

Subject:	Budget Planning & Resource Update and Draft Proposals 2017/18 to 2019/20		
Date of Meeting:	8 December 2016		
Report of:	Executive Director Finance & Resources		
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Ward(s) affected:	All		

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

- 1.1 This report presents refreshed 4-year Integrated Service & Financial Plans (ISFPs) together with the associated budget strategy and approach to achieving financial balance in the context of reducing overall resources against substantially increasing costs and demands in social care and temporary accommodation. The proposals are based on a planning assumption of 1.99% Council Tax increases and additional 2% Adult Social Care precept increases over the 4-year period.
- 1.2 The Comprehensive Spending Review (CSR) 2015 confirmed the continuation of deficit reduction measures up to 2019/20 and indicated that Revenue Support Grant (RSG) for this council will reduce from £46.097 million to £6.523 million over the 4 year period 2016/17 to 2019/20; a reduction of £39.574 million. This position is likely to be fixed by the government's '4 year offer' recently applied for by the council (and the vast majority of English local authorities) and further reinforced by the Chancellor's recent Autumn Statement which indicated that government departmental control totals are unlikely to change. The RSG reduction in 2017/18 is £11.507 million.
- 1.3 2017/18 is a very challenging year particularly following on from a savings requirement of over £20 million in the current year (2016/17) and a total of £78 million over the previous 4 years. Further savings of around £51 million are anticipated to be required over the next 3 years, with £24.3 million of this falling in 2017/18. This requirement is higher than reported to the committee in July as a result of subsequent reductions to the Education Services Grant (ESG) and a reassessment of demand and cost pressures across social care, borne out by significant overspending in the current year.
- 1.4 Although the council has elected to apply for the government's '4 year offer', this does not mean that the council's financial position is completely stable as there are other grants and funding that may yet change. In particular, the impact of the revaluation of business rates from April 2017 is not clear, either in terms of any national re-distributional impact or the potential impact of successful appeals.

- 1.5 This report provides draft proposals to meet the £24.3 million savings requirement in 2017/18 along with outline proposals for 2018/19 and 2019/20. As before, proposals include invest-to-save requirements in order to achieve planned savings; these will be supported by one-off resources subject to the approval of business cases. It should be noted that the draft proposals do not meet the budget gap in full and there is a shortfall of £3.2 million for which further options are being considered as set out in paragraph 3.24.
- 1.6 The feedback from further consultation and engagement following publication of these draft proposals will be used to adapt the proposals which will be re-submitted to Policy, Resources & Growth Committee on 9 February 2017 prior to a final decision by Budget Council on 23 February.

2. RECOMMENDATIONS:

That the Policy, Resources & Growth Committee:

- 2.1 Notes the updated forecasts for resources and expenditure and an estimated budget gap for 2017/18 based on a 1.99% Council Tax increase and an additional 2% Adult Social Care precept.
- 2.2 Note the Budget Strategy and approach to meeting the financial challenge next year and over the life of this parliament.
- 2.3 Notes the refreshed 4 year ISFPs including detailed draft proposals for savings in 2017/18 towards meeting the identified budget gap.
- 2.4 Directs that all of the draft savings proposals identified at Appendix 2 be subject to further consultation and engagement, meeting statutory consultation requirements where required.
- 2.5 Notes the update on the HRA budget set out in paragraphs 3.40 to 3.43.
- 2.6 Notes the Capital Investment Programme update set out in paragraphs 3.44 to 3.48.
- 2.7 Receive and note the Equality Impact Assessments undertaken in relation to the draft budget proposals.

3. CONTEXT/ BACKGROUND INFORMATION

Resources and Local Government Finance Settlement for 2017/18 and the 4 Year Offer

- 3.1 As part of the provisional Local Government Settlement announced on the 17 December 2015, the secretary of state for Communities and Local Government announced a 4 year funding offer for local authorities for the period 2016/17 to 2019/20 and provided indicative allocations of certain funding streams over the 4 year period. This Committee agreed to accept the 4 year offer at the 13 October 2016 meeting. The government had originally indicated it would confirm certain funding streams soon after the 14 October acceptance deadline but to date no further confirmation has been received. Therefore the current funding assumptions are based on the indicative allocations provided alongside the 2016/17 local government finance settlement.
- 3.2 A major element of the local government finance settlement is the assumed resources the council will retain from the 49% share of Business Rates income.

Business Rates have been revalued for the first time since 2010 and the new rating list will apply from 1 April 2017. This revaluation will be fiscally neutral nationally but causes significant distributional change amongst local authorities. Based on the draft 2017 rating list published in October, Rateable Values in Brighton and Hove have increased by 17.1% compared to the national increase of 9.6%. The largest regional increase was 23.7% in London. Government has consulted on a proposal for adjusting the top up and tariffs mechanism with the aim of minimising the impact of distributional change from revaluation on local authorities. However the outcome of this has yet to be announced and therefore the financial impact cannot be quantified until more detail is released. With a new rating list, a judgement will also need to be made on the level of successful appeals that will materialise. The business rates income forecast for 2017/18 and beyond therefore remains highly uncertain and assumes that revaluation will have a neutral impact on the council.

- 3.3 In the summer, the government launched a consultation on local authorities retaining 100% of their business rates by 2020. The outcome of the consultation is yet to be announced but is expected to be introduced for the 2020/21 financial year. The proposal is expected to be fiscally neutral and potentially includes transferring certain existing grants and new responsibilities to local authorities from 2020 and therefore is not additional funding to meet the cost of existing services. However, the move will further incentivise business growth to generate additional income to fund council services in future years. The move to 100% Business Rates retention is a fundamental change to local authority funding and until further detail is announced, financial planning beyond 2019/20 is subject to significant change.
- 3.4 The government has consulted on the Referendum Principles 2017/18 which sets out the threshold above which an increase in council tax requires confirmation from a local referendum. The consultation included a core principle of a 2% threshold alongside the continuation of the additional 2% Adult Social Care Precept. The outcome of this consultation is still awaited.
- 3.5 The Education Services Grant allocation for the city is currently £2.895 million of which £0.478m relates to retained duties. This grant is due to be phased out as part of savings nationally of around £600 million. The government originally planned to reduce the local authority role in running schools by the removal of a number of statutory duties, however no legislation is currently planned but the funding reduction is going ahead. The government will provide some transitional funding in 2017/18 estimated at £1.0m meaning a reduction of £1.9m in 2017/18 and a further £1.0m in 2018/19. The reductions in grant are reflected in the budget assumptions. The retained duties element of £0.478m is planned to be recovered through schools (and therefore funded by the Dedicated Schools Grant) and this is reflected in the 4-year proposals for Families, Children & Learning.
- 3.6 The government issued technical consultation on proposed changes to the New Homes Bonus grant scheme including potentially significant reductions in 2018/19 estimated at £1.7 million. To date, net gains in New Homes Bonus have been treated as a recurrent resource however, as the scheme is changing, it is planned to use any net gain in the 2017/18 allocation as one off resources to avoid creating further savings pressures in future years. The latest estimate provides a net gain of £0.724 million.

- 3.7 The final Council Tax Base and Business Rates forecasts for 2017/18 will be presented in separate reports to this committee in January 2017. The current estimated council tax base assumes a net 1% increase in 2017/18. This is mainly from an increase in new properties and the continued reduction in all ages of Council Tax Reduction claimants. The estimated business rates base remains unchanged from the projections in July as a result of the uncertainties highlighted in paragraph 3.2. Since July there has been a further erosion of the tax base due to successful appeals however the estimate assumes this is offset by a higher September Retail Price Index than previously assumed.

Latest Position in 2016/17

- 3.8 The Month 7 Targeted Budget Management (TBM) report elsewhere on the agenda shows a projected overspending of £3.450m on the General Fund which includes a projected overspend of £0.419m on the council's share of NHS controlled s75 partnership services. The overall overspend shows an improvement of £0.295m since Month 5 as presented to the Committee in October. The report highlights the need for mitigating actions across the council to reduce the overspend further.
- 3.9 Resources need to be set aside to cover this overspend to avoid impacting on the 2017/18 position if breakeven cannot be achieved by the year-end and Table 1 in the reserves section shows what impact this may have. The council has risk provisions of £3.000m available to mitigate the position, however restructure and redundancy costs are expected to be approximately £0.600m higher than anticipated which will be a first call against risk provisions. Preliminary consideration of the impact of the in-year overspend on the service pressures requirements for 2017/18 and the deliverability of the savings proposals has been undertaken, however this will need further review at Month 9 when the final budget proposals are put forward for decision.
- 3.10 The council's share of the net deficit on the Council Tax and Business Rates collection funds is forecast to be £1.177m in 2016/17 and this will need to be factored into 2017/18 budget setting.

Reserves Position

- 3.11 The Working Balance needs to be maintained at a minimum of £9m over the next 4 years of the Medium Term Financial Strategy. Determining the appropriate levels of working balance requires a professional judgement based on local circumstances including the overall budget size, risks, robustness of budget estimates, major initiatives being undertaken, budget assumptions, levels of other earmarked reserves and provisions, and the council's track record in budget management. The consequences of not keeping a minimum prudent level of balances can be serious. In the event of a major problem or a series of events, the council would run a serious risk of a deficit or of being forced to cut or curtail service provision in a damaging and arbitrary way. The assumptions and risks will be formally reviewed in February 2017 as part of the final budget proposals.
- 3.12 The following table shows the projected General Reserves position to 31 March 2017 assuming spending is in line with the latest projections for 2016/17 shown in the TBM Month 7 report.

Table 1 - General Reserves	
	£m
Net Overspend at Month 7 (TBM)	3.450
2016/17 risk provisions	-3.000
Additional Restructure & Redundancy costs in 2016/17	0.600
Estimated council tax collection fund 2016/17 surplus	-0.654
Estimated business rates retention collection fund 2016/17 deficit	1.831
Estimated net gain from 2016 New Homes Bonus	-0.724
Release of unused Rugby World Cup resources	-0.100
Projected total one off resource shortfall	1.403

- 3.13 Table 1 shows a shortfall in resources of £1.403m based on the current TBM and collection funds position. The 4-year ISFPs include the need for investment to support the delivery of savings and service transformation; allocations were made to support 2016/17 and indicative allocations for 2017/18 to 2019/20 funded from a combination of one off resources and capital receipts.
- 3.14 These allocations are being reviewed in the light of the updated ISFPs and this review, alongside a full review of reserves will be completed and the outcome of the review will be reflected in the February budget report along with any changes to the TBM position at Month 9.

Fees and Charges

- 3.15 As agreed by this Committee in July, the budget assumes a standard 2% increase in fees and charges. Any proposals to increase charges over and above those assumptions will therefore contribute to closing the budget gap. Charges have been or are planned to be agreed by the relevant service committees as follows:

Table 2		
Fees & Charges Area	Meeting	Date
Private Sector Housing – HMO Licensing (set for 5 years)	Housing & New Homes Committee	17/06/2015
Royal Pavilion and Museums	Economic Development & Culture Committee	17/11/2016
Licensing and Enforcement	Licensing Committee	24/11/2016
Children & Young People	Children, Young People & Skills Committee	09/01/2017
Venues	Economic Development & Culture Committee	12/01/2017
Libraries	Economic Development & Culture Committee	12/01/2017
Seafront and Outdoor Events	Economic Development & Culture Committee	12/01/2017
Parking and Highways	Environment, Transport & Sustainability Committee	17/01/2017
Environmental Health, Trading Standards, Planning and City Parks	Environment, Transport & Sustainability Committee	17/01/2017

Table 2		
Fees & Charges Area	Meeting	Date
Housing Revenue Account	Housing & New Homes Committee	18/01/2017
Life Events	Policy, Resources and Growth Committee	19/01/2017
Adult Social Care Non-residential care services	Health & Wellbeing Board	31/01/2017

- 3.16 A review of the council's approach to fees and charges forms part of the Value for Money Programme. The council's Corporate Fees & Charges Policy requires that all fees and charges are reviewed at least annually and should normally be increased by either the standard rate of inflation; statutory increases; or actual increases in the costs of providing the service as applicable.

Cost, Income and Demand Pressures

- 3.17 The July 2016 budget projections for 2017/18 included £5.000 million for service pressures, £0.950 million for unringfenced grants pressures and £2.425 million specifically for cost pressures in Adult Social Care funded from resources expected to be raised through the Adult Social Care Precept; in total £8.375m. However, these assumptions have been revised to take account of the underlying pressures experienced in the current financial year, in particular for Adults and Children's social care and homelessness and their impact in 2017/18 as well as the estimated impact of the reductions in Education Services Grant. The total cost, income and demand pressures above standard inflation are now estimated to be £14.369 million including £2.100 million for unringfenced grants. This estimate will be further reviewed when unringfenced grants are confirmed and the updated TBM information up to December 2016 (TBM Month 9) is known.
- 3.18 The 2017/18 budget includes £0.800m of new recurrent risk provisions along with the £1.500m recurrent risk provision built into 2016/17 budget. The level of risk provision required in 2017/18 will need to be considered alongside the level of financial risk remaining in service budgets after allowing for cost, income and demand pressures and therefore consideration needs to be given to the balance between risks provisions held corporately and setting robust service budgets.
- 3.19 The final treatment of pressure funding and risk provisions will be included in the budget report to this committee in February when the overall resource position is known, including the TBM month 9 2016/17 position.
- 3.20 The Apprenticeship Levy is due to come into force on 1st April 2017. The levy is calculated at 0.5% of pay and is estimated to be £0.550 million for the general fund (£0.5 million across schools and £0.03 million for the HRA). This sum has been assumed to be a net increase in costs for the council however all services are reviewing their apprenticeships and training to ensure the council takes advantage of the resources available through apprenticeship funding.

Changes in budget commitments

- 3.21 Since the July Budget update report to this Committee there have been some changes to commitments included in the budget. The report on the roll out of wheeled bins for recycling elsewhere on this agenda creates a commitment within financing costs of £0.200 million to fund the borrowing. A further commitment of £0.075m in 2017/18 and £0.075m in 2018/19 is proposed to support the 'poverty proofing the school day' initiative.

Budget Gap (Savings requirement)

- 3.22 The Medium Term Financial Strategy has been revised to reflect the latest cost pressure assumptions and identifies a projected £51.2 million budget gap over the next 3 years assuming a 1.99% council tax increase and 2% additional Adult Social Care Precept. The projected gap for 2017/18 is £24.347 million. These projections are subject to change once the Local Government Finance Settlement is known. The Table below shows how the budget has changed for 2016/17 to 2017/18.

Table 3 Breakdown of Budget Gap	£'000
Pay and standard inflation	5,099
Cost, income and demand pressures	12,269
Other budget changes	513
Reductions in RSG and unringfenced Grants	13,608
Inflationary increase on fees and charges	-2,032
Additional Council Tax and BRR Income	-5,110
Budget Gap (Savings Requirement)	24,347
Savings identified for 2017/18	-20,846
Tax base savings identified for 2017/18	-341
Remaining gap	3,160

Further actions to meet the remaining gap

- 3.23 In common with last year, draft savings proposals to close the gap and achieve a balanced budget have been developed across the whole council by challenging all areas of spend to see what can potentially be stopped (in terms of funding), retained, and redesigned; or alternatively what can be considered for commercial opportunities or an alternative delivery model (e.g. Trust status or outsourcing). Proposals are based on what can be delivered and achieved within an acceptable level of delivery risk within 2017/18. Where this is not possible, due to risk, complexity, consultation requirements or other considerations, but where savings are achievable in the longer term, this is reflected in later years of the 4 year plan.
- 3.24 The proposals presented to date **do not** currently close the budget gap. There remains an imbalance of £3.160m. Further options are therefore being explored including:
- Critically re-assessing the trends and predictions for growth in demands and needs across social care and homelessness to determine whether or not a lower level of funding is possible;

- Reviewing the adequacy and application of (i.e. need for) all reserves and balances, including risk provisions;
- Managing longer term implementation time scales for very complex proposals, e.g. integration of health and social care, through the use of one-off resources or reserves (i.e. 'smoothing') in lieu of greater savings in later years which can then be used to reinstate reserves;
- Funding or financing switches to ease pressures on the revenue budget e.g. borrowing versus revenue spending or capital receipts versus borrowing. The former amounts to spreading expenditure over a longer time frame to ease short term revenue budget pressures but everything must be paid for eventually.

4-Year Integrated Service & Financial Plans and Budget Strategy

- 3.25 Last year the Council adopted a longer term service and financial planning approach in order to set out a clearer direction of travel and map out a budget plan for addressing a predicted £68m budget gap over the 4 year period until the end of this Parliament. This approach has been recognised by Ernst & Young, the council's external auditors, who provided a positive view on the council's achievement of value for money and financial resilience as a result.
- 3.26 The council is now almost a year into the 4-year plan and savings of around £20m will be delivered by the end of 2016/17. The remaining 3 years (2017/18 to 2019/20) will be more challenging as demands and costs continue to grow while government funding from the Revenue Support Grant will reduce by a further £26m. The council's agreement to sign up to the government's '4-year offer' provides a level of certainty over government funding, but when demand and cost pressures are added, an overall budget gap of £51.4m is predicted between 2017/18 and 2019/20. This means that substantial savings need to be found to balance the budget.
- 3.27 Next year, 2017/18, is particularly challenging and it is anticipated that savings of £24.3m will be required to balance the budget. This 'budget gap' is driven by a number of key factors:
- Increased demand for Adults Social Care services, for example, due to people living longer but with increasingly complex social care needs;
 - Increased costs across children's services due to increasing numbers of children on child protection plans, the increasing cost of care leavers and the cost of care;
 - Increased costs of social care contractual costs, Deprivation of Liberty Safeguard assessments and National Living Wage impacts;
 - Inflationary pressures, for example, increasing costs of temporary accommodation leased by the council to tackle homelessness, due to private sector rent increases and housing supply issues;
 - Substantially reducing government grant funding, particularly in relation to Revenue Support Grant and Education Services Grant.
- 3.28 To protect services for vulnerable people, the council will need to invest £12.269m service pressure funding to meet projected adult and children's social care and homelessness cost and demand increases. Alongside the reductions in government funding and other budget changes outlined in Table 3 above, the council must therefore identify a package of recurrent savings of £24.3m in 2017/18 to achieve a balanced budget. However, savings do not have to be

targeted on services in the same proportion as anticipated increases in costs and demands as there may be other areas where there is greater opportunity to save money without impacting adversely on service provision or availability.

- 3.29 The council has had to make savings of over £78m in the previous 4 years, meaning that further measures inevitably become harder to identify, carry greater delivery risks and may have greater impacts on residents, customers and service users.

City Council Budget Strategy

- 3.30 The council is a large public service provider and commissioner covering around 700 individual services that support many different priorities and statutory requirements. The budget strategy is inevitably multi-stranded and complex as reflected by the wide range of savings proposals identified in the 4-Year ISFPs at appendix 2.

- 3.31 Given the final challenges, the council's budget strategy will be focused on getting basic services right while continuing to support the key priorities set out in the Corporate Plan and will essentially continue to:

- Protect services for vulnerable adults and children as far as possible while continuing to redesign services, collaborate and integrate further with health services, and ensure that statutory responsibilities are met. It will also be important to reframe preventive and Public Health services while maintaining an effective balance between affordability and negatively impacting on longer term costs.
- Deliver major regeneration and investment programmes to drive economic growth and build the business rate base. Continued delivery of the City and City Region's multi-billion pound investment programmes to deliver new housing, employment space and jobs, including delivery of the Seafront Investment Programme, completing the renovation of Shelter Hall, progressing the Brighton Waterfront Proposals, Madeira Terraces, King Alfred, and Preston Barracks developments.
- Focus capacity, capital resources, financing strategies and assets on helping the economy to grow through innovative partnerships, including the Greater Brighton Economic Board, the Local Enterprise Partnership, housing associations and other developers.
- Continue to implement the approach outlined in the council's Efficiency Plan developed in 2016/17 and submitted as part of the application process for the government's 4-year offer¹. In summary, this includes the following approaches:
 - Modernisation, of services including exploring different models of service delivery to improve efficiency, value for money, and outcomes for residents, including developing accessible digital services where appropriate. Where it is decided to retain council services, they will be redesigned and benchmarked to ensure costs are appropriate and that management and administrative costs are continually challenged.
 - Exploring innovative solutions including commercial opportunities for self-financing through income generation in some services, while continuing to ensure non-statutory fees & charges fully recover costs and that

¹ Brighton & Hove City Council Efficiency Plan is available on the web site [here](#)

procurement and contract management continues to drive value in the £300m spent on services provided by third parties.

- Work to create neighbourhood hubs to ensure effective co-production of community services and enforcement, and improve community engagement with residents, promoting self-reliance wherever possible.
- Offset some of the growth in demand and costs across social care and homelessness by applying Council Tax increases up to the government's threshold of 2%, together with the additional 2% increase for the Adult Social Care precept.
- The budget strategy will be mindful of the need to support equality and will be underpinned by impact assessments and meaningful engagement and consultation with people, partners and other stakeholders affected by changes to services.

Delivering the Strategy

- 3.32 Delivering the budget strategy over the next 3 years demands effective project and programme management, strong governance and decision-making, and resilient leadership and partnership working. The council will consequently require substantial one-off investments, for example, to facilitate changes in service provision, invest in digital services, fund restructuring and redundancy costs, and provide project and change management and other technical expertise that may not be available in-house.
- 3.33 Failure to invest in implementation will heighten the risk that day-to-day service delivery will crowd out change. Due to the complexity and breadth of budget proposals, responsibility for delivery is delegated to service directorates but will be supported by additional modernisation funding. More information about specific service strategies and budget proposals can be found within the service directorates' 4-Year ISFPs at appendix 2.
- 3.34 In summary, the approach contained in the budget strategy and 4-year plans and supported by the draft capital and revenue budget proposals is as follows:

Getting basic services right and making the city an enjoyable place to live and work

- Modernising services through the Digital First programme with around £6m capital investment over the next few years to improve mobile working, efficiency, and digital accessibility of services for residents and visitors;
- Developing Neighbourhood Hubs to improve community engagement and collaboration in relation to community and enforcement services, for example across licensing, planning, and environmental services, to ensure that the lives of residents are not adversely affected by low level illegal activities;
- Investing in recycling and collection to improve services and protect the environment;
- Investing in transport infrastructure, traffic management strategies and street lighting to improve safety and the environment;
- Continuing to develop Housing programmes and financing solutions to address housing supply issues and reduce homelessness;
- Undertaking a citywide review of the supported bus network including re-procurement of this service in 2017;

- Developing self-service for support services through the Orbis shared service partnership with West Sussex (legal only), Surrey County Council and East Sussex County Council to reduce costs and staffing across Finance, Revenues & Benefits, HR, ICT, Legal, Procurement and Property Services;
- Maximising the economies of scale and contractual savings available through the Corporate Landlord model, including continued rationalisation of the council's administrative buildings;
- Continuing to improve procurement and, particularly, contract management to ensure that maximum value is derived from £300m external supplier and provider spend;
- Over £2m management savings are proposed and further opportunities to streamline management costs will continue to be explored through shared service arrangements, reviewing management spans of control and new ways of working. However, relative to the magnitude of service savings required over the next 2-3 years, further management savings are likely to be very small in scale and it will be important to ensure that we remain able to safely discharge our statutory, legal, financial and duty of care responsibilities particularly at a time when we are aiming to deliver major service change and budget savings on top of the day to day operational management of services.

Protecting provision for vulnerable people as the city's population grows and the cost of care rises

- Investing savings and taxation increases in essential services to ensure that projected increases in statutory demands and needs can be met safely and to adequate inspection standards. £6.623m will be provided to meet growing costs and demands across Adult Social Care, £2.712m for increased costs and additional care leaver responsibilities in children's social care services and £2.232m for homelessness to meet temporary accommodation costs;
- Further protecting services for vulnerable adults and children by getting the balance between universal, preventative and targeted services right without impacting on longer term care costs;
- The budget supports continued Children's Centre service provision by reframing and redesigning other preventative services including Early Help, Troubled Families and Public Health services, taking into account the findings of the Fairness Commission where possible (and affordable);
- Maintaining support for Welfare Reform - expected to affect over 600 families in the city - through advice and support to ensure people are helped to move to sustainable tenancies wherever possible and help them onto a sustainable financial footing. Discretionary funds will continue to be provided to help those who suffer severe short term financial hardship;
- Potential development of an in-house secure residential facility for high risk and high cost adolescents will be explored to determine whether this can help to avoid high out-of-city costs;
- Focusing on increased prevention of homelessness with key partners and assisting homeless households to move to alternative lower cost provision;
- Development of new Temporary Accommodation through commissioning a council housing stock review to deliver conversions of existing under-used or unused buildings or spaces;
- Continuing to develop the new models of social work practice across children's social care to avoid higher cost care pathways and placements;

- Bringing together children's disability services and adult learning disability services to manage and reduce the demands that arise when young people transition into adult services;
- Continuing to reduce the reliance on independent foster agency placements to minimise cost;
- Engaging fully with the Brighton & Hove Caring Together initiative through integrated commissioning with the Clinical Commissioning Group (CCG), the Better Care Programme and the Sustainability & Transformation Plan for the area to ensure greater collaboration and integration with Health Services and reduce the cost of health and social care and help support people to live in the community for longer;

Supporting economic growth and regeneration that benefits everyone

- Growing the economy through the Greater Brighton Partnership and long term capital investment through major regeneration programmes to renew and strengthen the infrastructure of the city;
- Drawing in private sector investment to create jobs and ensure that economic gains are fairly distributed;
- Maintaining a resilient Planning Service will be an important factor in the delivery of the regeneration programme;
- Developing a Housing Joint Venture to increase affordable housing supply;
- Making the most of our assets to generate new long term revenues for the council to protect essential public services;
- Growing a commercial approach to waste and street cleaning services with a focus on income opportunities;
- Moving the Royal Pavilion & Museums over to a Trust Status delivery model;
- Introduction of a new model of delivery for Parks and Open Spaces.

Outcome Based Budget Allocation

- 3.35 The strategy outlined above will allocate resources for 2017/18 as shown in Table 4 below to achieve the desired outcomes. The change in budget for each directorate reflects a balanced judgement about the level of funding required in each area to support priorities, meet statutory responsibilities and deliver change.
- 3.36 The change in budget from 2016/17 to 2017/18 for each area will therefore be the combined result of:
- Inflation provision, where appropriate, to avoid real terms reductions;
 - Commitments (e.g. for the impact of decisions previously approved by the council);
 - Service pressure funding (i.e. provision recognised in the budget to meet growing statutory demands, needs or costs, particularly across social care);
 - Savings (i.e. net savings from the 4-year Integrated Service & Financial Plans aligned to the budget strategy above).
- 3.37 The combination of these factors will give rise to a net change in each directorate's overall budget resources as shown below and in appendix 1.

Table 4 – Indicative movement in Service Budgets

Service Directorates	2016/17 Net Budget £'000	2017/18 Proposed Net Budget £'000	Increase / Decrease Over 2016/17 %
Health & Adult Social Care	50,053	49,855	-0.4
Families, Children & Learning	81,673	83,070	+1.7
Economy, Environment & Culture	32,709	28,843	-11.8
Neighbourhoods, Communities & Housing	15,175	14,952	-1.5
Finance & Resources	19,892	17,949	-9.8
Strategy, Governance & Law	5,229	4,671	-10.7
Total Service Budgets	204,731	199,340	-2.6
Corporate and other Budgets	4,840	7,334	n/a
Remaining Budget Gap	0	-3,160	n/a
Total Council	209,571	203,514	-2.9

- 3.38 Overall, it can be seen that the council expects a reduction in budget resources of 2.9%. This reflects the overall reduction in funding available to the council from government grants and taxation which is detailed in Appendix 1. Even at this draft budget stage it is clear which service areas will be protected and which are able to achieve greater efficiencies. However, there remains a budget gap of £3.160m to address which may alter the final proposed allocations slightly.
- 3.39 The 4-year Service & Financial Plans at appendix 2 include proposals for each directorate with an accompanying 4-Year Budget Strategy statement. The total General Fund savings identified in the draft proposals and the remaining potential budget gaps are outlined below:

Table 5	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Budget Gap	24,347	15,667	11,174	51,188
Budget proposals	-21,187	-11,536	-7,241	-39,964
Remaining Gap	3,160	4,131	3,933	11,224

The 4-Year ISFPs at appendix 2 provide the following information for each service heading:

- Service Area name (and description);
- Gross Budget (current) – this is provided for contextual (scale) information only and is the current total expenditure for the service including staffing, transport and premises related costs, supplies and services, contract or provider costs, grants and other transfer payments;
- Net Budget (current) – also provided for contextual information, this is the current Gross Budget less any income from fees and charges, specific government grants, rents, or external/partner funding (e.g. health service funding);

- Budget FTE (current) – further contextual information indicating the current Full Time Equivalent (FTE) staffing budget for the relevant service area;
- Rationale for Strategy – provides a brief description of the service’s main objectives and the strategic approach adopted for improving value for money or reducing spending over the 4-year period;
- Service & Financial Proposal – a brief description of the measures that will be undertaken to achieve savings over the 4 years; often with more detail provided for 2017/18;
- Delivery Risk and Impact on Outcomes – identification of potential risks to delivery and/or the level of saving achievable and a summary of the potential impact of the service strategy on outcomes for customers, service users, clients, partners and other stakeholders as appropriate;
- Saving 2016/17 – for information only, this identifies savings already delivered or being delivered in the current financial year which is Year 1 of the 4-Year Plan;
- Savings 2017/18 to 2019/20 – proposed amounts to be saved over the remaining 3 years of the 4-Year Plan. The Council will only formally approve the proposals for 2017/18 (highlighted) for which there is a statutory requirement to set and approve a budget and Council Tax.

Housing Revenue Account (HRA)

- 3.40 The Housing Revenue Account (HRA) is a ring-fenced account which covers the management and maintenance of council owned housing stock. This must be in balance meaning that the authority must show in its financial planning that HRA income meets expenditure and that the HRA is consequently viable. Although the HRA is not subject to the same funding constraints as the General Fund it still follows the principles of value for money and equally seeks to continuously improve efficiency and achieve cost economies wherever possible. Benchmarking of both service quality and cost with comparator organisations is used extensively to identify opportunities for better efficiency and service delivery.
- 3.41 The HRA Budget aims to balance the priorities of both the council and housing residents within the context of the Housing Strategy 2015, and the Corporate Plan 2015-2019 which sets out the overall direction for the council over the next four years. The 2017/18 budget includes savings proposals of £0.815m which include a number of efficiencies, savings from the procurement of the gas serving contract, reductions in responsive repairs expenditure and additional income.
- 3.42 Rents will continue to be calculated in accordance with government’s rent guidance. The Welfare Reform and Work Act 2016 received Royal Assent in March 2016; the act details that social rents should be reduced by 1% per annum over a 4 year period commencing from 2016/17.
- 3.43 The HRA Budget & Investment Programme 2017/18 and the Medium Term Financial Strategy (MTFS) will be reported separately to Housing & New Homes Committee in January 2017, and Policy & Resources Committee and Council in February 2017.

Capital Programme

- 3.44 A 10-year capital programme has been developed and included in the MTFs. A detailed Capital Investment Programme will be presented to Policy, Resources & Growth Committee in February prioritising the resources available to the council given the risks associated with delivering the planned high level of receipts. The programme will be a fully funded capital investment programme. The capital strategy identifies longer term capital investment plans as well as a funding strategy and the potential outcomes for each investment plan. This strategy includes major investment requirements such as new pupil places, investment in the seafront infrastructure and partnership investment through major projects such as Brighton Waterfront. The strategy also includes Heritage Lottery Fund bids such as the Stanmer Park Master Plan, Royal Pavilion Estates Regeneration and the Volks Railway. Successful bids for government funding through the City Deal will support the development of New England House, Circus Street, Preston Barracks and transport initiatives such as Valley Gardens Phase 1&2, the Brighton Bike Share Scheme and the Intelligent Transport System.
- 3.45 The projected capital programme and resources for the next 10 years are included in the table in Appendix 3. Investment in ICT had increased from £0.5m per year to £2.0m over the 3 year period for 2016/17 to 2018/19 with future years reverting back to £0.5m. This element was revised to £2.0m per year until 2018/19 to support the Customer First in a Digital Age programme. Grant funding is provided to the council as a Single Capital Pot and with the exception of Devolved Schools Capital Grant and can be prioritised as the council sees fit. Unringfenced government grants for education, transport and health are projected to be £23.745m in 2017/18 but are subject to confirmation from the Government in December 2016. Education new pupil places grant of £11.445m has been announced for 2017/18 however there is zero funding allocated to the council for 2018/19 and no further allocations announced beyond that date. Education maintenance grant of £4.909m has been announced for 2017/18 and again no further announcements beyond that date. Allocations for the Local Transport Fund (LTP) have been announced for £5.391m in 2017/18 and indicative LTP allocations of £5.169m pa have been announced up to and including 2020/21. Adult Social Care Grant has been estimated at £1.500m annually to support both Better Care Funding and Disabled Facilities Grant; these have yet to be confirmed by Government.
- 3.46 Capital receipts support the Capital Investment Programme and include receipts from the disposal of Kings House, Patcham Court Farm, 251-253 Preston Road, Preston Barracks, Hollingbury Library, the land at the Cliff and a number of non-core rural assets to support the Stanmer Park redevelopment project. Receipts associated with Workstyles Phase 3 such as the disposal of Kings House are ringfenced to support that project and help deliver future efficiency savings with any surplus receipt released to support corporate priorities. Ringfenced capital receipts are also projected to support property commercial reinvestment, the Waterfront project and the HRA Capital Investment Programme. The Capital programme included in appendix 3 has a fully funded capital programme for 2017/18 and the programme will be updated for any funding announcements and the latest position at TBM month 9 when it is presented to this committee in February 2017.

- 3.47 The implementation of the 4 year ISFPs requires significant investment and capital receipts have been earmarked to support this corporate priority. The investment in Digital First will help underpin service changes, but in addition service plans have identified specific investment requirements over the 4 year period. Services will be required to bring forward detailed business plans including all project management and related costs, identify outcomes and risks to support any investment decisions before any funding is allocated. The scale of staffing changes will mean the council's Restructure & Redundancy Reserve will also need to be funded to support change in addition to the service specific investments.
- 3.48 Indicative allocations for the 4 year ISFP's were included in the budget agreed at Budget Council in February 2016. Revised estimates are being prepared in light of the updated ISFP's and these will be included in the budget report to this committee in February 2017.

Staffing Implications

- 3.49 At this stage in the budget process it is difficult to determine exactly how many staff may be affected by the proposals. A broad estimate is that in 2017/18 a further 140 posts may be removed from the council's staffing structure as a result of the savings proposals set out in Appendix 2. However, actual numbers will be dependent on the detailed options proposed and on the results of formal consultation where required. Some of these posts are already vacant and some will become vacant through normal turnover.
- 3.50 The 4-year integrated service and financial plans provide further information about reductions in posts up to 2020 and currently indicate that approximately 300 posts will be removed from the staffing structure over the remaining 3 years. This figure is likely to increase as service plans become clearer for subsequent years and remaining budget gaps are addressed. This information is now being used to plan for reductions in the workforce to mitigate the impact on staff and focus redeployment, outplacement and voluntary severance activity. A redeployment co-ordinator has recently been appointed to provide a focused resource to support those at risk of redundancy. Improved information on the establishment will provide opportunities to identify potential vacancies for redeployment in addition to considering those posts that have been put forward for recruitment.
- 3.51 In addition to the posts mentioned above, the transfer of some services to alternative models of delivery may result in the TUPE transfer of some staff to other organisations. The proposals over the next 3 years currently include the transfer of approximately 320 posts, although the figure could increase as plans become clearer. Changes have been proposed to our tender process to ensure that the Trade Unions have involvement as stakeholders where there is a potential TUPE transfer of staff. Close working with future providers of services will ensure that staff are fully engaged and consulted with as they move into other organisations.
- 3.52 It is planned to support staff at risk of redundancy through:
- Providing appropriate support to staff throughout the change process to enable them to maximise any opportunities available;

- Controlling recruitment and ensuring there is a clear business case for any recruitment activity;
- Managing redeployment at a corporate level and maximising the opportunities for movement across the organisation;
- Using improved information about the establishment to identify vacancies across the organisation;
- Limiting the use of temporary or agency resources through the financial controls currently in place.

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

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

Timetable

3.54 The Timetable for budget papers is given below in table 6. This timetable does not include detailed plans for ongoing consultation with stakeholders and this will be determined in conjunction with those involved.

Table 6 - Remaining 2017/18 Budget Timetable		
Date	Meeting	Papers / Activities
23 Nov 2016		Autumn Statement
Mid to Late Dec 2016		Provisional Local Government Finance Settlement
18 Jan 2017	Housing & New Homes Committee	Housing Revenue Account Budget and Capital Programme
19 Jan 2017	Policy, Resources & Growth	Tax base report and Business Rates retention forecast
9 Feb 2017	Policy, Resources & Growth Committee	Month 9 Forecast of 2016/17 budget position. General Fund Revenue Budget. 2017/18 and 4 Year Budget Strategy. Housing Revenue Account Budget and Capital Programme. Capital Investment Programme.
23 Feb 2017	Budget Council	

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The budget process allows all parties to engage in the examination of budget proposals and put forward viable alternative budget and council tax proposals to Budget Council on 23 February 2017. Budget Council has the opportunity to

debate the proposals put forward by this Committee at the same time as any viable alternative proposals.

4.2 Any alternative proposal will need prior assessment by the Section 151 Chief Financial Officer and will not normally be allowed where an estimate is not considered to be robust for one of the following reasons:

- i) The risk of not achieving the saving is assessed to be untenably high;
- ii) There is insufficient evidence or information to assess the potential saving;
- iii) The alternative proposal is adding to or bringing forward an existing saving without further information as to how this can be achieved;
- iv) The alternative proposal requires one-off investment or loan financing that cannot be supported;
- v) The alternative proposal is beyond the powers and duties of the local authority.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 The scale of the budget gap over the medium term to 2019/20 has necessarily required the development of saving and cost reduction proposals that have significant implications for the design and delivery of many council services. This is likely to carry higher risks for the impact on service delivery than in recent times and requires effective consultation and engagement on not only service changes but also financial planning over the medium term.

5.2 General information and advice about the council's budget will be provided through the council's web site and via a refreshed 'Budget Animation' available on YouTube™ which shows how money is spent on services, where the money comes from and a summary of the financial challenges ahead.

The council has also widely publicised its online social media inviting residents and stakeholders to give us their views and ideas on Twitter via **#BHBudget**. Social media continues to be a key, low cost, mechanism for engaging with residents and other stakeholders. Key proposals from the 4 year budget strategies will be publicised, along with information about council services, and questions and comments invited from residents immediately following their publication over the period leading to the February Policy, Resources & Growth Committee meeting. A summary of response threads will be provided to all political groups through the Budget Review Group and appended to the February budget report.

Other consultation and engagement processes are as follows:

5.3 Various events including meetings with the Older Peoples Council and a Youth Council event are planned and information is being shared with Strategic Partners and community groups to invite feedback.

5.4 Local Strategic Partners remain acutely aware of the potential cumulative impact of funding pressures across public sector agencies on the city. The City Management Board, attended by all Local Strategic Partnership representatives, will therefore ensure that information is shared across the sector to assess and

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

- 5.5 There are ongoing briefings and discussions with the Economic Partnership and a broader event for the business sector could be scheduled in January 2017 including the required formal consultation with business ratepayers, particularly concerning the impact of 2017 revaluation. The focus will be on potential funding sources and bids, city regeneration, economic growth, employment and apprenticeship strategies.
- 5.6 For staff, updates are being provided via the council's intranet and formal consultation with Staff and Unions will be undertaken as normal including Departmental Consultative Group (DCG) meetings in November and early December 2016 followed by appropriate consultation with directly affected staff.
- 5.7 Similarly, where appropriate or required by statute, specific consultation will be undertaken with residents and other people directly affected by proposed changes to service delivery.

Schools

- 5.8 There is a statutory requirement on the local authority to consult with the Schools Forum on certain financial aspects of the schools budget including formula changes and the associated impact on budget distribution. The Schools Forum is a public meeting whose membership is made up of schools representation from across all phases and on which the Education Funding Agency has optional observer status.
- 5.9 Information is provided throughout the year to meetings of the Schools Forum concerning the development and/or changes to elements of the schools budget and the schools formula, now principally based on a national formula. There is a Schools Block Working sub-group that works with Education and Skills and Finance colleagues to ensure involvement and engagement of schools representatives in looking at considerations and options as proposals are developed.
- 5.10 Annual budget shares will be presented to the 16 January 2017 meeting of the Schools Forum for consultation and in recent years the council's Executive Director of Finance & Resources has also attended this meeting and presented a report on the potential direct or indirect impacts of the council's General Fund budget proposals on schools.

Housing Revenue Account

- 5.11 As well as consulting residents through various Housing reviews and groups such as Service Improvement Group, Income Service Reviews and the Star Survey, HRA Budget consultation took place in November 2016, at the Citywide Conference. The conference focused on the HRA budget position 2016/17, feedback from consultation through the year, savings achieved over the last year,

challenges and proposed areas of saving for 2017/18 and sought views of the council's tenants and leaseholders. Feedback from this budget consultation is also being presented to Housing Area panels in November and December prior to the Housing Revenue Account Budget and Investment Programme 2017/18 and Medium Term Financial Strategy report being presented to the Housing New Homes Committee in January 2017.

6. CONCLUSION

- 6.1 The council is under a statutory duty to set its budget and council tax before 11 March each year. This report sets out the latest budget assumptions, process and timetable to meet the statutory duty. The plans cover a 4 year period, however only proposals for 2017/18 and associated council tax decisions require formal approval. Proposals for later years will be for noting but the principles of effective longer term planning require that subsequent withdrawal of any approved savings should be accompanied with alternative proposals in order to maintain the current position and avoid impacting further on financial resilience.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

Finance Officer Consulted: James Hengeveld

Date: 29/11/16

Legal Implications:

- 7.2 Policy, Resources & Growth Committee has the necessary authority to make the recommendations set out in paragraph 2 of this report as part of its function of formulating budget proposals for subsequent consideration and adoption by Full Council.
- 7.3 Recommendation 2.4 reflects the council's duties to consult interested parties in relation to the draft savings proposals set out in the report.
- 7.4 Any decisions taken as part of the budget setting process are "resourcing" decisions and are subject to compliance with relevant legal requirements where appropriate before implementation.

Lawyer Consulted: Abraham Ghebre-Ghiorghis

Date: 29/11/2016

Equalities Implications:

- 7.5 In Brighton & Hove City Council a budget Equality Impact Assessment (EIA) process has been used to identify the potential disproportionate impacts of proposals on groups/individuals covered by legislation (the 'protected characteristics' in the Equality Act 2010) and actions to mitigate these negative impacts or promote positive impacts. This is a key part of meeting the requirements of the Act and demonstrating that we are doing so. In law, the

potential impacts identified, and how far proposed actions mitigate them, must be given due regard by decision-makers at each stage of the budget-setting process.

- 7.6 All proposals with a potential equalities impact in 2017/18 have had an EIA completed (provided in Members' rooms and on-line), and this is cross-referenced within the savings proposals. Staffing EIAs will be completed alongside the formal consultation process on proposed staffing changes and feedback will be provided in the February report.
- 7.7 When the budget proposals are made public, these EIAs will also be circulated widely to stakeholders. Feedback will be used by officers to revise the first drafts of EIAs into final versions which will be available to members and scrutiny as they consider the budget proposals. They will also be published on the council website.

Sustainability Implications:

- 7.8 A carbon budget will be set for 2017/18 and included in the budget report to this committee in February 2017. This will show the level of spend on energy and the estimated carbon emissions across each carbon budget area and includes a planned 4% reduction.

Any Other Significant Implications:

Risk and Opportunity Management Implications:

- 7.9 The budget proposals normally provide recurrent and/or one-off risk provisions against the uncertainty of the local government finance settlement and the council's ongoing service pressures. The level of risk provisions will need to be reviewed for 2017/18 in the light of the Month 9 TBM budget monitoring position and available resources.
- 7.10 The budget report to February Policy, Resources & Growth Committee will include the Chief Finance Officer's formal assessment of the robustness of estimates in the budget and the adequacy of reserves.

SUPPORTING DOCUMENTATION

Appendices:

1. Budget changes from 2016/17 to 2017/18
2. Budget Strategies and 4-Year Integrated Service & Financial Plans
3. Summary 10 year Capital Programme

Documents in Members' Rooms

1. Budget Equality Impact Assessment Screening Documents (also available online)

Background Documents

1. Budget files held within Finance
2. Consultation papers