined up financial planning across public services in the city.
- Shared services.
- A mixed economy of service delivery including greater engagement and empowerment of the individuals, communities and the 3rd sector.

The council will actively promote strong financial and risk management and maintain sufficient reserves to support financial planning as set out in the Financial Management section of the Corporate Plan.

**National context**

The pre-budget report announced by the Chancellor of the Exchequer on the 9 December 2009 set out the forecast position on the national finances for the next 5 years. All the main political parties agree that growing levels of national debt and the size of the public sector deficit need to be addressed. This means that a significant squeeze on public spending is inevitable for 2011/12 onwards. It remains to be seen by how far and how fast government expenditure is cut.

After the General Election any incoming government is likely to prioritise spending on health and education. So with more of the national budget needed to fund increased government borrowing and the continuing impact of the economic downturn reducing tax revenues and increasing welfare spending, significantly less resources will be available for other local authority services.

All the main parties are also keen to see restraint in public sector pay to reduce the impact of spending reductions on jobs. Inflation has been at very low or negative levels throughout much of 2009. However, all the inflation indices rose sharply in December 2009 and are expected to stay above the governments target level of 2% for a few months before falling back later in 2010. Short-term interest rates are at an all time low of 0.5% and are expected to increase only very slowly back to average levels around 5% over the next 3 years. Long-term rates which are at relatively low levels are expected to rise to over 5% in the next few months.

## Budget and resource projections

### MTFS Assumptions

| | 2010/11 | 2011/12 | 2012/13 |
|---|---|---|---|
| Pay | 1.0% | 1.0% | 1.0% |
| General inflation | 2.0% | 2.0% | 2.0% |
| Formula grant floor increase | 1.5% | -1.0% | -1.0% |
| Housing & Council Tax benefit grant | No change | No change | No change |
| Dedicated Schools grant | 4.1% | 3.0% | 3.0% |
| Area Based Grant | -6.6% | -10.0% | -5.0% |
| Other specific grants | 8.8% | -5.0% | -2.5% |
| Efficiency savings | 4.0% | 4.0% | 4.0% |
| Council Tax increase | 2.5% | 2.5% | 2.5% |

### Summary of MTFS projections

| | 2010/11 | 2011/12 | 2012/13 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Budget b/fwd | 219,004 | 230,790 | 230,395 |
| Inflation | 2,924 | 3,009 | 3,043 |
| Service pressures and improvements | 13,383 | 16,400 | 12,800 |
| VFM programme, efficiency & other savings | -12,318 | -17,752 | -13,842 |
| Changes in corporate budgets | 65 | 1,305 | 412 |
| Total | 223,058 | 233,752 | 232,808 |
| Change in contribution in reserves | 7,732 | -3,357 | -436 |
| **Budget Requirement** | **230,790** | **230,395** | **232,372** |
| **Funding** | | | |
| Grant | 109,185 | 108,093 | 107,012 |
| Council Tax | 119,319 | 122,302 | 125,360 |
| Collection fund surplus | 2,286 | 0 | 0 |
| **Total** | **230,790** | **230,395** | **232,372** |

### Resources

The council has a gross budget of about £750m in 2009/10. Approximately 62% is funded by government grants some of which is given to the council for very specific purposes whilst others are general grants which can be used to support expenditure as the council determines. Most government grants are announced as part of the Local Government Finance Settlement and 2010/11 is the last year of a 3 year settlement. The largest grant is the dedicated schools grant which must be used to fund schools or school related expenditure. The remaining 38% of the budget is funded by fees and charges 16%, housing rents 6%, council tax 15% and reserves 1%.

### Formula grant

Any incoming government is likely to prioritise resources for health and education over other local government services. The pre-budget report announced in December set out government plans for an average 0.8% real terms increase for all services over the 4 year period 2011/12 to 2014/15. The government did not set out any detail behind these headline figures but additional resources will also needed for debt financing and the continuing impact of the economic downturn. Earlier projections had been based on a cash freeze but in the light of this information and discussions with other authorities the projections have been revised downwards to show a 1% per annum reduction in formula grant.

### Specific Grants

Housing and Council Tax benefit grant is the biggest single specific grant the council receives. This grant is claimed on expenditure incurred and no changes are anticipated that would adversely affect the council's financial position.

In 2010/11 Dedicated Schools Grant (DSG) has seen a 4.1% increase in the per pupil allocation for Brighton & Hove, slightly lower than the national increase of 4.3%. The government projections for real terms increases for Education, adjusted for inflation, would show an increase nationally of 3.2% beyond 2010/11. It is assumed that Brighton & Hove will continue to receive less than the national average and therefore a 3% increase has been included in projections. However there are significant risks relating to the review of the DSG allocation formula where a new allocation formula is expected to be consulted on shortly for use from 2011/12 which could result in significant distribution changes for individual authorities.

Area Based Grant (ABG) is a general unringfenced grant which totalled £24.1m in 2010/11 following the transfer of supporting people. 3% of the reduction in 2010/11 is due to the loss of transitional grant for stronger safer communities and neighbourhood renewal. As a general grant it is expected to be an area that the government will target for reductions particularly in 2011/12 so ABG is projected to reduce by 10% in 2011/12 and 5% in 2012/13.

Specific grants have increased sharply over the last 10 years and the remaining specific grants totalling £50m in 2010/11 represent an increase of 8.7% from 2009/10. The assumption for future years is a reduction of 5% in 2011/12 and 2.5% in 2012/13.

### Fees and Charges

The fees and charges are assumed to increase by 2% inflation over the period with the exception of parking income which is in total proposed to remain at 2010/11 levels, a 2% reduction in real terms each year.

### Medium Term Financial Forecast

The forecast is expressed in terms of proposed percentage changes to service budgets and is designed to provide cash limited funding allocations within which each service is expected to manage. The percentage changes cover demographic changes and reflect service priorities. They are also shown net of savings for that service area. The table below shows the cash change including inflation for the budget allocations to service areas.

| Proposed Cash Limit changes | | 2011/12 % Cash Change | 2012/13 % Cash Change |
|---|---|---|---|
| Finance & Resources | Planned Maintenance | 2.0% | 2.0% |
| | F&R - Other Services | -1.7% | -1.7% |
| Strategy & Governance | Strategy & Governance | -1.0% | -1.0% |
| Culture & Enterprise | Culture & Enterprise | 1.0% | 1.0% |
| Environment | Waste Disposal | 0.0% | 2.5% |
| | CityClean | -1.2% | -1.2% |
| | Parking Income | 0.0% | 0.0% |
| | Environment - Other Services | 0.4% | 0.4% |
| CYPT | LEA functions | -1.4% | -1.4% |
| | CYPT – Other Services | 2.8% | 2.8% |
| Adult Social Care & Housing | Learning Disabilities | 2.6% | 2.6% |
| | ASC & H - Other Services | -0.1% | -0.1% |
| | Health led Services | 0.1% | 0.1% |

**Inflation**

The government's long term objective is to keep inflation to 2% and this is the assumption included in the projections. The recent inflation increases could put pressure on meeting this objective and lead to higher pay demands. The government has also signalled pay restraint in the public sector and this was confirmed in the pre budget report published on the 9th December 2009 where a 1% cap on public sector pay in both 2011/12 and 2012/13 was assumed. Therefore the planning assumption will be for 1% pay over the period and this will also cover any increase in future pay as a consequence of job evaluation and changes in allowances.

**Commitments**

The main commitments over the period include an additional £0.5m risk provision in each year. The impact of the East Sussex Pension Fund triennial review is expected to result in increases in the employers contributions of 1.5% over the 3 years 2011/12 to 2013/14. This is expected to be phased in at 0.5% per year and £0.65m has been included each year from 2011/12.

The council has also made a commitment of £5m capital investment for the new historic records centre subject to final Cabinet approval. The financing costs of this investment have been included in the projections.

**Service Pressures**

The council has faced significant service pressures in recent years particularly in children's and adults social services through growth in demand and increased complexity of need; over £12m of pressures are included in the 2010/11 budget. This trend is expected to continue in the coming years. There is also an increase in national insurance contributions from April 2011 estimated to cost £1.2m and as already highlighted the national financial

position is expected to result in reductions in specific grants with the greatest impact in 2011/12.

**VFM Programme, efficiency and other savings**

The budget projections include the need to identify over £31m of recurrent savings over the 2 year period. The council is required to demonstrate 4% efficiency savings each year to meet government efficiency targets. This equates to £18.5m over the 2 years, however this is insufficient to meet the overall savings required. The council is in the process of implementing its Value for Money programme across the specific themes through a High Level Business Case and this will support the delivery of efficiency savings across the authority. This will not fully meet the council's savings targets and therefore additional value for money or other savings proposals will need to be developed over the coming years.

**Capital**

The table below sets out the council's proposed spending on capital items over the next 3 years. The capital programme is heavily reliant on specific government funding and therefore projections beyond the 3 years allocation already announced would be speculative.

**Capital Resources**

| | 2010/11 | 2011/12 | 2012/13 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Borrowing | 22,529 | 21,331 | 12,175 |
| Grants | 59,133 | 12,332 | 6,836 |
| Sale of Assets – capital receipts | 1,568 | 8,910 | 10,600 |
| Capital Reserves | 2,575 | 0 | 0 |
| Revenue Contributions & MRA | 14,865 | 13,548 | 12,216 |
| Contributions from external bodies | 954 | 249 | 92 |
| | **101,624** | **56,370** | **41,919** |

**Borrowing**

The council will undertake borrowing over the next 3 years based on government borrowing allocations and unsupported borrowing. The government allocations for the Local Transport Plan and Education are anticipated to reduce significantly and a 50% reduction has been assumed for 2011 -2013. No further allocations have been assumed for the HRA.

The main elements of unsupported borrowing are within the HRA as part of the HRA business plan, and to support the delivery of the new historic records centre. The council will also use borrowing to fund the replacement of vehicles and plant where purchase proves to be the most cost effective way of procurement.

**Grants**

In 2011/12 the council will receive the remaining grant to support the Falmer Academy. No further grants have been announced for 2011 -2013 and it anticipated that general government grants will also reduce by 50% from 2010/11.

### Sale of Assets – Capital Receipts

The proceeds from the sale of assets are used to support the capital programme. The HRA business plan includes receipts to support investment in housing through the Local Delivery Vehicle. The level of Right to Buy receipts are expected to improve over the period and any net proceeds above £0.5m will be used for investment in housing; the other main receipts include the sale of Patcham Court Farm and 12 – 15 Kings Road. The proceeds from any new disposal opportunities will be incorporated into the resources available through the capital programme.

### Capital Reserves

Capital reserves are held to support capital expenditure over the 3 year period where the timing of investment is later than when the resources were allocated. The council's capital reserves include £0.75m contingency for the King Alfred to fund any additional investment required to maintain the facility and to progress new development plans for the site. This contingency has not been included in expenditure estimates.

### Revenue Contributions

The council fund certain capital expenditure through contributions from the revenue budget of both the General Fund and HRA. In addition the Major Repairs Allowance allocated to the HRA, will support investment in Housing.

### Contribution from External Bodies

The council will receive CIVITAS funding in the period 2011-2013 to support transport initiatives in the city.

### Capital expenditure plans

Details are shown in appendix 1 of the capital resources and capital investment programme 2010/11 report elsewhere on the agenda.

| | 2010/11 | 2011/12 | 2012/13 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Schools | 43,214 | 9,485 | 4,431 |
| Transport | 8,089 | 3,557 | 3,342 |
| Housing | 29,550 | 30,017 | 26,921 |
| Adult & Children's Social Care | 9,343 | 1,153 | 493 |
| Regeneration projects | 1,138 | 600 | 600 |
| Planned Maintenance & property Improvement | 5,125 | 4,538 | 3,082 |
| Libraries, Museums & Historic records | 500 | 4,000 | 500 |
| Computer infrastructure | 1,707 | 520 | 500 |
| Other | 2,958 | 2,500 | 2,050 |
| **Total** | **101,624** | **56,370** | **41,919** |

| **Risk (Potential or Actual)** | **Likelihood of occurrence (L)** | **Impact (I)** | **Risk Score (L) X (I)** | **Potential consequence(s) of the risk on Financial Strategy** | **Control Actions include** (But are not limited to) |
|---|---|---|---|---|---|
| **Potential Risks and Opportunities affecting 2010/11 to 2012/13** | | | | | |
| Collection of council tax falls due to the difficult financial climate resulting in a deficit on the collection fund | 3 | 3<br>0.1% reduction in council tax collection = £0.1m | 9 | Immediate impact on reserves<br>Would require reductions in the cash limits for the following year to repay reserves | Close monitoring of the collection fund<br>Implement appropriate collection strategies to minimise impact |
| Council tax base is lower than anticipated e.g. lower number of new properties / more student exempt properties, resulting in a deficit on the collection fund | 2 | 3<br>1% reduction in council tax base = £1.1m | 6 | Immediate impact on reserves<br>Would require reductions in the cash limits for the following year to repay reserves | Close monitoring of the collection fund particularly new property developments and student numbers<br>Working with further education establishments to develop more dedicated student accommodation |
| Joint pay award and future pay provision in 2010/11 is more than 1% | 2 | 3<br>0.25% change in pay award = £0.3m | 6 | Would require use of risk provision in 2010/11 and possibly lower cash limits for future years | Monitor progress on pay award arbitration |
| Provisions for Equal pay and future pay insufficient to meet liabilities | 4 | 4<br>1% variation in total pay = £1.3m p.a. | 16 | Successful equal pay claims above the provision would reduce the level of reserves<br>High levels of successful job evaluation appeals would increase the overall pay bill of the council | Maintain and update a risk register<br>Monitor progress on a frequent basis and update financial forecasts regularly particularly in the light of any new legal rulings |

| **Risk (Potential or Actual)** | **Likelihood of occurrence (L)** | **Impact (I)** | **Risk Score (L) X (I)** | **Potential consequence(s) of the risk on Financial Strategy** | **Control Actions include** (But are not limited to) |
|---|---|---|---|---|---|
| General inflation higher than the 2% forecast | 3 | 3<br>0.5% change in inflation = £0.4m | 9 | Would reduce resources within cash limits creating the need to find additional savings | Monitor inflation rates and impact on contract costs closely |
| Investment interest rates lower than anticipated | 3 | 2<br>0.5% lower = £0.5m | 6 | Would need more reserves to cover anticipated 3 year shortfall in investment interest budget | Keep investment strategy under constant review |
| New borrowing as a result of reversing debt repayment (maximum £90m) has to be temporarily invested at lower investment rates | 4 | 3<br>3% difference = £30k per £1m | 12 | Would need more reserves to cover anticipated 3 year shortfall in investment interest budget | Keep borrowing and investment strategy under constant review particularly timing and amount of new borrowing and investigating deals available to lock in rates now but borrow later |
| Long term borrowing rates higher than anticipated | 4 | 3<br>0.5% higher = £0.05m for each £10m borrowed | 12 | Would increase borrowing costs budget over the long-term<br>Would hinder business cases involving borrowing and make invest to save schemes less financially attractive | Closely monitor long term borrowing rates and future borrowing requirements to help identify the best time to borrow |
| Services fail to operate within cash limits due to;<br>• Increased service demand<br>• Price variations<br>• Unachieved income levels<br>• Unachieved savings | 3 | 3<br>1% overspend on net GF budget = £2.2m in 2010/11 | 9 | Departmental service pressures that can only be met through additional resources, such as the risk provision, or savings elsewhere in the budget.<br>Reduction in reserves | Monitor corporate critical budgets and overall budget through TBM.<br>Identify action plans to mitigate cost pressures.<br>Apply strict cash limits but at least repay any use of reserves |

| **Risk (Potential or Actual)** | **Likelihood of occurrence (L)** | **Impact (I)** | **Risk Score (L) X (I)** | **Potential consequence(s) of the risk on Financial Strategy** | **Control Actions include** (But are not limited to) |
|---|---|---|---|---|---|
| | | | | | over no more than 3 years should risk materialise that cannot be accommodated by management or policy action. |
| Waste tonnages lower than projected resulting in additional landfill costs and deficit in landfill trading allowance permits | 2 | 2<br>1% increase in tonnage in 2010/11 = £0.1m | 4 | Unable to maintain budget provision without a re-assessment of the provisions for risk in the waste reserve | Provision for higher tonnages made in assessment of waste PFI reserve<br>Budget increased by 2.5% from 2012/13<br>Monitor and identify specific areas of growth and undertake waste minimisation measures |
| Continuing difficult financial climate has a greater than anticipated impact on collection of income and commercial rents | 2 | 3<br>1% reduction in income = £1.2m<br>1% reduction in commercial rents = £0.1m | 6 | Services would need to identify compensating savings and in particular look at whether expenditure could be reduced in those income generation areas | Identify action plans to mitigate income and rent shortfalls |
| Instability within the housing market creates spending pressures within the homelessness budget | 3 | 3<br>10% increase in homelessness budget = £0.2m | 9 | Would create additional pressures in the Adult Social Care & Housing cash limit to find compensating savings | Re-classify budget as corporate critical and monitor accordingly and develop financial recovery plans |

| **Risk (Potential or Actual)** | **Likelihood of occurrence (L)** | **Impact (I)** | **Risk Score (L) X (I)** | **Potential consequence(s) of the risk on Financial Strategy** | **Control Actions include** (But are not limited to) |
|---|---|---|---|---|---|
| The number of children taken into care is higher than anticipated particularly following recent national high profile cases | 4 | 3<br>1% increase in looked after children budget = £0.2m | 12 | Would create additional pressures in the CYPT cash limit to find compensating savings | Monitor corporate critical budget through TBM and develop financial recovery plans |
| Increasing demand for adult social care services above projections | 4 | 3<br>!% increase in adult social care budget = £0.8m | 12 | Would create additional pressures in the Adult Social Care & Housing, Learning Disabilities and Health led services cash limits to find compensating savings | Monitor corporate critical budget through TBM and develop financial recovery plans |
| The number of free bus journeys and / or the level of reimbursement to the bus operators is higher than the projection in the budget | 2 | 3<br>1% of concessionary fares budget = £0.1m | 6 | Would require use of the risk provision | Number of journeys starting within Brighton & Hove monitored on monthly basis<br>Brighton & Hove local scheme developed to minimise risk of future successful legal challenges |
| Major civil incident occurs e.g. storm | 2 | 3<br>Estimated “Bellwin” threshold = £0.8m | 6 | Budget overspend/reduction in reserves<br>Pressures on other budgets | Ensure adequate levels of reserves to cover threshold expenditure<br>Ensure appropriate insurance cover is in place. |
| Severe winter weather places additional spending pressures | 3 | 3<br>Depends on | 9 | Need to use reserves in one-off risk provisions | Advance planning to minimise possible disruption |

| **Risk (Potential or Actual)** | **Likelihood of occurrence (L)** | **Impact (I)** | **Risk Score (L) X (I)** | **Potential consequence(s) of the risk on Financial Strategy** | **Control Actions include** (But are not limited to) |
|---|---|---|---|---|---|
| on winter maintenance and other budgets across the council | | severity of weather event and length of cold snap | | | |
| Pupil numbers lower than projected | 3 | 3<br>1% of Dedicated Schools Grant = £1.3m | 9 | Schools funding through dedicated schools grant lower than anticipated. | Review & improve pupil number projections.<br>Consultation with schools forum. |
| Cost overruns occur on schemes in the agreed capital programme | 2 | 3<br>1% cost overrun on total programme = £0.7m | 6 | Reserves or other capital resources redirected to fund overspend<br>Unable to meet capital investment needs | Effective cost control and expenditure monitoring.<br>Flexibility within programme to re-profile expenditure if necessary. |
| Capital receipts lower than anticipated | 4 | 3<br>10% reduction in receipts = £1m | 12 | Fewer resources available for SIF and other strategic funds | Flexible capital programme that allows plans to be reduced or re-profiled. |
| **Further risks affecting 2011/12 onwards** | | | | | |
| Grant floor in 2011/12 is less than the 1% assumed | 4 | 3<br>1% reduction | 12 | Financial pressures on the national budget, in particular | Lobbying government on grant distribution and grant floor |

| **Risk (Potential or Actual)** | **Likelihood of occurrence (L)** | **Impact (I)** | **Risk Score (L) X (I)** | **Potential consequence(s) of the risk on Financial Strategy** | **Control Actions include** (But are not limited to) |
|---|---|---|---|---|---|
| decrease | | in grant floor = £1.1m | | addressing the budget deficit, are likely to lead to an extremely tight spending round starting in 2011/12, combined with potentially low inflation and higher efficiencies grants may see significant year-on-year decreases<br>Reductions in cash limits or upward pressure on council tax | |
| Reductions in specific and area based grants in 2011/12 causing additional budget pressures | 4 | 4<br>1% reduction in all specific and area based grants = £0.6m | 16 | Financial pressures on the national budget are likely to lead to an extremely tight spending round starting in 2011/12, combined with potentially low inflation and higher efficiencies grants may see year-on-year decreases, expenditure will need to be cut accordingly to avoid upward pressure on the council tax | Identify “at risk” grants.<br>As far as possible ensure that “at risk” grants do not cover on-going expenditure.<br>Respond to consultation papers and lobby government on impact.<br>Develop strategies to identify priorities and mitigate impact of reductions |
| Changes in the national funding regime for concessionary fares results in net loss of resources | 3 | 4<br>Concessionary fares budget = £10m | 12 | Reductions in cash limits or upward pressure on council tax | Lobbying for appropriate resource distribution. |
| Reduction in Dedicated | 3 | 4 | 12 | Additional pressure on schools | Respond to consultation papers |

| **Risk (Potential or Actual)** | **Likelihood of occurrence (L)** | **Impact (I)** | **Risk Score (L) X (I)** | **Potential consequence(s) of the risk on Financial Strategy** | **Control Actions include** (But are not limited to) |
|---|---|---|---|---|---|
| Schools Grant following review of existing formula | | 1% reduction in DSG = £1.4m | | budgets | and lobby government on impact |
| Pension costs increase at next actuarial review to cover any deficit greater than anticipated | 3 | 2<br>Each 0.1% additional employer contribution = £0.12m | 6 | Reductions in cash limits or upward pressure on council tax | Implement actuarial advice on contribution rate.<br>All employment decisions include allowance for full pension costs.<br>Maximise contributions to pension fund where affordable |
| Insurance premia retendering in early 2011 results in higher than anticipated payments | 3 | 2<br>10% increase in premia = £0.3m | 6 | Provision for £0.4m increase already in projections but any further increase would result in reductions in cash limits or upward pressure on council tax | Insurance market closely monitored<br>Continue work on risk management and implementation of risk minimisation measures across the council |

KEY: Likelihood: 1 – Almost impossible, 2 – Unlikely, 3 – Possible, 4 – Likely, 5 – Almost certain.
Impact: 1 – Insignificant, 2 – Minor, 3 – Moderate, 4 – Major, 5 – Catastrophic or fantastic.
Risk (L x I): 1-3 Low, 4-7 Moderate, 8-14 Significant, 15-25 High.

## Brighton & Hove City Council – Prudential Indicators 2010/11 to 2012/13

As part of the Government's commitment to introduce Whole of Government Accounts local authorities are required to phase in new accounting standards that comply with International Financial Reporting Standards (IFRS). The first change is the implementation of IFRS on the accounting principles underpinning PFI and lease agreements. Retrospectively the council has to include the land, buildings, plant, etc under the three PFI agreements as assets on it's own balance sheet and the "capital" element of the unitary charges payable under the PFI agreement as a liability.

The change to IFRS accounting impacts on the prudential indicators through an increase in the capital financing requirement (Indicator C2), the authorised borrowing limit (Indicator D1) and the operational boundary (Indicator D2). Discussions with the Audit Commission on the level of the liability relating to PFI agreements will be concluded as part of the 2009/10 closedown process but in the interim a provisional sum of £40 million has been included to represent the notional value of the agreements on the balance sheet.

There is also an impact on Indicator A1 through increased financing costs (minimum revenue provision and interest payments).

The following prudential indicators are recommended to Cabinet.

### A Prudential indicators for Affordability

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

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

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

### *A1 Prudential indicator – Estimates of the ratio of financing costs to net revenue stream 2010/11 to 2012/13*

| | **2010/11 Estimate** | **2011/12 Estimate** | **2012/13 Estimate** |
|---|---|---|---|
| Non-HRA | **9.2%** | **9.6%** | **9.5%** |
| HRA | **29.5%** | **31.3%** | **32.5%** |

Indicators A2 and A3 set out the estimated incremental impact on both the levels of council tax (Band D equivalent) and housing rents of the recommended capital investment plans and funding proposals. The impact has been calculated using the latest projections on interest

rates for both borrowing and investments. The impact does not take account of any government support included for new borrowing within the formula spending share and housing subsidy.

***A2 Prudential indicator – Estimates of the incremental impact of the new capital investment decisions on the council tax 2010/11 to 2012/13***

| | **2010/11 Estimate** | **2011/12 Estimate** | **2012/13 Estimate** |
|---|---|---|---|
| Addition in council tax requirement | **£23.48** | **£35.12** | **£45.54** |

***A3 Prudential indicator – Estimates of the incremental impact of the new capital investment decisions on the average weekly housing rents 2010/11 to 2012/13***

| | **2010/11 Estimate** | **2011/12 Estimate** | **2012/13 Estimate** |
|---|---|---|---|
| Addition in average weekly housing rent | **£5.81** | **£4.89** | **£4.05** |

**B <u>Prudential indicators for Prudence</u>**

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

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

***B1 Prudential indicator – Net borrowing and the capital financing requirement 2010/11 to 2012/13***

| | **31 Mar 11 Estimate** | **31 Mar 12 Estimate** | **31 Mar 13 Estimate** |
|---|---|---|---|
| | £000 | £000 | £000 |
| Net borrowing | **148,696** | **154,169** | **151,495** |
| Capital financing requirement | **310,022** | **317,502** | **317,279** |

***B1a Prudential indicator (supplemental) – Gross borrowing (including PFI liabilities) and the capital financing requirement 2010/11 to 2012/13***

| | 31 Mar 11 Estimate | 31 Mar 12 Estimate | 31 Mar 13 Estimate |
|---|---|---|---|
| | £000 | £000 | £000 |
| Gross borrowing | **219,046** | **226,546** | **226,546** |
| Capital financing requirement | **310,022** | **317,502** | **317,279** |

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

**C** **<u>Prudential indicator for Capital Expenditure</u>**

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

***C1 Prudential indicator – Estimates of total capital expenditure 2010/11 to 2012/13***

| | 2010/11 Estimate | 2011/12 Estimate | 2012/13 Estimate |
|---|---|---|---|
| | £000 | £000 | £000 |
| Total non-HRA | **77,881** | **28,103** | **16,748** |
| Total HRA | **24,860** | **28,267** | **25,171** |
| Total programme | **102,741** | **56,370** | **41,919** |

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

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

### *C2 Prudential indicator – Estimates of capital financing requirement 2010/11 to 2012/13*

| | 31 Mar 11 Estimate | 31 Mar 12 Estimate | 31 Mar 13 Estimate |
|---|---|---|---|
| | £000 | £000 | £000 |
| Non-HRA | **206,284** | **205,164** | **200,604** |
| HRA | **103,738** | **112,338** | **116,675** |
| Total | **310,022** | **317,502** | **317,279** |

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

The council has a number of daily cashflows, both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with the approved treasury management strategy and practices. In day to day cash management no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. It is possible, therefore, that external debt could exceed the capital financing requirement in the short term.

## D <u>Prudential indicators for External Debt</u>

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

### *D1 Prudential indicator – Authorised limit 2010/11 to 2012/13*

| | 2010/11 Estimate | 2011/12 Estimate | 2012/13 Estimate |
|---|---|---|---|
| | £000 | £000 | £000 |
| Borrowing | **262,000** | **277,000** | **272,000** |
| Other long term liabilities | **40,000** | **40,000** | **40,000** |
| Total | **302,000** | **317,000** | **312,000** |

The authorised limit is the aggregate of gross borrowing (i.e. before investment) and other long term liabilities such as finance leases. In taking its decisions on the budget report the council is asked to note that the authorised limit determined for 2010/11 in the above table is a statutory limit required to be determined by full Council under section 3(1) of the Local Government Act 2003.

The authorised limits are consistent with the council's current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with its approved treasury

management policy statement and practices. The Director of Finance & Resources confirms that they are based on the estimate of most likely, prudent but not worst case scenario, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cashflow requirements for all purposes.

***D2 Prudential indicator – Operational boundary 2010/11 to 2012/13***

| | **2010/11 Estimate** | **2011/12 Estimate** | **2012/13 Estimate** |
|---|---|---|---|
| | £000 | £000 | £000 |
| Borrowing | **238,000** | **253,000** | **247,000** |
| Other long term liabilities | **40,000** | **40,000** | **40,000** |
| Total | **278,000** | **293,000** | **287,000** |

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

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

**E <u>Prudential indicators for Treasury Management</u>**

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

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

***E2 Prudential indicators – Upper limits on interest rate exposure 2010/11 to 2012/13***

| | **2010/11** | **2011/12** | **2012/13** |
|---|---|---|---|
| Upper limit on fixed interest rate exposure | **115%** | **115%** | **117%** |
| Upper limit on variable interest rate exposure | **46%** | **46%** | **47%** |

The above percentages are calculated on the net outstanding principal sums (i.e. net of investments). The upper limit being above 100% is a consequence of the council maintaining an investment portfolio.

Indicator E2a exemplifies the indicator over borrowing and investment.

***E2a Prudential indicators (supplemental) – Upper limits on interest rate exposure 2010/11 to 2012/13***

| | 2010/11 | 2011/12 | 2012/13 |
|---|---|---|---|
| Upper limit on borrowing – fixed rate exposure | **100%** | **100%** | **100%** |
| Upper limit on borrowing – variable rate exposure | **40%** | **40%** | **40%** |
| Upper limit on investments – fixed rate exposure | **100%** | **100%** | **100%** |
| Upper limit on investments – variable rate exposure | **100%** | **100%** | **100%** |

Indicator E2a is supplemental to Indicator E2 and shows separately the maximum limits for both borrowing and investments. The indicator is not a requirement of the prudential code but it does show more clearly the interest rate exposure limits within which borrowing and investments will be managed. The effect of the limits is the Director of Finance & Resources will manage fixed interest rate exposure within the range 60% to 100% for borrowing and within the range 0% to 100% for investments.

***E3 Prudential indicator – Upper and lower limits on the maturity structure of borrowing 2010/11***

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

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

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

| | 2010/11 | 2011/12 | 2012/13 |
|---|---|---|---|
| | £000 | £000 | £000 |
| Limit | **25,000** | **25,000** | **25,000** |

**Directorate Budget Strategies - Summary Table**

| | Culture & Enterprise £'000 | CYPT £'000 | Environment £'000 | Finance & Resources £'000 | Strategy & Governance £'000 | ASC&H - Housing & Section 75 LD £'000 | ASC&H - ASC & Section 75 Health Led Services £'000 | General Fund Total |
|---|---|---|---|---|---|---|---|---|
| 2009/10 base budget | 11,121 | 45,229 | 36,212 | 18,643 | 11,732 | 27,145 | 48,685 | 198,767 |
| Inflation | 112 | 686 | 439 | 172 | 127 | 391 | 767 | 2,694 |
| Service Pressures | 637 | 4,564 | 1,482 | 920 | 70 | 2,736 | 1,934 | 12,343 |
| Reinvestment | 236 | | 250 | 354 | 200 | | | 1,040 |
| Efficiency Savings | -393 | -1,462 | -756 | -1,046 | -329 | -2,221 | -2,671 | -8,878 |
| Other Savings | -227 | -1,540 | -879 | -355 | -83 | -356 | 0 | -3,440 |
| **2010/11 Budget Strategy** | **11,486** | **47,477** | **36,748** | **18,688** | **11,717** | **27,695** | **48,715** | **202,526** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Staff posts affected | 15.0 | 14.0 | 11.0 | 25.0 | 16.0 | 0.0 | 51.0 | **132.0** |
| Estimated posts deleted FTE | 11.5 | 9.7 | 6.0 | 20.0 | 10.0 | 0.0 | 38.5 | **95.7** |
| Estimated Redundancies FTE | 11.5 | 0.0 | 3.0 | 13.0 | 2.0 | 0.0 | 22.0 | **51.5** |

# CULTURE & ENTERPRISE DIRECTORATE 2010/11 BUDGET PROPOSALS

## Strategic Context and Direction of Travel

The Directorate combines and represents much of what is best known and positively viewed about the city. The services delivered and supported consistently come out high in satisfaction surveys, as seen again in the most recent Place survey results.

The Directorate faces significant continuing financial pressures arising from the recession including fluctuating visitor numbers, price sensitivity, ambitious income targets and reduced likelihood of attracting external funding and sponsorship. In addition there is a need to invest in our buildings and meet the maintenance requirements of the Brighton Centre in order for the building to function effectively for the remainder of its life.

The Directorate like the rest of the Council is rethinking what is provided and affordable while still investing in service improvement and making all possible efficiencies.

## Strategic response to this context

The overall cash limit increase for the Directorate in 2010/11 is £365,000, including a one off allocation from general reserves of £180,000. Unavoidable funding pressures total £873,000 and inflationary rises are expected to cost £112,000 meaning savings of £620,000 are required to balance the budget and achieve £236,000 re-investment in the services.

The Directorate response includes:

- Reducing costs in most services, through identifying improvements in customer service and efficiency across the Directorate over 3 years.
- Giving even better value from our services by improving performance and efficiency through a customer focus, technology, and better business processes.
- Maintaining income levels where possible by broadening the range of activities, offering online payment services, and securing sponsorship.
- Improving value for money more widely through collaboration, business partnership, and alternative models of service delivery. For example community libraries as community hubs.

## Financial and Service pressures

The main financial and service pressures on the Directorate are shown in the following tables.

| **Table 1 – unavoidable service pressures which are dealt with as part of the budget strategy** | **2010/11 £'000** |
|---|---|
| Royal Pavilion, Museums and Venues income shortfall | 360 |
| New rateable values for the Royal Pavilion and Museums | 40 |
| New rateable values for Venues | 45 |
| New rateable values for Libraries | 12 |
| **TOTAL** | **457** |

| **Table 2 - Service Pressures as a result of grant funding coming to an end (dealt with as part of the budget strategy)** | **2010/11 £'000** |
|---|---|
| Loss of government grant for Castleham Supported Employment service | 180 |
| **TOTAL** | **180** |

The Directorate has financial pressures as a result of DWP grant funding for the Castleham Supported Employment service coming to an end part way through next year. A one off allocation from general reserves of £0.180m has been made to the Directorate to keep the service open during 2010/11while careful consideration is given to the options for the future of the service and employment of its staff.

**Proposals for Main Service Areas**

***Tourism & Venues***

The approach to the 2010/11 budget is to review Tourism and Venues back office support functions to save £68,000. As both Tourism and Venues generate a significant proportion of the gross expenditure from revenue, the proposals for 2010/11 are intended to create the required savings without jeopardising current and future revenue streams. A proposal regarding the use of the Brighton Centre re-development reserve was agreed at Cabinet on 9 December 2009 and this will help alleviate maintenance pressures and provide for service improvement which can in turn generate improved revenue and better economic impact.

***Royal Pavilion & Museums***

The approach to the 2010/11 budget setting process is to minimise impact on the service's ability to deliver council priorities, contribute to the Local Area Agreement commitments (schools and visitor figures), maintain satisfaction levels, deliver the 2009-11 Renaissance programme and achieve income targets at the Royal Pavilion. It is proposed to:

- Delete vacant posts in conservation and design, guiding, marketing, interpretation and curatorial teams where the service has already been reshaped to absorb impact - estimated £118,500.
- Reduce senior management and administration roles and costs - estimated £126,500.
- Recover costs of £20,000 for the Security and Fire Manager by 'selling' on expertise such as to other regional museums. There is also an opportunity with the 24 hour staffed control room to be able to offer a monitoring service to other services and organisations.

- Matching services more closely to demand. It is proposed to introduce timed tours at Preston Manor as by managing entry in this way overhead costs can be reduced and better value for money achieved. Timed ticket access with guided tour is used at other sites e.g. Charleston. Some 82% of visits at Preston Manor are currently through events and pre booked groups. Estimated saving of £25,000.
- Reduction in supplies services and premises costs £30,000 through a review of contracts and supplies budgets.

***Libraries & Information Services***

The approach to the 2010/11budget is to:

- Reduce supplies and services costs generating savings of £40,000 including reductions in spend on materials, reproduction costs, stationary, exhibitions and events, and in the use of specialised services.

***Culture & Economy***

The approach to the 2010/11 budget is to make a small reduction in the contribution to the Brussels office of £2,000 to take it to £4,000 per annum; maintaining our membership at a minimal level in order to ensure we retain the ability to influence the development of funding regimes and decisions and continue to receive specialised information services. Additionally, to use external funding to support the Business Forum generating savings of £40,000. This will provide continuing support to this essential element of business infrastructure for the city's Business Forum and the Chamber of Commerce. Finally, to take advantage of low RPI inflation on the Dome contract generating savings of £25,000.

***Major Projects & Regeneration***

The approach to the 2010/11 budget will deliver £70,000 savings by:

- Streamline the management structure resulting in the deletion of a senior management post to create one core team of professional Project Managers with appropriate support.
- Continue to build consensus and revisit the prioritisation of projects.
- Strengthen the Team's consistent approach to the design and delivery of projects by sharing project experience, knowledge and learning across the team.
- To ensure that where projects are being developed in the same geographical area or within close proximity to each other, such as Moulsecoomb/Falmer or the seafront, procedures are put into place to establish project collaboration in order to make the best use of development opportunities e.g. management of traffic and logistical issues.

***Director's Office***

The approach to the 2010/11 budget is to share support functions across the directorate generating savings of £25,000 and to reduce Supplies and Services costs by cash limiting the budget saving £30,000.

**Reinvestment**

In the budget proposals the Directorate proposes to provide reinvestment of up to £236,000 to fund:-

- Royal Pavilion & Museums service pressures of £190,000 to support the review of commercial service management and to reduce income targets to a level that is achievable within the current economic climate in admissions and the commercial enterprises.
- Investment in modernisation of Libraries Services of £46,000. This will be through either e-books, online and self service technologies and improvements to stock in line with public demands thereby delivering better value for money.

**Staffing Implications for the Directorate:**

In 2010/11 latest estimates indicate some 15 staff posts will be affected.

**Key Risks:**

The recession may impact on areas such as visitor numbers, income and external funding. The position will be volatile and difficult to predict and will be closely monitored with alternative strategies and in-year recovery measures developed if necessary.

| **Culture & Enterprise** | | | | | | |
|---|---|---|---|---|---|---|
| | Adjusted Base Budget 2009/10 | Inflation | Service Pressures & Reinvestment | Efficiency Savings | Other Savings | Net Change in Budget to 2010/11 |
| **Main Service Area** | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Tourism & Venues | 1,637 | 5 | 45 | -68 | 0 | -18 |
| Royal Pavilion & Museums | 2,198 | 7 | 590 | -300 | -20 | 277 |
| Libraries & Information Services | 4,096 | 55 | 58 | 0 | -40 | 73 |
| Culture & Economy | 2,508 | 36 | 180 | 0 | -67 | 149 |
| Major Projects & Regeneration | 472 | 6 | 0 | 0 | -70 | -64 |
| Directors Office | 210 | 3 | 0 | -25 | -30 | -52 |
| **TOTAL** | **11,121** | **112** | **873** | **-393** | **-227** | **365** |

## CYPT DIRECTORATE 2010/11 BUDGET PROPOSALS

### Strategic Context and Direction of Travel

Good progress was made in terms of managing expenditure in 2008/09 with a reduction in numbers and associated spend on Looked After Children. In 2009/10 however, national events in relation to child protection and safeguarding following the death of Baby P have placed the department's budget under very significant pressure.

This pressure relates, in the main, to the following areas:

- Child Agency and In House Placements
- Services for Care Leavers
- Legal/Court costs
- Area Preventative Payments

### Strategic Response to this Context is:

The overall cash limit increase for the directorate in 2010/11 is £2.248m, £1.562 million above the inflation allowance. Unavoidable funding pressures totalling £4.564 million (table 1) have been identified which means that savings of £3.002 million are required to balance the budget. Any investment in services would require further savings.

In developing these budget proposals it has been essential to secure efficiency savings whilst at the same time developing a robust strategic and transformational approach to the increased demand arising as a result of the aftermath of Baby P, the implementation of Laming recommendations and the introduction of the Public Law Outline.

The main elements to the budget strategy include:

- Savings in leadership and management with the third stage of a major restructure completing in 2010/11
- Realignment and reprioritisation of existing budgets and grants to ensure the safe management of increased demand at the frontline particularly in relation to social work
- Focus on efficiency and value for money particularly in high cost high spend areas such as agency placements
- Transformation of service provision through investment in Early Intervention and Prevention

In the short and medium term, the approach will be to ensure existing services are focussed on families most at risk. This will involve sharper targeting and improved multi agency focus in the development of a Team around the Family approach. The current Family Pathfinder Project will be central to informing the development of effective early intervention and prevention in the longer term to ensure the cost benefit of this new way of working.

**Financial and Service Pressures**

The main financial pressures on the Directorate's services are shown in table 1 below:

| **Pressure** | **2010/11 £'000** |
|---|---|
| **Corporate Critical** | |
| Disability Agency Placements | 80 |
| Independent Foster Agency (IFA) placements | 1,758 |
| Residential Agency Placements | 391 |
| Secure Accommodation | 166 |
| In-House Placements | 766 |
| Care Leavers | 77 |
| **Corporate Critical Total** | **3,238** |
| | |
| New requirements stemming from the creation of the Independent Safeguarding Authority & additional costs of Local Safeguarding Children's Board | 21 |
| Unaccompanied Asylum Seeking Children | 100 |
| Southwark Judgement | 87 |
| Legal Costs | 550 |
| Section 17 preventive payments | 250 |
| Emergency Duty Service | 80 |
| Storage of records | 50 |
| **BHCC CYPT Total** | **4,376** |
| | |
| **Community Health Budgets** | |
| Feeding Sets and Orthoses | 88 |
| Health Savings requirement | 100 |
| **Community Health Budgets Total** | **188** |
| | |
| **Brighton & Hove Teaching PCT** | **0** |
| | |
| **CYPT Total Budget Pressures** | **4,564** |

CYPT 2010/11 budget pressures total £4.564m. With identified savings of £2.062m and the above inflation cash increase of £1.562m the resultant unfunded pressure is £0.940m. Initial work with Impower has taken place as shown later in the strategy under value for money programme in CYPT. The initial figures suggest potential savings in 2010/11 of £0.987m to offset the £0.940m shortfall.

There are no service pressures within CYPT as a result of grant funding coming to an end.

## Proposals for Main Service Areas

### *Area Integrated Working*

Social Work and Health Visiting are experiencing increased demand for their services and it is therefore difficult to identify budget savings in staffing costs in these areas. For 2010/11 £500,000 will be saved by off-setting core activities against any available flexibility in grant funding streams instead of using those grants to fund additional services. There will be a £100,000 reduction in the Graduate Leader Fund. Both of these grants are part of the Council's Sure Start funding allocation.

£200,000 (approximately 10% of the grant) from the Connexions grant (part of the Area Based Grant) are proposed by reducing the commissioning cost of grant supported, or contracted services or contracts and making some reductions in areas that are not achieving sufficient value or outcomes. £141,000 will come from reductions in 3rd tier management posts as part of the current CYPT restructure.

### *Learning, Schools and Skills*

A 10% saving on the home to school transport budget is proposed which is equivalent to £332,000. It will require reviewing and significantly changing the criteria for the allocation of transport to children and young people who have Special Educational Needs (SEN) or are unwell or otherwise vulnerable. In future a transport panel will look at an overall transport assessment to decide if a pupil is eligible for transport. In addition a number of other options to save money will be explored. These include:

- Central pick up points rather than door to door travel for some pupils;
- A points system for agreeing transport;
- Options for reducing vehicle numbers by re-routing;
- Where appropriate no additional trips if children are not ready for transport at normal pick up time;
- A review of contract terms on retendering home to school transport contracts;
- In collaboration with the SEN team reducing the numbers of pupils travelling across the City where a more local special place would be cheaper for transport;
- Revising transport assessment and review forms for pupils with SEN;
- Considering increased use of in-house vehicles for some home to school travel routes if that proves cost effective.

A range of smaller efficiency savings and modest increases in income will be made across a number of other budgets with no one saving being above £20,000 but totalling £177,000 in all.

Staff and responsibilities relating to the Learning Skills Council will transfer to the CYPT from April 2010. The financial risk relating to this transfer will be assessed as more information becomes available.

***Citywide Services***

Given that the overall strategic direction for the CYPT is towards prevention and early intervention, budgets in the appropriate teams or services have been preserved, where possible, whilst re-aligning the spend on some highly specialist services such as fostering and adoption and Youth Offending, because spend in those services is above the level of comparator authorities. The saving in the fostering and adoption service is achieved by mainstreaming the concurrency service thereby saving £120,000 from its current stand alone team. A further £150,000 will be released from the currently underspending adoption allowances budget.

£126,000 will be saved from the Youth Offending Service by funding a part time teacher from the Dedicated Schools Grant (DSG), reducing the hours of office manager support, reducing the number of hours of Youth Justice workers and a switch in funding for the Head of Youth Strategy from a vacant senior management post. Performance indicators for the Youth Offending Service also show a downward trend in young people committing offences in Brighton & Hove.

£168,000 is proposed to be saved through a reduction in the disability agency placement budget as a result of a reduction in the anticipated number of placements.

***Strategic Commissioning and Governance***

Savings will be made from staffing and supplies and services of £48,000.

***Further savings to deliver a balanced budget***

Proposals are emerging to ensure the identification of more cost effective placements which meet the needs of the children and young people in care both as a result of better tailoring of care packages and also by reducing the levels of commissioned spend through better procurement. These are detailed in the value for money programme below.

**Value for Money Programme in CYPT**

A value for money programme has been developed to secure a complex transformational approach to service improvement and efficiency. The programme will run for three years and will secure a potential maximum saving of £987,000 in 2010/11. In the budget strategy £940,000 has been included to balance the budget.

There are three main opportunity areas for improved efficiencies identified:-

- Targeting of prevention
- Care planning and processes
- Procurement and Commissioning

**1) Targeting of prevention**

Improved targeting of preventative service provision will focus on further development of the Team Around the Family (TAF)/Team Around the Child (TAC) approach to secure savings of £225,000. Learning from the Family

Pathfinder/Family Intervention Project will be used to improve family support packages in the community, particularly for families at risk from substance and/or alcohol misuse and domestic violence.

Analysis of pre-birth assessments over last 12/18 months will be used to identify more cost effective interventions including a reduction in the number of high cost mother and baby placements to secure a saving of £80,000.

**2) Care Planning and Processes**

An audit of residential placement for Looked After Children will be undertaken and placements for all Looked After Children will be reviewed as part of an agreed cycle with a target saving of £300,000.

Joint decision making processes will be improved in relation to joint care packages and efficiencies of £54,000 secured.

**3) Procurement and Commissioning**

Targeted recruitment of in-house foster carers will save £28,000. Review of all contracted services and commissioning and procurement arrangements will save an estimated £300,000.

**Staffing Implications for the Directorate:**

In 2010/11 approximately 14 posts are affected by the budget proposals

**Key Risks:**

Assumptions about the numbers of children and young people who will enter and leave the care system are critical to the overall budget for CYPT. Delivering savings on the corporate critical budgets will require very close performance management, governance and cross agency working to ensure safeguarding responsibilities are fulfilled.

A significant quantity of savings are proposed from using specific grants to offset existing expenditure. This can be legitimately done within the grant conditions although there is an expectation that these grants are used to provide additional services.

**2010/11 Budget proposals summary:**

| Main Service Area | Adjusted Base Budget 2009/10 | Inflation | Service Pressures | Efficiency Savings | Other Savings | Impower savings required to balance budget | Net Change in Budget to 2010/11 |
|---|---|---|---|---|---|---|---|
| Main Service Area | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Director | -268 | 10 | 50 | 0 | 0 | 0 | 60 |
| Area Integrated Working | 12,572 | 147 | 1,064 | -341 | -600 | 0 | 270 |
| Learning, Schools and Skills | 6,087 | 68 | 0 | -25 | -484 | 0 | -441 |
| Citywide Services | 25,028 | 433 | 3,241 | -120 | -444 | -687 | 2,423 |
| Strategic Commissioning and Governance | 1,810 | 28 | 209 | -36 | -12 | -253 | -64 |
| **TOTAL** | **45,229** | **686** | **4,564** | **-522** | **-1,540** | **-940** | **2,248** |

## ENVIRONMENT DIRECTORATE 2010/11 BUDGET PROPOSALS

### Strategic Context and Direction of Travel

The Environment Directorate shapes the appearance of the city and leads the creation of a public realm which is safe for residents and visitors. To do this, there are a complex range of services and funding arrangements to deliver as much money as possible to actual service delivery on the ground. There is a mix of financial arrangements such as capital projects funded through the Local Transport Plan (LTP) and other external grants for the community safety work. There is also a mix of types of provision to best meet the city's needs such as use of external contractors, for example NCP for parking enforcement and Veolia for the provision of waste disposal services.

There are significant reductions in Area Based Grant (ABG) both in 2010/11 and 2011/12 which affect the Partnership Community Safety Team despite an additional £250,000 already being built into the base budget for this service.

### Strategic Response to this Context is:

The overall cash limit adjustment for the directorate is a reduction of just over £0.2m meaning that the directorate has a £0.2m budget pressure to fund before dealing with its own service pressures. Unavoidable service pressures and loss of government grant income totalling £1.2m mean savings of over £1.4m are required to balance the budget. Savings in excess of this have been achieved which has allowed £300,000 of service reinvestment to take place.

Over the last two years the directorate particularly focussed delivery of savings in Cityclean where there have been significant opportunities for efficiency savings through streamlining and modernising services and increasing productivity. This year savings in this area are primarily linked to reductions in waste levels.

Only modest increases in parking charges are proposed this year.

A range of other opportunities to improve value for money and generate additional income have been identified. This will help mitigate against the loss of £792,000 of grant funding, which relates in the main to the loss of ABG in the Public Safety division. Of the grant loss, £400,000 will be replaced in this budget strategy by mainstream funds. It is not possible within the current budget strategy to directly replace the remaining lost grant, which will therefore be found through savings.

### Financial and Service Pressures

The main financial pressures on the Directorate's services are shown in tables 1 and 2 below:

| **Table 1 – unavoidable service pressures which are dealt with as part of the budget strategy** | **2010-11 £'000** |
|---|---|
| New rateable values for our buildings & car parks | 100 |
| Reduction in Development Control income | 230 |
| One off costs of Public Planning Enquiries | 250 |
| No inflationary increase for Penalty notices | 110 |
| **TOTAL** | **690** |

| **Table 2 - Service Pressures as a result of grant funding coming to an end (partly dealt with in this budget strategy)** | **2010-11 £'000** |
|---|---|
| Loss of Area Based Grant Funding | 762 |
| Reduction in Drug Intervention Grant | 30 |
| **TOTAL** | **792** |

**Approach to Savings in 2010/11:**

***Public Safety***

The division has had to deal with a significant loss of grant income, which has required savings of £142,000. Savings will also arise following amendments to contracts and a realignment of spend towards prioritised services which will generate savings of £213,000. Management changes should deliver a further £100,000 savings. The total savings for the division are therefore £455,000, which are partly offset next year by a £75,000 one off contingency against redundancies.

***City Services***

The full year effect of the service changes delivered in 2009/10 exceeded projections in the original business plan and means the service will produce £200,000 in efficiency savings for 2010/11. The continued reduction in waste levels in the city will provide a saving of £230,000.

***Sustainable Transport***

Efficiency savings of £80,000 will be generated from bringing maintenance of parking machines back in house following termination of the Parkeon Contract. The majority of parking tariffs will be frozen in 2010/11. There will be an increase in short stay tariffs in selected areas. This is likely to mainly affect central Brighton areas and city centre car parks but should deliver about £378,000 of increased income

Subsidised bus services currently cost the council £1.505m. Currently we spend £49.63 per head on public transport with the average across unitary authorities being £20.73. Savings of £97,000 can be made by removing the subsidy no longer required for the number 27 bus which replaced the park and ride service during 2009/10.

***City Planning***

For 2010/11 the proposals are to reduce advertising costs, saving £30,000 and generate efficiencies from the application of the 'systems thinking' (see note at the end of the appendix) review methodology to achieve further savings of £50,000.

***Sport & Leisure***

There will be a full review of rents for seafront properties, ensuring that we retain fair and reasonable rents. This is expected to generate additional income of £80,000. It is proposed to build and sell 17 new beach huts (subject to planning permission) on the promenade adjacent to Hove Lagoon, which should generate a further £80,000. We will carry out a review of the programme and pricing structure for outdoor events which should generate a minimum amount of £10,000. We are currently looking to outsource the management arrangements for the council's two golf courses at Hollingbury Park and Waterhall subject to Cabinet agreement, which we anticipate will secure a £20,000 annual saving.

**Reinvestment**

In the budget proposals the Directorate proposes to provide reinvestment of up to £250,000 to fund:-

- Additional investment seafront maintenance of £100,000 recurrent funding including an enhanced painting programme for the seafront railings.
- The operating costs for a new gum removal service.
- £100,000 towards the Winter Maintenance programme.

**Staffing Implications for the Directorate:**

The main impact on staffing as a result of these budget proposals are in Sustainable Transport Division and in Public Safety due to the changes in management arrangements and the loss of some ABG.

**Key Risks:**

The routes affected by the reduction in subsidised bus routes will need to be determined and consulted upon. The services affected by the loss of ABG will need to be determined taking into account the risk and impact of the various initiatives funded in this way.

**2010/11 Budget proposals summary:**

| **Environment** | | | | | | |
|---|---|---|---|---|---|---|
| | Adjusted Base Budget 2009/10 | Inflation | Service Pressures & Reinvestment | Efficiency Savings | Other Savings | Net Change in Budget to 2010/11 |
| **Main Service Area** | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| City Planning | 2,294 | 28 | 480 | -80 | | 428 |
| City Services | 29,615 | 359 | 50 | -430 | | -21 |
| Sport & Leisure | 2,085 | 25 | 50 | -20 | -170 | -115 |
| Public Safety | 3,472 | 42 | 792 | -146 | -234 | 454 |
| Sustainable Transport | -1,254 | -15 | 360 | -80 | -475 | -210 |
| **TOTAL** | **36,212** | **439** | **1,732** | **-756** | **-879** | **536** |

## FINANCE & RESOURCES DIRECTORATE 2010/11 – 2012/13 BUDGET PROPOSALS

### Strategic Context and Direction of Travel

The context of our service and financial planning for 2010/11 to 2012/13 includes significant continuing financial pressures arising from the recession in particular commercial rents, land charges income and business rates revaluation which impact on the council's main corporate buildings and reductions in benefits administration grant at a time of increased demand.

In addition the Directorate needs to provide robust and responsive support services which support the council through major changes at low cost.

The Directorate like the rest of the Council will need to rethink what is provided and affordable while still investing in improvements and making all possible efficiencies.

### Strategic response to this context is:

Unavoidable service pressures, and a reduction in government housing benefit administration grant totalling £1.190m, together with inflationary pressures mean the directorate is required to find £1.25m in savings to balance the budget.

To achieve the cash limit the directorate is improving value for money by:

- Using the 'systems thinking' reviews[1]. This approach checks that all our work adds value to the customer and there is no waste duplication in our processes.
- Ensuring our internal and external customers access the right advice and support the first time they contact us and in the most appropriate and cost-effective way, whether face to face, by telephone or through the web.
- Supporting improved income collection and recovery in our services and across the council, for example, through better payment facilities and cash management.
- Improving procurement, our use of office accommodation and technology, and ensuring that temporary resources are available to deliver major initiatives in this area which will deliver longer term savings.

[1] Explanation of 'systems thinking' reviews is given at the end of this appendix

**Financial and Service Pressures**

| **Table 1 – unavoidable service pressures which are dealt with as part of the budget strategy** | **2010-11 £'000** |
|---|---|
| Reduction in land charges income | 200 |
| New rateable values for our corporate buildings | 70 |
| Reduction in Commercial Rental income and associated increase in empty property business rates. | 500 |
| **TOTAL** | **770** |

| **Table 2 - Service Pressures as a result of grant funding coming to an end (dealt with as part of the budget strategy)** | **2010-11 £'000** |
|---|---|
| Reduction in Housing Benefit Administration Grant from the Government | 150 |
| **TOTAL** | **150** |

**Approach to savings in 2010/11:**

***Property Services***

Effective procurement of corporate cleaning and small facilities contracts and contract efficiencies from reactive maintenance and responsive repairs in civic and environment buildings will deliver £135,000.

Restructuring of the facilities post and security teams to deliver staffing savings of £55,000.

***Customer Services***

Improve council tax collection through implementation of the findings of the enforcement review and using an external firm to challenge and review single person discounts is expected to deliver an additional £335,000. Providing the opportunity to pay by credit card for council tax and business rates with a charge for the transaction costs should generate a further £10,000. In future we will consider how payments using credit cards can be extended to other services.

£60,000 is proposed to be saved by applying the 'systems thinking' review methodology to reduce processing costs in housing benefits. A further £46,000 will be generated from other smaller efficiencies.

***ICT***

Staffing savings of £180,000 will be made as a result of making more effective use of existing contracts for cabling and PC deployments and reducing management costs. A reduction in the frequency of PC replacements as a result of better application delivery will deliver £63,000. One off savings from the Microsoft Enterprise Agreement budget which does not need renewal in 2010-11 will amount to £257,000.

***Finance***

It is proposed to fundamentally redesign the finance function through a 'systems thinking' review to further reduce costs but enhance investment in business partnering and quality of information. This will deliver £180,000 in

2010/11. We will absorb costs within existing staffing structure for the administration of insurance small claims handling and the new Brighton & Hove only concessionary fares scheme and make savings on external audit fees by placing greater reliance on internal audit to save a further £80,000.

**Reinvestment**

The savings proposals generate an additional £184,000 one off resources in 2010/11 and this will be invested on a spend to save basis in a range of areas as follows:

- Internal project management to reduce the council's requirements for office accommodation.
- Internal project management to improve access to council services for our customers.
- A Business Analyst post to support the "systems thinking" reviews across a range of council services.
- Additional capacity in the strategic procurement team, particularly with category management expertise.
- An Energy Analyst post to provide robust information to ensure we can reduce our ongoing energy consumption in the light of carbon trading requirements and the 10:10 commitment

A one off allocation from general reserves of £170,000 has been made to fund:

- Support for the delivery of the council's 10:10 commitment
- Additional internal programme and project management capacity to ensure the delivery of the savings proposals for 2010/11.

**Staffing Implications for the Directorate:**

In 2010/11 approximately 25 posts are affected by the budget proposals, with 20 posts being deleted. There is a possibility of up to 13 redundancies although every effort will be made to keep this number to a minimum e.g. through redeployment.

**Key Risks:**

The recession may impact on areas such as commercial rent income, business rates (empty properties), local land charges (due to the housing market) and housing benefit administration if the number of claimants continues to increase. The position will be volatile and difficult to predict and will be closely monitored with alternative strategies and in-year recovery measures developed if necessary.

Volatile energy costs can have a significant impact in life event services, the corporate accommodation portfolio, and capital schemes. Energy efficiency measures can help to mitigate some of this risk but this depends on the level of any future increases.

**2010/11 Budget proposals summary:**

| **Finance & Resources** | | | | | | |
|---|---|---|---|---|---|---|
| | Adjusted Base Budget 2009/10 | Inflation | Service Pressures & Reinvestment | Efficiency Savings | Other Savings | Net Change in Budget to 2010/11 |
| **Main Service Area** | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Finance & Procurement | 6,016 | 83 | 100 | -250 | -10 | -77 |
| ICT | 5,602 | 41 | 50 | -500 | - | -409 |
| Property & Design | 2,911 | 21 | 724 | -190 | - | 555 |
| Customer Services | 4,114 | 27 | 400 | -106 | -345 | -24 |
| **TOTAL** | **18,643** | **172** | **1,274** | **-1,046** | **-355** | **45** |

## STRATEGY & GOVERNANCE DIRECTORATE 2010/11 BUDGET PROPOSALS

### Strategic Context and Direction of Travel

Strategy & Governance is a small directorate at the centre of the organisation and 25% of the budget supports external third parties (such as grant funding to the Community and Voluntary Sector) and members allowances. Around 30% of the total budget comes from recharging internal clients or trading externally with third parties.

The recession has impacted on the legal services team through a reduction in the number of revenue generating property transactions and there are significant workload increases as a result of the levels of child protection activity.

### Strategic Response in this Context:-

The total savings required across Strategy & Governance to meet the residual service pressures, inflation and to result in a net change in the budget of a saving of £15,000 are £412,000. The focus is:

- Reducing costs in the back office by implementing new technology (e.g. investment in an HR system that will go live in October 2010 and the modern.gov system for Democratic Services).

- Transform our approaches to service delivery, ensuring value for money and higher quality and designing new approaches (for example in external communications, grant aiding to the Community and Voluntary Sector, business planning, internal communications, legal services expenditure, HR support to service directorates and schools, etc.).

- Ensuring the organisation has the capacity to tackle the “big issues” that are essential for our longer term health.

- Reduce management layer costs where appropriate.

- Maximising opportunities to gain income from third party transactions (e.g. providing legal and communications services on a traded basis to other public service bodies).

- Actively seeking sponsorship or partnership funding for key activities (e.g. Celebrating Excellence awards).

## Financial and Service Pressures

The main financial pressures on the Directorate's services over the next three years are shown in table 1 below:

| Table 1 – unavoidable service pressures which are dealt with as part of the budget strategy | 2010-11 £'000 |
|---|---|
| Economic downturn impact on Legal Services | 70 |
| **TOTAL** | **70** |

Other pressures have been mitigated through renegotiating funding levels with service departments. There are no service pressures within Strategy & Governance as a result of grant funding coming to an end.

## Approaches to savings 2010/11

### *Human Resources*

The new HR system is central to the delivery of Human Resources financial strategy. The new system will not only enable continual improvement to the customer experience but also drive out efficiency savings from within HR and the organisation, all within the context of a modern, efficient, timely and accurate HR service. The identified savings of £111,000, will be delivered by a combination of employee/manager self service which will stop the duplication of data entry, the introduction of electronic pay slips, improved recruitment cycle flow, remote input of time sheets and automated sick pay and pension routines. It is anticipated that there will be a reduction of 6 full time equivalent administration posts from within the People Centre in addition to any reduction of posts required to repay the capital costs of the HR system.

### *Communications*

The Communications Team is completing an extensive internal and organisational VFM review of communications and print & design in order to identify the resources currently employed by the council and to consider and develop more effective ways of using these resources in order to reduce cost, improve reputation, deliver a consistent message and to strengthen the brand. The review is expected to generate savings of £102,000 from advertising budgets across directorates. Communications are proposing savings of £35,000 this will be delivered by a combination of further reorganisation of its internal structures and rationalising the use of existing software used within the service.

### *Legal & Democratic Services*

The total savings proposed are £20,000 and comprise £5,000 from developing the Mayor's Parlour for wedding and civil partnership ceremonies on Saturdays when the Parlour is not in use, £12,000 from reorganising the provision of Scrutiny arrangements and £3,000 from more effective use of Legal Support.

These savings are in addition to action in place to manage pressures down by a combination of maximising all income streams, securing additional funding from clients where appropriate, reviewing the level and scope of the service offered, developing shared services with neighbouring authorities and by

reviewing the management and staffing arrangements to maximise efficient use of resources.

***Improvement and Organisational Development (IOD) and Policy***

In line with the desire to refocus parts of the organisation, it is proposed to effectively merge the functions of IOD and the Policy Unit as currently set up. We will delete two Assistant Director posts and use part of the saving to reinvest in service areas, supporting key agendas and developing the next generation of leaders in these areas. It is expected that the net cost of the reshaping of IOD and Policy will result in a reduction of cost of £40,000. A further £20,000 will be realised in additional support from external partners to support work on strategic commissioning and joining up funding arrangements.

***Across the Directorate***

Supplies and services cost reductions and increased vacancy control, which with small savings within Initiative budgets have resulted in efficiency savings of £84,000.

**Investment**

Resources have been made available to fund an identified need to develop an approach to community based investment in service for “pre youth” 9-12 year olds. Connecting to communities and older role models and ensuring good entries to adolescence.

**Staffing Implications**

Across the directorate it is anticipated that there may be up to 16 staff affected representing 10 full time equivalent posts. The majority of staff affected are within HR and it is expected that most of theses posts will be those on short term contracts with the balance being redeployed to avoid redundancy. However, there are two posts in other service areas where redundancy is likely.

**Risks**

The downturn in property market continues to reduce income to legal services and unforeseen legislative changes requiring additional resources after the general election. Any delay to the implementation of the HR system will mean that the efficiencies will not be achieved before we need to reduce staff numbers.

**2010/11 Budget proposals summary:**

| **Strategy & Governance** | | | | | | |
|---|---|---|---|---|---|---|
| | Adjusted Base Budget 2009/10 | Inflation | Service Pressures & Investment | Efficiency Savings | Other Savings | Net Change in Budget to 2010/11 |
| **Main Service Area** | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Human Resources | 2,874 | 20 | | -143 | | -123 |
| IOD | 1,654 | 21 | | -3 | -20 | -2 |
| Legal & Democratic | 1,941 | 13 | 70 | -16 | -12 | 55 |
| Policy Unit | 2,804 | 48 | | -13 | -30 | 5 |
| Director of S&G | 434 | 6 | 200 | -3 | -21 | 182 |
| Executive Office | 391 | 5 | | -6 | | -1 |
| Communications | 568 | 3 | | -145 | | -142 |
| Members Allowances | 1,066 | 11 | | 0 | | 11 |
| **TOTAL** | **11,732** | **127** | **270** | **-329** | **-83** | **-15** |

## HOUSING STRATEGY AND LEARNING DISABILITIES 2010/11 BUDGET PROPOSALS

### Strategic Context and Direction of Travel

Housing Strategy & Learning Disabilities division contributes to the city's ambitions in the Community Strategy and through the priorities set within the Corporate Plan. Its main aims are to reduce inequality, support independence and improve the quality of life in the City. The division is also actively involved in supporting the wider agenda of partners in the health sector and children's services.

The context of our service and financial planning includes continued high levels and increasing complexity of housing and support needs in the City, in particular in learning disabilities and housing adaptations. There is a significant impact of Housing Benefit changes for temporary accommodation and hostels and potential knock on impact on Adult Social Care & Housing service users. Grant funding is being reduced in a variety of areas including housing capital and adaptations budgets and Supporting People which could increase costs in other service areas.

Following recent announcements there is significant uncertainty at a national level over long term funding arrangements for adult social care.

### Strategic response to this context:

The proposals are a continuation of the direction of travel over the last three years including:

- Creating effective pathways through accommodation to maximise resources, independence and prevent homelessness.
- Negotiating savings with Supporting People providers to reduce unit costs in light of on-going significant cuts in government grant funding.
- Commissioning new services for people with learning disabilities to improve value for money.
- Maximising inward investment and best use of resources in the delivery of major adaptations and private sector renewal assistance we have ensured that people can remain in their own homes and so minimise the impact on community care budgets.
- Maximising commissioning options with our Registered Social Landlord partners to deliver more housing with support, (up to 16% of total affordable housing delivery, 100% lifetime homes and 16% of homes fully wheelchair adapted).
- Continuing to improve performance and efficiency through a focus on our customers, use of technology and innovation, and reviewing our business processes to create efficiencies.
- Ensuring we maximise appropriate income streams.
- Ensuring we continue to meet our obligations to safeguard vulnerable adults.

**Financial and Service Pressures**

The main financial pressures on the Directorate's services over the next three years are shown in tables 1 and 2 below:

| **Table 1 - unavoidable service pressures which are dealt with as part of the budget strategy** | **2010-11 £'000** |
|---|---|
| **Housing Strategy** | |
| Housing Benefit rates-DWP changes | 500 |
| **Sub –total Housing Strategy** | **500** |
| **S75 Council Lead : Learning Disabilities** | |
| Transitions from CYPT equivalent to 16 service users | 457 |
| Demographic Growth Learning Disabilities equivalent of 33 service users | 516 |
| Long term placement new service cost pressures | 509 |
| Short term respite rent and service charges | 104 |
| **Sub –total S75 Learning Disabilities** | **1,586** |
| **TOTAL PRESSURES HSG & LD** | **2,086** |

| **Table 2 - Service Pressures as a result of grant funding coming to an end (dealt with as part of budget strategy)** | **2010-11 £'000** |
|---|---|
| **Housing Strategy** | |
| Reduction in Supporting people Grants | 592 |
| **Sub –total Housing Strategy** | **592** |
| **S75 Council Lead : Learning Disabilities** | |
| Reduction in Preserved Rights Grants | 58 |
| **Sub –total S75 Learning Disabilities** | **58** |
| **TOTAL PRESSURES HSG & LD** | **650** |

These pressures require the directorate to find £2.6m of savings (or 9% of its net budget) to meet the target cash increase over 2009/10. The target increase in cash limit over 2009/10 is a reduction of £0.036m on Housing and an increase of £0.586m for Learning Disabilities. The cash limit has been met from improved efficiency £2.221m and increased income £0.356m

**Approach to savings in 2010/11:**

***Housing Strategy***

The approach to the 2010-11 budgets is in line with the strategic response context outlined above in particular to maximise income through conversion of Management Agreements to lease arrangements which will attract higher level of housing benefit in light of the new DWP Housing Benefit changes from April 2010 and so generate £147,000 savings.

Better commissioning of leased accommodation through improved contract management, reduced void levels and improved processes will generate £275,000

Efficiency savings in supplies and services, income maximisation and renegotiation of current leasing arrangements within hostels £143,000

***S 75 Council Lead: Learning Disabilities***

The approach to the 2010-11 budget is to continue to improve value for money through better commissioning and contracting to save £371,000. Increasing the use of Personalised Budgets and prevention to manage growth more effectively and reduce the numbers of people in residential care through use of supported living and private sector housing models will save £253,000. As a result this will enable people to move on into personalised services to maximise their independence, choice and control. Efficiencies will also be made in in-house accommodation and day services to generate £242,000.

The additional cost of placements at Westbourne which has given rise to a new service pressure will be covered by the following recovery actions

- Making better use of facilities by filling in house voids £60,000
- Reducing existing commitments on spot contracts for residential care £494,000. This follows a successful bid to work with Improvement and Efficiency South East contract negotiators.

***Supporting People***

The reduction in grant funding of £592,000 will be delivered within the existing Supporting People strategy which had been planning for this level of year-on-year reductions through service remodelling and efficiency savings as described below:

- Agreeing efficiencies with internal and external providers to improve value for money
- Remodelling services to enable people to move on to greater independence and away from institutional type settings
- Efficiencies in the staffing budget

Impacts on other services and budgets

- Efficiencies and service remodelling were agreed with providers in 2008/9 and have been completed. The impact on service delivery has been minimised by working closely with providers to achieve efficiencies and via service remodelling, reviewing pathways through services and by facilitating closer working between provider organisations.

- During next year Sheltered housing providers in the in house and independent sector are to complete their efficiency plans through renegotiating their contracts with Community Alarm services and through maximising income available through Housing Benefit.
- The closure of the Brighton YMCA hostel (Steine House) is being completed and current occupants will be moved into other temporary accommodation. The implications on the homelessness budget have been minimised through improved move on and prevention and are factored into our budget plans.

**Staffing Implications for the Directorate:**

No staffing implications are anticipated at this time.

**Key Risks:**

There are significant risks around receipt of Continuing Healthcare funding from the PCT for claims submitted in 2008/9, the full year effect of this is £1.735m. An amount has been set aside in the corporate risk provision to reflect the anticipated risks associated with this income assumption.

**2010/11 Budget proposals summary:**

| **Housing Strategy and Learning Disabilities** | | | | | | |
|---|---|---|---|---|---|---|
| | Adjusted Base Budget 2009/10 | Inflation | Service Pressures | Efficiency Savings | Other Savings | Net Change in Budget to 2010/11 |
| **Main Service Area** | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Housing Strategy | 4,505 | 29 | 1,092 | -1,043 | -114 | -36 |
| S75 Learning Disabilities | 22,640 | 362 | 1,644 | -1,178 | -242 | 586 |
| **TOTAL** | **27,145** | **391** | **2,736** | **-2,221** | **-356** | **550** |

## ADULT SOCIAL CARE & S75 PORTFOLIO 2010/11 BUDGET PROPOSALS

### Strategic Context and Direction of Travel

Adult Social Care is a statutory service and directly provides or commissions advice and support services for vulnerable adults in the City including disabled people, older people, people with mental health problems, including dementia, and those with sensory loss. The services provided include a universal offer of advice and signposting through to support for independent living, re-ablement, equipment and adaptations, day options and residential and nursing care.

The context of our service and financial planning includes demographic growth in Physical Disability and Older People users along with increasing complexity of needs.

There are nationally driven reforms to adult social care including self directed support, personalisation of service provision and budgets and their impact on the use of a Resource Allocation System (RAS)

There are changes to provision of health services which have consequences for social care provision in particular reconfiguration of Acute Mental Health services and the impact of the recommendations from the review of Continuing Health Care

As mentioned earlier there is significant uncertainty at a national level over long term funding arrangements for adult social care. This is in addition to the Social Care Reform Grant being in its last year of agreed funding at £1.167m in 2010/11.

### Our strategic response to this context includes:

The proposals are a continuation of the direction of travel over the last three years including:

- Reducing costs in most services, using “systems thinking” across the Directorate over 3 years.
- Reviewing our approach to S75 partnership arrangements and agreeing clear responsibilities.
- Achieving better value for money and customer service by improving performance and efficiency through technology, and better business processes.
- Developing appropriate accommodation and support and maximising housing options.
- Maintaining income levels where possible by maximising benefits.
- Improving value for money more widely through collaboration, health partnership, strong commissioning and alternative models of service delivery. Developing joint initiatives including Shared Lives.
- Focusing on the well-being agenda and working collaboratively to deliver this.

**Financial and Service Pressures**

The main financial pressures on the Directorate's services over the next three years are shown in tables 1 and 2 below:

| **Table 1 - unavoidable service pressures which are dealt with as part of the budget strategy** | **2010-11 £'000** |
|---|---|
| **Adult Social Care** | |
| Demographic Growth- Physical Disabilities- equivalent to 40 additional homecare service users | 309 |
| Demographic Growth and increasing complexity and increasing vulnerability Older People, equivalent to 26 service users | 400 |
| Expected overspend 2009/10- resultant pressure on 2010/11 | 780 |
| **Sub –total Adult Social Care** | **1,489** |
| **S75 Health Led : Provided through Sussex Partnership Foundation Trust (SPFT) and South Downs Health Trust (SDHT)** | |
| Demographic Growth Adult Mental Health equivalent of 4 service users plus reconfiguration of health services (£200,000 pa) | 367 |
| **Sub –total S75 Health** | **367** |
| **TOTAL PRESSURES FOR PORTFOLIO** | **1,856** |

| **Table 2 - Service Pressures as a result of grant funding coming to an end (dealt with as part of budget strategy)** | **2010-11 £'000** |
|---|---|
| **Adult Social Care** | |
| Reduction in Preserved Rights Grants | 58 |
| **Sub –total Adult Social Care** | **58** |
| **S75 Health Led : Provided through Sussex Partnership Foundation Trust (SPFT) and South Downs Health Trust (SDHT)** | |
| Reduction in Preserved Rights Grants | 20 |
| **Sub –total S75 Health** | **20** |
| **TOTAL GRANT PRESSURES FOR PORTFOLIO** | **78** |

These pressures require the directorate to find over £2.6m of savings for this portfolio (or 5.4% of its net budget) to meet the target cash increase over 2009/10. The target increase in cash limit over 2009/10 is 0.5% (£0.244m) for Adult Social Care & Housing and S75 Health Led Partnerships.

**Proposals for main savings**

These proposals are set within the context of the transformation of social care services set out within the agenda of the Putting People First concordat. They are broadly set out under 4 headings.

***Personal Budgets***

The shift in focus is that everyone who meets the council's eligibility criteria (critical and substantial) will be allocated a Personal Budget (PB). Through the application of a Resource Allocation System (RAS), service users work with

the authority to agree their assessed and eligible needs; these needs are then allocated a resource amount which the person then chooses how to spend, thereby giving more choice and control. Carers generally welcome this approach because the person is given access to a much wider range of services. Research shows that in most cases the costs are reduced.

From 2010/11 all new clients will be allocated a personal budget. In addition, those service users who receive community care will also move to personal budgets during the year as their needs are reviewed. The savings set out are therefore based on 2,000 service users with 30% of people receiving community based services benefitting from this new model of funding social care.

As a result savings of £410,000 can be made by individuals making more cost effective decisions about services which are more tailored to their needs, maximising individual benefits and other sources of income.

***Re-ablement***

Following a value for money review of home care we have moved mainstream resources into the independent sector and reinvested the savings made to establish new and innovative services in the form of the 'Community Solutions Team' and 'Independence at Home'. This team, a mix of home care and OT staff, now works with all new referrals from the Access Point to ensure that maximum independence can be achieved, resulting in lower admissions to residential care and lower 'at home' support costs.

Analysis during the first six months of this service has demonstrated significant success with over 50% of people needing far less support after 6 weeks of re-ablement.

The future savings proposals are based on wider roll out of re-ablement over the next few years. The financial sustainability model demonstrates that savings of 28% can be realised by applying this model not only to those at risk of not returning home but to those that have needs that could be better met by further utilisation of technology (Telecare), aids and adaptations and re-skilling.

As a result of this more effective re-ablement model of service provision £200,000 can be saved when applied to referrals from the Access Point and hospital discharges.

***Workforce***

Traditional workforce models will not be appropriate for a transformed social care service. The new service will be based on self assessment and co-production, this will be supported by the development of User Led Organisations (ULO's) that will assist people to become 'brokers' of their own service design and delivery. We have developed a new workforce strategy designed around this and the principles of a whole system approach. What this means in reality is that experienced and qualified staff will be deployed into 3 key areas of; robust assessment of need at first point of contact, reviews that focus on re-ablement, personal budgets and co production and safeguarding. These design principles will take our most qualified and experienced staff away from the bureaucracy and place them in key roles best matched to the highly professional skills they have.

Financial modelling of this new service design shows that 10% savings can be made across the workforce. However, whilst the above are being implemented stability need to be maintained, therefore a greater quantity of workforce savings will be delivered during 2011/12. In 2010/11 it is anticipated that £300,000 could be achieved.

***Market Redesign***

The above strategies will result in a fundamental market shift that will need careful management. Already the use of personal budgets has resulted in people opting for more person centred services resulting in, for example, a reduced take up of traditional day services. Therefore one of the budget savings proposals is to de commission a day service that has less than 60% take up which is expected to generate savings of £200,000. Those people who still require this service can easily be accommodated in the other day service provision that is also experiencing less than optimal use.

Other savings include:

- Better commissioning of provider contracts to save £50,000.
- Redesign short term services in the community and bed based to reduce length of stay, prevent admissions to hospital and enable service users to regain independence to save £100,000.
- Review financial assessment functions by implementing Value for Money review recommendations and increasing client contributions to generate £40,000.
- Implement recommendations from commissioning strategy for OPMH £70,000.
- Sensitively review all Adult Mental Health placements focussing on reduction in costs and increased 'move on' to deliver £290,000
- Review arrangements at Intermediate Care facility and reduce unit costs £300,000 by ensuring that health fund the appropriate levels of care in this setting.
- Review Integrated Community Equipment Service arrangements and respective contributions of social care and health.

Better commissioning of services from independent sector providers will drive out efficiencies of £300,000 by cash limiting contract values. This will enable us to achieve reductions in unit costs and bring spend in line with comparator authorities. Similarly, partnership contributions to the Sussex Partnership Foundation Trust (SPFT) will be cash limited to save £200,000. This will impact on partnership relations and relies on SPFT delivering efficiencies.

***Back Office support***

Review of strategic functions and discretionary services will deliver savings as follows – International Development £46,000, Healthy Cities £105,000 and Better government for Older People £4,000.

Reductions in supplies and services costs including energy assumptions will deliver £56,000

**Staffing Implications for the Directorate:**

Latest estimates indicate that approximately 51 staff posts may be affected which could result in up to 22 redundancies.

**Key Risks:**

Delivery of savings will be dependent on successful consultation with health partners, client representatives and staff groups. The scale of the savings and the changes to the model and funding of care are very significant. The change programme will need to be well resourced and tightly monitored to ensure delivery.

There are a range of complex assumptions that underpin the budget including demand for services and the impact of remodelling on costs.

**2010/11 Budget proposals summary**

| **Adult Social Care & Health led S75 arrangements** | | | | | | |
|---|---|---|---|---|---|---|
| | Adjusted Base Budget 2009/10 | Inflation | Service Pressures | Efficiency Savings | Other Savings | Net Change in Budget to 2010/11 |
| **Main Service Area** | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adult Social Care | 36,117 | 560 | 1,547 | -1,811 | 0 | 296 |
| S75 SPFT | 10,477 | 183 | 387 | -560 | 0 | 10 |
| S75 SDHT | 2,091 | 24 | 0 | -300 | 0 | -276 |
| **TOTAL** | **48,685** | **767** | **1,934** | **-2,671** | **0** | **30** |

**Footnote to all strategies:**

**Explanation of "systems thinking" reviews being used to deliver efficiency savings across a wide range of services**

"Systems thinking" reviews (also known as Lean Reviews) are becoming widely used across service organisations to identify improvements in customer service and efficiency. The reviews focus on what matters to customers or stakeholders and try to ensure that processes are designed to concentrate only on work that is of value to the customer or stakeholder. This is a different way of looking at services compared with traditional service reviews which do consider customer needs but often focus too heavily on organisational, professional, functional or administrative requirements.

## LPSA2 Reward Grant

### *The Grant*

The LPSA2 Reward Grant is given as reward for meeting certain targets in the previous Local Area Agreement. The results for many of the targets are already available and a reasonable estimate can be made of the likely reward that will be received by the council.

The council will receive at least £3.2m, and possibly as much as £4m. The reward will be paid over two years, and will be split 50:50 between capital and revenue expenditure.

### *The decision making process*

LPSA reward money is allocated by the government on the basis of performance against LPSA targets across all public sector partners. It has been previously agreed with the Public Service Board that decisions on any LPSA funding and rewards will be taken jointly with them. The anticipated LPSA Reward Grant has therefore been allocated between the different LAA blocks based on a risk assessment of delivery in the area, and the extent to which the relatively small sums involved in the LAA could be of use. The aim was to identify areas where the risks are high, and LPSA Reward Grant could have maximum impact.

### *Process for allocation*

The allocation of LPSA Reward Grant set out in this annex has been approved by the Public Service Board, which represents the various agencies that support the delivery of the Local Area Agreement. Although their approval is not a requirement for the release of funding, it is a demonstration of partners' support for this approach.

A partnership manager representing each block presented on the risks in their area, and the extent to which LPSA money could be of use. In some areas, such as housing, risks were high but the market was so large that even a sizable LPSA sum would make little difference. In other areas, such as resource efficiency and sustainability, risks were lower, but small sums could fund schemes with potentially much larger impacts.

The results of the risk and impact assessments are included in the following table:

| BLOCK | RISK TO LAA TARGETS | POTENTIAL IMPACT OF LPSA FUNDING |
|---|---|---|
| Crime / safety | High | High |
| Health/Wellbeing | Medium | Medium |
| Stronger Communities | Medium | High |
| Resource efficiency/ environmental | Low | Medium |
| Transport | Low | Low |
| Enterprise/ learning | Low | Medium |
| Children and Youth | Medium | High |
| Housing | High | Low |

The following table provides the allocations for each area across 2009/10 and 2010/11. It should be noted that the funding available through the LPSA Reward Grant is one-off funding until March 2011 only, and therefore service areas using LPSA money to support recurring funding will need to put alternative funding arrangements or an exit strategy in place for 1 April 2011 onwards.

| **AREA** | **INTENDED USE** | **2009/10 £'000** | **2010/11 £'000** |
|---|---|---|---|
| Crime and Safety | Continuation funding for the Partnership Community Safety Team | 500 | 400 |
| Health | Supporting key LAA targets for mental health and drug use | 150 | 200 |
| Stronger communities | Continuing neighbourhood work and community development | 150 | 370 |
| Environment | Support for the climate change and energy efficiency | 40 | 60 |
| Transport | Support for transport targets | 0 | 40 |
| Enterprise | Support for initiatives around learning and counter-recessionary activity | 117 | 250 |
| Schools & Youth | Support for various initiatives including Healthy Schools and Falmer Academy | 400 | 150 |
| Housing | Support for empty homes work | 40 | 40 |
| Partnerships | Purchase of performance management software ("Interplan") | 65 | 0 |
| Partnership support | Partnership support officer | 50 | 50 |
| Contingency | | 5 | 77 |
| TOTAL | | 1517 | 1637 |

This distribution of funding is based on the money that we have a high certainty of receiving.

In addition, a second tranche of money, up to £924,150 is likely be received as a result of success on targets that reported later. This second tranche will also be used to help directorates deliver LAA targets, through the provision of shared resources such as the Brighton & Hove Local Information Service, and through specific partnership projects. As with the earlier tranche of money, partners will be consulted on how this resource should be spent before a final decision is taken.

**BRIGHTON & HOVE CITY COUNCIL**

**OVERVIEW & SCRUTINY COMMISSION**

**4.00PM 15 DECEMBER 2009**

**COUNCIL CHAMBER, HOVE TOWN HALL**

**MINUTES**

**Present**: Councillors Mitchell (Chairman); Bennett, Elgood, Meadows, Older, Pidgeon (Deputy Chairman), Randall, Janio and Taylor

Also Present: Councillors Fallon-Khan and Young

## PART ONE

### 53. PROCEDURAL BUSINESS

### 53a Declarations of Substitutes

53a.1 Councillor Meadows was substituting as voting member for Councillor Morgan. Councillor Janio was substituting for Councillor Peltzer Dunn. Councillor Taylor was acting as substitute for Councillor Wakefield-Jarrett.

53a.2 Councillors Alford and Morgan gave their apologies

### 53b Declarations of Interests

53b.1 There were none.

### 53c Declaration of Party Whip

53c.1 There were none.

### 53d Exclusion of Press and Public

53d.1 In accordance with section 100A(4) of the Local Government Act 1972, it was considered whether the press and public should be excluded from the meeting during the consideration of any items contained in the agenda, having regard to the nature of the business to be transacted and the nature of the proceedings and the likelihood as to whether, if members of the press and public were present, there would be disclosure to them of confidential or exempt information as defined in section 100I (1) of the said Act.

53d.2 **RESOLVED:** That the press and public be not excluded from the meeting.

## 58. SCRUTINY OF DIRECTORATE BUDGET STRATEGIES

58.1 The Chairman welcomed Cabinet Members Councillors Young and Fallon-Khan to the meeting. Councillor Young introduced this item, stating that scrutiny comments would be considered carefully, however Departments had little flexibility in achieving a balanced budget.

58.2 Councillor Fallon-Khan outlined the service pressures for the Finance and Resources Directorate. Reduced income such as from business rents and commercial rates was largely due to the effects of the recession.

58.3 Responding to questions the Director, Finance and Resources told the meeting that it would take time and money to deliver significant savings. More effective procurement, rationalised office accommodation and better use of ICT were being considered. A consultancy would be looking to achieve significant future savings under Value for Money (Phase 2) and initiate project management across the Council. This would be progressed by an in-house implementation team.

58.4 Replying to queries she explained the resources available to cover risks as set out in Table 4 of the report, pointing out that £1 million is proposed to be set aside for Looked After Children. Additional proposals for CYPT savings will be presented at the 5 January CYPOSC budget meeting.

58.5 The Director explained the Equalities Impact Assessment process that had been used for the budget proposals. Information on this could be presented before the final budget report to Council is produced.

58.6 Using an external firm to review single person Council Tax discounts was debated at length and questions on the approach to the process were answered in detail. The report on Council Tax Collection Policy appeared as Item 60 later on this agenda.

58.7 Asked about the anticipated borrowing for operational vehicles the Director said that this would allow for savings and reduction in the carbon footprint via a more central procurement policy. The Director was asked that this be reported to the Sustainability Partnership.

58.8 Information as requested on payments made to consultancies would be made available.

58.9 The Commission asked for more information on budget pressures from staff sickness and absence.

58.10 Councillor Fallon-Khan highlighted the budget proposals for Strategy and Governance Department. He expressed his congratulations to the officers including the legal team who were embracing new ways of working and working hard to achieve the best Value for Money within a tight budget at a time when income was falling.

59.11 The Director, Strategy and Governance answered questions on Members Allowances (inflationary increase being proposed) and the deletion of two Assistant Director posts in the Department to give flatter management structures (Head of Policy and Head of

Improvement & Organisational Development). A reduction of one post in the media team was proposed.

58.12 He said Performance would be reshaped, and Information and Analysis and Policy brought together.

58.13 Savings were planned by amalgamating some software licences and other supplies and services.

58.14 There was concern about the proposed move of the Brighton History Centre. Councillor Randall as Chair of Culture Tourism and Enterprise O&S Committee was asked to follow this up.

58.15 **RESOLVED**

a) That the following requests/issues be followed up:

- Early information on CYPT savings proposals before presentation at CYOPSC 5 January 2010 meeting
- Further information on how the budget proposals were Equality Impact Assessed
- A report on operational vehicles to be presented to the Sustainability Partnership
- Information on payments to consultancies and budget pressures brought about by staff sickness are provided to OSC members
- CTEOSC to follow up issues raised on the Brighton History Centre

b) That 26 January 2010 OSC receive comments from the O&S Committees relevant to their remits to be incorporated into a single scrutiny response to the budget.

**BRIGHTON & HOVE CITY COUNCIL**

**CHILDREN & YOUNG PEOPLE'S OVERVIEW & SCRUTINY COMMITTEE**

**5.00PM 5 JANUARY 2010**

**COUNCIL CHAMBER, HOVE TOWN HALL**

**MINUTES**

**Present**: Councillors Older (Chairman); McCaffery (Deputy Chairman), Allen, Phillips, Smart, Wakefield-Jarrett, Barnett and Wells

**Statutory Co-optees: with voting rights:**: Mike Wilson (Diocese of Chichester) and David Sanders (Diocese of Arundel & Brighton)

**Non-Statutory Co-optees:** Carrie Britton (Children's Health) (Non-Voting Co-Optee)

**Apologies:** Councillor Pat Drake, Councillor Lynda Hyde, Mark Price, Rachel Travers, Kenya Simpson-Martin and Rohan Lowe

**PART ONE**

## 33. PROCEDURAL BUSINESS

33.1 **Declaration of Substitutes**
Councillor Wells substituted for Councillor Hyde and Councillor Barnet substituted for Councillor Drake.

Apologies were sent from the Youth Council Representatives, Rachel Travers (CVSF representative) and Mark Price (Youth Services)

33.2 **Declarations of Interest**
There were none.

33.3 **Declaration of Party Whip**
There were none.

33.4 **Exclusion from the Press and Public**
In accordance with section 100A(4) of the Local Government Act 1972, it was considered whether the press and public should be excluded from the meeting during the consideration of any items contained in the agenda, having regard to the nature of the business to be transacted and the nature of the proceedings and the likelihood as to whether, if members of the press and public were present, there would be disclosure to them of confidential or exempt information as defined in section 100I (1) of the said Act.

33.5 **RESOLVED –** That the press and public not be excluded from the meeting.

## 34. CHAIRMAN'S COMMUNICATIONS

34.1 The Chair introduced the meeting saying this was a Special Budget meeting for CYPOSC to look at the Budget proposals for 2010-11, ask questions, raise issues and put forward any suggestions.

CYPOSC would then need to forward their comments and views to the Overview & Scrutiny Commission for the 26 January 2010.

## 35. BUDGET UPDATE & DIRECT BUDGET STRATEGY FOR 2010/11

35.1 The Director of Children's Services and Cabinet Member for Children and Young People presented the Children Services Budget proposals for 2010/11 and answered questions with the Assistant Directors of Strategic Commissioning and Governance, Learning, Schools and Skills, City Wide Services, Clinical Director, Head of Service for City Early Years and Service and the Head of Financial Services for (Children, Families and Schools).

35.2 Members were advised that there were considerable challenges facing CYPT, the main budget pressures being:

- Child Agency and In House Placements
- Services for Care Leavers
- Legal/Court costs
- Area Preventative Grants

35.3 Members were pleased to be reassured that an independent review of duty and assessments had concluded the thresholds used by CYPT were at the right levels.

35.4 In response to a question regarding whether Children's Centres were reaching those most at risk members were advised that further work was being undertaken to provide more support for families with domestic violence, alcohol and substance misuse issues.

35.5 The Committee were informed some services are offered that all families can access such as health visitors whilst other services are by invitation only and these are the services used to target interventions.

35.6 The Committee heard how the costs of mother and baby placements were high, the process is expensive and outcomes vary. Work has begun to understand why there is a higher use of these placements in Brighton and Hove than in other areas. This will include looking at which types of families gain most from having a placement and identifying better value alternatives.

35.7 Members were told that compared to other authorities it was felt that the judicial system in Brighton and Hove was much more in favour of having mother and baby placements. CYPT hopes to persuade the court that long and expensive mother and baby placements often do not have the positive outcome hoped for.

35.8 There will be a further emphasis placed on holistic working and the use of projects such as "Team Around the Family" and the "Family Pathfinder Project" for earlier intervention.

35.9 Members were informed that potentially £1 million, of the £1,940 million of savings had been earmarked from the Central Risk Provision for Children's Services in light of the increased pressures following the death of Baby P, the Laming Report and the impact this has had on safeguarding.

35.10 There was some concern that if grant funding were used to fund a shortfall in mainstream budgets this might affect future efforts to obtain grant funding. In answer to a question that further clarification was needed on the statement that 'there are no service pressures within CYPT as a result of grant funding coming to an end. The Director of CYPT advised members that for 2010/11 no grant funding streams were to end.

35.11 The Director confirmed that savings would be focused in those areas that were less effective with support being maintained for the most cost effective interventions.

35.12 In response to a question on the £200,000 savings and the concerns from members on making this saving from the Connexions grant, the Committee heard how the current commissioning of services was not achieving its outcomes and services needed to look at more cost effective intervention and decommission less effective services. It was noted that Members requested further comparative information on the proposals, for savings in relation to Connexions and the Youth Offending Service (YOS).

35.13 Members felt that the level of information provided for the budget scrutiny needed to be reviewed as the high-level nature of the documents meant it was difficult meaningfully scrutinise the proposals.

35.14 In answer to a question on how the school transport budget savings were going to be made taking into account the sensitive nature of young people with Special Education Needs (SEN), the Committee heard that there was a clear strategy focusing on a more vigorous application of criteria and by looking at each individual case, by looking at reducing long, uncomfortable journeys for young people and whether they could access services nearer to their home. Reviewing expensive individual taxi journeys and looking at alternatives to promote independence and more creative individual programmes were also being explored.

35.15 Members informed that they were aware of transport issues for pupils with SEN attending out of school activities, how some of these arrangements were inflexible and that families would need to be consulted about any changes to school transport. Members agreed to forward on extra information to the Assistant Director of Learning, Schools and Skills.

35.16 In answer to a question on the reduction in the number of staff, the Committee heard that Children's Services did not propose any redundancies.

35.17 In answer to a question on whether health partners could contribute to the Children's Services budget, Members heard how the Children's Trust already worked closely with the Primary Care Trust (PCT) and other agencies; decisions of budgets and services were being developed on a 'Trust' basis, rather then within organisational silos. This can be seen in the Children and Young People's Plan (CYPP) which sets out the Trusts priorities which inform where savings and investment in services are made. The CYPP

is owned by all Trust partners. Work is ongoing to look at how savings can be made in improved working between organisations.

35.18 In answer to a question as to what savings were being made from the Dedicated Schools Grant (DSG) in comparison to safeguarding services, Members heard how the DSG budget for 2010/11 is £135 million and the 4.1% increase is ring-fenced grant money. The Schools Forum have examined different ways to use this additional funding e.g. recruiting more educational physiologists. Schools are expected to take on a wider range of services to meet the increasing needs of families.

35.19 Further information was requested on who fixed the 4.1% increase and how the variations in grant percentages worked, Members were told that there was a complicated formula and schools would receive between the minimum funding guarantee of 2.1% per pupil and the maximum of 4.1% per pupil of the funding, other factors such as deprivation were also taken into account.

35.20 Concerns were raised in relation to savings within Children in Care, the Committee were informed how there was a full complement of staff and how there had been Social Care recruitment issues in the past which had led to Agency staff covering vacancies, which was not cost-effective. Several vacancies had been filled through joint working with the University and creative promotional advertising. Other Local Authorities also had recruitment and retention issues within Social Care.

35.21 In answer to a question on what priorities and pressures the Schools Forum identified, the Committee were told how funding pools had been put together for creative solutions such as Mentors for schools. Schools were increasingly adopting a cluster approach to solving challenges.

35.22 Questioning on the Aiming High Grant focused on how savings would be identified. Members were advised that many of the services provided by this grant were already delivered using base budgets; these would be transferred to the grant budget. There would be a long lead in time to changes in service provision.

35.23 In answer to question on whether the Aiming High Grant was match funded by the PCT and whether it was ring-fenced, the Committee heard how the budget was ring-fenced but that services were provided through a combination of the base budget and the grant; as savings have to be made this year discussions would need to be held with partners and parents.

35.24 Concern was expressed regarding £300k savings within Looked After Children budget. Members were advised that this level of resource represented a very small number of cases. Members were informed that the rate of referrals was up from previous years and that the most cost effective packages would be need to be identified with child safety being at the forefront, by reviewing decisions, joint working, market management and procurement.

35.25 In response to whether there were any job losses through the £987,000 (VFM) savings; Members heard that there were no proposals for redundancies. Members raised concerns as to whether staff would have a heavier workload, the Committee were informed that if staff were expected to do more they would be graded appropriately, but

it was more around making efficiency savings through looking at different and possibly more local care packages; same provision at a lower cost.

35.26 In response to a question on the length of service of Agency staff and whether there was sufficient time for them to bond with the children and their families, the Committee heard how the focus was on recruiting to permanent positions as this short term placements were costly; with emphasis being on the retention of staff. Social Workers had high workloads and this was a common factor with other authorities too and that 7 extra staff and 2 Independent Review Officers had been recruited since the Lord Laming report.

35.27 Members were concerned at the £4.5 million (10%) savings that Children's Services were expected to make. It was felt that the percentage savings should be different with the varying Directorates as Children Services were responsible for child protection and safeguarding of children, their percentage savings should be reduced and in future savings should be looked at differently.

35.28 Councillor McCaffery said that she was aware of the dedication of the staff, but could not support these proposals due to the level of savings proposed which she believed rendered it an unsafe budget which jeopardised children's safety .

35.29 **RESOLVED-**

(1) Members resolved to ask for additional information on the following proposals :
- Connexions
- YOS
- transport and impact on after school activities
- DSG and schools formula
- Aiming High
- additional information around the VFM proposals

(2) Members to forward on information of families who had issues with transport for out of school activities to the AD for Learning, Schools and Skills.

(3) Further information was requested on the Dedicated Schools Grant who fixed the 4.1% increase and how the variations in percentages were calculated.

(4) In future the Council to look at different ways of making savings rather than the same percentages from each directorate.

(5) CYPOSC to forward its comments to the Overview and Scrutiny Commission (OSC) meeting of the 26 January 2010, to be incorporated into the single scrutiny response to the budget.

The meeting concluded at 6.30pm

Signed Chair

Dated this day of

**BRIGHTON & HOVE CITY COUNCIL**

**CULTURE, TOURISM & ENTERPRISE OVERVIEW & SCRUTINY COMMITTEE**

**2.00PM 14 DECEMBER 2009**

**COMMITTEE ROOM 3, HOVE TOWN HALL**

**MINUTES**

**Present**: Councillors Randall (Chairman); Davis, Drake (Deputy Chairman) and Hawkes

**PART ONE**

## 44. PROCEDURAL BUSINESS

### 44a. Substitutes

Mo Marsh for Craig Turton
Keith Taylor for Amy Kennedy

Apologies from Averil Older
Apologies from Carol Theobald

### 44b. Declaration of interests

44b.1 Mo Marsh declared that she was a member of the Brighton Dome Board.

### 44c. Exclusion of press and public

44c.1 In accordance with section 100A(4) of the Local Government Act 1972, it was considered whether the press and public should be excluded from the meeting during the consideration of any items contained in the agenda, having regard to the nature of the business to be transacted and the nature of the proceedings and the likelihood as to whether, if member of the press and public were present, there would be disclosure to them of confidential or exempt information as defined in section 100I(1) of the said Act.

44c.2 **RESOLVED** – That the press and public be not excluded from the meeting.

## 45. CHAIRMAN'S COMMUNICATIONS

45.1 The Chairman said it was the first time that CTEOSC had considered the budget prior to Council. The Committee's comments would be forwarded to the Overview and Scrutiny Commission for its budget meeting on 26th January 2010 and then on to 11th February Cabinet.

45.2 He explained that Ian Shurrock was here from the Environment Directorate as sports and leisure fell under the remit of CTEOSC. Also present were both the Cabinet Members for this area, Councillor David Smith and Councillor Ted Kemble, who would make short presentations on the budget and their areas of responsibility.

## 46. BUDGET UPDATE & DIRECTORATE BUDGET STRATEGIES FOR 2010/11

46.1 Cllr David Smith began by emphasising that the Culture & Enterprise Directorate was one of the best known and positively regarded in the city. However, it was facing cash limits. It was responding to this by focussing on customer care and improving its ICT. The Directorate wanted to concentrate on its core activities and increase value for money, for example by increasing sponsorship. It was also looking at innovative ways of delivering services such as transforming community libraries into hubs.

46.2 The service was hoping to achieve a 6% level of savings which represented £722,000. This would be achieved by increasing efficiency to save £495,000 and increasing income by £227,000.They would then reinvest £236,000 into the services, with £190,000 for the Pavilion and museums services and £46,000 into the library service.

46.3 The Directorate faced a number of service pressures including a £360,000 shortfall because of the downturn in the economy. In addition they had service pressures in the area of Supported Employment because of the grant funding from the Department for Work and Pensions coming to an end. A one off corporate allocation from reserves of £180,000 had been provisionally allocated to fund a transitional period from the end of the grant funding.

46.4 Tourism & Venues had already undertaken a review of their back office in order to save £68,000 and there would be reductions in the costs of senior management and administrative staff. Other reductions would be found from introducing timed tours at Preston Manor and reducing the opening hours of the Booth Museum (Thursday to Saturday, from 10am to 5pm and Sunday 2-5pm), alongside opening for pre-booked times. The Brighton History Centre services would be moved to the Jubilee Library, in anticipation of the development of The Keep. This relocation to Jubilee Library would enable access to limited local and family history resources across seven days a week. The re-location of the Centre would also free up exhibition space, which could be used to house exhibits from the Booth Museum.

46.5 Cllr Ted Kemble then told the Committee that his service areas were seeking to make the following savings:

- Reducing the contribution to the Brussels office to £4,000, making £2,000 savings
- Fund the Business Forum with external funds and make a core budget saving of £40,000
- Taking advantage of the low Retail Price Index (RPI) inflation on the Dome contract to generate savings of £25,000
- Streamline the Major Projects Team to save £70,000
- Reducing supplies and services budgets by £30,000

46.6 Scott Marshall, Director of Culture & Enterprise told the Committee that firstly, for staffing in the current year they were holding posts which had become vacant, in order

to offset against the current overspend. Then the proposals for 2010/11 would affect 22 posts, of which 6 were vacancies and there were 12.38 (full-time equivalent) posts which would be deleted.

46.7 When asked how the deletion of these posts would be managed, Mr Marshall explained that, in line with council policy, on the 10th December they had issued two staff consultation documents. The first outlined the general pressures facing the Directorate. The second document contained detailed implications for each team and a timetable for consultation. Copies of these consultation documents were issued to the Unions at a Departmental Consultative Group meeting on 10th December 2009.

46.8 The results of the consultation will be presented to staff on the 18th of January 2010. It was then confirmed that all staff were aware of the proposed changes, with the exception of staff who had been unwell and not at work in the last week. The Committee heard that the Directorate would do all it could to minimise the number of potential redundancies.

46.9 Sally McMahon, Head of Libraries and Information Services clarified what would be the process of transferring the Brighton History Centre services (managed through Museums and Libraries) to Jubilee Library and then to 'The Keep'. The Centre was jointly funded from both the Museum and Libraries budgets. The service was already looking forward to the move which would see all the archived material transferred to 'The Keep'. They wanted to preserve a limited level of access to local and family history resources in the city centre and the Library was the logical place. The main resources to be transferred to Jubilee Library would include online resources, microfiche and microfilm resources, and some of the book stock and heavily used archive materials. Storage there would be possible in spaces such as the rare books room. Access to the bulk of the archive would still be possible by ordering items in advance.

46.10 Mr Marshall explained that on the income side they had identified £190,000 in recognition of the tough financial climate and the need to offset reduced financial income. Janita Bagshawe, the Head of Royal Pavilion & Museums said that they had explored other income generation areas, including the selling of expertise. The intention was to generate £20,000 e.g. through the Security & Fire Manager. However, opportunities were limited in most areas and would provide little return. The service was lucky to have the Royal Pavilion as an attraction, as it allowed for the generation of so much more income that other local authorities could rely on. However, the targets were very high and the achievement of these had been very difficult over the last two to three years. To achieve the targets, service improvements had taken place including a new ticketing system, which would allow for on-line booking in the New Year and also a contact centre, which had led to a reduction in the percentage of calls.

46.11 Ms Bagshawe felt that the service had explored all the key areas for income generation, and it was generally agreed that the focus needed to be on:

- Admission price
- Function hire
- Catering
- Retail

Ms Bagshawe also pointed out that sponsorship and funding through Trusts and Grant giving bodies had become harder to find. Therefore, the Royal Pavilion & Museums was looking to secure funding through individual giving. This would lead to a mixed economy for the budget, comprised of:

- Local authority
- Earned income
- Individual giving

Already, nearly 60% of the budget was earned income, which compared very well to other local authorities. Anne Silley, Head of Financial Services, explained that when setting corporate fees and charging systems they were trying to be as innovative as possible. The Committee felt that they would like to receive a paper in the New Year on the future direction of funding.

46.12 The Committee asked for confirmation of the proposed reduced opening hours for the Booth Museum and the proposals to move items to either the History Centre or other museums. It was an educationally important site that could benefit from a holistic approach rather than piecemeal one. Although the future of the museum had already been looked at before, it was felt to be such a gem and deserved to be the subject of a Scrutiny.

46.13 Mr Marshall said that since 1990 the number of visitors had dropped by 10,000 from c35,000 in 1990 to c25,000 in 2009. He confirmed that the average daily visits (non-school) were as follows:

- Monday – 52
- Tuesday - 42.7
- Wednesday – 39.6
- Friday – 55.6
- Saturday – 96
- Sunday - 46

46.14 Therefore the intention was to maximize the peak days for visiting.

46.15 Ms Bagshawe told the Committee that this issue was in the Museums Strategic Forward Plan and they would be starting a collections review of Natural History in January 2010. The museum housed very significant collections and it was important to look at the, educational use and best places for display.

46.16 Ms Bagshawe explained that there had already been three previous plans to develop the Booth Museum. In the 1980s, the Council explored the possibility of extending the Booth through the purchase of the adjacent house. The cost of this redevelopment would have been £3.5m. In the 1990s a plan to reconfigure the Booth was aborted as it became Listed and the significant alterations would not have got List Building Consent. Funding was then secured in 2000 for a feasibility study. The study concluded that the stored collections were moved out of the Booth, leaving the Booth for display only. The capital costs for this project were £2.5m and there would have been additional revenue costs for the displaced Booth collections. Only 1% of Booth collections are displayed.

46.17 The service planned to re-explore the collections by different themes and could potentially secure funding to pilot this as some funding had recently been announced for Designated Collections. Expressions of interest in the funding had to be submitted by the end of December 2009.

46.18 The Committee felt that it would be useful to have a scrutiny into the Museum, for example looking at issues such as its Natural History Collection, next year.

46.19 Paula Murray, Head of Culture & Economy then confirmed to the Committee that the funding was in place for the Business Forum next year.

46.20 The Committee asked for more detail on the proposed improvements to the modernisation of Jubilee Library services. Ms McMahon said that while it was yet to be decided, they were currently looking at the business case for buying e-books and downloadable music and audio books.

46.21 The Committee enquired what would happen to Castleham Supported Employment Service in one year following the loss of the DWP funding. Ms Murray explained that the budgetary implications of this issue had been included in the budget strategy to Cabinet. It had been agreed to fund a one off allocation of £180,000 to keep the service open during 2010/11 for a transitional period, while careful consideration was given to the options for the future of the service and employment of its staff. For example, to work closely with the proposed kitchen production centre to find alternative employment for staff. Members praised this example as a good piece of partnership working.

46.22 Mr Marshall explained that when proposing the deletion of posts in the Royal Pavilions and Museum, the focus was on delivering Value for Money. This would be assisted by the new ticketing system and, where possible, maintaining front line services. In contrast the efficiency savings last year had focussed on senior staff, which had achieved about £236,000 savings.

46.23 When asked if he had been able to preserve services while making these savings, Mr Marshall told members that our performance in National Indicator 11 was the highest outside London. Our performance was also very good on other customer satisfaction measures. The Committee then asked him if he was confident that the service could perform satisfactorily in 2010/11, given that it depends so heavily on generating income. Mr Marshall drew their attention to the cuts the service had made in order to reinvest, for example to make improvements into the library service.

46.24 Ms Silley explained that systems thinking consisted of looking at all aspects of the service from the point of view of the customer. Each process was examined from the initial inquiry to the outcome, to check whether any task that we had undertaken did not have a purpose. It was a specific management technique which focussed on the customer.

46.25 Adam Bates, Head of Tourism & Venues confirmed that his service could also improve its performance in the areas it has set. It had delivered efficiencies last year, while improving income generation and performance. For example, they had renegotiated catering contracts and improved partnership working on the ticketing system. They have

discontinued the premium rate for contacting the visitor centre and believed they could compensate by achieving increased bookings.

46.26 Members raised the issue of the marketing of venues. Ms Bagshawe informed them that the Old Courthouse was used a reasonable amount, primarily for lectures, due to the way it was funded. Last year the venue was used 64 times, of which 24 were educational events. There were planning restrictions on its conditions of use, regarding opening hours and no amplified noise which could leak to other buildings, that had led it to being primarily used by the Universities.

46.27 The Members were told that there was insufficient space in the venue to build a value generator such as a café. The venue was promoted alongside the Pavilion and the Theatre and the on line ticketing system would give it a presence on the web. The fees and changes for the Old Courthouse had been agreed by the Culture Cabinet in autumn. When asked if the venue broke even, Ms Bagshawe confirmed that the corporate hire fees were set to recover full costs, but not the educational hire charges. The committee agreed that it should consider at a later date the use of the Old Courthouse and other council owned venues, by the Council.

46.28 Mr Marshall said that consultation on these budget proposals had focussed on the management team and cabinet members. Since the information had become publicly available, they had been informing stakeholders such as the Arts Council and the Brighton Dome and Festival.

46.29 Members asked whether increased energy costs had been taken into account. They heard that these costs are looked at monthly and would form the basis of future contract negotiations. Ms Silley had been told by colleagues in Property Services that energy costs are likely to go down.

46.30 Ms Murray described the work that had been done to share support teams in the Directorate. Both her teams had been relocated together and were sharing a number of support staff. A review had been carried out into how the teams could be better supported and the findings have been reported to them. For example, looking at pressurised times in the year, such as two weeks before the White Night Festival.

46.31 Ms Murray told members that the draft Executive Response to the Environmental Industries Scrutiny had informed the allocation of posts. They had just appointed a junior research post and a Section 106 post and were re-examining other posts. The current thinking was that to appoint a sub-sector specific post, every time attention was needed for a particular business sub-sector was not sustainable. Therefore they were more likely to re-cast the Creative Industries Officer post, to give the replacement post responsibility for specific sub-sectoral development such as creative and environmental industries. The findings of the Panel had demonstrated that the needs of both sectors were similar, even though the sectors were at different stages of development.

46.32 Ms Murray then explained that the contract with the Brighton Dome was linked to the RPI, which allowed them to make the saving. Brighton Dome and Festival Ltd were aware of these figures, were making their own significant savings, had appointed a new Head of Development and were planning well for the future.

46.33 David Fleming, Assistant Director of Major Projects, described the collaborative approach being taken between the Falmer Community Stadium, Falmer Academy and the Universities. The individual project managers met as a group on a regular basis to discuss issues such as common footpaths, emergency routes, highway works and proper access. When asked if this could lead to joint procurement, Mr Fleming couldn't see why not, but to some extent this would be determined by timing. Members asked if this good practice could be transferred to Preston Barracks.

46.34 Councillor David Smith stated that the last two years had been difficult for the Sports and Leisure service, particularly due to energy costs which had hit the King Alfred especially hard. They had managed to introduce the free swimming for under 16s and over 60s. They also expected to raise £80,000 from the sale of new beach huts. Ian Shurrock, Head of Sport & Leisure confirmed that the huts are currently subject to a planning application and could sell in the region of £10,000 each.

46.35 Mr Shurrock explained that the rent reviews for the sea front businesses were undertaken individually. They now had an in-house surveyor to carry out the rent reviews of small businesses but needed the specialist expertise of an external surveyor for the large clubs. He explained that the practice of using an external surveyor had been incorrectly reported. The external surveyor had been paid by either a fixed retainer or a fee linked to the increase in rent on certain properties.

46.36 When asked if the businesses had been informed of the rent rises and if they could reach up to £80,000, Ian Shurrock confirmed that the rent increases only applied to those businesses who were due to rise this year, or had rent reviews outstanding. Members emphasised that this could be a sensitive issue for small businesses if they faced a rent increase due to the council not carrying out this task.

46.37 Mr Shurrock told the Committee that Mytime Active (a Social Enterprise not-for-profit trust) from Bromley had been awarded the contract to manage the council's golf courses. They also ran courses in Bexley and Maidstone. This was a ten year contract and could ensure that the savings could be met while securing the future of two golf courses. An exciting part of the contract was a golfing programme it would run for both young people.

46.38 **RESOLVED** – that the above comments on the proposals go onto the Overview and Scrutiny Commission on 26th January 2010.

The meeting concluded at 16.15pm

Signed Chair

Dated this day of

**BRIGHTON & HOVE CITY COUNCIL**

**ENVIRONMENT & COMMUNITY SAFETY OVERVIEW & SCRUTINY COMMITTEE**

**4.00PM 19 JANUARY 2010**

**COUNCIL CHAMBER, HOVE TOWN HALL**

**MINUTES**

**Present**: Councillors Morgan (Chairman); Davey, Davis, Drake, Smart, Wells and Taylor

**Also present:** Councillor Dee Simson

**PART ONE**

## 38. PROCEDURAL BUSINESS

### 36a Declarations of Substitutes

36a.1 Councillor Taylor was substituting for Councillor Rufus; Councillor Janio had given his apologies.

### 36b Declarations of Interests

36b.1 There were none.

### 36c Declaration of Party Whip

36c.1 There were none.

### 36d Exclusion of Press and Public

36d.1 In accordance with section 100A(4) of the Local Government Act 1972, it was considered whether the press and public should be excluded from the meeting during the consideration of any items contained in the agenda, having regard to the nature of the business to be transacted and the nature of the proceedings and the likelihood as to whether, if members of the press and public were present, there would be disclosure to them of confidential or exempt information as defined in section 100I (1) of the said Act.

36d.2 **RESOLVED:** That the press and public be not excluded from the meeting.

## 39. SCRUTINY OF DIRECTORATE BUDGET STRATEGIES

39.1 This budget scrutiny meeting had been rearranged at short notice, following the ice and snow on 18 December 2009 that led to postponement. Comments on this report would

be forwarded together with comments from the other Overview and Scrutiny Committees, to 26 January 2010 Overview and Scrutiny Commission.

39.2 The Chairman welcomed everyone including the Cabinet Member for Community Affairs, Inclusion and Internal Affairs, who introduced the report on the Scrutiny of Directorate Budgets. The Cabinet Member for Environment was unable to be present.

39.3 Members asked for more information on a wide range of budget proposals.

39.4 The Committee asked about investment in the seafront railings, shelters and work on Hove Lagoon (paragraph 3.5 refers) and how this related to the 're-investment' paragraphs in the Appendix. There was a question on the need to invest and alternative sources of funding such as Heritage Lottery fund and Section 106 agreements, which the Committee wished to forward to the Commission.

39.5 The Chairman asked whether the £100,000 at bullet point 5 of the main report was for consultants. The Director of Environment assumed it was. This needed to be confirmed by the Director of Finance and Resources.

39.6 Costs of the transport model were questioned including the on-going costs to sustain it. The Assistant Director, Sustainable Transport explained that the model replicated traffic conditions and assessed demand, enabling robust decisions to be made on major projects. It was essential to keep the model validated and 'live' with local data. Officers were asked for more information on the business case.

39.7 The Committee were pleased that Castleham Industries would be kept open and that new beach huts would be built subject to planning permission.

39.8 The Head of Finance answered a question on the King Alfred Leisure Centre by referring to the capital investment programme summary at Appendix 2.

39.9 Regarding concessionary fares funding the Head of Finance confirmed that £9.3 Million (report paragraph 3.13) was proposed to be allocated in 2010/2011 for all bus operations in the City. Members asked for an update on final allocations when available.

39.10 The Director clarified that 'Staff posts affected' in the Environment summary table at Appendix 1, referred to jobs at risk or a significant change to jobs and there had been a reduction in this number (20) since the report was written. No compulsory redundancies were proposed and updated figures would be provided to the Committee.

39.11 Answering a question on the possible effect of last year's savings in CityClean service area in the Council's response to the recent icy conditions the Director told the meeting that the combination of CityParks and CityClean services had made it quicker and easier to mobilise a large workforce to deal with ice and snow.

39.12 The effect on the budget of potholes created by the ice was being investigated.

39.13 Asked about the rise in parking charges the Head of Finance said that a general rise of 2% to allow for inflation was part of the overall budget strategy, although on average parking charges would rise by around 3%. Many individual charges would remain

frozen, others are proposed to reduce and some would rise by significantly more than 3%. Individual charges were being reported to the 26 January Environment CMM meeting.

39.14 The range of other opportunities to improve value for money and generate additional income, as stated in the fourth paragraph of the 'Strategic Response to this Context' referred to efficiency savings regarding maintenance of parking machines, reduced number of Assistant Directors, lower advertising costs, management arrangements for the two golf courses and beach huts, the Director told the meeting.

39.15 Councillor Simson described the 'Turning the Tide' pilot programme which supports families regarding anti-social behaviour that was starting in the East of the City.

39.16 Members expressed concern about savings within 'Public Safety' and asked about the meaning of the tabulated 'Public Safety' budget proposals summary. It was agreed that clarification of the 'efficiency' and 'other' savings in Public Safety would be forwarded to the Committee.

39.17 The Committee heard there were five hate crime caseworkers in the Community Safety Team. One such post had already been vacant for more than 12 months would not be filled; there would be no reduction in service.

39.18 The Assistant Director, Public Safety detailed the range of roles of the case workers. She said that the management changes included her own post and a senior management position.

39.19 In City Services, because the growth in waste had not been as large as projected the savings of £290,000 were proposed to be used to smooth the cost of waste disposal.

39.20 The Committee discussed subsidised bus services with the Assistant Director of Sustainable Transport who confirmed that the enhanced service 27 is included in the £1.5 million subsidised bus routes. Mindful of statutory notice periods and contractual obligations he said that public consultation may be required before re-prioritising. Some contracts were able to run on a commercial basis and could be removed from subsidy.

39.21 The Committee asked about the process for deciding on which level of service to propose as savings and requested that this specific matter be taken forward to the Overview and Scrutiny Commission.

39.22 Officers replied to further queries on gum removal, environmental standards of operational vehicles, Local Transport Plan capital funding.

39.23 **RESOLVED:**

(a) The Committee supported proposed investment in Castleham Industries and additional beach huts.
(b) That updated information be requested on; affected staff posts and Concessionary fares final allocations if available.

(c) That the following areas of concern be forwarded to 29 January 2010 OSC:

- Need for investment in sea-front maintenance and possible alternative sources of funding
- Business case for transport model
- Process for agreeing subsidised bus services
- Possible effect of vacant Hate Crime worker post remaining unfilled

The meeting concluded at 5.30pm

Signed Chair

Dated this day of

**BRIGHTON & HOVE CITY COUNCIL**

**ADULT SOCIAL CARE & HOUSING OVERVIEW & SCRUTINY COMMITTEE**

**3.00PM 21 JANUARY 2010**

**BANQUETING ROOM, HOVE TOWN HALL**

**MINUTES**

**Present**: Councillors Meadows (Chairman); Allen, Barnett, Pidgeon, Taylor, Randall and Oxley

## PART ONE

### 39. PROCEDURAL BUSINESS

### 39A. Declarations of Substitutes

39.1 Councillor Brian Oxley announced that he was attending as substitute for Councillor Geoff Wells; Councillor Bill Randall announced that he was attending as substitute for Councillor Georgia Wrighton.

### 39B. Declarations of Interest

39.2 Councillor Randall declared a personal interest due to his involvement with the Local Delivery Vehicle.

### 39C. Declarations of Party Whip

39.3 There were none.

### 39D. Exclusion of Press and Public

39.4 In accordance with section 100A(4) of the Local Government Act 1972, it was considered whether the press and public should be excluded from the meeting during the consideration of any items contained in the agenda, having regard to the nature of the business to be transacted and the nature of the proceedings and the likelihood as to whether, if members of the press and public were present, there would be disclosure to them of confidential or exempt information as defined in section 100I (1) of the said Act.

39.5 **RESOLVED –** That the press and public be not excluded from the meeting.

### 40. SCRUTINY OF DIRECTORATE BUDGET STRATEGIES

40.1 Councillor Ken Norman, Cabinet Member for Adult Social Care and Health, introduced the Adult Social Care (ASC) section of this item. Councillor Maria Caulfield, Cabinet

Member for Housing, introduced the sections relating to the Housing Revenue Account (HRA), to Housing Strategy and Supporting People (SP), and to Learning Disabilities (LD).

40.2 In response to a query about savings identified in terms of the LD budget, Councillor Caulfield told members that the healthcare element of care for some learning disabled people was chargeable to the local Primary Care Trust (PCT), but had formerly not been pursued by the council. This money was now being collected, with the result that there were considerable extra funds available to the service, facilitating a reduction in the council's LD budget allocation.

40.3 In answer to questions relating to savings to be made via the 'personalisation' of ASC (and to a more limited degree the introduction of personalisation and personal budgets to LD services), Councillors Norman and Caulfield informed members that national research offered robust evidence that significant savings were possible via the roll-out of personal budgeting, and that these savings should grow as the roll-out progressed. Joy Hollister, Director of Adult Social Care and Housing, added that Brighton & Hove was in a fortunate position, having not been one of the earliest adopters of personal budgets, as we were able to learn from both the good and bad practice of 'pilot' authorities. There was strong evidence that, by following the best emerging practice (particularly in terms of best practice resource allocation systems), personalisation could deliver significant savings.

40.4 In response to a question about negotiations with the Sussex Partnership NHS Foundation Trust (SPFT) over the council's commissioning of their services, members were told that discussions had been very positive, with the trust recognising that the council's 0% uplift in funding was in fact generous given the national financial situation (all the more so because the council had agreed extra funding to reflect demographic changes in the city which would result in extra work for SPFT).

40.5 Asked to explain how personalisation might deliver savings, Joy Hollister referred to the example of assessing people's needs. Formerly, a great deal of staff time and resources might have been spent on professional assessment of a client's needs, even in situations where that client's support requirements were minimal. With personalisation, it should, in many instances, be possible for clients to assess their own support requirements (with a degree of input from professionals – termed 'co-production'), leading to a very significant reduction in the costs of assessment.

40.6 In response to questions about the anticipated re-design of day services and possible cost savings and risks involved in this process, Councillor Norman told members that day service provision would be the subject of a forth-coming public consultation, and no decisions in regard to these services could be made until the results of this consultation were analysed. Joy Hollister noted that council-provided day services were currently delivered at a very high unit cost, as occupancy rates were typically very poor. In contrast, some city day services provided by the 3rd sector operated at a much lower unit cost as these services were full or over-subscribed. There was therefore a very clear argument for favouring these cost-effective services over services which provided poor value for money, and the council was planning accordingly. However, some council day services were of such a specialist nature (e.g. offering significant therapeutic

benefits to attendees) that it was not considered appropriate to consider their replacement with mainstream 3rd sector-provided services.

40.7 In response to questions about home care, Joy Hollister told members that the council had re-designed its services in response to the re-ablement agenda, with mainstream home care now commissioned from the independent sector, allowing the council's in-house home care team to be re-deployed in the specialist task of delivering re-ablement care. This was the best possible use of resources, given that it would simply not be possible within existing budget constraints for the council to deliver its re-ablement commitments and its mainstream home care commitments via the use of in-house staff. Whilst independent sector care providers are cheaper than in-house provision, all providers used by the council are rated as either 'good' or 'excellent'.

40.8 In answer to a question about anticipated increases in client contributions to care costs, Joy Hollister explained that this related to quicker financial assessment of clients, meaning that clients who were required to self-fund their care could be billed more promptly (clients may not be charged for care until their finances have been assessed, nor can charges be back-dated).

40.9 In response to questions about supported housing, Councillor Caulfield agreed that more supported housing was needed in the city, but stressed that this was difficult to achieve in the current financial climate, with little or no capital funding available. However, the council was exploring alternative measures, including looking at 'moving on' supported housing clients who could be returned to general needs housing, encouraging independent sector providers to take a greater interest in this sector, and investigating the possible use of undeveloped housing land for future developments.

40.10 Councillor Caulfield also told members that the council was committed to working with clients to ensure that they accessed all the benefits to which they were entitled. This is a priority for Housing Management, and pilot schemes around the city have proved extremely successful. The Welfare Rights team will seek to train other council teams in maximising benefit take-up and the council is also working closely on this issue with the Department of Work and Pensions and with the MacMillan cancer charity (i.e. on encouraging people with cancer to access the benefits to which they are entitled). Members noted that there might be a case for increasing resources here, as the cost benefits of maximising benefit uptake are likely to far outweigh any extra costs to the council.

40.11 In response to questions regarding the ASC and housing workforce, members were told that there were no plans for redundancies in housing or LD services. In ASC there may be some redundancies, although the figures quoted in the budget strategy report represent a worse case scenario and the council will endeavour to minimise the negative impact of essential workforce re-organisation. There is no intention to make compulsory redundancies. Posts have yet to be identified but would likely be a range across all areas with the possibility of some in home care and day services.

40.12 Asked what percentage of the £1 million allocated to possible redundancy payments across the council had been ear-marked for ASC, Joy Hollister told members that she did not have the figures to hand but would endeavour to pass them on.

40.13 In response to queries regarding the Local Delivery Vehicle (LDV), Councillor Caulfield told members that there had been thorough consultation with tenants over this issue (particularly via Housing Management Consultative Committee – HMCC), and the consensus was that the council should continue to actively pursue LDV options while the original LDV bid was being considered by the Government. The council faced stringent penalties if it failed to meet Decent Homes standards, and there was therefore still considerable value in pursuing LDV options, particularly as recent developments in financial markets might mean that the returns on the LDV could be higher than initially assumed (original financial projections were made at the nadir of the financial crisis and might prove over-cautious should markets improve). More funding (in the form of a loan from general reserves) will be required to facilitate re-modelling of the LDV finances, but this money will be repaid once the LDV is operational.

40.14 In reply to members' questions regarding the future of the Adult Social Care and Housing Directorate, members were told that this was a question which should be addressed to the council's Chief Executive as no one present was in a position to provide a definitive answer.

40.15 The Chair thanked the officers and members who had answered questions and expressed her good wishes for Joy Hollister in her new post with the City of London.

## 41. ITEMS TO GO FORWARD TO CABINET OR THE RELEVANT CABINET MEMBER MEETING

41.1 There were none.

**BRIGHTON & HOVE CITY COUNCIL**

**OVERVIEW & SCRUTINY COMMISSION**

**3.30PM 26 JANUARY 2010**

**COUNCIL CHAMBER, HOVE TOWN HALL**

**MINUTES**

**Present**: Councillors Mitchell (Chairman); Alford, Bennett, Elgood, Meadows, Morgan, Older, Peltzer Dunn, Pidgeon (Deputy Chairman), Randall and Wakefield-Jarrett

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

## PART ONE

### 65. PROCEDURAL BUSINESS

### 65a Declarations of Substitutes

65a.1 There were none.

### 65b Declarations of Interests

65b.1 Regarding item 71 Councillors Elgood and Randall said they were patrons of the Sussex County Foundation.

### 65c Declaration of Party Whip

65c.1 There were none.

### 65d Exclusion of Press and Public

65d.1 In accordance with section 100A(4) of the Local Government Act 1972, it was considered whether the press and public should be excluded from the meeting during the consideration of any items contained in the agenda, having regard to the nature of the business to be transacted and the nature of the proceedings and the likelihood as to whether, if members of the press and public were present, there would be disclosure to them of confidential or exempt information as defined in section 100I (1) of the said Act.

**65d.2 RESOLVED:** That the press and public be not excluded from the meeting.

## 66. RECOMMENDATIONS ON BUDGET PROPOSALS FROM O&SCS TO REPORT TO 11 FEB CABINET

70.1 In considering the Head of Scrutiny's report on Scrutiny of Budget Proposals the Commission welcomed the budget proposals information that had been presented this year to Overview and Scrutiny Committees.

70.2 Much information had been provided and clear proposals drawn up, although there was concern that proposed savings information was taken to CYPOSC with less than 24 hours notice.

70.3 It was generally agreed that the budget scrutiny process had worked better this time in that the departmental savings papers were released earlier and the individual scrutiny committees had therefore had time to consider them however, before evaluating the effect of Overview and Scrutiny input into the budget-making process, and consider whether to approach this differently in future, Members wished to see the final budget proposals.

70.4 Chairman of CYPOSC said she was pleased to have the views of the Committee's co-optees. Rent reviews for seafront businesses were commented upon.

70.5 Chairman of ECSOSC was concerned about the lack of detail in budget proposals generally; concern was also expressed regarding the subsidised bus services savings and timescales. It was suggested by Chairman of CTEOSC that savings could be made by better use of Council buildings for outside events and more of the council's own business such as interviews for senior posts.

70.6 The Commission asked that in the future, Equality and Impact Assessments of budget proposals be provided at the very start of the process.

70.7 The Chairman thanked everyone for attending for this item.

70.8 **RESOLVED:**

1) That the report be noted and minutes of budget O&S meetings be forwarded to 11 February Cabinet
2) That the budget scrutiny process be considered at a future meeting
3) That the following suggestions be taken forward;
   - Better use of Council buildings for outside events and council's own business
   - That EIAs be provided in future budget rounds

**DRAFT EXTRACT FROM THE PROCEEDINGS OF THE CABINET MEETING HELD ON THE 11 FEBRUARY 2010**

**CABINET**

**4.00PM 11 FEBRUARY 2010**

**COUNCIL CHAMBER, HOVE TOWN HALL**

# DRAFT MINUTES

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

**Also in attendance**: Councillors Mitchell (Leader, Labour Group), Randall (Convenor, Green Group) and Watkins (Opposition Spokesperson, Liberal Democrat Group)

**Other Members present**: Councillors Allen, Davey, Davis and Hawkes

## 175 GENERAL FUND REVENUE BUDGET & COUNCIL TAX 2010/11

175.1 The Cabinet considered a report of the Director of Finance & Resources concerning the latest budget information needed for Cabinet to recommend the 2010/11 revenue budget and council tax to Full Council on the 25 February 2010 (for copy see minute book).

175.2 The Chairman advised that additional information detailing amendments and clarifications had been circulated to Members (see appendix 1).

175.3 The Director of Finance & Resources confirmed that the additional £500,000 from general reserves had been identified as a result of a genuine error made in relation to the figures and constituted a one-off amount.

175.4 Councillor Mitchell explained that the Labour Group would be putting forward some alternative budget proposals at the Full Council meeting and, in particular, would be highlighting the funding that the council would receive from central government.

175.5 In response to a query from Councillor Mitchell, the Director of Finance & Resources advised that significant changes to the strategic response to pressures in the Culture & Enterprise budget had followed from proposals relating to the Booth Museum, Brighton History Centre and Castleham Supported Employment service. She offered to provide Members more detailed written information.

175.6 Councillor Randall welcomed the support for 8-13 year olds around prevention and early intervention, but was concerned about the proposals in relation to funding for 'SureStart' and Youth Offending services.

178.7 In response to a question from Councillor Randall, the Director of Finance & Resources explained that the council procured a complex range of gas and electricity contracts and that each directorate budget strategy reflected the recent reduction in electricity charges where appropriate; some directorates would see

pressures rather than savings due to the a number of issues, including the size of buildings. She offered to provide more detailed information on the various contracts.

175.8 Councillor Smith highlighted the need to be cautious in relation to the budget for cultural services, primarily because 60% of funding was expected to come from income; however the ongoing impact of the recession made it difficult to predict what to expect.

175.9 Councillor Simson welcomed Councillor Randall's support for the pilot scheme proposed for preventative work for younger children. She explained that the scheme would be needs based and would be delivered through the Community and Voluntary Sector Forum; she hoped that the universities would be interested in evaluating the pilot scheme and that long-term outcomes were being aimed for.

175.10 Councillor Brown advised that there was a downward trend in young people committing offences. She explained that the proposals in relation to Youth Offending Team would allow for a teacher to put into the unit and appoint a new Head of Youth Strategy; the Administration was confident that the pressures would be manageable.

The proposals in relation to 'SureStart' resulted from re-profiling of funding to respond to the increased pressures experienced by child protection services.

175.11 Councillor Watkins stated that he hoped Members would work together to devise a budget that could be approved by all.

He specifically asked that consideration be given to upgrading the staff bus as, through the related scrutiny panel, staff with disabilities had identified that it would make a big difference to those affected.

175.12 In response to a query from Councillor Watkins, the Director of Finance & Resources explained that the proposals included references to a range of 2010/11 grants that the council had not yet been advised of and that no indication had been given of when allocations could be expected.

175.13 Councillor Theobald explained that the budget proposals for the Environment Directorate savings would achieve savings of £1.63m, in addition to absorbing £1.7m in relation to service pressures. He advised that funding had been identified to fund ongoing seafront maintenance, gum removal and winter maintenance and that additional investment would be made into Hove Lagoon. He added that the proposed transport model would be very important for the city.

175.14 Councillor Smith endorsed the comments made in relation to seafront maintenance; the area was part of the city's heritage and was an important visitor attraction.

175.15 The Chairman added that it was vital for the city's economy that investment was directed at the seafront and that a regular programme of maintenance was important as it would reduce costs in the long term.

175.16 Councillor Young thanked the officers involved in compiling the report and was pleased that budget information had been shared early to allow for proper scrutiny of the proposals. She advised that the final proposals showed that the Administration had listened and taken on board the comments arising from the

scrutiny process.

175.17 Councillor Mitchell endorsed Councillor Young's remarks and stated that recommendations put forward by the scrutiny committees were reflected in the final budget proposals.

175.18 The Chairman recognised the pressure on officers to produce the budget information early and added her thanks to those involved.

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

(1) That, subject to 2.3 below, the 2010/11 General Fund Revenue Budget proposals be recommended to Council, including;

- The 2010/11 budget allocations to services as set out in appendix 1.
- The investment in services and new allocations proposals as set out in paragraphs 3.42 to 3.46.
- The council's budget for 2010/11 of £230.8m.
- The Directorate budget strategies as set out in appendix 8.
- The corporate budgets of £19.3m.
- The contingency budget of £4.2m as set out in table 6.
- The reserves allocations as set out in appendix 3.
- The borrowing limit of £302m for the year commencing 1 April 2010.
- The annual Minimum Revenue Provision statements as set out in appendix 4.
- The prudential indicators as set out in appendix 7 to the report.

(2) That the Medium Term Financial Strategy budget and resource projections for 2011/12 and 2012/13, as set out in appendix 5, based on council tax increases of 2.5% for each year be noted.

(3) That it be noted that supplementary information needed to set the overall council tax will be provided for the budget setting Council as listed in paragraph 4.7 of the report.

| COUNCIL | Agenda Item 55(b) |
|---|---|
| **25 February 2010** | Brighton & Hove City Council |

| | | | | |
|---|---|---|---|---|
| **Subject:** | | **Supplementary Financial Information for Budget Council** | | |
| **Date of Meeting:** | | **25 February 2010** | | |
| **Report of:** | | **Director of Finance & Resources** | | |
| **Contact Officer:** | Name: | **Mark Ireland** | **Tel:** | **29-1240** |
| | E-mail: | Mark.Ireland@brighton-hove.gov.uk | | |
| **Wards Affected:** | All | | | |

**FOR GENERAL RELEASE**

## 1. SUMMARY AND POLICY CONTEXT:

1.1 To update Members with further budget information that has been received since the General Fund Revenue Budget & Council Tax 2010/11 report was written for Cabinet on the 11 February 2010.

1.2 The proposed increase in the city council element of the council tax is 2.5%. Incorporating the Police and Fire elements of the council tax the overall increase for most residents of Brighton & Hove will be 2.51%.

## 2. RECOMMENDATIONS:

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

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

*2010/11 Budget*

3.1 The new and revised information in this report covers the following:-

- Corrections and Clarifications paper circulated at the Cabinet meeting on 11 February.
- Notification of the Environment Agency levy.
- Notification of Police, Fire and Rottingdean Parish precepts.
- New and revised budget and council tax appendices as listed in paragraph 3.8.
- Minutes of the business ratepayers meeting.

3.2 A corrections and clarifications paper, attached at appendix 10, was circulated at Cabinet on 11 February 2010 and included details of an error identified in the

treatment of the 2009/10 overspend. This results in a £0.5m higher level of general reserves available for one-off spending allocations in 2010/11 that can be proposed through budget amendments. This error also results in a change to the some of the figures shown in appendix 1 and a revised appendix is attached to this report.

3.3 The budget report also referred to a change in the funding of £0.7m Building Schools for the Future (BSF) resources from reserves to capital programme resources. For clarification £0.7m capital programme resources previously earmarked for the Strategic Investment Fund (SIF) have been transferred to BSF. This brings the resources set aside to support the BSF programme up to the full £5 million previously approved by the Cabinet on 17 September 2009. The SIF programme has been reduced to £0.6m per annum for the next 3 years in order to generate the £0.7m resources needed for BSF.

3.4 The Environment Agency levy has been set at £60,078 which is £1,000 more than the amount provided for in the budget report to Cabinet on 11 February 2010. This sum has been transferred from contingency and therefore there is no impact on the net revenue budget or council tax.

*Council Tax*

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

| **Table 7: Council Tax** | | | |
|---|---|---|---|
| | 2010/11 Band D Council Tax | Increase on 2009/10 | Percentage increase |
| Brighton & Hove City Council | £1,262.20 | +£30.78 | +2.50% |
| Sussex Police Authority | £138.42 | +£3.69 | +2.74% |
| East Sussex fire Authority | £81.86 | +£1.78 | +2.22% |
| Total for Brighton & Hove residents | £1,482.48 | +£36.25 | +2.51% |

3.6 The Rottingdean Parish precept has remained at £27,000 for 2010/11. Residents of Rottingdean Parish will pay an additional council tax of £17.91 at Band D for Parish Council services.

*Budget and Council Tax Appendices*

3.7 Details of the additional council taxes paid by residents of Enclosure Committees for the maintenance of gardens in Hanover Crescent, Marine Square and Royal Crescent are given in appendix 13.

3.8 The following revised and new budget and council tax appendices are attached to this report:

- Revised appendix 1 showing movements in block allocations 2009/10 to 2010/11.

- Appendix 10 corrections and clarifications paper.
- Appendix 11 shows the council tax for each band and for households entitled to a single person discount.
- Appendix 12 summarises the statutory calculations required under the 1992 Local Government Act.
- Appendix 13 shows the proposed full resolution for Budget Council.

## 4. CONSULTATION

4.1 Minutes of the meeting with Business ratepayers held on 2 February 2010 are attached at appendix 14.

## SUPPORTING DOCUMENTATION

**Appendices:**

1. Revised Movements in Block Allocations 2009/10 to 2010/11.

10. Corrections and clarifications paper circulated at Cabinet on 11 February 2010.

11. Council tax for each band for 2 or more adult households and households in receipt of 25% discount plus some council tax statistics.

12. Statutory calculations of the budget requirement and council tax required under the 1992 Local Government Act.

13. Proposed formal resolution of Budget Council on 25 February 2010.

14. Minutes of the Business Ratepayers consultation meeting held on 2 February 2010.

**Documents In Members' Rooms**

1. None.

**Background Documents**

1. No further background documents.

| *Movements in block allocations 2009/10 to 2010/11* | | | | | | | | | | **APPENDIX 1** |
|---|---|---|---|---|---|---|---|---|---|---|
| | ***2009/10 Revised Base*** | ***Changes in function / funding*** | ***Internal Transfers*** | ***2009/10 Adjusted Base*** | ***Inflation*** | ***Service Pressures / Improvements*** | ***Savings*** | ***2010/11 Original Budget*** | ***Change over adjusted base*** | ***Change over adjusted base*** |
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | % |
| CYPT - Non Schools | 45,459 | -22 | -208 | 45,229 | 686 | 4,564 | -3,002 | 47,477 | 2,248 | 5.0 |
| Adult Social Care & Housing | 40,801 | 0 | -179 | 40,622 | 589 | 2,639 | -2,968 | 40,882 | 260 | 0.6 |
| Section 75 Partnership | 35,334 | 0 | -126 | 35,208 | 569 | 2,031 | -2,280 | 35,528 | 320 | 0.9 |
| Environment | 36,425 | 0 | -213 | 36,212 | 439 | 1,732 | -1,635 | 36,748 | 536 | 1.5 |
| Finance & Resources | 18,495 | 0 | 148 | 18,643 | 172 | 1,274 | -1,401 | 18,688 | 45 | 0.2 |
| Strategy & Governance | 11,795 | 0 | -63 | 11,732 | 127 | 270 | -412 | 11,717 | -15 | -0.1 |
| Culture & Enterprise | 11,208 | 0 | -87 | 11,121 | 112 | 873 | -620 | 11,486 | 365 | 3.3 |
| **Total Directorate Spending** | **199,517** | **-22** | **-728** | **198,767** | **2,694** | **13,383** | **-12,318** | **202,526** | **3,759** | **1.9** |
| Corporate Budgets | 8,582 | 0 | -224 | 8,358 | 140 | 317 | 0 | 8,815 | 457 | |
| Financing Costs | 9,519 | 0 | 800 | 10,319 | 0 | 127 | 0 | 10,446 | 127 | |
| Contingency | 4,317 | 0 | 152 | 4,469 | 86 | 119 | 0 | 4,674 | 205 | |
| Levies to External Bodies | 195 | 0 | 0 | 195 | 4 | 2 | | 201 | 6 | |
| **NET REVENUE EXPENDITURE** | **222,130** | **-22** | **0** | **222,108** | **2,924** | **13,948** | **-12,318** | **226,662** | **4,554** | **2.1** |
| Contributions to/ from(-) reserves | -3,104 | 0 | 0 | -3,104 | | 7,232 | | 4,128 | 7,232 | |
| **BUDGET REQUIREMENT** | **219,026** | **-22** | **0** | **219,004** | **2,924** | **21,180** | **-12,318** | **230,790** | **11,786** | **5.4** |
| **Funded by** | | | | | | | | | | |
| Formula Grant | 107,593 | -22 | | 107,571 | | | | 109,185 | 1,614 | |
| Collection Fund surplus/(deficit) | -2,515 | | | -2,515 | | | | 2,286 | 4,801 | |
| Council Tax | 113,948 | | | 113,948 | | | | 119,319 | 5,371 | |
| **Total** | **219,026** | **-22** | | **219,004** | | | | **230,790** | **11,786** | |

**APPENDIX 10**

# AGENDA ITEM 175
# General Fund Revenue Budget & Council Tax 2010/11 report to Cabinet 11th February 2010

## Corrections and clarifications

### Introduction

An error has been identified in the treatment of the 2009/10 overspend which results in a higher level of general reserves This is explained in more detail below.

Clarification has been requested of certain items in the Environment Budget Strategy. This is set out below.

### Cabinet Addendum page No. 49 Paragraph 3.26 Latest position in 2009/10

The Targeted Budget Management (TBM) position shown in paragraph 3.26 has been incorrectly shown as an overspend of £0.6m. This overspend includes £0.5m relating Section 75 services managed by the NHS Trust where the financial risk for these services generally lies with the relevant provider Trust and it is not expected that this overspend will cause additional financial pressure for the council. Therefore the TBM position to be managed by the council is £0.1m overspend.

The total £0.6m overspend has been covered by council general reserves; this change releases £0.5m general reserves for allocation and budget amendments to allocate these resources can be submitted to Budget Council.

This amendment changes table 2 on Cabinet Addendum page 49 and the final line 'Balance available for spending in 2010/11' should read £2.0m.

### Environment Budget Strategy

### Cabinet Addendum page No. 110 under the heading 'Strategic Context and Direction of Travel'

There is an editing error that should be corrected as follows:

Savings in excess of this have been achieved which has allowed ~~£300,000~~ £250,000 of service reinvestment to take place.

**Cabinet Addendum page No. 111 under the headings 'Sustainable Transport' and 'Public Safety'**

Further clarification as follows:

The Public Transport savings of £97,000 have been sourced from the Supported Bus Routes Contracts, specifically the contract for an extended frequency Service 27. As this saving relies upon cancellation of the service through a formal notice to the Traffic Commissioner within a specific timescale, it has not been possible to commence this saving from 1 April 2010 and so will not take effect until September 2010.

The contingency originally set for redundancies in the Public Safety division has been reviewed in the light of the provision of the additional £150,000 recurrent funding shown in this Budget Report. This means that one-off resources can be released to offset the part year effect of the Public Transport savings.

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

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Council Tax (including Police and Fire Precepts):** | | | | | | | | | |
| 2010/11 | 823.60 | 988.32 | 1,153.04 | 1,317.76 | 1,482.48 | 1,811.92 | 2,141.36 | 2,470.80 | 2,964.96 |
| 2009/10 | 803.46 | 964.16 | 1,124.84 | 1,285.54 | 1,446.23 | 1,767.62 | 2,089.00 | 2,410.39 | 2,892.46 |
| **2 or more Adults household:** | | | | | | | | | |
| Increase £ | 20.14 | 24.16 | 28.20 | 32.22 | 36.25 | 44.30 | 52.36 | 60.41 | 72.50 |
| Increase % | 2.51% | 2.51% | 2.51% | 2.51% | 2.51% | 2.51% | 2.51% | 2.51% | 2.51% |
| Increase per week | £0.39 | £0.46 | £0.54 | £0.62 | £0.70 | £0.85 | £1.01 | £1.16 | £1.39 |
| Increase per month | £1.68 | £2.01 | £2.35 | £2.69 | £3.02 | £3.69 | £4.36 | £5.03 | £6.04 |
| **Households in receipt of 25% discount:** | | | | | | | | | |
| Increase £ | 15.11 | 18.12 | 21.15 | 24.17 | 27.19 | 33.23 | 39.27 | 45.31 | 54.38 |
| Increase % | 2.51% | 2.51% | 2.51% | 2.51% | 2.51% | 2.51% | 2.51% | 2.51% | 2.51% |
| Increase per week | £0.29 | £0.35 | £0.41 | £0.46 | £0.52 | £0.64 | £0.76 | £0.87 | £1.05 |
| Increase per month | £1.26 | £1.51 | £1.76 | £2.01 | £2.27 | £2.77 | £3.27 | £3.78 | £4.53 |

| **Other Council Tax Statistics:** | | | | | | | | | | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|
| Chargeable Dwellings | - No. | 8 | 24,446 | 26,740 | 30,947 | 18,088 | 10,568 | 4,286 | 2,510 | 135 | 117,728 |
| | - % | 0% | 21% | 23% | 26% | 15% | 9% | 4% | 2% | 0% | |
| Discounts - 25% | - No. | 4 | 14,297 | 12,101 | 10,335 | 5,119 | 2,594 | 859 | 406 | 13 | 45,728 |
| | - % | 50% | 58% | 45% | 33% | 28% | 25% | 20% | 16% | 10% | |

| **Council Tax Benefit:** | | | | | | | | | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| No. of properties receiving < 100% benefit (at 04-01-10) | 3,319 | 3,440 | 3,180 | 1,129 | 356 | 83 | 27 | 0 | 11,534 |
| % of chargeable dwellings receiving < 100% benefit | 13.6% | 12.9% | 10.3% | 6.2% | 3.4% | 1.9% | 1.1% | 0.0% | 9.8% |
| No. of properties receiving 100% benefit (at 04-01-10) | 6,974 | 5,279 | 3,642 | 1,122 | 315 | 67 | 19 | 0 | 17,418 |
| % of chargeable dwellings receiving 100% benefit | 28.5% | 19.7% | 11.8% | 6.2% | 3.0% | 1.6% | 0.8% | 0.0% | 14.8% |
| Total % of chargeable dwellings receiving benefit | 42.1% | 32.6% | 22.0% | 12.4% | 6.3% | 3.5% | 1.8% | 0.0% | |

## CALCULATION OF BRIGHTON AND HOVE'S BUDGET REQUIREMENT AND COUNCIL TAX

## CALCULATIONS REQUIRED UNDER THE LOCAL GOVERNMENT FINANCE ACT 1992

| | | | |
|---|---|---|---|
| **S32** | **Expenditure** | £ | £ |
| | Gross Revenue expenditure on Brighton and Hove services | 708,386,967 | |
| | Contribution to reserves | 4,128,000 | |
| | Contingency | 4,674,000 | |
| | Levies and "County-wide" services | 173,849 | |
| | Special levies | 27,184 | |
| | Parish precept | 27,000 | |
| | | | 717,417,000 |
| | **Income** | | |
| | Fees, charges and specific Government Grants | | 486,600,000 |
| | **Net Budget Requirement (R)** | | 230,817,000 |

| | | | |
|---|---|---|---|
| **S33** | R = Budget requirement | | 230,817,000 |
| | P = | | |
| | Revenue Support Grant | 13,844,290 | |
| | NNDR income | 95,340,250 | |
| | Previous year surplus/deficit | 2,286,357 | |
| | Total of P | | 111,470,897 |
| | R - P (Total Council Tax required) | | 119,346,103 |
| | T = Taxbase | | 94,511.05 |
| | (R-P)/T =Basic Council Tax | | 1,262.77 |

| | | |
|---|---|---|
| **S34** | **(i) S34 (2)** | |
| | B = Section 33 Calculation | 1,262.77 |
| | A = Total of Special Items (as defined in S35) | 54,184 |
| | T = Taxbase | 94,511.05 |
| | B - (A / T) = Council Tax for areas with no special items | 1,262.20 |
| | (ii) S34 (3) | |
| | C = Section 34 (2) calculation | 1,262.20 |
| | S = | |
| | Rottingdean Parish special item | 27,000 |
| | Hanover Crescent Enclosure Committee special item | 6,378 |
| | Marine Square Enclosure Committee special item | 15,251 |
| | Royal Crescent Enclosure Committee special item | 5,555 |
| | TP = | |
| | Rottingdean Parish taxbase | 1,507.30 |
| | Hanover Crescent Enclosure Committee taxbase | 39.98 |
| | Marine Square Enclosure Committee taxbase | 79.26 |
| | Royal Crescent Enclosure Committee taxbase | 30.63 |
| | C + (S / TP) = Council Tax for areas with special items:- | |
| | Rottingdean Parish | 1,280.11 |
| | Hanover Crescent Enclosure Committee | 1,421.73 |
| | Marine Square Enclosure Committee | 1,454.62 |
| | Royal Crescent Enclosure Committee | 1,443.56 |

**GENERAL FUND REVENUE BUDGET 2010/11**

**RESOLUTION OF BUDGET COUNCIL ON 25 FEBRUARY 2010**

1 That it be noted that at its meeting on 14 January 2010 the Council calculated the following amounts for the year 2010/2011 in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under Section 33(5) of the Local Government Finance Act 1992.

a 94,511.05 being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as its council tax base for the year,

b Parts of the Council's Area

Rottingdean Parish – 1,507.30

Hanover Crescent Enclosure – 39.98

Marine Square Enclosure – 79.26

Royal Crescent Enclosure – 30.63

being the amounts calculated by the Council, in accordance with regulation 6 of the Regulations, as the amounts of its council tax base for the year for dwellings in those parts of its area to which one or more special items relate.

2 That the following amounts be now calculated by the Council for the year 2010/2011 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992 ("the Act"):-

£712,514,967 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act net of contingency, levies and “County-wide” services and special items

Contingency – £4,674,000

Levies and “County-wide” services:-

| | |
|---|---|
| £60,078 | Environment Agency (Flood Defence) |
| £113,771 | Sussex Sea Fisheries |

Special expenses:-

| | |
|---|---|
| £27,000 | Rottingdean Parish |
| £6,378 | Hanover Crescent Enclosure Committee |
| £15,251 | Marine Square Enclosure Committee |
| £5,555 | Royal Crescent Enclosure Committee |
| £54,184 | Total of special items |

a £717,417,000 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2) (a) to (e) of the Act including contingency and special items.

b £486,600,000 Income from Fees, Charges and specific Government grants being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3) (a) to (c) of the Act.

c £230,817,000 being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council in accordance with Section 32(4) of the Act as its budget requirement for the year.

d £111,470,897 being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates and revenue support grant and increased by the amount of the sums which the Council estimates will be transferred in the year from its collection fund to its general fund in accordance with section 97(3) of the Local Government Finance Act 1988 (Council Tax surplus) and increased by the amount of any sum which the Council estimates will be transferred from its collection fund to its general fund fund pursuant to directions under section 98(4) of the Local Government Finance Act 1988 (Community Charge Surplus).

e £1,262.77 being the amount at 2(c) above less the amount at 2(d) above, all divided by the amount at 1(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year

f £54,184 being the aggregate amount of all special items referred to in Section 34(1) of the Act

g £1,262.20 being the amount at 2(e) above less the result given by dividing the amount at 2(f) above by the amount at 1(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special items relates

h Parts of the Council's area

Rottingdean Parish - £1,280.11

Hanover Crescent - £1,421.73

Marine Square - £1,454.62

Royal Crescent - £1,443.56

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

i

| **Valuation Band:**<br>**Parts of the Council's area** | **A***<br>**£** | **A**<br>**£** | **B**<br>**£** | **C**<br>**£** | **D**<br>**£** | **E**<br>**£** | **F**<br>**£** | **G**<br>**£** | **H**<br>**£** |
|---|---|---|---|---|---|---|---|---|---|
| Rottingdean Parish | 711.17 | 853.41 | 995.64 | 1,137.88 | 1,280.11 | 1,564.58 | 1,849.05 | 2,133.52 | 2,560.22 |
| Hanover Crescent | 789.85 | 947.82 | 1,105.79 | 1,263.76 | 1,421.73 | 1,737.67 | 2,053.61 | 2,369.55 | 2,843.46 |
| Marine Square | 808.12 | 969.75 | 1,131.37 | 1,293.00 | 1,454.62 | 1,777.87 | 2,101.12 | 2,424.37 | 2,909.24 |
| Royal Crescent | 801.98 | 962.37 | 1,122.77 | 1,283.16 | 1,443.56 | 1,764.35 | 2,085.14 | 2,405.93 | 2,887.12 |
| All other parts of the the councils area | 701.22 | 841.47 | 981.71 | 1,121.96 | 1,262.20 | 1,542.69 | 1,823.18 | 2,103.67 | 2,524.40 |

* Entitled to disabled relief

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

3 That it be noted that for the year 2010/2011 the Sussex Police Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

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

* Entitled to disabled relief

4 That it be noted that for the year 2010/2011 the East Sussex Fire Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

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

* Entitled to disabled relief

5 That having calculated the aggregate in each case of the amounts at 2(i), 3 and 4 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts of council tax for the year 2010/2011 for each of the categories of dwellings shown below:-

| Valuation Band: | A* | A | B | C | D | E | F | G | H |
|---|---|---|---|---|---|---|---|---|---|
| Parts of the Council's area | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Rottingdean Parish | 833.55 | 1,000.26 | 1,166.97 | 1,333.68 | 1,500.39 | 1,833.81 | 2,167.23 | 2,500.65 | 3,000.78 |
| Hanover Crescent | 912.23 | 1,094.67 | 1,277.12 | 1,459.56 | 1,642.01 | 2,006.90 | 2,371.79 | 2,736.68 | 3,284.02 |
| Marine Square | 930.50 | 1,116.60 | 1,302.70 | 1,488.80 | 1,674.90 | 2,047.10 | 2,419.30 | 2,791.50 | 3,349.80 |
| Royal Crescent | 924.36 | 1,109.22 | 1,294.10 | 1,478.96 | 1,663.84 | 2,033.58 | 2,403.32 | 2,773.06 | 3,327.68 |
| All other parts of the the councils area | 823.60 | 988.32 | 1,153.04 | 1,317.76 | 1,482.48 | 1,811.92 | 2,141.36 | 2,470.80 | 2,964.96 |

* Entitled to disabled relief

**APPENDIX 14**

Brighton & Hove

# BRIGHTON & HOVE CITY COUNCIL

# NATIONAL NON-DOMESTIC RATEPAYERS CONSULTATION MEETING

## 2 FEBRUARY 2010 – 5:30pm
## Room 126 Kings House,
## Grand Avenue, Hove

## MINUTES

**Present:**

Brighton & Hove City Council:
Councillor Mary Mears, Leader of the Council
Councillor Jan Young, Cabinet Member for Finance

Representatives of Non-Domestic Ratepayers:
Mark Jones (Brighton & Hove Hotels Association)
Trevor Freeman (Federation of Small Businesses)
Andrew Nichols (Hove Business Association)
Gavin Stewart (Hove Town centre Manager)

Brighton & Hove City Council Officers:
Catherine Vaughan, (Director of Finance & Resources)
Paul Ross Dale (Council Tax and NNDR Billing Team)
Mark Wall (Head of Democratic Services)

Apologies:
Liz Cadman (Sussex Enterprise)
Tony Mernagh (Brighton City Centre Business Forum)
Eleanor Mooney (Brighton & Hove Economic Partnership)
Charles Pemberton (Seven Dials Traders)
Jackie Lythell (Arts Commission)
Sarah Springford (Brighton & Hove Chamber of Commerce)

## 1 WELCOME

1.1 Councillor Mears welcomed everyone to the meeting.

## 2 INTRODUCTIONS

2.1 All those present introduced themselves, including the representatives of the Non Domestic ratepayers.

## 3 REVENUE BUDGET/CAPITAL INVESTMENT PROGRAMME 2009/10

3.1 The Director of Finance & Resources explained that as part of the Council's Budget setting process it was required by law to consult with the Non-Domestic Ratepayers on the Budget proposals for 2010/11. The Budget papers were due to be published for the Cabinet meeting on the 11th February and Full Council on the 25th February. She outlined the key elements of the proposals and explained that any concerns and queries discussed at meeting today would be recorded and circulated with the papers for the Council meeting.

3.2 The Director of Finance & Resources stated that the council was working on the premise of a 2.5% council tax increase and was having to look at addressing pressures in Children's Services and those caused by the economic downturn e.g. a lower income from rents and charges. However, the council was also seeking to prioritise investment in new areas and the Administration had identified the seafront and transport as areas needing resources. The council was anticipating a difficult financial settlement in terms of Public Sector Funding and work was underway in preparation for that outcome as well as to encourage capital investment in the city.

3.3 In addition to the main points highlighted, the Leader of the Council also reassured those present that one of the Administration's priorities was to work towards cushioning the city's economy in face of the current economic situation. The seafront was an important element to the city being regarded as a visitor destination, and as such was the city's 'shop front'. The 7 miles of railings had been identified as needing repair and action was required to improve Hove lagoon. The Administration was looking at the provision of a new gum removal service across the city, which required investment in new machinery. She also noted that the council was intending to utilise a traffic modelling system so that the impact of future developments could be accounted for across the city and developers would be able to use it when considering plans for submission.

## 4. CAPITAL INVESTMENT PROGRAMME 2010/11

4.1 The Director of Finance & Resources noted that details of the capital investment programme had been circulated to the representatives prior to the meeting.

## 5 QUESTIONS AND ANSWERS

5.1 The Non-Domestic Ratepayers representatives noted the information and welcomed the proposed traffic modelling system. One representative asked what had happened to the previous model brought in a few years ago. The representatives also welcomed the intention to provide a new gum removal service, which would have a direct benefit in terms of how people felt about the city's environment.

5.2 The representatives also welcomed the proposals for park & ride schemes and noted that the traffic modelling process would be helpful when looking at satellite sites in the East and West of the city. It was suggested that sponsorship might be a way of enabling further improvements such as the various shelters along the seafront.

5.3 The Director of Finance & Resources stated that the broader question of sponsorship was being looked at by the council, including factors such as conservation issues and the overall impact on the street scene

5.4 Councillor Mears stated that the replacement programme for the seafront railings was very expensive, however it was hoped that this could be completed. There were serious problems with regard to the maintenance of Hove Lagoon which also needed to be addressed. However, she noted the concern raised in terms of ensuring the works covered all of the seafront and not just parts and would ask officers to review the programme and ensure the seafront businesses and traders were kept informed of progress.

5.5 Mr. Freeman queried why there was a £15 charge for a copy of the council's accounts. The Director of Finance & Resources stated that the charge was made to cover the cost of printing and the accounts were available free on-line; however she was happy to ensure that Mr. Freeman received a free copy.

5.6 The representatives queried whether there were any specific proposals for increasing parking charges and the means to encourage people to make use of public transport. Concern was expressed with regard to the entry to the city via the A23 which often gave an impression of being a car park.

5.7 Councillor Mears stated that the charges were expected to increase in line with inflation generally, but there would be differences in areas with levels remaining frozen, or increasing. She accepted there was a problem in terms of gaining access into the city which needed to be addressed, as staying visitors needed to be able to drive into the city. She hoped that the traffic modelling system would help to look at how improvements could be made.

5.8 The representatives queried whether anything had been identified in terms of the LABGI funding.

5.9 The Director of Finance & Resources confirmed that as yet nothing had been set against this funding and confirmation of the level of funding was awaited.

5.10 The representatives noted that the support given to the promotion of the city as a place to visit had proved beneficial and directly helped some businesses remain afloat during the downturn. It was hoped that this support could be repeated for the forthcoming year.

5.11 Councillor Mears welcomed the information and stated that it was hoped to repeat the exercise.

5.12 The representatives referred to the economic situation and queried whether it was anticipated that there would be an impact on collection rates for the Business Rates. It was noted that the recent severe weather had led to the larger hotels dropping their prices which could not be matched by the smaller ones and therefore any help with arrangements for payments would be welcomed.

5.13 The Council Tax and NNDR Billing Manager stated that collection figures were currently up on the last two-month period with less reminders and summonses being issued last year. However, he stated that it would be helpful to get direct feedback when the new bills were issued and for businesses to be encouraged to contact the team if they were facing difficulties as there were ways of helping to meet their obligations.

5.14 The representatives welcomed the information and asked if some information on the assistance available could be provided for them to circulate to their members/associates.

5.15 The representatives noted that the Business Rates Supplement Act had come into force and queried whether this would affect Brighton and Hove.

5.16 The Council Tax & NNDR Billing Manager stated that he was unsure as to whether it could be implemented in Brighton and Hove but would be happy to respond further after the meeting.

5.17 It was noted that the council were looking at the matter and it was suggested that it was a matter that could be further discussed at the Business Forum.

5.18 The representatives queried whether it was intended to change the procurement arrangements of the council having regard to the recent article of the Chief Executive.

5.19 The Director of Finance & Resources stated that some re-organisational changes were likely and a more centralised procurement process was being investigated at this stage.

5.20 Councillor Mears stated that the council was looking at the ways in which it could work with other authorities in terms of procurement and the running of contracts. There was a need to adhere to European Law requirements but she was mindful of the need to ensure local delivery was taken into consideration when drawing up contract specifications etc.

5.21 The representatives referred to the Capital Investment information and queried whether it would be an ongoing list. It was also suggested that any

improvements to the planning process would be helpful in terms of speeding up the delivery of prospective developments, as this had a direct impact on small businesses.

5.22 The Director of Finance & Resources stated that it was a snap-shot of the planned list but not a complete list. The aim had been to provide an indication of the projects that were being taken forward.

5.23 Councillor Mears stated that some projects were well underway and ongoing, whilst due to the economic climate others may now take longer to deliver, however the council was working with those involved in these projects to find ways of enabling them to be brought into fruition. She stated that officers were reviewing the planning process and seeking to find ways to enable potential developers to get a clear understanding of what was acceptable and what would be welcomed.

5.24 The Director of Finance & Resources thanked everyone for attending and closed the meeting.

The meeting concluded at 6.40 p.m.

| COUNCIL | Agenda Item 55(c) |
|---|---|
| **25 February 2010** | Brighton & Hove City Council |

| | | | |
|---|---|---|---|
| **Subject:** | | **Capital Resources and Capital Investment Programme 2010/11** | |
| **Date of Meeting:** | | **25 February 2010**<br>11 February 2010 - Cabinet | |
| **Report of:** | | **Director of Finance & Resources** | |
| **Contact Officer:** | **Name:** | **Mark Ireland** | **Tel: 29-1240** |
| | | **James Hengeveld** | **Tel: 29-1242** |
| | **E-mail:** | **mark.ireland@brighton-hove.gov.uk**<br>**james.hengeveld@brighton-hove.gov.uk** | |
| **Key Decision:** | **Yes** | **Forward Plan No: CAB13928** | |
| **Wards Affected:** | **All** | | |

**FOR GENERAL RELEASE**

## 1. SUMMARY AND POLICY CONTEXT

1.1 The purpose of the report is to inform Cabinet of the level of available capital resources in 2010/11 to enable Cabinet to propose a Capital Investment Programme for 2010/11 to Budget Council. The capital programme is set in the context of the Medium Term Financial Strategy approved by this Cabinet. The proposed programme results in £102m investment in council services next year.

1.2 In December 2009, the government confirmed the allocations within the Local Government Capital Finance Settlement for 2010/11. This sets out the level of borrowing the government is prepared to support through revenue grant for the financial year and the level of government capital grants. Cabinet are reminded that all decisions about the 2010/11 budget should be taken in the light of a high level of uncertainty regarding resource levels for 2011/12 and beyond largely due to the general election due later this year.

1.3 This report includes the use of revenue contributions and general reserves to support capital investment and should be read in conjunction with the General Fund Revenue Budget and Council Tax and the Housing Revenue Account Budget 2010/11 reports.

## 2. RECOMMENDATIONS:

2.1 That Cabinet recommends Council to:

(a) Agree the Capital Investment Programme for 2010/11 and note the estimated resources in future years as detailed in appendix 1.
(b) Allocate £0.6m resources in 2010/11 for the Strategic Investment Fund and agree the allocation of Strategic Investment Fund resources as set out in paragraph 3.23.
(c) Allocate £0.435m for the ICT fund.
(d) Allocate £1.0m for the Asset Management Fund.

(e) Agree the potential use of unsupported borrowing as set out in table 6.

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

### Context

3.1 The capital programme is funded through a combination of government grants, supported and unsupported borrowing, capital receipts and reserves, external contributions and revenue contributions. During 2008/09 and 2009/10 the level of capital receipts that the council received fell dramatically as a result of the economic downturn and a decline in the property market. The level of sales of council homes through 'right to buy' has been severely affected by the fall in house prices and a reduction in the availability of mortgages. During 2009/10 the gross receipts are estimated be £0.7m compared with levels of around £7.0m prior to 2008/09 for 'right to buy' sales alone. The trend of lower capital receipts is expected to continue in the medium term and will limit the resources that are available for capital investment. Despite these issues the council has been successful in attracting new grants and working with partners to generate other resources to enable a programme of over £100m to be proposed.

3.2 The agreed policy of the council is to set a fully funded Capital Investment Programme for 2010/11. The expectation of lower capital receipts for the foreseeable future has been factored into the capital programme forecasts for 2011/12 and 2012/13 through a combination of reallocation of resources and a review of the capital strategy.

### Capital Resources

3.3 A fully financed Capital Investment Programme is proposed for 2010/11 assuming that existing approved capital projects spend in-line with their budget. Table 1 below shows how the programme will be financed in 2010/11. The position for 2011/12 and 2012/13 is less clear because this falls into the next government spending round, however, it is expected there will be significantly reduced allocations for government grants and supported borrowing allocations and estimates of these reductions have been included in appendix 1 of this report for information only.

| **Table 1: Capital Resources** | **2010/11 £'000** |
|---|---|
| Supported Borrowing | 7,375 |
| Capital Grants | 59,133 |
| **Total Government Support** | **66,508** |
| Capital Receipts | 1,568 |
| Capital Reserves | 2,575 |
| External Contributions | 954 |
| Direct Revenue Funding – Major Repairs Allowance | 9,352 |
| Direct Revenue Funding – Housing Revenue Account | 3,543 |
| Direct Revenue Funding – Service Departments | 1,970 |
| Unsupported Borrowing | 15,154 |
| **Total Capital Resources** | **101,624** |

*Supported Borrowing*

3.4 In December 2009 government departments announced details of their assessment of local authorities' relative need to incur capital expenditure. A total of £7.375m Supported Borrowing was allocated across the service areas of Education, Transport, Housing and Personal Social Services for 2010/11. A summary of these allocations and the split across directorates is shown in table 2 below:

| **Table 2: Brighton & Hove City Council Allocations for 2010/11** | **Government Allocation £'000** | **Proposed Service Allocation £'000** |
|---|---|---|
| HRA Regional Housing Board | 1,230 | 1,230 |
| Transport & Road Maintenance (LTP) | 4,848 | 1,368 |
| Education | 1,253 | 1,253 |
| Children's Social Services | 44 | 44 |
| Corporate Investment Funds | | 3,480 |
| **Total Capital Resources** | **7,375** | **7,375** |

3.5 The supported borrowing should result in additional formula grant for the council to help fund the additional financing costs. However, the council is at the grant floor and therefore receives no additional revenue support for this borrowing. Revenue costs to fund the Capital Investment Programme are included within the General Fund and Housing Revenue Account Budgets.

***Capital Grants***

3.6 In addition to supported borrowing, the government distributes capital grants towards the financing of certain capital expenditure. In 2010/11, the council anticipates that it will receive new capital grants of £54m and a summary of these grants is shown in the table 3 below.

3.7 It is possible that other capital grants may be received during the year and these will be reported through Targeted Budget Management Monitoring to Cabinet. Housing grants for 2009/10 were decided by the Regional Housing Board in March of last year and a similar arrangement is expected for this year.

3.8 The council has so far received an increase of £28m in capital grants for 2010/11. The increases capital grants are in five main areas:

- Funding for the Falmer Academy where it is estimated that £16.1m will be drawn down during 2010/11.
- An increase of £2.4m is included for the Primary Capital Programme involving investment in new and refurbished primary schools.
- An increase of £4.0m for investment in education for 14-19 years and special needs.
- A new allocation of £5.7m Basic Need Safety Valve in 2010/11 towards education for new pupil places and in particular the proposed expansion of three primary schools.

- An allocation for Co-location grant of £5.1m is awarded toward the Whitehawk Co-location project.

| **Table 3: Grants announced for 2010/11** | **£'000** |
|---|---|
| Falmer Academy | 16,070 |
| Schools Devolved Capital | 2,885 |
| Primary Capital Programme | 5,453 |
| New pupil places at primary schools | 5,700 |
| Targeted Capital Fund | 6,000 |
| Education Modernisation Grant | 2,088 |
| Surestart Early Years | 1,062 |
| Children's Centres | 540 |
| Extended Schools | 183 |
| Education Technology Grant | 662 |
| Education capital grant for kitchens | 140 |
| Youth Capital Fund | 122 |
| Whitehawk Co-location project | 5,060 |
| BEST Private Housing Renewable Programme | 3,469 |
| Disabled Facilities Grant | 660 |
| Transport and Maintenance | 1,739 |
| Falmer Infrastructure Grant | 1,040 |
| Waste Infrastructure | 164 |
| Playbuilder - playareas | 598 |
| Adult Social Care | 364 |
| **Total** | **53,999** |

***Capital Receipts***

3.9 Funding of the Capital Programme is dependent on the achievement of certain capital receipts over the 3-year period. The ability of the council to sustain current levels of capital investment funds beyond 2010/11 will depend on the generation of new capital receipts.

3.10 As agreed at Budget Council last year the net receipts from 'right to buy' sales will be split between funding for corporate strategic projects delivering regeneration and affordable housing opportunities and investment in housing. The first £0.5m of this income is to be used to finance support for major projects with the remainder set aside for investment in housing.

***Capital Reserves***

3.11 The council has not identified any additional capital reserves, the level of reserves relates purely to unspent resources from previous years. The council monitors these resources over a rolling three-year period, by continually updating projections and comparing these against the level of commitments within the approved Capital Investment Programme. The allocation of these resources is through the Corporate Capital Funds. Further details of these allocations are contained within the body of the report.

### *External Contributions*

3.12 The council will receive new external contributions totalling £0.545m in 2010/11. This relates to a scheme specific European Union grant to deliver transport projects (City Vitality Sustainability) which is up to £2.2m of investment over a four-year period. A sum of £0.933m is available for spending in 2010/11 including £0.388m reprofiled from 2009/10. The balance of £0.021m relates to S.106 contributions for minor road improvements.

### *Direct Revenue Funding*

3.13 Proposals in the budget reports elsewhere on the agenda show the council will finance capital expenditure in 2010/11 from the General Fund and Housing Revenue Account of £14.865m. A summary of the allocations by service is shown in table 4 below.

| **Table 4: Direct Revenue Funding** | **£'000** |
|---|---|
| Finance & Resources – planned maintenance | 1,050 |
| Children and Young Peoples Trust – structural maintenance for schools | 920 |
| **Total General Fund Services** | **1,970** |
| Housing Revenue Account | 3,543 |
| Major Repairs Allowance | 9,352 |
| **Grand Total** | **14,865** |

### *Unsupported Borrowing under the Prudential Code*

3.14 Unsupported borrowing under the Prudential Code is undertaken where revenue savings or reductions in budgeted spend can be demonstrated. Details of borrowing for 2010/11 are included in paragraphs 3.27 to 3.38.

### Capital Investment Programme

3.15 A proposed Capital Investment Programme for 2010/11 together with the impact in future years, by project, is shown at appendix 1 to this report. Capital reprofiling arising from the 2009/10 capital programme will be incorporated into the 2010/11 programme when the capital accounts are closed in May 2010 and will be funded from existing resources carried forward.

3.16 New International Financial Reporting Standards recently introduced for local authorities require certain existing capital expenditure to be classified as revenue expenditure. This will have no material effect on the level of resources available and is a matter of accounting treatment only. Therefore, certain items included in the capital programme may be switched to the revenue budget when the new reporting standards are applied.

3.17 Appendix 1 reflects the capital spend forecasts based on Targeted Budget Management month 9 for 2009/10.The financial implications of individual projects are included in the detailed reports that are submitted by service directorates for

each project to allow the Executive to give their full consideration to the capital and revenue costs prior to their approval.

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

3.19 The 2010/11 capital programme includes additional investment in the following areas:

- £44m will be spent on vital investment in schools including £16m on Falmer Academy where up to £28.5m will be spent in total between 2009/10 to 2012/13.
- Over £25m in housing stock.
- £8m in transport schemes.
- £3.5m to improve housing conditions for vulnerable people in private housing. This is a result of a successful bid by the Brighton & Hove and East Sussex Together partnership to the Regional Housing board. The focus will be on raising private sector housing conditions to decent home standards, improving energy efficiency to combat fuel poverty and reducing carbon emissions.

3.20 The council has committed to achieve the Decent Homes Standard by the end of 2013. The current level of decency for the city is 59.7% at the end of October 2009 representing an increase of 15.6% since April 2007. The three year programme aims to achieve a target increase to over 75% decency by March 2011 and over 90% by March 2013.

3.21 The council has also developed ways of providing capital investment in the city without having to use all of its own capital resources. It has achieved this by working in partnership with the private sector and public bodies (i.e. Lottery, Sports Council etc) whereby the capital investment is undertaken and accounted for by the private sector. A list of major projects is shown in appendix 2.

**Corporate Funds**

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

| **Table 5: Corporate Funds** | **2010/11 £'000** | **2011/12 £'000** | **2012/13 £'000** |
|---|---|---|---|
| Strategic Investment Fund (SIF) | 600 | 600 | 600 |
| Asset Management Fund (AMF) | 1,000 | 1,000 | 1,000 |
| ICT Fund | 435 | 500 | 500 |

***Strategic Investment Fund***

3.23 It is proposed to allocate £0.6m to the Strategic Investment Fund in 2010/11. The council has ongoing commitments to major projects that require financial support to enable their progression. The financial support takes the form of legal fees and specialist advisors for finance, design, architectural, transport, engineering and other external specialists. It is proposed that £0.26m be allocated to support major projects for 2010/11. It is also proposed to allocate £0.25m to the Brighton Centre

redevelopment reserve in addition to the planned contribution of £0.5m from capital reserves. Funding has been set aside to meet the purchase of a street cleaning vehicle specifically for the removal of chewing gum. This is estimated to cost £0.090m.

***ICT Fund***

3.24 It is proposed to allocate £0.435m resources to the Information and Communication Technology (ICT) Fund to finance the cost of improvements in ICT. The ICT Fund would have been £0.5m but a sum of £0.065m was reprofiled into earlier years to enable the purchase of an Enterprise Licence Agreement - the early purchase of this licence allowed for a significant discount.

3.25 The allocation of the ICT fund is currently being finalised and will be subject to a further report to Cabinet.

***Asset Management Fund***

3.26 It is proposed to allocate £1.0m resources per annum to the Asset Management Fund (AMF). The AMF includes expenditure on a range of properties covering, fire safety, health & safety, DDA responsibilities and general improvements. Bids to the fund are currently being finalised and proposals for allocations of resources to schemes will be subject to a further report to Cabinet. The AMF will make a significant contribution towards the accommodation strategy for investment in Bartholomew House within both 2010/11 and 2011/12 this was detailed in a report to Cabinet on 14 January 2010.

**Unsupported Borrowing under the Prudential Code**

3.27 For 2010/11 it is proposed that the council will undertake unsupported borrowing to finance capital expenditure plans as detailed below.

| **Table 6: Unsupported Borrowing** | **Borrowing Required £'000** |
|---|---|
| Social Care buildings | 500 |
| Historical Records Centre – The Keep | 500 |
| Accommodation Strategy | 291 |
| Hollingdean Depot | 326 |
| New Coroners Court | 100 |
| Human Resources System | 240 |
| Ex leased car parks - improvements | 769 |
| Lanes car park - access | 588 |
| Controlled Parking Schemes | 340 |
| Housing Revenue Account Capital Programme | 9,000 |
| Replacement of vehicles & plant | 2,500 |
| **Total for Capital Programme** | **15,154** |

3.28 As a result of condition surveys on Social Care operational buildings an annual programme of planned works has been incorporated into the capital programme to ensure the buildings meet current standards and are fit for purpose.

3.29 The new Historical Records Centre (the Keep) is being developed in partnership with East Sussex County Council and will house archival and historical public records. Development and construction costs of £0.5m are anticipated in 2010/11. The financing costs of borrowing have been included in the revenue budget.

3.30 The Accommodation Strategy will be funded as part of a 'spend to save' scheme through a combination of unsupported borrowing, corporate funds and revenue budgets. The financing costs will be met from savings generated from the operational costs of the vacated Priory House. This was detailed in a report to Cabinet on 14 January 2010.

3.31 Hollingdean Depot is the operation base for Cityclean and requires considerable investment over a three-year period to maintain both operational and health and safety requirements. A combination of funding from corporate funds and unsupported borrowing is proposed to meet the investment required which will be reported to Cabinet in due course.

3.32 A new Coroners Court is required by statute and will be located adjacent to the existing Coroners office to provide inquests, private interviews, storage, an accessible toilet and a suitable entrance for wheelchair users. The financing costs will be met from existing revenue budgets.

3.33 The Human Resources System is financed from a combination of revenue budgets, corporate funds and borrowing. The financing costs for borrowing will be met from repayments from the revenue budget resulting from savings on the project. This was detailed in a report to Cabinet on 15 January 2009.

3.34 Unsupported borrowing was approved to support the management and improvements to car parks transferring to the council. This was detailed in a report to Policy and Resources on 29 November 2007. £0.095m was forecast for 2010/11 with the remaining balance being slippage from 2009/10.

3.35 The Lanes car park will require funding to support the reconfiguration of the pedestrian access and lift renovation in order to create a safer environment, meet modern standards, the council's regulatory obligations and policy commitments. Financing costs are to be met from improved income streams at the car park. This was detailed in a report to Cabinet on 14 January 2010.

3.36 Unsupported borrowing was approved to support the controlled parking schemes. This was detailed in a report to Cabinet on 17 September 2009. The balance of unsupported borrowing in this financial year is reprofiled from 2009/10.

3.37 As part of the HRA business plan unsupported borrowing will be used to support the Housing Revenue Account Capital programme over the 3 years 2010-13. The financing costs will be met from the Major Repairs Allowance and the HRA capital financing revenue budget. Details are included within the Housing Revenue Account Capital Programme report considered at Housing Management

Consultative Committee on the 8 Feb 2010 and elsewhere on the agenda of this meeting.

3.38 The remaining £2.5m is a provision for the purchase of vehicles during the year. This includes 7 replacement gritters and 7 replacement refuse collection vehicles for Cityclean, potential replacement of miscellaneous waste and parks vehicles during the year and parking equipment if this proves to be the most cost-effective way of procurement. These assets are currently provided through operational leases and paid for through the relevant service revenue budget.

## 4. CONSULTATION

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

## 5. FINANCIAL & OTHER IMPLICATIONS

Financial Implications:

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

*Finance Officer consulted:* *Rob Allen* *Date: 27/01/10*

Legal Implications:

5.2 Under regulation 4(1)(b) of the Local Authorities (Functions and Responsibilities) (England) Regulations 2000, formulating a plan or strategy for the control of the Council's borrowing, investments or capital expenditure is the responsibility of the Cabinet. The adoption of the plan or strategy is the responsibility of Full Council.

5.3 With regard to borrowing, credit arrangements, capital receipts and investment, the Council must comply with Part 1, Chapter 1 of the Local Government Act 2003 and regulations made thereunder.

*Lawyer consulted:* *Oliver Dixon* *Date: 01/02/10*

Equalities Implications:

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

Sustainability Implications:

5.5 The environmental implications of individual schemes included within the Capital Investment Programme are separately reported to Members when the detailed report is submitted to the Executive for final approval.

Crime & Disorder Implications:

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

Risk & Opportunity Management Implications:

5.7 The risk implications of individual schemes included within the Capital Investment Programme are reported to Members when the detailed report is submitted for approval. The Risk Matrix in appendix 6 of the Revenue Budget report elsewhere on the agenda highlights some of the general risks to the Capital Investment Programme.

Corporate/Citywide Implications:

5.8 The report is relevant to the whole City.

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

6.1 The budget process allows all parties to put forward viable alternative capital investment proposals to Budget Council on 25 February. Budget Council has the opportunity to debate both the proposals put forward by Cabinet at the same time as any viable alternative proposals. All budget amendments must have been "signed off" by finance officers no later than 12.00 noon on 22 February.

## 7. REASONS FOR REPORT RECOMMENDATIONS

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

## SUPPORTING DOCUMENTATION

**Appendices:**

1. Capital Investment Programme 2010/11
2. Other capital investment

**Documents in Members' Rooms**

None.

**Background Documents**

1. Letter from the Department for Education and Skills dated 10 October 2007.
2. Letter from the Government Office for the South East for Transport dated 27 November 2007.
3. Letter from the Government Office for the South East relating to housing allocations dated 15 January 2008.
4. Letter from the Department of Health relating to the Local Authority Personal Social Services Capital Programme dated 10 December 2007.
5. Various files held within the Strategic Finance unit. Budget and accounting files are held within Financial Services.

## Capital Investment Programme 2010/11 to 2012/13

| Capital Scheme | Spend to March 2009 £'000 | Approved Payments 2009/10 £'000 | **Profiled Payments 2010/11 £'000** | Profiled Payments 2011/12 £'000 | Profiled Payments 2012/13 £'000 |
|---|---|---|---|---|---|
| **SUMMARY** | | | | | |
| Children & Young Peoples Trust | 229 | 15,679 | **51,617** | 10,168 | 4,454 |
| Cultural Services | 265 | 734 | **1,128** | 4,000 | 500 |
| Strategy & Governance | 117 | 460 | **679** | 20 | 0 |
| Environment | 2,856 | 7,939 | **10,421** | 3,748 | 3,924 |
| Finance & Resources | 627 | 557 | **4,279** | 4,847 | 3,000 |
| Adult Social Care & Housing | 308 | 4,597 | **30,490** | 30,487 | 27,391 |
| Corporate Items to be allocated | | | **3,010** | 3,100 | 2,650 |
| **Total** | 4,402 | 29,966 | **101,624** | 56,370 | 41,919 |
| **Funded by:** | | | | | |
| Supported Borrowing | | | **7,375** | 4,273 | 3,043 |
| Government Grants | | | **59,133** | 12,332 | 6,836 |
| Capital Receipts including possible phased LDV receipts | | | **1,568** | 8,910 | 10,600 |
| Capital Reserves | | | **2,575** | 0 | 0 |
| External Contributions | | | **954** | 249 | 92 |
| Major Repairs Allowance | | | **9,352** | 9,096 | 8,629 |
| Direct Revenue Funding | | | **5,513** | 4,452 | 3,587 |
| Unsupported Borrowing | | | **15,154** | 17,058 | 9,132 |
| **Total** | | | **101,624** | 56,370 | 41,919 |

**Note - Only schemes that have an impact on the capital programme in 2010-11 and future years have been included within these tables**

| Capital Scheme | Spend to March 2009 £'000 | Approved Payments 2009/10 £'000 | **Profiled Payments 2010/11 £'000** | Profiled Payments 2011/12 £'000 | Profiled Payments 2012/13 £'000 | Total Scheme Cost to 2012/13 £'000 |
|---|---|---|---|---|---|---|
| **CHILDREN AND YOUNG PEOPLES TRUST** | | | | | | |
| **Approved Schemes** | | | | | | |
| • Extended Schools | 67 | 177 | **508** | | | 752 |
| • Surestart Early Years | 69 | 734 | **2,367** | | | 3,170 |
| • Childrens Centres Phase 3 | 10 | 606 | **1,266** | | | 1,882 |
| • Schools Access initiative 2009/10 | | 160 | **207** | | | 367 |
| • Falmer Academy | | 6,056 | **16,070** | 5,445 | 391 | 27,962 |
| • Devolved Formula Capital 2009/10 | | 1,842 | **814** | | | 2,656 |
| • Aiming High for Disabled Children | 83 | 280 | **85** | | | 448 |
| **New Schemes** | | | | | | |
| • New Pupil Places | | | **669** | 335 | 335 | 1,339 |
| • Modernisation of schools | | | **2,155** | 1,150 | 1,150 | 4,455 |
| • Capital funding direct to schools | | | **2,885** | 1,450 | 1,450 | 5,785 |
| • Primary Capital Programme | | 3,075 | **4,575** | | | 7,650 |
| • Structural Maintenance for schools | | | **920** | 920 | 920 | 2,760 |
| • Schools Access Initiative | | | **367** | 185 | 185 | 737 |
| • Targeted Capital Fund | | 2,439 | **5,561** | | | 8,000 |
| • Harnessing Technology Grant | | | **662** | | | 662 |
| • Youth Capital Fund | | | **122** | | | 122 |
| • Children's Social Services | | | **44** | 23 | 23 | 90 |
| • Capital Fund for Kitchens | | | **140** | | | 140 |
| • Whitehawk Co-location project | | 310 | **6,500** | 660 | | 7,470 |
| • Basic Need Safety Valve – new pupil places primary schools | | | **5,700** | | | 5,700 |
| **Total for Service** | 229 | 15,679 | **51,617** | 10,168 | 4,454 | 82,147 |

| Capital Scheme | Spend to March 2009<br><br>£'000 | Approved Payments 2009/10<br><br>£'000 | **Profiled Payments 2010/11**<br><br>**£'000** | Profiled Payments 2011/12<br><br>£'000 | Profiled Payments 2012/13<br><br>£'000 | Total Scheme Cost to 2012/13<br>£'000 |
|---|---|---|---|---|---|---|
| **CULTURAL SERVICES** | | | | | | |
| **Approved Schemes** | | | | | | |
| • Historical Record Centre (The Keep) | 265 | 243 | **500** | 4,000 | 500 | 5,508 |
| • Support for Major Development Projects | | 491 | **628** | | | 1,119 |
| **New Schemes** | | | | | | |
| **Total for Service** | 265 | 734 | **1,128** | 4,000 | 500 | 6,627 |

| Capital Scheme | Spend to March 2009<br><br>£'000 | Approved Payments 2009/10<br><br>£'000 | **Profiled Payments 2010/11**<br><br>**£'000** | Profiled Payments 2011/12<br><br>£'000 | Profiled Payments 2012/13<br><br>£'000 | Total Scheme Cost to 2012/13<br>£'000 |
|---|---|---|---|---|---|---|
| **STRATEGY & GOVERNANCE**<br><br>**Approved Schemes**<br><br>• Human Resources System | 117 | 460 | **679** | 20 | | 1,276 |
| **New Schemes** | | | | | | |
| **Total for Service** | 117 | 460 | **679** | 20 | | 1,276 |

| Capital Scheme | Spend to March 2009 £'000 | Approved Payments 2009/10 £'000 | **Profiled Payments 2010/11 £'000** | Profiled Payments 2011/12 £'000 | Profiled Payments 2012/13 £'000 | Total Scheme Cost to 2012/13 £'000 |
|---|---|---|---|---|---|---|
| **ENVIRONMENT** | | | | | | |
| **Approved Schemes** | | | | | | |
| • Pool Valley Traffic Measures | | 11 | **33** | | | 44 |
| • Walpole Road Bus Stop | | 1 | **13** | | | 14 |
| • West Street, Rottingdean – road improvements | | | **8** | | | 8 |
| • Sussex Safer Roads Partnership | 76 | 87 | **88** | | | 251 |
| • Falmer Infrastructure Works | 329 | 2,570 | **2,298** | 58 | | 5,255 |
| • Car Park Improvements | 1,189 | 42 | **769** | | | 2,000 |
| • Lanes car park access | 939 | 1,761 | **588** | | | 3,288 |
| • Controlled Parking Spaces | | 300 | **340** | | | 640 |
| • City Vitality Sustainability (CIVITAS) | 85 | 837 | **933** | 249 | 92 | 2,196 |
| • Hollingdean Depot | | 180 | **476** | 191 | 582 | 1,429 |
| • Waste Infrastructure Grant | | 312 | **164** | | | 476 |
| • Downland Initiative Programme | 96 | | **204** | | | 300 |
| • Playbuilder – play areas | | 530 | **598** | | | 1,128 |
| • King Alfred – urgent works and improvements | 142 | 1,308 | **800** | | | 2,250 |
| **New Schemes** | | | | | | |
| • Local Transport Plan | | | **3,019** | 3,250 | 3,250 | 9,519 |
| • Chewing Gum Removal Vehicle – Street Cleaning | | | **90** | | | 90 |
| **Total for Service** | 2,856 | 7,939 | **10,421** | 3,748 | 3,924 | 28,888 |

| Capital Scheme | Spend to March 2009 £'000 | Approved Payments 2009/10 £'000 | **Profiled Payments 2010/11 £'000** | Profiled Payments 2011/12 £'000 | Profiled Payments 2012/13 £'000 | Total Scheme Cost to 2012/13 £'000 |
|---|---|---|---|---|---|---|
| **FINANCE & RESOURCES** | | | | | | |
| **Approved Schemes** | | | | | | |
| • Sharepoint implementation ICT | 19 | 37 | **14** | | | 70 |
| • Value for Money Phase II - ICT | | | **165** | | | 165 |
| • Replacement of Financial Information System | | | **175** | | | 175 |
| • Health & Social Care ICT Infrastructure | | 36 | **239** | | | 275 |
| • Farming diversification | | | **295** | | | 295 |
| • Ovingdean Grange Farm | | 17 | **34** | | | 51 |
| • Accommodation Strategy – Bartholomew House | | | **846** | 2,347 | | 3,193 |
| • Statutory DDA Access Works Fund | 560 | 235 | **95** | | | 890 |
| • Kensington Street – lease surrender | | | **19** | | | 19 |
| • Longhill Renewable energy | | | **17** | | | 17 |
| • Madeira Lift Refurbishment | 48 | 232 | **50** | | | 330 |
| **New Schemes** | | | | | | |
| • Planned maintenance of operational buildings | | | **850** | 1,000 | 1,000 | 2,850 |
| • Planned maintenance of social care buildings | | | **500** | 500 | 500 | 1,500 |
| • Asset Management Fund | | | **445** | 500 | 1,000 | 1,945 |
| • ICT Fund | | | **435** | 500 | 500 | 1,435 |
| • New Coroners Court | | | **100** | | | 100 |
| **Total for Service** | 627 | 557 | **4,279** | 4,847 | 3,000 | 13,310 |

| Capital Scheme | Spend to March 2009 £'000 | Approved Payments 2009/10 £'000 | **Profiled Payments 2010/11 £'000** | Profiled Payments 2011/12 £'000 | Profiled Payments 2012/13 £'000 | Total Scheme Cost to 2012/13 £'000 |
|---|---|---|---|---|---|---|
| **ADULT SOCIAL CARE & HOUSING** | | | | | | |
| **Approved Schemes** | | | | | | |
| • Electrical Surveys HRA | 25 | 320 | **885** | | | 1,230 |
| • Walter May House & Rosehill Courts Lifts | | | **226** | | | 226 |
| • Home Repair Innovation | 125 | 129 | **182** | | | 436 |
| • Craven Vale Conversion Works | 1 | 191 | **28** | | | 220 |
| • Development of Westbourne Hospital Site | | 249 | **220** | | | 469 |
| • Places For Change | 157 | 610 | **150** | | | 917 |
| • BEST Private Housing Renewable Programme 2009/10 | | 3,098 | **415** | | | 3,513 |
| **New Schemes** | | | | | | |
| • Housing stock programme | | | **23,975** | 28,267 | 25,171 | 77,413 |
| • BEST Private Housing Renewable Programme | | | **3,469** | 1,750 | 1,750 | 6,969 |
| • Disabled Facilities Grants | | | **660** | 330 | 330 | 1,320 |
| • Adult Social care | | | **150** | 75 | 75 | 300 |
| • Mental Health Grant | | | **130** | 65 | 65 | 260 |
| **Total for Service** | 308 | 4,597 | **30,490** | 30,487 | 27,391 | 93,273 |

| Capital Scheme | Spend to March 2009<br><br>£'000 | Approved Payments 2009/10<br><br>£'000 | **Profiled Payments 2010/11**<br><br>**£'000** | Profiled Payments 2011/12<br><br>£'000 | Profiled Payments 2012/13<br><br>£'000 | Total Scheme Cost to 2012/13<br>£'000 |
|---|---|---|---|---|---|---|
| **CORPORATE ITEMS** | | | | | | |
| • Strategic Investment Fund | | | **510** | 600 | 600 | 1,710 |
| • Provision for unsupported borrowing for vehicles and plant | | | **2,500** | 2,500 | 2,050 | 7,050 |
| **Total for Service** | 0 | 0 | **3,010** | 3,100 | 2,650 | 8,760 |

## Other Capital Investment

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

| **Project** | **Procurement Route** | **Investment** |
|---|---|---|
| Black Rock | Private Sector Partnership | Circa £80m total development |
| Brighton Centre | In conjunction with Standard Life Investment | £100m to £150m for centre. Total development of £350m to £450m |
| Circus St Development | Joint development with the University of Brighton | Circa £100m Development |
| Edward Street / American Express | Private Sector Partnership | To be determined |
| Falmer Academy | Partnership for Schools Design and Build Framework | Circa £29m |
| Falmer Community Stadium | Through Brighton & Hove Albion Football Club | Circa £90m development |
| Historical Records Centre | East Sussex County Council and Sussex University partnership | Circa £19m |
| i360 Project | Private Sector Partnership | Circa £40m |
| Integrated Waste Management Project | Private Finance Initiative | Circa £300m |
| London Road | Private Sector Partnership | To be determined |
| Open Market | Open Market Traders Association and enabling development | Circa £15m development |
| Preston Barracks / University of Brighton land | Regeneration development with Brighton University & private sector partners | To be determined |

**DRAFT EXTRACT FROM THE PROCEEDINGS OF THE CABINET MEETING HELD ON THE 11 FEBRUARY 2010**

**CABINET**

**4.00PM 11 FEBRUARY 2010**

**COUNCIL CHAMBER, HOVE TOWN HALL**

# DRAFT MINUTES

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

**Also in attendance**: Councillors Mitchell (Leader, Labour Group), Randall (Convenor, Green Group) and Watkins (Opposition Spokesperson, Liberal Democrat Group)

**Other Members present**: Councillors Allen, Davey, Davis and Hawkes

## 176 CAPITAL RESOURCES & CAPITAL INVESTMENT PROGRAMME 2010/11

176.1 The Cabinet considered a report of the Director of Finance & Resources informing Members of the level of available capital resources in 2010/11 to enable Cabinet to propose a Capital Investment Programme for 2010/11 to Budget Council (month 9) (for copy see minute book).

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

(1) That Council be recommended to:

(a) Agree the Capital Investment Programme for 2010/11 and note the estimate resources in future years as detailed in appendix 1.
(b) Allocate £0.6m resources in 2010/11 for the Strategic Investment Fund and agree the allocation of Strategic Investment Fund resources as set out in paragraph 3.23.
(c) Allocate £0.435m for the ICT fund.
(d) Allocate £1.0m for the Asset Management Fund.
(e) Agree the potential use of unsupported borrowing as set out in table 6.

| COUNCIL | Agenda Item 55(d) |
|---|---|
| **25 February 2010** | Brighton & Hove City Council |

| | | |
|---|---|---|
| **Subject:** | | **Housing Revenue Account Budget 2010/11** |
| **Date of Meeting:** | | **25 February 2010**<br>11 February 2010 - Cabinet |
| **Report of:** | | **Director of Adult Social Care & Housing**<br>**Director of Finance & Resources** |
| **Contact Officer:** | **Name:** | **Sue Chapman** **Tel: 29-3105** |
| | **E-mail:** | **sue.chapman@brighton-hove.gov.uk** |
| **Key Decision:** | **Yes** | **Forward Plan No: CAB13930** |
| **Wards Affected:** | **All** | |

**FOR GENERAL RELEASE**

## 1. SUMMARY AND POLICY CONTEXT:

1.1 This report presents the Housing Revenue Account Forecast Outturn for 2009/10 as at month 9 and the proposed Budget for 2010/11 as required by the Local Government and Housing Act 1989. Members are required to consider the budget proposals including changes to rents, fees and charges as well as savings and service pressures.

1.2 The council's Housing Revenue Account (HRA) contains the income and expenditure relating to the council's landlord duties in respect of approximately 12,300 properties and 2,230 leasehold properties. These properties are accounted for separately from the council's other services/activities which form part of the council's General Fund.

## 2. RECOMMENDATIONS:

2.1 That Cabinet recommends Council to:

(a) Approve the budget for 2010/11 as shown in Appendix 1.

(b) Approve individual rent increases and decreases in line with rent restructuring principles as determined by the Government.

(c) Approve the changes to fees and charges as detailed in paragraph 3.14 to 3.23.

## 3. HRA BUDGET PROPOSALS 2010/11

### Summary

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

1. Improve services to an excellent standard, with residents at the heart of everything we do
2. Improve the quality and sustainability of our homes and neighbourhoods
3. Deliver value for money services and maintain a sustainable 30 year business plan
4. Make best use of our housing stock to address housing need
5. Ensure that social housing provides a platform for reducing inequality and creating opportunity

3.2 The HRA budget has also been developed to provide a balanced budget, taking into account the Draft HRA subsidy determination, other income and expenditure assumptions and the reserves position. The council's Medium Term Financial Strategy outlines an efficiency savings target for all services across the city of 4%. Officers have taken into account this required level of efficiency savings and in addition have sought to maximise the level of resources available to invest in meeting the Decent Homes Standard. They have therefore identified savings of 6.1%.

3.3 The HRA revenue budget is also set in the context of an annual Housing Subsidy settlement which will result in a net transfer of resources to the government. This presents a key challenge coupled with the following priorities:

(a) *Aligning resources with the Housing Improvement Plan priorities:*
The budget includes investment in the Turning the Tide strategy to tackle anti-social behaviour and reduce social exclusion; the Resident Involvement Strategy, including engaging with residents on developing a local priorities framework and establishing a Tenant Management Organisation; and the new Strategic Repairs, Refurbishment and Improvement Partnership.

(b) *Mobilisation of the 10 year Strategic Repairs, Refurbishment and Improvement Partnership*
The new partnership will result in the transfer of some council staff to our partner Mears. The council will be required to ensure that the employer's contributions to individual's pension schemes are fully funded up to the date of transfer. These are contributions that the HRA, without transfer of staff, would fund over a much longer time period. The council's exact liabilities will not be known until March 2010 but this budget assumes that there will be payment of £0.350 million from reserves during 2009/10 and a further payment of £0.350 million is also included in the 2010/11 budget.

The budget includes the development of a new 'Super Centre' to achieve the strategic aims of the 10 year partnership as well as delivering value for money in terms of the corporate accommodation strategy. The costs of mobilising the new partnership and the Super Centre have been offset against savings in the responsive repairs and voids service from the new contract.

(c) *Leasing of Properties to the Local Delivery Vehicle (LDV)*
Although the leasing of normal empty properties to the LDV over the next four years will realise a significant capital receipt it will also result in a short term impact (during 2011/12) on the revenue position due to the loss of revenue income from rents. This budget assumes that for 2010/11 the loss

of revenue income will be matched by a one off reduction in empty property works as these works will be funded by the LDV for those properties transferring. This budget also includes savings from leasing temporary accommodation properties to the LDV based on the current proposed leasing timetable. Any changes to the timetable will impact on the level of savings achieved.

3.4 The HRA budget for 2010/11 is shown in Appendix 1 with the main budget variations detailed below in table 1. In preparing the base budget, inflation of 1% on employee costs and 2% on other costs has been applied. Savings proposals, service pressures, and changes to rents, fees and charges and housing subsidy are detailed in paragraphs 3.5 to 3.23.

| **Table 1: Main Budget Variations** | **£'000** |
|---|---|
| Original Base Budget 2009/10 | 0 |
| | |
| *Increases in Resources:* | |
| Savings Proposals as detailed in paragraph 3.5 | (684) |
| Capitalisation of cyclical decorations | (103) |
| Reduction in Capital Financing Costs | (527) |
| Reduction in Revenue Contribution to Capital Programme | (1099) |
| Increase in Rent for Dwellings (net of Empty Properties) | (258) |
| Other minor variances | (41) |
| | |
| *Reductions in Resources:* | |
| Other Service Pressures as detailed in paragraph 3.6 | 180 |
| Employees pay award and other inflation | 335 |
| Increase in Subsidy Payable to the Government | 1744 |
| Reduction in interest on reserves | 103 |
| Employers pension contributions from TUPE transfer of staff | 350 |
| | |
| Base Budget 2010/11 | 0 |

**Savings & Service Pressures**

3.5 Savings of £0.684 million (equivalent to 6.1% savings target) have been identified in the following areas:

- A saving of £176,000 from leasing temporary accommodation properties to the LDV. This assumes that these properties will be leased in batches through 2010/11.
- A reduction in transport and supplies and services of £108,000.

- Efficient procurement will achieve savings of £25,000 from the new laundry service, £100,000 from the Sub 100kw electricity contract and £66,000 from the provision of the out of hour's repairs service through the new partnership.
- A reduction in the contribution to Bad Debt Provision of £51,000 as a result of improved collection of rental income.
- A net saving of £48,000 in support service costs through efficiencies achieved within the Strategy & Governance and Finance & Resources Directorates.
- Garages and car parking charges were reviewed and recommendations for new charges and zone areas were approved by Policy & Resources Committee in November 2006. This report recommended that caps should apply to some charges and they should remain static until April 2010. The removal of these caps for 2010/11 will increase income by approximately £80,000.
- A review of Leaseholder service charges has identified a further £30,000 in respect of service contracts that will be charged to leaseholders.

3.6 Service pressures included in the budget are:

- Increase in revenue Subsidy Payment to Government of £1.744 million
- Payment of employer's contributions in relation to staffs pensions transferring to Mears of £0.350 million.
- Development of Tenant Management Organisation at St James House estimated at £0.016 million.
- Reduction in investment income due to lower interest rates and reserves
- Additional resources to support Housing Improvement Programme of £0.038 million
- Additional resources of £0.126 million to support the Turning the Tide strategy increasing the HRA budget to £0.487 million.

**Housing Subsidy Determination**

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

3.8 The department for Communities and Local Government (CLG) have continued to issue an annual subsidy determination whilst they consider the consultation responses to the review of council housing finance. The government proposals included removing the subsidy system and introducing self financing for authorities following a redistribution of government housing debt. It is now understood that following the consultation, the government is preparing the ground for a voluntary offer to local authorities shortly. The precise format of the offer is being developed by a project team established by CLG, but it is expected to include a proposed debt reallocation or settlement, to take place from April 2011, along with details of how self-financing for the HRA would work.

3.9 The draft determination was issued late this year and it is unlikely that the final determination will be received before this Budget has been approved. Therefore this budget has been set using the draft determination with a contingent sum of £0.100 million included to cover possible changes in the final determination.

3.10 The 2010/11 draft Subsidy Determination proposes changes resulting in revenue subsidy payable of £12.827 million compared to £11.083 million payable last year. The overall subsidy position (taking also into account the capital item called the Major Repairs Allowance) is an increase in 'Negative Subsidy' (the transfer of resources to the government) of £1.590 million to £3.321 million. Further details of the draft subsidy position are attached in Appendix 2.

**Rents 2010/11**

3.11 Rents are calculated in accordance with the government's rent restructuring guidelines. Target rents for each property are calculated based on the relative property values, bedroom size and local earnings. The act of moving tenants' current rents to the target rent is called rent convergence. In order to limit increases in current rents to reach target rents, the guidance specifies a maximum rent increase equivalent to inflation + ½% + £2 per week.

3.12 The Housing Subsidy Determination 2010/11 requires Local Authorities to use the September 2009 negative Retail Price Index of -1.40% plus 0.5% for setting rent inflationary increases, resulting in a net inflationary reduction of 0.9%. Due to the limits mentioned in 3.11, the Government proposed last year that the determination should set a "provisional" rent convergence date annually, depending on the level of inflation set for that year.

3.13 Therefore, the rent convergence date has now been set at 2012/13 (compared to 2023/24 last year). As the majority of the rents are increasing towards target rents, this results in an average rent increase of 1.26% for Brighton & Hove. This is the equivalent to £0.83 per week, increasing the average rent to £66.55. However, in line with rent restructuring, all rents are moving towards their individual targets and some rents will be increasing by more than the average rent and some will be reducing. The maximum increase will be approximately £1.63, with the greatest reduction being £5.55 per week.

**Fees and Service Charges 2010/11**

3.14 The proposed changes to fees and charges for 2010/11 are as follows:

***Heating***

3.15 Heating charges will be amended to reflect the latest estimates of consumption which means that some tenants will see a reduction in their charges due to lower consumption, and others an increase from higher consumption. The gas contract expires on 30 September 2010 and any changes to unit prices will be passed on to tenants, who will be notified once the procurement has been completed.

3.16 A new contract for electricity will commence on 1 April 2010 which has achieved a reduction in current unit prices of 16.51%. Those blocks (Broadfields and Elywn Jones Court) with electric heating will receive a reduction in their service charges to reflect this.

***Water Charges***

3.17 The HRA administers water charges for three sheltered blocks. These charges will be amended to reflect the latest estimates of consumption, and also contract price increases by Southern Water which are estimated at 5%.

***Grounds maintenance***

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

***Communal Cleaning Services***

3.19 The communal cleaning charges will increase by 0.6% to ensure the costs of the service are fully recovered through service charges. This increase includes the costs of the projected pay award of 1%, partly offset against savings due to the implementation of more efficient working practices as a result of the review carried out in 2008/09.

***Garages & Car Parking***

3.20 The caps which applied to some garages and car parking charges following the review approved at Housing Committee on 16 November 2006 will now be removed. St James House car parking charges will remain at current levels with the exception of parking up to 2 hours which will increase from £1.80 to £2.00. All other charges will remain frozen.

***Supporting People***

3.21 Supporting people charges will remain at £12.85 per week.

***Sheltered Services***

3.22 The sheltered service charge for common ways will be reduced by an average of 3.62% with a maximum reduction of 5.8% and one increase of 1.2%. The increase or decreases will vary depending on the individual block. These changes reflect the new electricity contract price reduction of 16.51%, which is partly offset by a 2% increase in the other costs within this service charge such as the cleaning contract. The service charges for 2010/11 are detailed at Appendix 3.

3.23 The launderette sheltered service charge will remain at £1.26 per week.

**Projected HRA Revenue Reserves**

3.24 The forecast outturn 2009/10 as at month 9 is an overspend of £0.336 million. The main variances are detailed in Appendix 1. This overspending will be funded from revenue reserves.

3.25 The projected revenue reserves, as shown in table 2, are £2.816 million by 31 March 2010. These reserves are projected to reduce by £1.086 million due to

financing the 2009/10 revenue overspend, contributing £0.400 million to the 2009/10 capital programme and funding an estimated £0.350 million pension contribution for staff transferring to Mears.

3.26 The 2010/11 budget has been set with a breakeven position, so the reserves are projected to remain at £2.816 million by 31 March 2011. The recommended minimum level of reserves is £2.400 million.

| **Table 2 : Projected general revenue reserves at 31 March 2011** | **£'000** |
|---|---|
| Reserves at 1 April 2009 | 3,902 |
| Less: Contribution to fund 2009/10 Revenue Outturn | (336) |
| Contribution to fund 2009/10 Capital Programme | (400) |
| Pension contributions for TUPE staff *estimated* | (350) |
| **Projected reserves at 31 March 2010** | **2,816** |
| **Projected reserves at 31 March 2011** | **2,816** |

3.27 Estate Development Budget reserves, which are held separately from the HRA general reserves, are £0.443 million as at 1 April 2009. These reserves relate to committed revenue and capital expenditure for schemes agreed in previous financial years that are not yet completed. Therefore these reserves will reduce as schemes are finished.

## 4. CONSULTATION

4.1 Tenants are consulted during the year on the HRA Budget and the Estate Development Budget. After Cabinet approval, tenants will receive notification of their individual rents and charges for 2010/11.

## 5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

*Finance Officer Consulted: Sue Chapman Date: 05/01/10*

Legal Implications

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

proposals it must prepare and place on deposit a statement setting out the proposals and estimates.

*Lawyer Consulted:* *Liz Woodley* *Date: 20/01/10*

Equalities Implications:

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

Sustainability Implications:

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

Crime & Disorder Implications:

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

Risk & Opportunity Management Implications:

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

Corporate / Citywide Implications:

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

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

6.1 There are no alternative options proposed. Rents are set in accordance with the Government's rent restructuring guidance and increases are in line with the Housing Subsidy Determination. The Housing Subsidy Determination controls rent setting by removing resources from local authorities through non compliance.

6.2 The budget proposals also includes maintaining the current service provision with improvements as identified in the Service Improvement Plan and investment in priorities such as Turning the Tide strategy. It is possible for alternative options to be considered such as increasing or reducing service provision which would result in a reduction or increase in the revenue contributions to the capital programme. However, officers recommend that the budget proposals provide the appropriate service provision whilst ensuring that the revenue contributions to capital are in line with the current HRA Business Plan.

## 7. REASONS FOR REPORT RECOMMENDATIONS

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

budget report provides a breakeven budget and recommends rent increases in line with current government guidance.

## SUPPORTING DOCUMENTATION

**Appendices:**

1. HRA Forecast Outturn 2009/10 and Budget 2010/11

2. Draft HRA Subsidy Determination 2010/11

3. Sheltered Common Areas Service Charge for 2010/11

**Documents in Members' Rooms**

None

**Background Documents**

1. CLG Housing Revenue Account Draft Subsidy Determination 2010/11

2. 2010/11 Housing Revenue Account Working Papers

## HRA Forecast Outturn 2009/10 and Budget 2010/11

| | 2009/10 Adjusted Budget £'000 | 2009/10 Forecast Outturn £'000 | 2010/11 Original Budget £'000 |
|---|---|---|---|
| **EXPENDITURE** | | | |
| Employees | 9,265 | 8,867 | 9,220 |
| Premises - Repairs Response & Voids | 7,341 | 7,738 | 8,048 |
| Premises - Cyclical Maintenance & Servicing | 3,271 | 3, 061 | 3,207 |
| Premises - Grounds Maintenance | 505 | 505 | 512 |
| Premises Other | 3,014 | 3,069 | 2,560 |
| Transport | 187 | 187 | 179 |
| Contribution to Bad Debt Provision | 308 | 261 | 263 |
| Supplies & Services | 1,598 | 1,692 | 1,526 |
| Third Party Payments – Launderette contract | 0 | 0 | 54 |
| Support Services - From Other Departments | 2,251 | 2,182 | 2,202 |
| Revenue Contributions to Capital Schemes | 4,690 | 4,830 | 3,543 |
| Capital Financing Costs | 4,356 | 3,614 | 3,829 |
| Housing Subsidy Payable | 11,083 | 12,184 | 12,827 |
| **Total Expenditure** | **47,869** | **48,190** | **47,970** |
| **INCOME** | | | |
| Rents Dwellings | (41,627) | (42,041) | (41,922) |
| Empty Properties | 459 | 862 | 591 |
| Rents Car Parking / Garages | (728) | (722) | (823) |
| Commercial Rents | (494) | (495) | (495) |
| Service Charges | (3,861) | (3,767) | (4,035) |
| Other Recharges and Interest | (1,618) | (1,691) | (1,286) |
| **Total Income** | (47,869) | (47,854) | (47,970) |
| **DEFICIT / (SURPLUS)** | **0** | **336** | **0** |

## Targeted Budget Management (TBM) 2009/10 as at Month 9

The forecast outturn as at month 9 is an overspend of £0.336 million which will be funded from the HRA revenue reserves.

Employee's costs are projected to underspend by £0.398 million due to vacancies. These are being managed against service requirements pending the implementation of the findings of the Housing Management improvement programme.

The Responsive Repairs budget is forecast to overspend by £0.397 million mainly due to high levels of expenditure during the early part of the year relating to additional works not in the base contract, such as damp proofing, being undertaken. Any repairs that are not considered a priority will now be programmed into the planned maintenance programme which is more cost effective.

The responsive repairs overspend has been partly mitigated by an underspend of £0.210 million in the Cyclical Maintenance and Servicing. Savings include the delay in implementing new service contracts (£0.101 million, now programmed to be implemented in the new financial year), and efficiencies realised in the decorations contract (£0.103 million).

The contribution to the Bad Debt Provision is forecast to underspend by £0.047 million as a result of a lower level of rent arrears.

Revenue Contributions to Capital is projected at £0.140 million overspend in respect of refurbishing 6 major voids, as approved at TMT cabinet on 29 June 2009.

The current economic situation has led to a change in the corporate strategy for Treasury management within the current policy. In order to substantially reduce its exposure to risk, the council has prematurely repaid some £57 million of debt. This early repayment has also benefited the council by reducing capital financing costs of which the HRA has seen a reduction of £0.764 million, (i.e. £0.742 million capital financing costs underspend net of £0.022 million interest reduction shown under Income). However, for the HRA, due to the complexities of the subsidy system, there is also an increase of £1.101 million Housing Subsidy payable to central government resulting in a net overspend of £0.337 million. The council is monitoring the financial markets and when there are signs that the markets are returning to a more stable and secure outlook, these interim measures will be withdrawn and new borrowing will be raised. If and when this happens, the negative impact on the HRA will be revised.

There is an under achievement of service charge income of £0.094 million, which is mainly due to an underachievement of leaseholder charges following lower than anticipated charges being levied.

## HRA Draft Housing Subsidy Determination 2010/11

The Draft Subsidy Determination proposes changes resulting in revenue subsidy payable of £12.827 million compared to £11.083 million payable last year. The overall subsidy position (taking into account the capital element) is an increase in the transfer of resources to the Government of £1.590 million to £3.321 million. The following table summarises the determination and the notional elements included:

| **Housing Subsidy** | **2009/10 £'000** | **2010/11 £'000** | **Change £'000** |
|---|---|---|---|
| *'Notional' Revenue Items* | | | |
| Management Allowance | (8,041) | (8,235) | (194) |
| Maintenance Allowance | (14,869) | (15,237) | (368) |
| Contingency for Draft Subsidy | | 100 | 100 |
| Capital Charges | (6,240) | (5,169) | 1071 |
| | (29,150) | (28,541) | 609 |
| Less Guideline Rent | 40,233 | 41,368 | 1,135 |
| **Net revenue subsidy payable to the Government (exc. MRA)** | **11,083** | **12,827** | **1,744** |
| *Capital Items* | | | |
| Major Repairs Allowance | (9,352) | (9,506) | (154) |
| **Overall subsidy position – net payment to the Government** | **1,731** | **3,321** | **1,590** |

*Note: credits represent income*

### Management

The Management Allowance has been calculated on the same formulae basis as last year and will increase by 2.5% to £668.67 per dwelling, compared to a national average increase of 3.7% at £676.46 per dwelling.

### Maintenance

The Maintenance Allowance has been calculated on the same basis as last year and will increase by 2.5% to £1,237.26 per dwelling, compared to a national average increase of 3.2% at £1,173.40, per dwelling.

### Contingency for Draft Determination

The notional expenditure items within draft determination have been calculated using an estimated GDP deflator of 2.25%. CLG have advised that the final determination will use the GDP deflator set in the pre budget report. A contingency of £0.100 million has been included in the base budget in case the final GDF deflator is lower than 2.25%, which would result in an increase in subsidy payable.

### Capital Charges

The HRA receives subsidy based on the cost of financing historical borrowing allocations. The amount of subsidy allowance for the cost of financing has reduced over the last year due to reduced interest rates and debt repayments. This reduced subsidy is partially offset by reduced capital financing costs of £0.527 million.

### Guideline Rent

The subsidy system assumes a notional guideline rent per dwelling which increases annually in line with the government's Rent Restructuring Policy. The guideline rent for 2010/11 is £65.92 per property per week, an increase of 2.22%.

### Major Repairs Allowance (MRA)

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

The MRA will increase by 1.7% (compared to 3.7% last year), increasing average MRA to £771.93 per dwelling compared to a national increase of £702.61. The total MRA, including the loss of stock from Right to Buy sales, has increased by £0.154 million to £9.506 million.

## Sheltered Common Areas Service Charge for 2010/11

| Scheme | Number of units | Current Charge 2009/10 | Proposed Charge 2010/11 | (Reduction) / Increase | |
|---|---|---|---|---|---|
| | (incl warden) | £ per week | £ per week | £ | % |
| **Ainsworth House** | 19 | **7.16** | **6.75** | **(0.41)** | (5.7%) |
| **Broadfields** | 15 | **8.21** | **7.73** | **(0.48)** | (5.8%) |
| **Churchill House** | 36 | **8.24** | **8.18** | **(0.06)** | (0.7%) |
| **Ditchling Gardens** | 26 | **2.93** | **2.97** | **0.04** | 1.2% |
| **Elizabeth Court** | 32 | **8.50** | **8.25** | **(0.25)** | (2.9%) |
| **Elwyn Jones Court** | 72 | **10.15** | **9.90** | **(0.25)** | (2.4%) |
| **Evelyn Court** | 22 | **8.53** | **8.03** | **(0.50)** | (5.8%) |
| **Hazelholt** | 24 | **10.60** | **10.36** | **(0.24)** | (2.3%) |
| **Jasmine Court** | 32 | **6.86** | **6.48** | **(0.38)** | (5.6%) |
| **Jubilee Court** | 29 | **9.52** | **9.04** | **(0.48)** | (5.0%) |
| **Laburnum Grove** | 59 | **9.11** | **8.67** | **(0.44)** | (4.9%) |
| **Lavender House** | 25 | **8.58** | **8.08** | **(0.50)** | (5.8%) |
| **Leach Court** | 108 | **10.90** | **10.63** | **(0.27)** | (2.4%) |
| **Lindfield Court (incl Burwash Lodge)** | 31 | **9.87** | **9.60** | **(0.27)** | (2.7%) |
| **Manor Paddock** | 24 | **5.78** | **5.49** | **(0.29)** | (5.0%) |
| **Muriel House** | 35 | **11.06** | **10.79** | **(0.27)** | (2.4%) |
| **Rose Hill Court** | 27 | **9.54** | **9.33** | **(0.21)** | (2.1%) |
| **Sanders House** | 38 | **8.12** | **7.78** | **(0.34)** | (4.2%) |
| **Sloane Court** | 40 | **8.86** | **8.37** | **(0.49)** | (5.5%) |
| **Somerset Point** | 71 | **6.64** | **6.32** | **(0.32)** | (4.8%) |
| **Southease** | 24 | **6.25** | **5.97** | **(0.28)** | (4.5%) |
| **Stonehurst Court** | 25 | **3.80** | **3.70** | **(0.10)** | (2.5%) |
| **Walter May House** | 32 | **7.46** | **7.14** | **(0.32)** | (4.3%) |
| **Woods House** | 26 | **7.90** | **7.69** | **(0.21)** | (2.6%) |

**DRAFT EXTRACT FROM THE PROCEEDINGS OF THE CABINET MEETING HELD ON THE 11 FEBRUARY 2010**

**CABINET**

**4.00PM 11 FEBRUARY 2010**

**COUNCIL CHAMBER, HOVE TOWN HALL**

# DRAFT MINUTES

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

**Also in attendance**: Councillors Mitchell (Leader, Labour Group), Randall (Convenor, Green Group) and Watkins (Opposition Spokesperson, Liberal Democrat Group)

**Other Members present**: Councillors Allen, Davey, Davis and Hawkes

## 177 HOUSING REVENUE ACCOUNT BUDGET 2010/11

177.1 The Cabinet considered a joint report of the Director of Adult Social Care & Housing and the Director of Finance & Resources presenting the Housing Revenue Account Forecast Outturn for 2009/10 as at month 9 and the proposed Budget for 2010/11 as required by the Local Government and Housing Act 1989 (for copy see minute book).

177.2 Councillor Caulfield highlighted the negative increase in the council's housing subsidy settlement from central government and advised that tenants were supportive of the budget proposals, but continued to be disappointed in relation to the subsidy settlement.

177.3 In response to comments from Councillor Mitchell in relation to the effect on the HRA budget of the council's decision to repay debt prematurely, the Chairman advised that the council had received a negative settlement in the first year following the change of Administration due to the recalculation of rates in relation to the proposed stock transfer.

177.4 Councillor Caulfield advised that the General Fund repayment of £330,000 had been funded through service pressures and had not affected the HRA budget.

177.5 Councillor Randall stated that he felt that the housing subsidy system was unfair and did not benefit tenants; he hoped that the government would consider making changes to it.

He hoped that the housing super centre would include a tenant resource centre and offered to arrange for tenants to visit such a centre belonging to a housing association that he worked with.

177.6 In response to questions from Councillor Randall, Councillor Caulfield explained that payments for the TUPE arrangements would be made over 3 years. She reiterated that the super centre was for tenants and that other resources would be located there; the council would work with tenants to determine the best use of space.

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

(1) That Council be recommended to:

(a) Approve the budget for 2010/11 as shown in Appendix 1.

(b) Approve individual rent increases and decreases in line with rent restructuring principles as determined by the Government.

(c) Approve the changes to fees and charges as detailed in paragraph 3.14 to 3.23 of the report.

# Brighton & Hove City Council

## Budget Council 25 February 2010: Setting a lawful budget for 2010/11

### Introduction

Under section 30 (6) of the Local Government Act 1992 the Council has a duty to set the Council tax by 11 March 2010. A failure to set the tax then does not in itself invalidate the tax demands but it has other adverse consequences including the potential loss of income to the Council.

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

- members should not put forward proposals that would mean setting an unlawful budget and need to take officer advice in particular from legal and finance to ensure that proposals are in order;

- although the Council corporately sets the budget the Council acts through Members collectively, each and every member is therefore jointly and severally responsible for the setting of the budget; and

- wherever possible members are expected to facilitate rather than frustrate the setting of a lawful budget.

### Before Budget Council

- The Cabinet's budget will be worked up including all amendments from Budget Cabinet with full service, financial and legal implications. They will be incorporated in full into the main papers despatched for Budget Council.

- Other Groups' amendments are also evaluated by finance officers to determine the service, financial and legal implications of implementing those proposals. The proposals will be held confidential from the other political parties by the finance officers involved and all proposals must have been "signed off" by finance officers no later than 12 noon 3 days before Budget Council. (i.e. by 12 noon Monday 22nd February 2010)

- Only the Chief Executive and Director of Finance & Resources (with appropriate officers from the finance team) will be aware of the full range of amendments being proposed and they will not be shared with any parties until the morning of the date of the Council meeting.

- The Chief Executive shall have a "brokering" role if this would appear to facilitate agreement on particular amendments or proposals.

- The Mayor will refuse to accept any amendment subsequently moved that has not been "signed off" by the Director of Finance and Resources.

- All amendments are shared at 5 PM on Tuesday 23rd February between the Group Leaders.

- There will be a meeting of Group Leaders (attended by the Chief Executive, the Director of Finance & Resources and other relevant officers) at 4:30 PM on Wednesday 24th February with a view to exploring agreement on proposed amendments.

- There will be a second meeting of Group Leaders, with relevant Officers as mentioned above, on Thursday 25th February at 10:00 AM, unless the Chief Executive considers that, given any progress made on 24th February, it is not needed.

- Any variations to the amendments or any new amendments arising from the Leaders meetings shall be limited to grouping and repackaging of amendments or other changes providing that they do not, in the opinion of the Director of Finance & Resources, involve significant costing or evaluation that cannot reasonably be done within the available timescale.

**Budget Council 25 February 2010**
To help Members at Council on 25 February 2010 the procedure to be followed in respect of the Budget debate is set out below:-

**53. Declarations of Interest.**

**54. Mayor's urgent communications, including the following:**

The Council will be asked to agree that the Procedural Rules be suspended to the extent that it is necessary to enable the business of the meeting to be dealt with as set out in agenda item 55 below.

**55. (a) General Fund Revenue Budget and Council Tax 2010/11**
**(b) Supplementary Financial Information for Budget Council**
**(c) Capital Resources and Capital Investment Programme for 2010/11 and**
**(d) Housing Revenue Account Budget for 2010/11**

The four items listed above will be taken together:

(a) The **Mayor** will invite Councillor [xx] and Councillor [xx] to make their presentation to the Council and to move and second the Cabinet's budget, together with any amendments (up to 6). Councillor [xx] will have unlimited time and Councillor [xx] will have 5 minutes.

*[The Chief Finance Officer / Monitoring Officer shall have discretion at any stage to remind Members of the proposed substantive budget motion and its implications following acceptance of any amendments.]*

(b) The **Mayor** will invite Councillor [xx] to move and Councillor [xx] to second the joint amendments (up to 6). Councillor [xx] will have unlimited time to move the amendments and Councillor [xx] will have 5 minutes within which to second the amendments.

*[The Chief Finance Officer / Monitoring Officer shall have discretion at any stage to remind Members of the proposed substantive budget motion and its implications following acceptance of any amendments.]*

(c) The **Mayor** will invite Councillor Hamilton, Opposition Spokesperson on Finance and Councillor [xx] to respond and move the Labour Group's amendments (up to 6). Councillor Hamilton will

have unlimited time to move the amendments and Councillor [xx] will have 5 minutes within which to second the amendments and to refer to the prevailing financial conditions in relation to the budget.

*[The Chief Finance Officer / Monitoring Officer shall have discretion at any stage to remind Members of the proposed substantive budget motion and its implications following acceptance of any amendments.]*

(d) The **Mayor** will invite Councillor [xx] and Councillor [xx] to respond and move the Green Group's amendments (up to 6). Councillor [xx] will have unlimited time and Councillor [xx] will have 5 minutes.

*[The Chief Finance Officer / Monitoring Officer shall have discretion at any stage to remind Members of the proposed substantive budget motion and its implications following acceptance of any amendments.]*

(e) The **Mayor** will invite Councillor Elgood and Councillor Watkins to respond and move the Liberal Democrat Group's amendments (up to 6). Councillor Elgood will have unlimited time and Councillor Watkins will have 5 minutes.

*[The Chief Finance Officer / Monitoring Officer shall have discretion at any stage to remind Members of the proposed substantive budget motion and its implications following acceptance of any amendments.]*

(f) The **Mayor** will then allow Councillors to debate the proposed budgets and the amendments.

**NOTE: Speakers are limited to five minutes each unless otherwise specified or extensions granted.**

(g) At the conclusion of the debate the **Mayor** will invite Councillor [xx] to give her final right of reply.

(h) The Mayor will then put the amendments to the vote (up to a maximum of 6 separate votes) in the following order:

(i) Joint Amendments
(ii) The Labour Group's amendments
(iii) The Green Group's amendments
(iv) The Liberal Democrat Group's amendments

(i) The **Mayor** will put the substantive motions (as amended) (if amended) to the meeting as follows:

Item 55(a) General Fund Revenue Budget & Council Tax 2010/11 recommendations together with;

Item 55(b) Supplementary Financial Information for Budget Council recommendations;

Item 55(c) Housing Revenue Account Budget 2010/11 recommendations;

Item 55(d) Capital Resources and Capital Investment Programme 2010/11 recommendations.

The Chief Finance Officer / Monitoring Officer may at any stage advise Members, especially if there is a need for consequential adjustment to parts of the budget resulting from the separate votes under 55(a), 55(b), 55(c) or 55(d). The Chief Finance Officer / Monitoring Officer may advise the Mayor of the need for a short adjournment in order to adjust the budget model in light of amendments just agreed. The budget resolutions shall not be treated as concluded until any consequential adjustments are agreed.

Should Council fail to set the Council Tax on the 25th February 2010 there is one significant practical implication; the contractor who prints and sends out the Council Tax bills has a slot booked to process the city council's bills on the 26 February and a delay in setting the Budget would significantly affect this process.

Alex Bailey
Director of Strategy & Governance
(Monitoring Officer)

Catherine Vaughan
Director of Finance & Resources
(Chief Finance Officer)