POLICY & RESOURCES COMMITTEE	Agenda Item 149 Brighton & Hove City Council

Subject:		**General Fund Revenue Budget, Capital & Treasury Management Strategy 2021/22**		
Date of Meeting:		**Policy & Resources Committee:11 February 2021** **Budget Council: 25 February 2021**		
Report of:		**Acting Chief Finance Officer**		
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Ward(s) affected:		**All**		

FOR GENERAL RELEASE

1 PURPOSE OF REPORT AND POLICY CONTEXT

1.1 The 2021/22 council budget has been developed in unprecedented times in which the impact on the city, its residents, businesses and visitors is clear to see. The council has been supporting wherever it can, including administering significant emergency assistance, hardship and business grant funding to sustain people and businesses throughout the pandemic as far as possible.

1.1 The council itself is also facing financial challenges following many years of reducing government grant funding, with the added financial impact of the pandemic on social care and homelessness demands, as well as large losses of taxation revenues and income from fees and charges. For 2021/22, allowable Council Tax and Adult Social Care precept increases, together with additional resources provided by the Spending Review, will not be sufficient to balance the budget due to the need to provide cover for inflationary pressures and provide investment to support Corporate Plan priorities including funding to manage above-inflation costs and increases in demands across critical statutory services such as social care and homelessness. As in previous years, achieving a balanced budget will therefore require a further substantial savings programme of £10.644m.

1.2 The budget proposed for 2021/22 is therefore one that focuses on survival as the country and the city hopefully emerge from the pandemic. The budget proposals aim to maintain the financial resilience of the council while also ensuring that the council is able to support recovery and renewal across the city by underpinning support for vulnerable people and those in hardship. The budget also focuses on using public funds for the benefit of the local economy, investing in a cleaner, more sustainable city, and substantially investing in housing provision to continue to alleviate homelessness, which could otherwise result in longer term costs for the council and the city.

1.3 Government has recognised the growing potential costs of climate change to people's health, the environment and the economy and is developing its green investment proposals. However, at present it is not clear what funding will be provided to local authorities, if any, to support climate action locally. In 2018, this council declared a Climate and Biodiversity Emergency and in response the

Corporate Plan therefore contains plans and objectives to respond to the emergency including the ambition of a Carbon Neutral city by 2030. In lieu of central government funding, the budget contains proposals to support carbon reduction but recognises that these must be affordable and prudential in the context of the overall budget and resources available.

1.4 By investing in active travel, energy efficiency and green spaces, the budget proposals support the drive for improved air quality and promotes public health by providing the means to exercise and use alternative forms of transport. Budget proposals also recognise the social, economic and health benefits of supporting a sustainable recovery for the city from the pandemic. Alongside the proposals to protect investment in Community & Voluntary services and invest in youth services, the budget proposals are also aiming to support young people and their futures.

1.5 This report contains the full package of General Fund Revenue Budget and Capital Investment proposals for 2021/22 together with the proposed Capital Strategy and Treasury Management Strategy for 2021/22.

1.6 The revenue budget proposals have been updated since the second draft budget report, considered by Policy & Resources Committee on 21 January 2021, and now fully reflect:

- the provisional Local Government Financial Settlement announcement;
- updated projections and estimates based on latest information informed by the month 9 in-year trends;
- revisions to the Council Tax and Business Rates tax bases as approved by the January Policy & Resources Committee;
- latest announcements of capital resources;
- changes to savings and investment proposals as detailed in the report and appendices.

1.7 The General Fund Revenue Budget proposals for 2021/22 include:

- a proposed increase of 4.99% on Council Tax including a 3% Adult Social Care precept, which, together with tax base[1] changes, will generate resources of £5.367m;
- provision for known pay and price inflation, employer pension contribution changes and unavoidable contractual and financing commitments of £4.907m;
- a savings programme of £10.644m to contribute to funding for investments in Corporate Plan priorities and cost pressures in demand-led services; and
- proposed Corporate Plan priority investments, including over £19m funding for cost pressures in priority, demand-led services of £22.270m.

1.8 Budget proposals are supported by Equality Impact Assessments where appropriate which must be considered by Members alongside the detailed budget proposals.

1.9 The proposed Capital Investment Programme for 2021/22 is set out in the Capital Strategy and includes a total programme of investments of £221.103m.

2 RECOMMENDATIONS:

That Policy & Resources Committee recommends to Council:

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

2.1 The Administration's proposed budget and Council Tax increase on the Brighton & Hove element of the council tax, comprising:

i) A general Council Tax increase of 1.99%;

ii) An Adult Social Care Precept increase of 3.00%;

iii) The council's net General Fund budget requirement for 2021/22 of £218.571m before accounting for the exceptional Section 31 item of -£33.764m;

iv) The 2021/22 budget allocations to services as set out in the Budget book at Appendix 1 incorporating 2021/22 savings proposals;

v) The reserves allocations as set out in the table at paragraph 5.26;

vi) A recommended working balance of £9.000m.

2.2 That Council notes the updated Medium Term Financial Strategy included in the Budget Book at Appendix 1.

2.3 That Council approves the Capital Strategy for 2021/22 at Appendix 2 comprising:

i) The strategy for funding the investment in change, including the flexible use of capital receipts as set out in section 7;

ii) The capital resources and proposed borrowing included at Annex A of the Capital Strategy;

iii) The Capital Investment Programme for 2021/22 of £221.103m included within the Budget book at Appendix 1 and incorporating allocations to strategic funds.

2.4 That Council notes the Equalities Impact Assessments to cover all relevant budget options and their cumulative effect as set out in Appendices 6 and 7.

2.5 That Council further notes the budget decision is an indicative resourcing decision to be taken in the context of the explanation in the Legal Implications paragraph 17.3.

2.6 That Council approves the Treasury Management Strategy Statement as set out in Appendix 3 comprising:

i) The Annual Investment Strategy;

ii) The Prudential and Treasury Indicators;

iii) The Minimum Revenue Provision policy;

iv) The authorised borrowing limit for the year commencing 1 April 2021 of £541m.

2.7 That Council notes that supplementary information needed to set the overall council tax will be provided for the budget setting Council meeting as listed in paragraph 11.3.

That Policy & Resources Committee agrees:

2.8 That the council's appointed S151 Chief Financial Officer be authorised to make any necessary technical, presentational or consequential amendments to this report before submission to full Council.

3 FINANCIAL CONTEXT AND RISKS

3.1 Effective financial planning has become increasingly important over recent years due to the increasing financial challenges facing the council. Failure to effectively manage the council's finances will ultimately impact on service delivery and has serious reputational implications, potentially leading to government intervention.

The financial impact of the pandemic has brought financial resilience to the fore and many authorities are now concerned about the level of reserves available to maintain their financial stability. Recent examples of financial scrutiny or intervention relating to local authorities include:

- An external audit Public Interest Report followed by two Statutory Section 114 reports being issued by the Chief Finance Officer (CFO) of Croydon LBC to restrict all spending, bringing with it associated media and reputational impact;
- Various objections to local authorities' statements of accounts, particularly concerning financing decisions and commercial property deals, requiring investigation and adjudication by external auditors;
- Various legal challenges from residents in respect of council decisions, particularly where urgent cuts have had to be approved to balance the books, most notably the upheld legal challenge to Bristol City Council regarding proposed reductions to children's disability budgets;
- Intervention by government in respect of failing services where they can appoint commissioners to take over whole services, notably Doncaster Met which narrowly avoided Secretary of State intervention in Children's Services by agreeing to create a new trust;
- In the severest case, Northamptonshire, where direct intervention by government will result in dissolution of the authority and creation of two new unitary authorities from April 2021.

3.2 The case of Croydon LBC is worthy of note having recently been issued with two Section 114 reports by their CFO. The report indicates that the authority has seen its reserves depleted by over £40m within 4 years, accompanied by increasing overspends across social care services while also under-achieving its planned savings programmes. It also entered into substantial housing and property arrangements which have resulted in very large borrowing debt (over £1 billion) and which are now being reviewed independently by the Local Government Association.

3.3 In their annual reviews, external auditors are therefore increasingly concerned with local authorities' arrangements for securing value for money which includes demonstrating financial resilience and sustainability by providing evidence of effective medium term planning. In the current context, External Auditors will also be looking closely at authorities' plans and approaches for managing the ongoing impacts of the pandemic, particularly taxation (Collection Fund) deficits.

3.4 Brighton & Hove City Council has a strong track record of financial management and a clearly defined annual and medium term financial planning process. This has enabled the early identification of any predicted future budget shortfalls (gaps) and ensured any gap can be addressed by developing and agreeing appropriate savings measures and programmes. These have been and are supported by an 'invest-to-save' Modernisation Fund utilising the government's capital receipt flexibilities. The council's planning and delivery approach has therefore enabled it to remain financially resilient as demonstrated by the following characteristics:

- BHCC's borrowing, currently £279m, is at the average for Unitary Authorities. This includes £149m borrowing under the self-financing HRA regime. By contrast, the level of borrowing (debt) is approximately one fifth of the level undertaken by Croydon LBC.
- The council maintains a £9m working balance and currently has usable earmarked reserves of approximately £33m, or around 20% of the budget, from which it can internally borrow in an emergency.

- The council's revenue budget has not been overspent for at least the last 5 years. It's HRA and Schools Budgets (DSG) have also been within budget.
- The council has not had to make any unplanned use of reserves for at least the last 5 years.
- The council has consistently received a clean bill of health from the External Auditor each year (i.e. unqualified and unmodified audit opinions) including the latest opinion received in the midst of the pandemic in October 2020.
- The Budget Proposals for 2021/22 present a balanced recurrent budget despite the challenges posed by the impact of the pandemic. Some financial smoothing of one-off Covid-19 costs is proposed but is well within the reserves available.

3.5 As always, there is no room for complacency, particularly in the current situation with uncertainty over the end of the pandemic and the extent of any lasting economic impacts. Close monitoring of the situation in-year and ensuring that planning for future predicted budget gaps begins as early as possible next financial year should ensure that the council can take appropriate and corrective financial management action in-year for any overspending, and can develop plans to address any future budget gaps in good time.

4 RESOURCES AND PLANNING ASSUMPTIONS 2021/22

Provisional Local Government Financial Settlement (LGFS)

4.1 The provisional Local Government Finance Settlement for 2021/22 was announced on 17 December 2020 and reflected the headline funding announcements included in November's one-year Spending Review. This announcement included:

- Confirmation of an allowable 3% Adult Social Care precept which would provide an additional £4.450m if agreed;
- Confirmation that the threshold at which an increase in Council Tax requires a local referendum will be 5% including a 3% Adult Social Care (ASC) precept. Any proposal to increase council tax by 5% or more would therefore need to be accompanied by an agreed substitute budget, which would need to be implemented if the increase were voted down by the electorate.
- Additional Adult Social Care grant funding of £0.944m. This is lower than the £1.5m assumed in the December budget report as there was a significant change to the distribution method used for allocating the £300m nationally. This type of funding has previously been allocated based on a Relative Needs Formula (RNF) but on this occasion, the government have taken into account the revenue raising ability of each council from the ASC precept and as a result the council's allocation is substantially lower than predicted;
- A new grant to support lower tier councils of £0.624m (which this council benefits from as unitary authorities are effectively combined upper and lower tier authorities);
- An allocation of £8.023m from the £1.55bn additional Covid-19 pressure funding nationally for 2021/22. It is important to note that this funding is regarded as one-off funding for 2021/22 for the purposes of medium term financial planning;
- Confirmation of funding provision for 75% of irrecoverable losses of Council Tax and Business Rate Retention income (i.e. the Collection Fund deficits) in 2020/21. For Council Tax this relates to the reductions in revenue arising from

increased Council Tax Reduction claimants and delays in new property completions but it has now been clarified by government that it will not include cover for irrecoverable (bad) Council Tax or Retained Business Rate debts. This is because the government's assumption is that councils will continue to pursue and ultimately recover outstanding debts.

- A new one-off Local Council Tax Support grant of £2.968m to cover the impact in 2021/22 of the increased costs of Council Tax Reduction and other help to economically vulnerable households. This grant now takes on even greater significance for councils as it may ultimately be needed to cover bad debts not now covered by the 75% Collection Fund deficit protection;
- Confirmation that the Troubled Families, additional Adult Social Care grants, Flexible Homelessness Support Grant (now renamed Homeless Prevention Grant), and existing Rough Sleeper funding awarded in 2020/21 will be continued at broadly the same levels;
- A small inflationary increase of £0.036m to the Revenue Support Grant from £6.630m to £6.666m; and
- A marginal increase to the New Homes Bonus of £0.018m.

4.2 The government also announced additional Homelessness and Rough sleeping funding of £151m nationally for 2021/22 in the Spending Review however the council is still awaiting details of this allocation. The distribution method for this is still unknown at present but is predicted to provide a minimum of £1m additional resources based on previous distributions.

4.3 The main impacts on the council's planning assumptions that can be inferred from the Spending Review announcement and subsequent LGFS are as follows:

- The pay award assumed for 2021/22 planning assumptions was 2.2% based largely on the average of increases in recent years. However, the Chancellor announced a public sector pay freeze, which, after providing for the Voluntary Living Wage increase and allowing for a similar increase to the proposed public sector pay award for staff paid less than £24,000, would potentially reduce the cost of the assumed pay award by £2.429m if applied to local government.

  As noted in the December Policy & Resources Committee budget update, local government pay is negotiated separately from other public sector pay by the National Joint Council. However, the Chancellor's announcement of a pay freeze indicates that this expectation has been taken into account in the core spending power uplifts provided to government departments, including the Ministry of Housing, Communities & Local Government, and therefore is reflected in the Local Government Financial Settlement. This will be one of the factors taken into account by the employers' side in national pay negotiations, recognising that any award beyond a freeze will therefore be above the funding provided and will potentially impact on service provision locally.

  In lieu of any other information, financial assumptions in the council's budget setting process have historically always followed the government's expectations and associated funding provision.
- The predicted level of additional grant support was £11m including £4m for Adult Social Care (ASC), £6m for ongoing Covid-19 pressures, and £1m for Troubled Families. This was after assuming continuation of the additional Adult Social Care grant awarded in 2020/21 which has been confirmed. If the 3% ASC Precept is taken up, the overall LGFS outcome indicates that additional funding of £14.520m should be available, providing an additional

£3.520m compared to the level of funding built into the original 2021/22 planning assumptions.

- The forecast Collection Fund deficit as at month 9 (December) is currently £8.529m. The Spending Review provides that 75% of the deficit attributable to Covid-19 will be funded which is worth approximately £4.468m. Note however, that this does not include provision for outstanding debts which are assumed to be ultimately recovered. The provisions further allow this to be spread over 3 years. Overall, this reduces the call on one-off resources to £1.586m in 2021/22.
- One-off Local Council Tax Support grant of £2.968m to support anticipated Collection Fund pressures in 2021/22.

4.4 The final Local Government Finance Settlement is expected to be announced in February 2021.

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

4.5 The one year Spending Review included an announcement of an additional £300 million Social Care funding nationally for 2021/22, a continuation of improved Better Care Funding (BCF) and allowing a further 3% Adult Social Care precept.

4.6 All additional funding for Adult Social Care has been directed towards supporting the demand and cost pressures within the service. The table below summarises the resources available to support of Adult Social Care pressures in 2021/22:

Table 1: Social Care Resources	2019/20	2020/21	2021/22
ASC Precepting *	0%	2% £2.894m	3% £4.450m
Improved BCF	£9.181m	£9.181m	£9.181m
Adults & Children's Social Care grant	£2.100m	£2.100m	£2.100m
Adult Social Care Grant	-	£4.715m	£4.715m
New Social Care Grant (SR2020)	-	-	£0.944m

* *Subject to full Council approval for 2021/22*

Referendum Threshold

4.7 The provisional Local Government Finance Settlement confirmed that the threshold at which an increase in council tax requires confirmation from a local referendum will be 5% including a 3% Adult Social Care precept. Any proposal to increase council tax by 5% or more would therefore need to be accompanied by an agreed substitute budget, which would need to be implemented if the increase were voted down by the electorate.

Forecast Business Rate Retention and Council Tax Income

4.8 Details of the expected business rate retention income forecasts were set out in the report to the January 2021 Policy & Resources Committee. The council is forecast to receive £67.000m from its locally retained share of business rates and Section 31 compensation grants in 2021/22 which is a 'flat cash' assumption at the same level as 2020/21 given the uncertainties over economic recovery.

4.9 The Council Tax taxbase report was also agreed by this committee in January 2021. Assuming a Council Tax increase of 4.99% and taking into account changes to the taxbase, the total projected Council Tax income in 2021/22 is £155.914m. This is an increase of £5.367m compared with 2020/21. However, this includes an estimated one-off negative impact of the pandemic of £1.120m which can be covered by the Local Council Tax Support grant in 2021/22 before the position is assumed to recover in 2022/23.

4.10 The tax base calculation also incorporates the changes to the Council Tax Reduction (CTR) Scheme approved by full Council in January. The additional cost of proposed changes in 2021/22 is approximately £0.350m and this is reflected in the tax base calculation above. Full Council also approved a CTR discretionary fund of £0.200m, requiring additional one-off resources of £0.190m which is reflected in the table at paragraph 5.22 below.

4.11 The projected 2020/21 Collection Fund deficit has also been reviewed as part of this process and currently stands at £8.529m. However, the government have provided 75% funding for the Covid-19 related element of the deficit and have also allowed any remaining deficit to be spread over 3 years. Taking this into account the one-off amount to be managed in 2021/22 is £1.586m.

Other Government Grants

4.12 The grant allocations for 2021/22 have been included within the Budget Book at Appendix 1. Some grant allocations for next year have not yet been announced, in particular, the new rough sleeper funding, and where these are critical to the setting of the 2021/22 budget, an estimate has been included.

Fees and Charges

4.13 The council's Corporate Fees & Charges Policy requires that all fees and charges are reviewed at least annually and should normally be increased by a minimum of either the corporate standard inflation rate (currently 1%), statutory increases, or actual increases in the costs of providing a service. Increasingly, linked to the council's approach to securing value for money in the provision of services, services are benchmarking non-statutory fees and charges with other providers and councils to ensure that charges are comparable and competitive within the local context, and can maximise income to protect essential services wherever feasible.

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

5 CORPORATE PLAN INVESTMENTS & PRIORITY SERVICE PRESSURE FUNDING

5.1 The council's Corporate Plan contains priorities that aim for a fairer, sustainable city and contains six outcomes that are supported by a range commitments and actions. Full details are in the published plan and the six outcomes supported are:

- A city to call home
- A sustainable city
- A healthy and caring city
- A city working for all
- A stronger city
- A growing and learning city

5.2 The investments necessary to support these outcomes are continually developing as they are informed by local demographic and economic trends, ongoing research and policy development, and consultation and engagement with residents, communities, partners and other stakeholders, for example, the work of the Climate Assembly. As the investment requirements become more certain they are built into both the annual budget setting process and, for longer term objectives, into the Medium Term Financial Strategy, so far as they can be estimated and afforded.

5.3 A major investment area for the Corporate Plan relates to housing and homelessness including ongoing capital investment plans to deliver new build or purchased, affordable housing and temporary and emergency accommodation through the self-financing Housing Revenue Account (HRA) and other innovative General Fund schemes including the Housing Joint Venture. These plans are well advanced and are set out in detail in the Corporate Plan and the HRA Revenue and Capital Budget also reported to the February Policy & Resources Committee and Budget Council. A range of additional General Fund investments, including additional Housing First funding, have also been identified to support the outcome of 'A City to Call Home' and these are set out below.

5.4 In 2018, the council declared a Climate and Biodiversity Emergency and this is therefore a high priority for the council and supports the Corporate Plan objective of becoming a Carbon Neutral City by 2030. Revenue and capital investments of over £10m are set out below, including a £1m Carbon Reduction Reserve, to provide for and advance initiatives to support the aim of a carbon neutral city by 2030, improving the sustainability and biodiversity of the city as well as the health and well-being of its residents through promoting active travel and improving air quality.

5.5 Another important area requiring substantial investment concerns services that can help to support a healthy and caring city. Demands on Social Care services have increased exponentially during the pandemic but even without this impact, the long term trend is for people to live longer but often with limiting illnesses, disabilities or mental health illnesses that require increasing social care support to help them stay in their homes and communities. It is nationally accepted that a long term solution to the funding of Adult Social Care is required but, while the government has been exploring options, it is yet to publish its long awaited Green Paper. In the meantime, local authorities are facing substantially increasing costs and demands and the investment required to meet these locally in 2021/22 is estimated at £17.243m across adults and children's social care.

5.6 The proposed investments also include provision for the increased costs and demands on the Home to School Transport service which were approved by Policy & Resources Committee on 27 May 2020. Although this will increase the cost of the service by £1m, this will ensure continued provision of an improved and redesigned service which has been widely consulted on, including with the Parents and Carers Council (PaCC). Benchmarking with authorities in BHCC's defined comparator group of councils, which all have similar demographic characteristics, showed that the service budget was 59% (or £1.4m) below the average for the group. This investment therefore brings the council closer to the average.

5.7 Other investments include substantial revenue and capital provision for the Brighton Youth Centre project to provide improved services for young people in the city centre alongside Youth Voice resources to encourage youth engagement. The budget also proposes investments to continue to tackle inequality and disadvantage including support for disability engagement, responding to disadvantage among young people, supporting BAME initiatives and race education, and providing additional resources for responding to domestic violence. This is in addition to the recently approved changes to the Council Tax Reduction Scheme (CTR) which will see discounts increased from 80% to 82% with no minimum awards for those in financial hardship.

5.8 There are also proposed investments to support of those living and working in the city and, in particular, funding is proposed to underpin the council's role in sustaining recovery and renewal as the city comes through the pandemic. This includes support to develop Community Wealth Building policies to ensure all public sector funds are used to the benefit of the local economy as far as possible, as well as support for the Arts Sector Recovery Plan, development of the Madeira Terraces project and investment in city clean-up and graffiti removal initiatives.

5.9 In total, there are proposed ongoing investments of £22.270m and one-off investments of £2.387m to support Corporate Plan priorities and outcomes, which also lever in £9.800m of associated capital investments through prudential borrowing. The revenue investments are enabled by proposed local taxation increases (4.99%), including the 3% Adult Social Care precept, increased government grant support, and the substantial package of savings (£10.644m) focused on delivering services at a lower cost through redesign and/or technological changes, as well as generating more income from non-statutory services.

5.10 The full list of proposed investments for 2021/22 to support Corporate Plan priorities and associated outcomes is set out below:

Table 2: Corporate Plan Investments

Priority Area	Proposed Corporate Plan Investments	Annual Revenue Investment £m	One-off Revenue Support £m	Enabled Capital Investment £m
Housing	Priority expansion of the Housing first scheme to support a further 10 people	0.100		
	Increased funding for Temporary Accommodation spot purchases to support additional homeless provision	0.750		
	Increased funding for Emergency Accommodation	0.400		
	NEW GENERAL FUND HOUSING INVESTMENTS	**1.250**		
A City Working for All	Resources to support delivery of the council's Covid Recovery & Renewal Programme actions		0.050	
	Creation of a self-financing 'revolving door fund' for Community Wealth Building via an on-lending pilot (set-up costs)		0.020	
	Clean-ups/Graffiti Removal (response within 24 hours – pilot for central wards) & Crime Reduction Initiatives	0.100		
	Support for the Arts Sector Recovery Plan and future development of the sector	0.124		
	Project management investment to support the Madeira Terraces project	0.074		
	Investment in Community Wealth Building to promote ethical employment practices and ensure the use of the city's public sector spending power to procure goods and services locally for the benefit of our communities.		0.100	
	NEW INVESTMENT TO SUPPORT RECOVERY & RENEWAL	**0.298**	**0.170**	
Climate Action & Sustainability	Creation of a Carbon Reduction Reserve in response to the Climate and Biodiversity Emergency declared by this Council in 2018 and to advance the 10-year Carbon Neutral programme		1.000	
	Creation of a Climate Assembly Action Capital Investment Fund	0.100		1.300
	Expansion of the Sustainable Carbon Reduction Initiative Fund (SCRIF) financing budget to lever in additional capital investment for carbon reduction schemes	0.200		2.600
	Expansion of the warmer homes initiative (including district heating plans) through provision of an additional financing budget to lever in capital investment, increasing the total programme to £5.200m	0.200		2.600
	Additional staffing over 2 years to support delivery of Sustainability & Carbon Reduction Initiative Fund projects and Warmer Homes implementation (£0.125m in 2021/22 and 2022/23)		0.125	
	Provision for a Hydrogen feasibility study		0.030	
	Addition of a Rewilding Officer post to manage and enhance biodiversity	0.040		
	Investment in an Environmental Education Strategy for the City		0.150	
	Investment in 'pocket parks' and to fund additional tree provision, in line with the City Tree Strategy	0.045		0.350
	Provision for a Low traffic Neighbourhood pilot, including capital financing support	0.020		0.300
	Investment to develop a business case for the provision of over 100 covered cycle racks		0.020	0.500

Priority Area	Proposed Corporate Plan Investments	Annual Revenue Investment £m	One-off Revenue Support £m	Enabled Capital Investment £m
Climate Action & Sustainability	Investment to support an Assisted Cycle Hub on Brighton Seafront		0.030	
	Feasibility study for a seafront sustainable transport corridor		0.030	
	Investment to extend the School Streets initiative to improve road safety and air quality outside the city's schools, encouraging sustainable, active travel to and from school by children and their families	0.100		0.050
	Enforcement Officer post to tackle Energy Performance Certificate (EPC) non-compliance	0.045		
	Provision for a Carbon Reduction contract monitoring post to enforce contractual compliance with specified sustainability requirements	0.047		
	Managing Ash and Elm Dieback safely to improve public spaces, including a co-ordinator post	0.040	0.600	
	Resources to support extension of the 'Tech Take Back' scheme to recycle phones, computers, etc.		0.070	
	NEW INVESTMENT TO SUPPORT CLIMATE ACTION & SUSTAINABILITY	**0.837**	**2.055**	**7.700**
A Health & Caring City / A Stronger City	Investment to meet increased demand and costs for Adult Social Care – Physical Disability	7.372		
	Investment to meet increased demand and costs for Adult Social Care – Memory & Cognition	2.726		
	Investment to meet increased demand and costs for Adult Social Care – Mental Health	1.866		
	Investment to meet increased demand and costs for Adult Social Care – Substance Misuse	0.300		
	Investment to meet increased demand and costs for Adult Learning Disability	3.185		
	Increased funding for loss of CCG contributions and increased rent at Glenwood Lodge	0.436		
	Investment to meet increased Children's Disability Agency Placement and Children in Care costs	1.358		
	Increased funding to meet demands on the Home to School Transport Service	1.000		
	Investment to maintain Nursery provision	0.100		
	Investment in the Brighton Youth Centre project and services together with provision for Youth Voice resources to support the Youth Council and youth engagement	0.165		2.100
	Support for a strategy to address disadvantage amongst young people	0.025		
	Additional provision for support to victims of domestic violence	0.050		
	Investment to provide a focused Race Education Strategy and delivery	0.100		
	Additional grant funding for BAME community groups and the BAME Civic Leadership project	0.015	0.017	
	Creation of a new Disability Officer post	0.045		
	Investment to sustain Sports Facilities following agreed contractual changes	0.250		
	Funding to maintain Safer Communities services following the ongoing loss of licence fee incomes	0.050		
	Funding for the development of a new Traveller's Strategy		0.020	
	Increased funding for A27 bypass street cleansing	0.055		
	Funding to support the Clean-up Week initiative and other community clean-up's	0.045		
	NEW INVESTMENT TO SUPPORT A STRONGER, HEALTHY & CARING CITY	**19.143**	**0.037**	**2.100**

Priority Area	Proposed Corporate Plan Investments	Annual Revenue Investment £m	One-off Revenue Support £m	Enabled Capital Investment £m
Corporate Pressures	Nationally increased External Audit fees in response to the Redmond Review	0.050		
	Funding for the reduction in legal fees chargeable to outgoing Section 106 agreements compared to those chargeable for the new Community Infrastructure Levy (CIL) scheme	0.120		
	Funding for City Environmental Services Operations Management and Support staff to manage ongoing delivery of new initiatives, continue the roll-out of commercial activities, manage increased regulatory and health & safety compliance requirements, and support the implementation of changes	0.200		
	Funding for Employment Law support, including Counsel's advice, to reflect increasing case law complexity	0.060		
	Provision for various unavoidable above-inflation contractual and service cost increases across a range of priority services	0.312		
	CORPORATE COST PRESSURES	**0.742**		
	TOTAL CORPORATE PLAN INVESTMENTS	**22.270**	**2.262**	**9.800**

Covid-19 Pandemic Financial Impact

5.11 The Covid-19 pandemic has caused an enormous financial shock to the whole economy, impacting people and businesses across all sectors, including the public sector. Following 10 years of government grant funding reductions, local authority core grant funding is now a small element of their overall funding and local authorities therefore increasingly rely on local taxation revenues and other sources of income including fees & charges. The corollary of this is that, compared with most of the public sector, the pandemic greatly impacted the finances of local authorities. The main financial impacts were:

- Significantly increased numbers of Council Tax Reduction claimants (up 13%), resulting in taxation losses;
- Delays to construction of new housing and business premises resulting in suppression of the tax bases and associated Collection Fund deficits;
- Significant impacts on Adult Social Care in order to ensure discharge from hospitals into care settings as soon as possible. NHS funding has helped to contribute to over 50% of the financial impact.
- Similarly, a large increase in costs and activity relating to homelessness and rough sleeping in pursuit of the ‘everyone in’ policy and keeping people safe.
- Substantial costs of procuring and administering PPE.
- Most significantly, large losses of fees, charges and rental incomes due to suppressed economic and visitor activity in the city.

5.12 At the beginning of the year, early estimates of the impact on the council were drawn up so that the council could begin to consider, in a worst case scenario, how it might manage the situation without additional government funding. This indicated potential pressures of over £50m. Government funding announcements followed shortly, starting with announcements on Covid-19 Emergency Response grants. However, by the end of June, the main concern remained around taxation losses and the loss of Sales, Fees & Charges income for which the government had made no announcements. At that time, the council considered different scenarios for managing the impacts, including the potential for either an Emergency Budget or Financial Smoothing by borrowing from reserves. A best estimate was that there could be a potential budget pressure of £27.5m.

5.13 In the event, the government, which had started collecting local authority financial data via the Ministry of Housing, Communities & Local Government, responded positively and issued four tranches of Covid-19 Emergency Response funds together with a substantial grant to compensate for 75% of Sales, Fees & Charges losses. Latterly, the council also successfully bid for homelessness funding through the Next Steps Accommodation Programme (NSAP) fund. These funds were alongside a wide range of grants to support businesses and individuals in hardship, including the furlough scheme which the council also accessed to a limited extent.

5.14 Overall, the council expects to receive over £51m in funding support for Covid-19 in 2020/21 including furlough grant, the NSAP grant and around £7.8m of NHS funding. Alongside financial management action, including vacancy management and actions to minimise non-statutory spend, the council has been able to manage the financial impact in 2020/21 as reported below.

Projected Covid-19 Impact in 2021/22

5.15 The country is still enduring the pandemic with the end of the latest lockdown not yet known. However, there is more optimism as a number of approved vaccines begin to be administered. For local authorities, the government has also announced additional support which will significantly assist the council in 2021/22 as follows:

- Further one-off Covid-19 grant funding of £8.203m;
- Further rough sleeper funding, estimated to be worth £1.000m;
- A one-off Local Council Tax Support grant worth £2.968m;
- Cover for 75% of the Covid-19 element of Collection Fund deficits and the ability to spread the remaining deficit over 3 years;
- Continuation of the Sales, Fees & Charges compensation grant covering 75% of losses for the first quarter of 2021/22.

5.16 These funds and facilities will significantly assist the council to both achieve a balanced recurrent budget and minimise any call on reserves from one-off Covid-19 costs in 2021/22. With respect to the latter, the estimated one-off Covid-19 impacts in 2021/22, excluding the compensated element of Sales, Fees & Charges losses, the majority of which are assumed to recover after quarter 1, are as follows:

Table 3: Covid-19 One-off Cost Pressures 2021/22	**£m**
Temporary Accommodation spot purchase costs (assumes 15 move-on's per month are achievable)	1.500
Ongoing use of emergency (hotel) accommodation for rough sleepers	0.650
Supported Bus routes (expected slow return to public transport use)	0.560
Home to School Transport (quarter 1)	0.400
City Clean operational staffing (agency) pressure (quarter 1)	0.600
Additional security/concierge cover, including at the depot and hubs	0.400
Increased cleaning of corporate buildings	0.150
Commercial rent reductions, voids and bad debts (not covered by Sales, Fees & Charges compensation grant)	0.950
Suppressed income from blue badge fraud prosecutions	0.013
Life Event services income and other one-off cost pressures (net of 75% compensation funding)	0.218
Communications – additional Covid-19 media support and delay to restructuring	0.110
Elections – Covid-19 cost impact for PCC elections	0.030
Revenues & Benefits – restructuring delay due to Covid-19 activity (e.g. ongoing hardship schemes and increased CTR claimants)	0.250
Estimate for ongoing PPE costs	0.500
Total One-Off Covid-19 Costs 2021/22	**6.331**

Reserves Position and One-off Funding

Latest Financial Performance in 2020/21

5.17 Targeted Budget Management (TBM) is the council's system of budget monitoring and the TBM Month 9 (December) report included on this committee agenda shows a projected underspend of £4.812m on the General Fund, which includes a projected underspend of £0.035m on the council's share of NHS controlled Section 75 partnership services. The overall underspend is a substantial improvement of £4.842m since Month 7 (October) as presented to the Committee in December and provides much needed one-off resources to mitigate one-off Covid-19 costs in 2021/22, including residual Collection Fund deficits, and meet other one-off allocations and investments.

5.18 The improved position has resulted from a combination of effective cost control measures including negotiated supplier reliefs, application of the furlough scheme where applicable, and effective deployment and vacancy management together with significant improvements in income forecasts due to the busy summer and autumn. There has also been improved recovery of benefits for emergency accommodation tenants, increased funding from the NHS, and very substantial government grant support. Other improvements are set out in the TBM report and include:

- A significantly reduced forecast of PPE costs which have improved by £0.561m;
- A reduced capital financing forecast of £0.466m due to reported delays to capital schemes, which therefore reduces the Minimum Revenue Provision (MRP) requirement (i.e. amount required to be set aside for debt repayment);
- An improved Collection Fund forecast due to a stabilisation of Council Tax Reduction claimants and a lower than expected impact on in-year collection performance.

5.19 The underspend of £4.812m will add to general reserves available at the start of 2021/22. As normal at budget setting time, all other council reserves have been reviewed to ensure they remain adequate and relevant for their intended purpose. Where reserves are no longer required, they can be released to support the budget position. Conversely, where they are insufficient, a proposed allocation may be required. Following the review, £0.188m is assessed to be available for release and will also add to the general reserves available at the start of 2021/22. These two additional one-off resources are reflected in the table below.

One-off Resource Liabilities and Proposed Allocations

5.20 The working balance will be recommended to continue at a minimum of £9.0m to meet general risks applicable to a unitary authority.

5.21 Table 4 identifies the potential resources and liabilities that will need to be taken into account in setting the 2021/22 budget. At this stage, this assumes that spending in 2020/21 will remain in line with the TBM Month 9 (December) projection. The in-year position can change up or down by the end of the financial year but estimates at this stage of the year are expected to be reasonably accurate. For example, last year the forecast worsened by £0.350m between month 9 and the year end, a relatively small movement of 0.16% of the budget.

5.22 After accounting for available resources from the TBM underspend, the balance of the one-off Local Council Tax Support grant available, and the release of other reserves, and then applying these to meet Covid-19 one-off costs, residual Collection Fund deficits, and proposed priority allocations, including the creation of a Carbon Reduction Reserve, the table below shows an estimated shortfall in one-off resources of £3.971m in 2021/22. This is clearly a substantially better position than projected earlier in the year, in particular, in October when the Policy & Resources Committee considered potential scenarios and approved the use of up to £20m internal borrowing from reserves ('financial smoothing') to manage Covid-19 impacts in both the current year and in 2021/22.

5.23 To manage the projected shortfall of £3.971m, internal borrowing from reserves is therefore proposed and, initially, it is proposed that these be repaid over a 10 year period starting in 2022/23. This time period can be kept under review in future years' budget setting rounds and the repayment period shortened if the financial position allows.

5.24 Internal borrowing from reserves is clearly not desirable and is a last resort for any authority. However, the Covid-19 pandemic is an exceptional event and it is for events and financial shocks such as this that the authority maintains not only a working balance of approximately 4% of its net budget, but a sustainable level of usable reserves to provide it with the necessary financial resilience. The use of reserves proposed here will utilise approximately 9% of current reserves and balances for financial smoothing. Financially, this is manageable in the exceptional circumstances and, if approved, the authority will plan for repayment of £0.397m per annum in its Medium Term Financial Strategy beginning in 2022/23.

5.25 The alternative choice for Budget Council is to protect reserves and consider not making proposed allocations to support council priorities. This is understandably a difficult choice as doing so would not only reduce the financial support for the stated priorities and restrict their implementation and advancement, but it would also potentially obstruct recovery and renewal following the pandemic, not least by reducing the circulation of public money in the city.

5.26 Having a clear plan for repayment of reserves and embedding these repayments in the Medium Term Financial Strategy should ensure that the council's finances stand up to external scrutiny and audit, particularly given that it will still be maintaining a prudential working balance of £9m together with usable reserves, after internal borrowing, of approximately £30m. However, one option to potentially achieve faster repayment is to ensure that any additional underspend achieved by the end of the 2020/21 financial year, or any further release of earmarked reserves possible as part of the normal year-end review process, are applied to reduce the level of internal borrowing at the end of this financial year. This option is recommended as it would potentially reduce the repayment burden on future financial years' budgets. Members also have the option of reviewing the allocation of funds to existing earmarked reserves.

Table 4: One-off Resources, Liabilities and Proposed Allocations	**£m**	**£m**
Unallocated general reserves		**-0.188**
Revenue Budget position 2020/21 (TBM):		
Forecast outturn underspend (as at TBM Month 9 / December)		**-4.812**
In-Year Collection Fund Position:		
Estimated 2019/20 Council Tax collection fund deficit brought forward	0.450	
Estimated 2020/21 Council Tax collection fund deficit (brought forward and in year collection)	2.223	
Estimated 2020/21 Council Tax collection fund deficit (reduction in Debit due to Covid)	2.337	
Council Tax Collection Fund deficit spread over 3 years	-3.040	
75% provision for Council Tax Collection Fund debts spread over 3 years	-0.584	
Sub-total Residual Council Tax Collection Fund Deficit		**1.386**

Business Rates collection fund deficit relating to retail and nursery relief	33.764	
Contribution from Section 31 grant timing reserve (retail and nursery relief)	-33.764	
Estimated 2019/20 Business Rates collection fund Deficit brought forward	0.110	
Contribution from Section 31 grant timing reserve (general)	-0.212	
Remaining estimated 2020/21 Business Rates Retention collection fund deficit	3.621	
Business Rate Collection Fund deficit spread over 3 years	-2.414	
75% provision for Business Rate Collection Fund debts spread over 3 years	-0.905	
Sub-total Residual Business Rate Collection Fund Deficit		**0.200**
Balance of Local Council Tax Support grant available after applying £1.120m to manage the projected one-off Covid-19 impact on collection in 2021/22		**-1.848**
Projected One-off Resources available at the start of 2021/22		**-5.262**
Proposed One-off Allocations in 2021/22:		
Covid-19 one-off financial impacts in 2021/22 (from Table 3)	6.331	
Funding for public enquiries and City Plan Part 2 examination	0.190	
Creation of a Carbon Reduction Reserve	1.000	
One-off investment in Corporate Plan priorities	0.662	
Management of Ash & Elm dieback (health & safety works)	0.600	
Approved allocation: Council Tax Reduction Discretionary Fund	0.190	
Allocation to maintain the Welfare Reform Support Fund	0.260	
Total One-off Allocations in 2021/22		**9.233**
Current One-off Resources shortfall		**3.971**
Managed by:		
Internal borrowing from reserves for 10 years, starting 2022/23		**-3.971**
Balance		**0.000**

Memorandum Note of Future Collection Fund Deficit Allocations	
2022/23	
Collection Fund deficit allocation year 2 net of 75% S31 grant	**1.238**
2023/24	
Collection Fund deficit allocation year 3 net of 75% S31 grant	**1.238**

5.27 The proposed one-off allocations for 2021/22 are explained in more detail below:

- Covid-19 financial impacts (£6.331m): these are set out in detail in the table at paragraph 5.16 above;
- Funding for public enquiries and City Plan Part 2 (£0.190m): this provision relates to unavoidable costs in respect of public enquiries for the Outer Harbour

and Palmeira Avenue (£0.140m) together with the 'Examination in Public' of the City Plan Part 2 (£0.050m);

- Creation of a Carbon Reduction Reserve (£1.000m): to provide for and advance initiatives to support the aim of a carbon neutral city by 2030, improving the sustainability and biodiversity of the city as well as the health and well-being of its residents through promoting active travel and improving air quality;
- One-off investment in Corporate Plan priorities (£0.662m): these investments are set out in detail in the table at paragraph 5.10 of the report;
- Management of Ash & Elm dieback (health & safety works) (£0.600m): these allocations are in relation to the recommendations emanating from the Tree Diseases report, which were approved by the Environment, Transport & Sustainability Committee at its meeting on 24 November 2020 (Item 43). The committee recommended that Policy & Resources Committee allocate £0.400m to manage Ash dieback and £0.200m to manage Elm dieback. These allocations will help to manage the spread of the diseases as well as safely removing dying and unsafe trees.
- Council Tax Reduction Discretionary Fund (£0.190m): This allocation was approved by full Council on 28 January 2021 in considering its annual review of the Council Tax Reduction Scheme. The allocation will top up the existing recurrent budget of £0.010m to the approved level of £0.200m.
- Allocation to maintain the Welfare Reform Support Fund (£0.260m). In recent years, the council has made an annual allocation of £0.260m to maintain support for people in hardship, in particular, those impacted by welfare reforms including the benefit cap. This fund complements welfare benefits and other discretionary funds including Discretionary Housing Payments (DHP) and the Council Tax Reduction Scheme discretionary fund. The fund is used primarily to ensure continuation of the Local Discretionary Social Fund (LDSF) which, for example, provides emergency assistance and vouchers for food and white goods.

6 SAVINGS PROPOSALS 2021/22

6.1 Taxation and Adult Social Care precept increases, together with additional resources provided by the Spending Review, are not sufficient to balance the budget due to the need to provide cover for inflationary pressures, and the need to provide investment to support Corporate Plan priorities including funding to manage above-inflation cost increases and increases in demands across critical statutory services such as social care and homelessness. To balance the budget therefore requires a substantial savings programme as in previous years. In this respect, savings of £10.644m have been identified for consideration in 2021/22 as detailed in Appendix 1.

6.2 The savings proposals presented in this report are broadly the same as those presented to the Policy & Resources Committee on 21 January 2021. However, there have been four changes to the proposals which have increased the savings package by a net £0.056m from £10.588m to £10.644m. There are no additional staffing or equality impacts from the changes which are as follows:

i) Proposed to increase Residential Permits in high demand areas, initially for Zones Y and Z estimated to generate additional income of £0.060m;

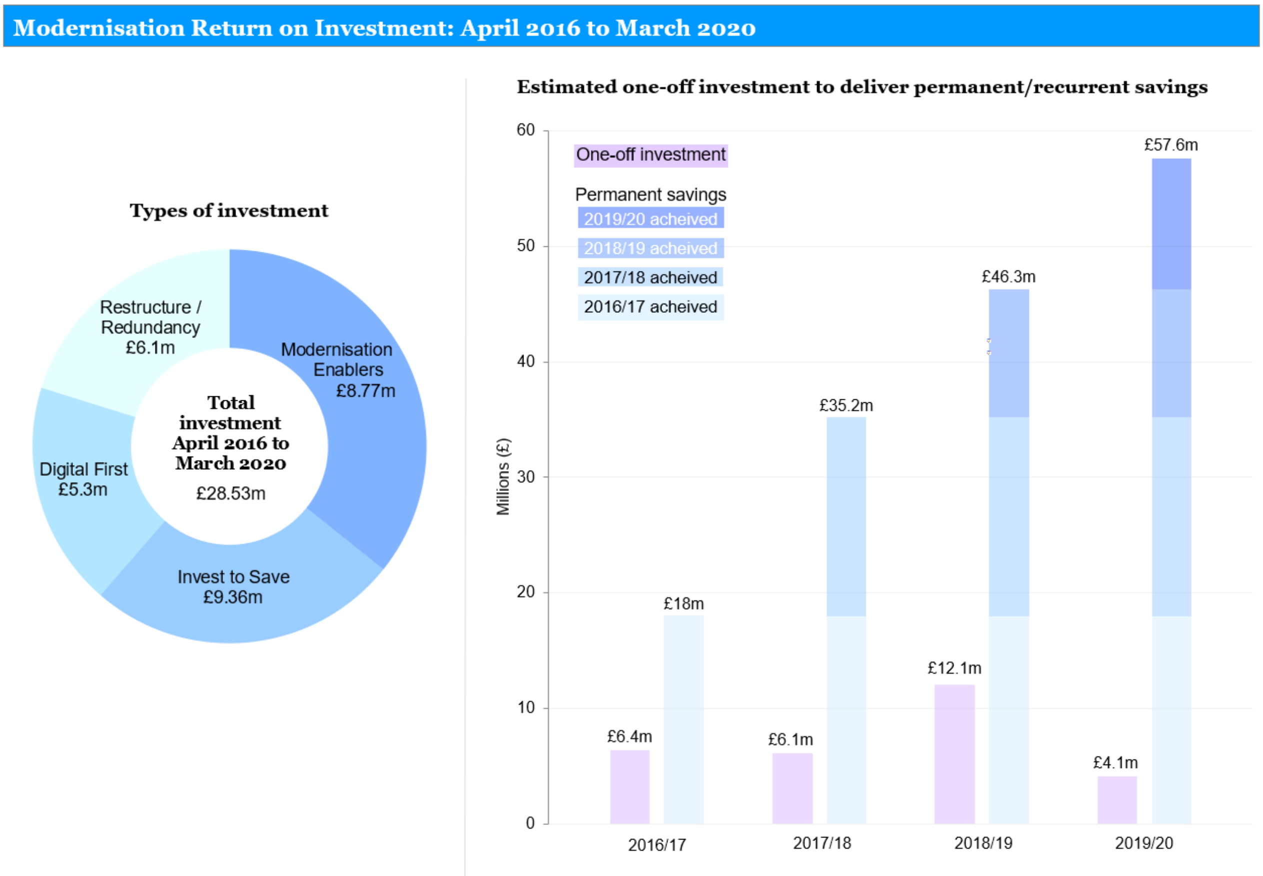
ii) The provision of 15 additional units of emergency homeless accommodation through the HRA is projected to increase the cost reduction achievable on

Temporary Accommodation supported by the General Fund, increasing the saving by £0.048m from £0.150m to £0.198m.

iii) An original proposal was to reduce the funding to support the enhanced model of service provision in forthcoming procurement of short term emergency accommodation by £0.120m, reducing the investment from £0.300m to £0.180m However, this has been revised and the current proposal is reduce the procurement by £0.070m rather than £0.120m, providing a budget of £0.250m to secure better quality services. This reduces the saving by £0.050m.

iv) There is a small reduction in the saving opportunity regarding the proposal to increase driveway cross-over works charges by 20%. The change is in respect of excluding Blue Badge holders from charges which is estimated to reduce the saving by £0.002m.

6.3 Over the previous four years, the council has focused on identifying and delivering many savings through its Modernisation Programme supported by significant capital investment. This was enabled by generating capital receipts from the sale of surplus assets to create an invest-to-save budget using the government's capital receipt flexibilities, which allowed capital receipts to be applied to revenue saving projects and programmes. The Modernisation Fund provided one-off invest-to-save resources of £28.530m over the period 2016/17 to 2019/20 and was key to enabling delivery of cumulative savings of £157.100m and ongoing, annual savings of £57.600m. This is depicted in the chart below:



6.4 The council approved continuation of the Modernisation Fund in February 2020 over a further 4-year period to enable delivery of substantial savings and efficiencies required over the period to meet the predicted budget gaps set out in the Medium Term Financial Strategy. The council also utilises the fund to continuously improve value for money as a matter of course because this ensures the best use of its resources and contributes to improved customer and digital services.

6.5 At present the government have only extended capital receipt flexibilities to 2021/22 however this may change in future Spending Reviews. Regardless of this, there are other methods of funding invest-to-save programmes including unsupported borrowing where there is a good business case for doing so. Availability of capital receipts for modernisation is also anticipated to be at a much lower level over the next few years due to high demand for other priority capital investments and fewer assets available or suitable for disposal. More information on the Modernisation Fund and its proposed application are set out in the section on Modernisation Programme Funding below.

7 CAPITAL INVESTMENT PROGRAMME AND CAPITAL STRATEGY 2021/22

Capital Strategy 2021/22

7.1 The Prudential Framework requires local authorities to produce a Capital Strategy which is to be presented and approved by members each year. The purpose of the Capital Strategy is to provide a single place for transparency and accountability of local authority non-financial investments and its capital investment programme, including any commercial investments in commercial property or loans to third parties.

7.2 The aim of the Capital Strategy is to ensure members are fully conversant with the risks of non-financial investments and are aware of how the risks are proportional to the council's core service activity. The document will include:

- The proposed Capital Investment Programme
- The Governance & Risk Framework
- Potential and pending non-financial investments
- An overview of the council's Risk Exposure

7.3 The outcome of the recent consultation on the future lending terms of the Public Works Loans Board (PWLB), undertaken by HM Treasury between March and July 2020, has significant implications for the Capital Strategy and Treasury Management Strategy. The outcome of the consultation was announced as part of the Spending Review 2020 and confirmed that PWLB will no longer lend to local authorities that plan to buy commercial assets primarily for yield. The PWLB will still be available to all local authorities for refinancing. In order to borrow from the PWLB, local authorities will now be required to submit a summary of their planned capital spending and PWLB borrowing for the following three years. The Capital Strategy and Treasury Management Strategy have been updated to reflect this change.

7.4 The strategy also reflects a change of emphasis for the re-investment of Right-to-Buy (RTB) capital receipts arising from the disposal of council housing properties. The strategy now reflects that the element of RTB receipts previously set aside to support General Fund strategic investment funds, approximately £0.500m per annum, will now be diverted wholly to support additional council housing provision.

7.5 The Modernisation Programme investments detailed later in the report will be incorporated into the full Capital Strategy alongside new and perennial capital investments that will support sustainability and carbon reduction schemes, improved transport infrastructure, provision for school places, major regeneration projects, and major housing build, acquisition and improvement programmes. Key decisions are required in respect of strategic funds including IT & Digital investment, Strategic Investment Funds (supporting regeneration) and Asset Management Funds. The Capital Strategy forms part of the General Fund budget report to ensure that the link between capital and revenue decisions is maintained and to ensure that budget resourcing decisions are taken in the context of the full range of proposed revenue and capital budgets, resources, investments and savings.

Capital Investment Programme

7.6 As previously, a 5-year capital programme has been developed and the associated capital financing implications will be included in the Medium Term Financial Strategy. The capital expenditure estimates incorporate planned rolling investment programmes alongside major infrastructure projects.

7.7 A significant element of the council's capital investment is within rolling programmes. The key programmes, including those re-focused to support Corporate Plan priorities, are as follows:

- Investment in Housing Stock and acquisition through the Housing Revenue Account;
- The Education Capital programme, which provides investment from central government for New Pupil Places, Education Capital Maintenance and Devolved Formula Capital for schools;
- Disabled Facilities Grants to help maintain people in their homes;
- The Local Transport Plan (LTP) to support sustainable transport and transport infrastructure;
- The Information Technology & Digital Investment Fund and Modernisation Fund;
- The Asset Management Fund (AMF) to ensure the strategic elements of the Asset Management Plan can be supported;
- Corporate Planned Maintenance (PMB) to ensure the operational elements of the Asset Management Plan are supported and that backlog maintenance does not build up unduly;
- The Strategic Investment Fund (SIF) to support the advancement of major regeneration schemes and initiatives;
- Vehicle Fleet and plant replacement annual programme.

7.8 The current 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 investment in the seafront infrastructure including Madeira Terraces, partnership investment through major projects such as Brighton Waterfront and the Housing Joint Venture, Heritage Lottery Fund bids such as the Stanmer Park redevelopment, and the Royal Pavilion Estates Regeneration. Longer term investment for coast protection is also incorporated into the 5 year strategy which includes potential government match-funding.

7.9 Capital receipts from the sale of surplus land and buildings support the capital programme and the projections are regularly reviewed. The council will continue with its strategy of re-balancing the property portfolio by disposing of low or nonperforming commercial properties and reinvesting in more viable property investments. This ensures costs can be minimised and rental growth optimised to ensure best value, including social value, is achieved. However, this must now be achieved without reliance on PWLB borrowing which is prohibited where assets are acquired purely for commercial yield to support the revenue budget.

7.10 The detailed capital programme is set out in Appendix 1 (The Budget Book) and shows the approved and proposed capital investments for each directorate. As well as rolling programmes noted above the programme will cover existing and new scheme proposals including:

- Carbon reduction and sustainability investment programmes including an expanded Sustainable Carbon Reduction Initiative Fund (SCRIF), the Climate Assembly Action Fund, and an augmented Warmer Homes capital investment programme (including district heating plans);
- Similarly, investments in active travel including covered cycle racks, support for green spaces (e.g. Pocket Parks) and more tree planting, and the extension of the School Streets initiative and low traffic neighbourhood pilots are proposed to improve sustainability, air quality and public health;
- Significant capital investment in the Brighton Youth Centre project to support associated funding bids; and
- New investment for retrofitting and renewable investment in council housing as well as expansion of the additional council homes investment through the HRA.

7.11 The overall Capital Investment Programme for 2021/22, including nearly £70m HRA housing build, acquisition and improvement schemes, is £221.103m. The proposed investments are summarised as follows:

Table 5: Capital Investment Programme 2021/22	**£m**
New Housing including New Homes for Neighbourhoods, the Home Purchase scheme, the Hidden Homes programme, the Housing Joint Venture, Temporary Accommodation purchases and conversions, and Housing First accommodation	96.612
Sustainability & Carbon Reduction including SCRIF, Warmer Homes, Street Lighting, Climate Assembly Actions, Active Travel and Solar PVs	19.878
Parks & Open Spaces including playground refurbishments, Withdean and Stanley Deason sports pitches, Pocket Parks and Stanmer Park redevelopment	2.973
Transport & Highways reflecting the Local Transport Plan (LTP) allocation for 2021/22 to support a sustainable transport infrastructure	5.000
New Pupil Places (Basic Need) to provide educational places for pupils based on demographic changes in the city	28.242
Regeneration including Madeira Terraces, Black Rock, Valley Gardens, Royal Pavilion Estate and Saltdean Lido	29.903
Tackling Inequality including Disabled Facilities Grant (DFG) projects and significant investment in the Brighton Youth Centre project	4.568
Building Maintenance including the Workstyles programme, Planned Maintenance, Education Buildings Maintenance, the Asset Management Fund and various security, fire and safety works	23.177

IT&D / Modernisation including the Modernisation Fund as well as re-procurement of the Wide Area Network, investment in digital services for customers, and ongoing investment in the IT&D infrastructure	8.250
Vehicles & Equipment for the council's vehicle fleet replacement programme	2.500
TOTAL CAPITAL INVESTMENT PROGRAMME 2021/22	**221.103**

7.12 The Capital Strategy at Appendix 2 sets out how the programme will be funded from a combination of government grants, capital receipts, HRA direct revenue funding, external contributions and prudential borrowing.

Modernisation Programme Funding ('Modernisation Fund')

7.13 As noted earlier, over the previous 4 years, the council has focused on identifying and supporting the delivery of savings through its Modernisation Programme supported by significant capital investment. This is enabled by generating capital receipts from the sale of surplus assets to create an invest-to-save budget using the government's capital receipt flexibilities, which allowed capital receipts to be applied to revenue saving projects and programmes.

7.14 In 2020/21 the council approved the continuation of funding for the Modernisation Programme over the 4-year period 2020/21 to 2023/24 and the Modernisation Fund now included in the Capital Investment Programme for the period to 2023/24 is £15.500m.

7.15 The Modernisation Fund is kept under review as budget plans develop and spend-to-save opportunities and investment requirements emerge in more detail over the planning period. The indicative profile of the Modernisation Fund from 2021/22 onward is shown in the table below.

Table 6: Indicative Modernisation Fund					
Programme Area	***2020/21***	**2021/22**	**2022/23**	**2023/24**	**Total**
	£m	£m	£m	£m	**£m**
Invest to Save (4-Year Plans)	*0.650*	0.550	0.450	0.350	**2.000**
Customer Digital	*1.750*	1.750	1.550	1.050	**6.100**
Modernisation enablers	*1.510*	0.920	0.930	0.940	**4.300**
Managing staffing changes	*0.700*	0.500	0.400	0.400	**2.000**
IT Modernisation Investment	*0.800*	0.300	0.000	0.000	**1.100**
Total	***5.410***	**4.020**	**3.330**	**2.740**	**15.500**

7.16 The Modernisation Fund is expected to be deployed as follows:

- **Invest-to-Save Budget Proposals:** Based on the experience of the previous 4 years and 2020/21 to date, a further £1.350m is estimated to be required to support implementation of specific savings and efficiency programmes including service redesigns, recommissioning and process improvements. Investment requirements are currently being reviewed and finalised and will be refreshed each year. This resource will be held in a reserve and only released through review of business cases by the officer Corporate Modernisation Delivery Board (CMDB). Committee approvals are also sought where required by Financial Regulations and the council's constitution. In this respect the following business cases reviewed and endorsed by CMDB are currently included in the Invest-to-Save programme area of the Modernisation Fund:

- **Health & Adult Social Care (HASC) Modernisation Programme: £0.334m**. This critical invest-to-save funding supports the resources required to support the HASC Modernisation Programme which will enable delivery of proposed savings of £4.515m in 2021/22. This business case forms part of the “Golden Thread” of activities across HASC which supports its Modernisation Workplan and budget strategy (see Appendix 1). All of the projects in the workplan directly support the achievement of savings, efficiencies and health and social care system redesign. It will enable HASC to meet its corporate responsibilities whilst maximising the opportunities for integration and working toward financial sustainability of Adult Social Care.

- **Early Help Modernisation: £0.090m.** The 2021/22 modernisation programme will include funding to complete an Early Help review with a report and findings expected to come to the June meeting of the Children, Young People & Skills Committee. The programme aims at transforming Early Help services to improve outcomes for vulnerable and disadvantaged families. This requires development of an integrated data management system to ensure that technology, data and information are developed and shared across the Early Help partners to better coordinate interventions, assess vulnerability and risk and, as a result, deliver better value for money by reducing the demand for high cost services.

- **City Environmental Services Modernisation Programme: £0.539m**. This programme supports the ongoing modernisation of City Environmental services (City Clean and City Parks). Longer term, the Environment, Transport & Sustainability Committee has approved the development of a Waste, Resources & Cleansing Strategy. Through the Modernisation Programme, the service has been working hard to improve the foundations of the service, which has been essential, but realises that residents now need to see more visible improvements. The development of the Waste, Resources & Cleansing Strategy will build on the achievements of the Programme and identify how the service can continue to deliver and embed these improvements, as well as set out further opportunities for modernisation for the service over the next five years.

  Progress on modernisation activities and projects have been periodically reported through to the Environment, Transport & Sustainability Committee with the principle aims of the programme being to:

  - Improve service delivery, increase customer satisfaction and sustain regulatory compliance through a fairer allocation of work across the collections service, improvement of collection methods, and introduction of new IT systems;
  - Promote a sustainable economy by supporting low carbon growth and encouraging businesses to reduce waste and pollution;
  - Reduce CO^2 emissions from council-owned vehicles through the delivery of the Fleet Strategy;
  - Tackle graffiti and tagging through the delivery of the Graffiti Strategy;

  - Encourage people to reduce the amount of refuse they generate, promote re-use and increase recycling, and collecting a wider range of plastics for reprocessing when market conditions improve;
  - Develop proposals and business case options for the introduction of a food waste collection and composting service;
  - Modernise our City Parks service including overseeing investment in playgrounds and the work towards ending the use of pesticides such as glyphosate across the council and the city.

- **Customer Digital:** £4.350m is anticipated to be required over the next 3 years to support ongoing investment in digital infrastructure and applications and to support continued development of the council's digital services and integration of data across systems and services to improve the accessibility, efficiency and ease-of-use of on-line services. The importance of these services and the digital infrastructure has been highlighted by the pandemic which required numerous on-line application portals to be developed very quickly to enable people and businesses to apply for grants and financial assistance remotely.

- **Modernisation Enablers:** £2.790m is estimated to be required to support ongoing change and modernisation programmes over the next 3 years. This includes everything from an effective project management support team, business improvement analysts, workstyles property team support, investment in 'Our People Promise' for staff development and skills programmes, together with additional specialist support where required.

- **Managing staffing changes**: efficiency programmes and a continual drive for improved value for money will often result in changes in the level or mix of staffing and skills required across the council. Changing staffing levels or skills will often need financial consideration in order to effect voluntary severance for roles or posts no longer required or needing to be replaced or re-trained with different roles or skills. Estimated resources of £1.300m are required to meet severance costs to manage change over the next 3 years.

- **IT Modernisation Investment:** Investment in IT equipment, software, systems and services (e.g. voice and data) is important to enable the organisation to remain secure, resilient and efficient. Historically, the organisation has suffered from long periods of under-investment which has had to be addressed over the last 4 years through approval of large IT Capital Schemes including Windows 10 roll-out, replacement of the Housing and Social Care systems, General Data Protection Regulation (GDPR) security upgrades, etc. This backlog of investment is now catching up and a further £0.300m is included here in an attempt to avoid a similar build-up of IT 'investment backlog' by supplementing existing budgets and enabling the council to keep up with necessary infrastructure changes.

8 STAFFING IMPLICATIONS (GENERAL FUND SERVICES)

8.1 An estimate of the posts to be deleted in relation to the draft budget proposals has been made and indicates that approximately 37 full time equivalent (fte) posts are expected to be deleted from the council's staffing structure. Many of these posts are already being held vacant in lieu of savings proposals but some may initially result in staff being potentially placed at risk of redundancy. This is difficult to estimate with certainty but approximately 11 fte staff have been identified as potentially at risk at this early stage of the process. This information has been shared with the council's recognised trades unions and the staff affected in advance of the release of the Policy & Resources report.

8.2 As in previous years, actual numbers will be dependent on the detailed options proposed and on the results of formal consultation with staff and unions. As previously experienced, it is likely that some of these will be resolved through turnover, or through redeployment to other vacancies across the council, thereby further minimising the risk of redundancies.

8.3 As always, if the forthcoming proposals do potentially place any staff at risk of redundancy the council will support them by:

- Providing appropriate support to staff throughout the change process to enable them to maximise any opportunities available;
- Controlling recruitment and ensuring there is a clear business case for any recruitment activity;
- Managing redeployment at a corporate level and maximising the opportunities for movement across the organisation;
- Managing the use of temporary or agency resources via regular reports to Directorate Management Teams (DMT's);
- Offering voluntary severance where appropriate to staff affected by budget proposals on a case by case basis.

These measures will remain in place as consultation with trade unions, staff and other stakeholders is undertaken. Where necessary, a targeted voluntary approach to releasing staff in areas undergoing change will be managed to support service redesigns whilst ensuring that the organisation retains the skills that will be needed for the future.

9 BUDGET BOOK AND MEDIUM TERM FINANCIAL STRATEGY 2021/22

9.1 The 2021/22 Budget Book at Appendix 1 aims to support understanding and transparency of the council's budget by providing:

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

9.2 The Medium Term Financial Strategy (MTFS) planning assumptions, resource and expenditure estimates are also included within the Budget Book at Appendix 1. The MTFS has been revised to reflect the latest cost, income and demand pressures and the proposed 4.99% council tax increase, including a 3% Adult Social Care precept. The Table below summarises how the budget is expected to change from 2020/21:

Table 7: Analysis of budget changes	£m
Revised 2020/21 base budget	**215.606**
Pay, Price and Pension changes	3.232
Commitments arising from previous approvals (net change)	1.675
Increased Adult Social Care funding	-0.944
Service Investments and Service Pressure Funding (recurrent)	22.270
Service Investments and Service Pressure Funding (one-off)	7.783
Covid-19 Grant 2021/22	-8.203
Estimated additional Rough Sleeper funding	-1.000
Council Tax Support Grant (to offset short term reductions in tax base)	-2.968
Change in contribution from reserves	-8.236
Savings package 2021/22	-10.644
General Fund Net Budget 2021/22 before exceptional item	**218.571**
Exceptional item - contribution from reserves relating to S31 Retail and Nursery reliefs *	-33.764
Proposed Base Budget 2021/22	**184.807**

* *The government provided additional business rates relief for retail and nurseries in 2020/21 in response to the pandemic. The council is compensated for the loss of this income through Section 31 grant which has to be accounted for in 2020/21. However, the reduced business rates income from the award of the relief forms part of the deficit in the Collection Fund that has to be funded in 2021/22. This causes an accounting timing difference and therefore the compensation grant is drawn down in 2021/22 to fund the deficit it relates to. This happens in a normal year but the scale of the adjustment this year is exceptional.*

10 TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY

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

10.2 Another important function of the Treasury Management service is the funding of the council's capital plans. The capital plans provide a guide to the council's borrowing need, which is essentially the longer term cash flow plan, to ensure the council can meet its approved capital spending obligations.

10.3 The recommended TMSS at Appendix 3 follows the drafting format recommended in the Treasury Management Code of Practice. The Treasury Management Practices and schedules identify the practices and procedures that will be followed to achieve the aims of the TMSS and that underpin the council's Treasury Management function. These practices remain unchanged from previous years and are considered 'best practice' under the Code.

10.4 The Annual Investment Strategy (AIS) for 2020/21 is also incorporated within Appendix 3 to this report. The AIS gives priority to security and liquidity.

10.5 Security is achieved by:

- selecting only those institutions that meet stringent credit rating criteria or, in the case of non-rated UK building societies, have a substantial asset base; and
- limiting exposure risk by limiting the amount invested with any one institution.

10.6 Liquidity is achieved by limiting the maximum period for investment and matching investment periods to cash flow requirements.

10.7 There are no changes to the strategy from 2020/21.

11 COUNCIL TAX SETTING

11.1 The Administration is proposing a council tax increase of 4.99% which includes a 3% Adult Social Care precept allowed by government within the local government finance settlement. A council tax increase of 4.99% results in a Band D council tax of £1,741.88 for the council's element, an increase of £82.77 from 2021/22; of this increase £49.77 relates to the Adult Social Care precept.

11.2 In order to propose an overall Council Tax for the city, the Council Tax set by the precepting authorities needs to be known and this information will be included in the Supplementary Budget Report to Budget Council.

Supplementary Budget Report to Budget Council

11.3 Not all of the budget and council tax information needed to set the budget and council tax is available at present. Therefore, additional information will need to be provided for Budget Council; this will include:-

- The final Local Government Finance Settlement 2021/22.
- Any other grants that are announced before Budget Council.
- The agreed Council Tax set by East Sussex Fire Authority and Sussex Police and Crime Commissioner.
- The statutory Council Tax calculations required under the 1992 Local Government Finance Act.
- The full budget and Council Tax resolution for Budget Council.

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

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

Robustness of Estimates

12.2 There is inevitably an element of judgement in drawing up budget estimates of expenditure and income which are made at a point in time and may change as circumstances change. This statement about the robustness of estimates cannot give complete assurance about the proposed budget but should provide the council with reasonable assurance that the budget has been based on the best information and assumptions available at the time, particularly in relation to demand-led budget predictions, and has considered identifiable risks.

12.3 For 2021/22, funding of £19.107m has been provided to support identified cost and demand pressures in priority, demand-led services across Adults Social Care, Children's Safeguarding & Care services, and Homelessness and Rough Sleeper services and accommodation. Provision for this level of investment substantially mitigates the predicted demand-led service pressures at the time of setting the budget. This considerably lessens potential forecast risks in 2021/22 but cannot completely remove all risks and therefore services will need to continue to contribute to the mitigation of residual risk through management of non-statutory budget areas as normal. This minimises the level of any risk provisions required over and above the council's current working balance. In addition:

- The authority continues to demonstrate its long track record of managing within or close to budget despite the very challenging financial climate. At month 9 this year, the forecast overspends earlier in the year have been managed through a combination of government grant support and financial management action detailed in the report. The month 9 position is now a projected underspend of £4.812m which provides much needed one-off resources to support predicted one-off Covid-19 impacts and other priority investments in 2021/22.
- The authority's track record demonstrates that it can manage risk across demand-led statutory services of between 2% and 3% of the total net budget through effective management of non-statutory budgets and services;
- The authority continues to enable and achieve substantial savings through its Modernisation Programmes which have enabled re-investment to support priority areas, meet cost pressures and growth in demand for statutory services, and address remaining budget gaps;
- Although there are risks in relation to Section 75 partnership arrangements and pressures on Clinical Commissioning Group (NHS) budgets, the authority continues to work closely with the Clinical Commissioning Group to jointly manage and mitigate risks as far as practicable. This has been evidenced in the current year where the NHS has provided nearly £8m in funding for managing Covid-related hospital discharges;
- The authority has maintained adequate reserves and provisions against other known and identified risks and has made no unplanned drawdown of its reserves or balances. The proposals in this report recommend internally borrowing £3.971m from reserves over a period of 10 years to manage the financial impact of Covid-19, enabling council services to be maintained as well as providing for continued support for recovery and renewal as the city comes out of the pandemic through investment in Corporate Plan priorities. This is financially acceptable in the context of the severe financial shock caused by the pandemic and the fact that the council maintains a working balance of £9m and will retain other usable, earmarked reserves of approximately £30m that can be utilised to manage financial, legal and contractual risks and emergencies;
- The authority has set aside appropriate one-off, discretionary resources and funding to mitigate the impacts of Welfare Reforms including a Council Tax Reduction Scheme discretionary fund and Welfare Reform Support fund.

12.4 Based on financial performance over the previous 5 years and taking into account identified risks as set out in Appendix 5, the council is recommended to maintain its minimum working balance of £9.000m, which is approximately 4% of the net General Fund and represents around 3 weeks' council tax income, as well as maintaining other earmarked reserves to manage any short term pressures. The working balance and other usable reserves must mitigate general legal and financial risks including appeals and challenges, as well as potential billing failures, civil contingencies and other emergencies.

Adequacy of Reserves

12.5 The recommendation on the prudent level of the General Fund working balance has been based on the robustness of estimates information and a risk assessment of the budget provided at Appendix 5.

12.6 As indicated above, current analysis of authority-level risks indicates that a working balance at a level of £9.000m remains prudent and appropriate having taken into account all known and foreseeable risks in relation to the 2021/22 budget.

12.7 All specific reserves have been reviewed in detail to ensure they are set at an appropriate level as set out in Appendix 4. The council's earmarked reserves fulfil specific legal or financial requirements, for example the Insurance Fund Reserve, and are not therefore available to support the annual revenue budget.

Assurance Statement of the Council's Section 151 Officer

12.8 In relation to the 2021/22 General Fund revenue budget, the Section 151 Officer has examined the budget proposals and considers that, whilst the spending and service delivery proposals continue to be challenging, impacted further by the uncertainty surrounding the pandemic, they are nevertheless achievable with effective governance and accountability at all levels.

12.9 In terms of the adequacy of reserves, the Section 151 Officer considers a working balance of £9.000m for 2021/22 to be adequate, taking into account other available reserves and the council's track record in budget management.

13 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

13.1 The budget process allows all parties to engage in the examination of budget proposals and to put forward viable alternative budget and council tax proposals to Budget Council on 25 February 2021. Budget Council has the opportunity to debate the proposals put forward by this committee at the same time as any viable alternative proposals. Budget Council will normally be recommended to adopt special procedures at the start of the Budget Council meeting, which set out the procedure and protocol applicable to any alternative budget proposals put forward.

13.2 Any alternative proposal will need prior assessment by the council's appointed 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 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; or
- v) The alternative proposal is beyond the powers and duties of the local authority.

14 SCHOOLS FUNDING AND BALANCES

School Balances

14.1 The level of school balances as at 31/03/20 was £4.347m, an increase of £0.122m from £4.225m at 31 March 2019 as shown below.

Phase	2018/19 £'000	%age of budget 2018/19	2019/20 £'000	Percentage of budget 2019/20
Nursery	64	8.25%	40	5.06%
Primary	3,812	5.15%	3,395	4.49%
Secondary	(11)	(0.02%)	784	1.51%
Special & AP	360	4.24%	128	1.19%
Total	**4,225**	**3.14%**	**4,347**	**3.12%**

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

14.2 In total there are 10 schools (out of 63) with deficit balances, a reduction from 11 as at the end of 2018/19. The split of deficit balances across phases is 8 Primary and 2 Secondary. School budget plans for 2020/21 have incorporated these deficits.

Schools Funding

14.3 The Dedicated Schools Grant (DSG) is divided into four notional blocks – the schools block, the high needs block (HNB), the central school services block (which allocates funding to local authorities for their ongoing responsibilities towards both maintained schools and academies), and the early years block. Each of the four blocks of the DSG are determined by separate national funding formulae (NFF).

14.4 In December 2020, the Department for Education (DfE) announced the provisional HNB allocation for the 2021/22 financial year. This settlement results in an increase in allocation to Brighton & Hove of circa £2.920m compared to 2020/21. An element of this, estimated to be £0.400m, relates to the transfer of the teachers' pay and pension grant to the HNB. The additional allocation is in recognition of the increasing costs of supporting children and young people with SEND and will help the local authority manage pressures in this area, particularly in view of no transfer of funds having been made from the Schools Block in recent years.

14.5 For 2021/22, the overall formula budget allocations to schools have increased by £10.697m compared to 2020/21 and this is due to:

- National increase in Schools Block DSG allocation (c. £5.0m);
- Transfer of teachers' pay and pension grants to Schools Block (c. £6.4m);
- Reduction in pupil numbers (c. -£0.7m).

14.6 The introduction of the National Funding Formula (NFF) continues to represent a significant change. To provide stability for LAs and schools through the transition, the DfE announced in 2019 that LAs will continue to set a local schools formula to determine individual school budgets for 2021/22. The DfE published final Schools Block datasets and allocations for 2021/22 on 17 December 2020.

14.7 During autumn 2020 it was agreed that no significant changes (other than proposals previously agreed) would be made to the operation of the formula for 2021/22. These proposals were subject to consideration by the Schools Forum and Schools Block Working Group. The key elements of the 2021/22 formula are summarised below and follow the principle of moving towards the NFF on a gradual basis:

- increase the basic entitlement (age weighted pupil unit) factor by £180 and £265 per pupil for primary and secondary schools respectively to reflect the transfer of the teachers' pay and pensions grant to the Schools Block. The basic entitlement factor has then been further increased by the balance of funding available after applying increases to other factors;

- incrementally extend the use of the 'ever-6 free school meals' and the income deprivation affecting children index (IDACI) factors and reduce the weighting assigned to 'current Free School Meals', as previously agreed by Schools Forum; the cash sums being allocated are now equal across the 3 factors within the deprivation measure;
- increase the unit values of other additional needs formula factors by 3% with an additional increase being applied to the low attainment factor due to disparity with the rate in the NFF (the low attainment unit value has been increased by 5%);
- include a mandatory factor to ensure that minimum funding per pupil levels (excluding premises factors) are set at £4,180 for primary schools and £5,415 for secondary schools;
- retain a lump sum of £130,000 per school;
- apply a minimum funding guarantee of +1.00% per pupil.

14.8 The introduction of the new mandatory factor to ensure that minimum funding per pupil (MFPP) levels (excluding premises factors and before de-delegation) are set at £4,180 for primary schools and £5,415 for secondary schools has a significant impact on the distribution of funding to schools. Based on the proposed formula model for 2021/22 the implications of this are shown in the table below:

School Type	Number of schools attracting funding through MFPP factor	Funding to be allocated through MFPP factor
Primary	21	£2.422m
Secondary	1	£0.026m
Total	22	£2.448m

14.9 The introduction of this factor means that the schools who have historically received the lowest levels of funding on a per-pupil basis will receive an additional allocation within their budget share to boost their funding levels to the minimum thresholds. This will particularly apply to schools that receive relatively low amounts of funding through the deprivation and low attainment formula factors. These schools are likely to receive higher per pupil increases than most other schools in 2021/22.

14.10 LAs will continue to set a Minimum Funding Guarantee (MFG) in local formulae, which in 2021/22 must be between +0.50% and +2.00% per pupil. Prior to the application of this calculation an adjustment has been made to the 2020/21 baselines to ensure that the impact of new delegation for teachers' pay and pension grants is considered. This means that schools on the MFG will also have their pay and pensions grant funding protected.

14.11 For 2021/22, as agreed with the Schools Forum in the autumn, Brighton & Hove will apply the MFG at a rate of +1.00% per pupil. The rationale for adopting this approach is twofold:

- an MFG of +1.00% continues to offer a degree of protection to schools that are not otherwise gaining or sustaining funding on a per pupil basis. However, the LA also believes that schools, who are gaining through characteristics identified in the formula, should receive a fair proportion of their gains; if the MFG level is set at a higher rate it will mean that the scaling back of formula gains would increase;

- an MFG protection of greater than +1.00% would effectively 'lock in' more historical funding.

14.12 The application of the formula on the basis outlined in this report means that the primary / secondary funding ratio is now 1:1.27. This is a small change from the 2020/21 ratio of 1:1.29 and has moved mainly due to the additional funding allocated to primary schools to achieve the requirements of the minimum funding per pupil threshold.

14.13 As in previous years academies and free schools are included in the DSG allocation to ensure all schools, academies and free schools are funded on the same basis using the LA's funding formula. DfE then recoup the funding attributable to academies and free schools and pay this directly to the establishments.

15 COMMUNITY ENGAGEMENT & CONSULTATION

15.1 General information and advice about the council's budget will continue to be provided through the council's web site which provides information and graphics on how money is spent on services, where the money comes from and a summary of the financial challenges ahead.

15.2 The council will also publicise on-line its key proposals from the budget along with information about council services, and questions and comments invited from residents over the period leading to the February Policy & Resources Committee and Budget Council meetings.

15.3 Frequently asked questions and common themes have previously emerged through the development of the annual budget and have been responded to in our 'Behind the Budget' web page: Behind the budget (brighton-hove.gov.uk)

15.4 The frequently asked questions and themes include:

- Doesn't Council Tax [alone] pay for all council services?
- How about using [i.e. raising] parking charges further?
- [Why not] Cut pay instead of services?
- [Why not] Make students pay Council Tax?
- [Why not] Just cut councillors and/or their allowances?
- [Why not] Charge wealthier people more Council Tax?
- Extra Business Rates will solve the problem [won't they]?

Other consultation and engagement processes are as follows:

15.5 Information will be shared with Strategic Partners and community groups as normal. 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 to further share and understand the potential cumulative impact of budget proposals across the city as they take shape.

15.6 In particular, the council continues to engage fully with the Brighton & Hove Clinical Commissioning Group (CCG) to ensure that the budget processes of the two organisations are aligned and communicated as far as practicably possible. As with the council, the local CCG is likely to remain under severe financial pressure due to continually increasing demands on the local health economy.

15.7 There are ongoing briefings and discussions with the Economic Partnership that cover potential funding sources and bids, city regeneration, economic growth, employment and apprenticeship strategies. Statutory consultation with Business Ratepayers will also be undertaken as normal.

15.8 The Schools Forum, a consultative body attended by representatives of all school phases, received a report on the potential areas of interest and potential impact of the General Fund budget proposals at its meeting on 18 January 2021, providing an opportunity to feedback views on the proposals. This is a public, minuted meeting and agenda and minutes are available on the council's website.

15.9 Similarly, officers of the council and members of the Administration met with representatives of the Community & Voluntary Sector on 13 January 2021 to discuss the draft budget proposals and provide them with an opportunity to feedback their views to the council and members.

15.10 For staff, updates are provided via the council's intranet and formal consultation with Staff and Unions will be undertaken as normal including Departmental Consultative Group (DCG) meetings during January and February followed by appropriate consultation with directly affected staff. It is recognised that the budget process has been delayed by approximately one month due to the pandemic and this will need to be accommodated in consultation time-lines to ensure appropriate and meaningful consultation with staff and unions.

15.11 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.

16 CONCLUSION

16.1 The council is under a statutory duty to set its budget and council tax before 11 March each year. This report sets out the budget assumptions to be used as the basis for Council Tax calculations in order to meet the statutory duty. Only revenue and capital proposals for 2021/22 and associated council tax decisions require formal approval in February 2021. The full details of 2021/22 revenue and capital budgets are set out in the appended Budget Book. The Medium Term Financial Strategy and capital investments starting after 2021/22 are for noting only.

17 FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

Finance Officer Consulted: James Hengeveld *Date: 01/02/2021*

Legal Implications:

17.2 Whilst the Policy & Resources Committee is being asked to recommend, and subsequently the Council asked to agree, the revenue budget and capital strategy, the budget decision is a resourcing decision and does not necessarily constitute final approval of what policies will be implemented or what sums of money will be saved under the service proposals.

17.3 Any decisions taken as part of the budget setting process are subject to compliance with relevant legal requirements, where appropriate, before implementation. The revenue budget and capital strategy recommendations in the report do not commit the council to implement any specific savings proposal. When specific decisions on budget reductions are necessary, focussed consultations and the full equality implications of doing one thing rather than another will be considered in appropriate detail. If it is considered necessary, in light of equality or other considerations, it will be open to those taking the decisions to spend more on one activity and less on another within the overall resources available to the council.

17.4 For these purposes, the “budget” includes the allocation of financial resources to different services and projects, and setting the council tax.

17.5 Section 52ZB of the Local Government Finance Act 1992 requires a billing authority to determine whether its relevant basic amount of council tax is “excessive”. If the amount is excessive, the billing authority is required to hold a referendum, with a view to applying an alternative amount if the excessive amount is rejected in a referendum.

17.6 The determination of whether a relevant basic amount of council tax is excessive must be made in accordance with principles determined by the Secretary of State. The Ministry for Housing, Communities & Local Government (MHCLG) has stated that for the 2021/22 financial year, an increase of 5% or more, including the Adult Social Care precept, will be regarded as excessive. Therefore, local authorities opting for an increase of 5% or more (including the Adult Social Care Precept) will be required to hold a referendum.

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

Lawyer Consulted: Elizabeth Culbert *Date: 03/02/2021*

Equalities Implications:

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

17.9 In law, the potential impacts identified, and how far proposed actions mitigate them, must be given due regard by decision-makers when making budget and resource decisions. However, as noted under legal implications above, in setting the budget members are making resourcing decisions which remain subject to compliance with all necessary legal and statutory consultation requirements.

17.10 All proposals with a potential equalities impact in 2021/22 will have an EIA completed and provided to all Members for the Budget Council. EIAs are cross-referenced with savings proposals in Appendix 1.

Sustainability Implications:

17.11 One of the key principles for developing budget proposals, aligned with the Corporate Plan, is whether or not proposals and investments can contribute to the 10 year carbon reduction target to become carbon neutral by 2030. This plays out through everything from reviewing the council's Administrative Buildings occupancy and facilitating more remote working for staff, to increasing the number of electric vehicles in its fleet, through to working with the Climate Assembly to identify further opportunities and actions. The capital and revenue budget proposals for 2021/22 cannot address all of the Corporate Plan objectives immediately but do aim to provide for many initiatives to be supported and developed to inform future budget rounds. This is further supported by the creation of the proposed Carbon Reduction Reserve.

Any Other Significant Implications:

Risk and Opportunity Management Implications:

17.12 The national and local picture continues to indicate growing risks in respect of the pressures on the health & social care system and hospital discharge, the growing problem of homelessness, pressures on children and adult disability services, and the cumulative impact of welfare reforms, particularly the roll-out of Universal Credit. There is also potential for further ongoing impacts from the pandemic depending on the speed of economic recovery. This indicates that potential risks remain high and that good quality data and analysis will be required to ensure that trends and the impact of interventions can be closely monitored and understood.

17.13 Section 12 of the budget report includes the appointed Section 151 Chief Financial Officer's formal assessment of the robustness of estimates in the budget and the adequacy of reserves and provisions, including an assessment of the need for any additional risk provisions. Appendix 5 of the report also sets out a detailed assessment of risks and their potential treatment and mitigation.

SUPPORTING DOCUMENTATION

Appendices:

1. Budget Book 2021/22
2. Capital Strategy 2021/22
3. Treasury Management Strategy Statement 2021/22
4. Review of Reserves
5. Assessment of Risks
6. Equalities Impact Assessment – Cumulative Impact Statement
7. Equalities Impact Assessment – Individual Assessments

Documents in Members' Rooms

1. None

Background Documents

1. Budget files held within Finance