

<b>Subject:</b>	<b>Budget Update and Savings 2012/13</b>		
<b>Date of Meeting:</b>	<b>8 December 2011</b>		
<b>Report of:</b>	<b>Director of Finance</b>		
<b>Lead Cabinet Member:</b>	<b>Cabinet Member for Finance and Central Services</b>		
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<b>Key Decision:</b>	<b>Yes</b>	<b>Forward Plan No: CAB23937</b>	
<b>Ward(s) affected:</b>	<b>All</b>		

Note: The special circumstances for non-compliance with Council Procedure Rule 7, Access to Information Rule 5 and Section 100B (4) of the Local Government Act as amended (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that some of the key financial information could not be updated until the in year budget monitoring report elsewhere on the agenda had been completed.

## **FOR GENERAL RELEASE**

### **1. SUMMARY AND POLICY CONTEXT:**

- 1.1 This is the first time that full proposals for the General Fund Revenue budget for the next financial year have been published in a report in December. This supports the council's agreed corporate plan priority to engage people who live and work in the city. It enables an open debate about the financial challenges that the council faces and the difficult choices that will need to be made. It supports the valuable role of the council's scrutiny function in reviewing the proposals and it also allows further consultation and analysis of the equalities implications to take place prior to the budget being finalised.
- 1.2 It is also the first time that two year proposals have been put forward. This longer term horizon helps members take more effective service and financial planning decisions. It also provides time for consultation on some of the reshaping of services that will be required in 2013/14 if the council is to be able to balance its budget whilst still meeting its agreed priority outcomes. In line with the corporate plan commitment, a carbon budget has been produced alongside the financial budget in order to provide accountability for carbon emissions.
- 1.3 A revised set of proposals will be presented at Cabinet on 9 February 2012 taking into consideration the feedback from further consultation and scrutiny and the most up to date financial information. The final responsibility for agreeing the council's budget for 2012/13 rests with all elected members at the meeting of the Council on 23 February 2012. This will be done in the light of the plans for 2013/14 but the final decision on the budget for 2013/14 will not be taken until the following year.

## **2. RECOMMENDATIONS:**

- 2.1 That Cabinet note the updated forecasts for resources and expenditure for 2012/13 and 2013/14.
- 2.2 That cabinet consider and agree the principles set out in appendix 1 that will guide the response made by officers to the consultation on technical reforms to council tax.
- 2.3 That Cabinet consider and approve the indicative allocations of one-off resources for 2012/13 set out in table 1 subject to the identification of sufficient further one-off resources to fund the proposed allocations.
- 2.4 That Cabinet notes the revised savings targets for 2012/13 and 2013/14 and considers and agrees the budget strategies and detailed savings proposals shown in appendix 4.
- 2.5 That Cabinet notes the update on the HRA budget set out in paragraph 3.55 to 3.64.
- 2.6 That Cabinet notes the summary Capital Investment Programme set out in paragraphs 3.65 and 3.66 and appendix 5 and that a detailed programme will be submitted to February Cabinet.

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

### **Structure of the report**

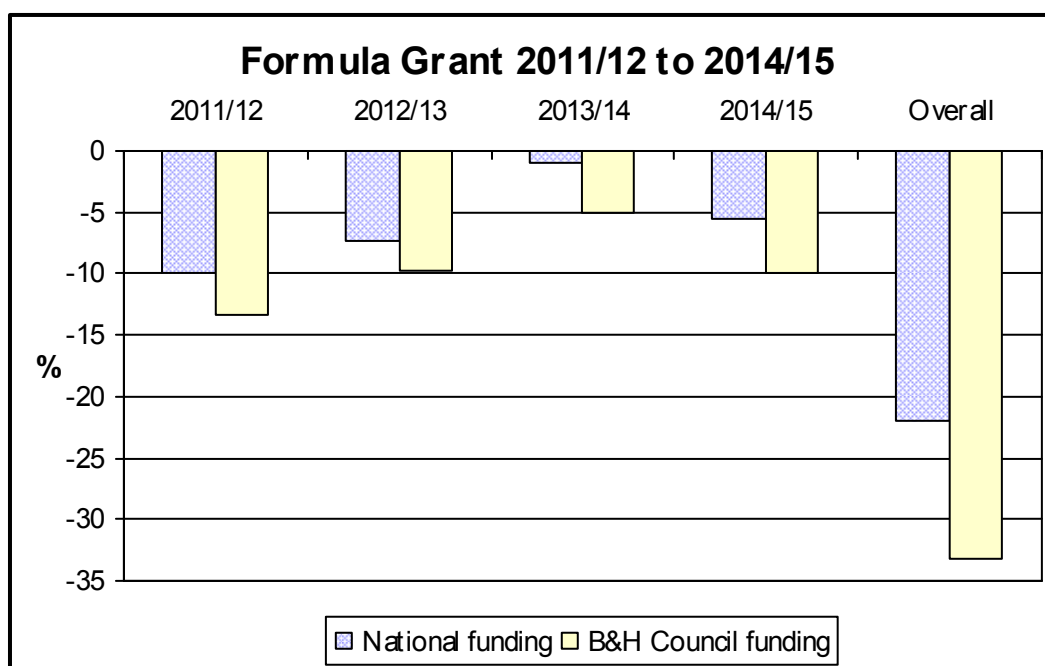
- 3.1 The report updates Cabinet on the latest position regarding government grants and council tax including major potential funding changes from 1 April 2013. It then sets out the budget principles upon which the 2012/13 budget and 2 year budget savings proposals have been prepared. A detailed report elsewhere on the agenda sets out the latest expenditure and income forecasts for the current year based on actual spending data for the first 7 months which are summarised here. A re-assessment is included of the level of reserves available to fund one-off items of expenditure and / or provide short term support for the budget, followed by some background information on fees and charges.
- 3.2 The expenditure projections for 2012/13 have been updated enabling revised savings targets for the next 2 years to be calculated. The report then sets out details of the savings proposals and the estimated staffing implications arising from those proposals. There are updates on the Housing Revenue Account budget and capital investment programme and a reminder of the budget timetable for the remainder of the budget process. The remaining sections include the results of the budget consultation undertaken so far, the work completed on equalities impact assessments for the proposed budget and service changes, and an assessment of budget risks.

## Resources update

- 3.3 The Government has strongly indicated that it will not amend its proposals to significantly reduce future grant funding to councils and is committed to making major funding reforms from 1 April 2013. The Leader and the Cabinet Member for Finance have lobbied Ministers over a range of issues and the Department for Communities & Local Government (CLG) has responded positively in one area with proposals to amend council tax as set out in paragraph 3.21. Further lobbying of ministers has also been undertaken to ensure full understanding and consideration of the resource issues facing local authorities.

## Provisional Local Government Finance Settlement for 2012/13

- 3.4 The Chancellor of the Exchequer is due to make his autumn statement on the national budget on 29 November 2011 and on the same day the Office of Budget Responsibility (OBR) will publish its economic and fiscal outlook. The provisional Local Government Finance Settlement for 2012/13 will be announced afterwards possibly on the 1 December 2011 or later but not in time for inclusion in this report. Cabinet will therefore receive a further update at or shortly before the meeting outlining any significant changes to grants and the capping criteria for next year which set out the maximum possible increases in council tax.
- 3.5 However, in the final settlement for 2011/12 announced by CLG in February 2011 indicative grant figures were included for 2012/13 and it is unlikely that these figures will change significantly except for the issue detailed in the paragraph below. The forecasts therefore assume that the council will receive £101.4m formula grant in 2012/13; a reduction of £10.5m or 9.4% from this year. The following chart shows the assumed reductions in grant funding over the period of the spending review.



- 3.6 The indicative grant figures for 2012/13 include a further national top-slice of £114.5m to reflect reductions the government assumes in local authority central education services as new academies are set up. The proposed Brighton & Hove share of the reduction was £0.4m in addition to the £0.5m reduction made in 2011/12. The Local Government Association (LGA) on behalf of a number of local authorities has legally challenged both the scale of the reduction and the way in which the reductions were apportioned between councils. CLG issued a further consultation paper in the summer of 2011 and the outcome is expected as part of the provisional settlement.

### **Schools Funding**

- 3.7 Schools funding is ring-fenced so that it can only be spent on schools related expenditure. For 2012/13 it is anticipated that the overall settlement for schools will be maintained at flat cash per pupil, which means that the Dedicated Schools Grant (DSG) will rise in line with increases in pupil numbers. In addition, funding for the Pupil Premium will increase from £625m nationally in 2011/12 to £1.25bn in 2012/13.
- 3.8 The Department for Education are continuing to consult on changes to the way the national funding pot is distributed including the introduction of a national schools funding formula to replace locally agreed formulae. It is expected that the earliest that this would be implemented would be for 2013/14. Changes to the distribution mechanisms will ordinarily mean that some will gain and some will lose both at the local authority and individual school levels but it is too early to tell how schools within Brighton & Hove might be affected.

### **Council Tax Freeze Grant**

- 3.9 The council will continue to receive a grant of £3m per annum for 2012/13, 2013/14 and 2014/15 following the council tax freeze in 2011/12. In September the Chancellor announced that £805m had been found nationally to fund a council tax freeze for 2012/13 only. CLG has recently confirmed that the council would be entitled to a further £3m grant in 2012/13 equivalent to a council tax increase of 2.5% should the council agree to freeze council tax next year. CLG also confirmed that this grant would cease after 2012/13.
- 3.10 Full Council on 23 February 2012 will determine both the budget and council tax for 2012/13 but the resource forecasts shown in this report assume that council tax will increase by 3.5% next year as set out in the July Cabinet budget report. A decision to freeze the council tax in 2012/13 will require an additional £1.2m recurrent savings to be identified and agreed for next year and an additional £3m recurrent savings in 2013/14 when the new council tax freeze grant ends or require a higher increase in council tax.

### **Council tax base and collection fund**

- 3.11 Cabinet is required to agree the council tax base for 2012/13 by the end of January and a detailed report will be presented for consideration to the January Cabinet meeting.

- 3.12 Council tax collection performance remains strong and in-year collection is ahead of target. The savings proposals set out later in this report include a proposed 0.1% increase in performance bringing the ultimate collection rate to 98.6% following continuous improvements in collection procedures within the Revenues Team.
- 3.13 However, earlier budget and in-year monitoring reports have highlighted higher than anticipated increases in the number of properties exempt from council tax, mainly properties occupied solely by students, and more properties qualifying for discounts than expected. Initial figures for 2012/13 show that the forecast increase in the number of council tax properties will, for the first time in several years, be more than offset by the growth in exemptions and discounts causing the taxbase to fall. Additional inspections have confirmed these changes. The forecasts in this report are therefore now based on a fall in the taxbase of 0.6% which is equivalent to a loss of resources of £0.75m. This figure may need to change as the processing of over 5,000 student exemptions and disregards for the current academic year is not yet complete. A final estimate and detailed explanation of the changes in discounts and exemptions will be included in the report to Cabinet in January.
- 3.14 The council's share of the projected deficit on the council tax collection fund at 31 March 2012 remains as previously reported at £1.1m of which £0.2m relates to the previous year. The other £0.9m is mainly due to higher levels of exemptions and discounts during this year. The deficit represents a 0.9% variation in the expected total amount to be collected and is slightly higher than the forecast for next year which is offset by forecast new properties.

### **New Homes Bonus**

- 3.15 The Government introduced the New Homes Bonus last year as a funding incentive for local authorities to facilitate the creation of new homes in their area. The council will receive approximately £0.6m per annum for 6 years from the first tranche and allocations of this funding were agreed at Budget Council on the 3 March 2011. £0.2m of that allocation was to establish a "New Homes Venture Fund". As yet that fund has no commitments against it. In the light of recent government announcements to support further housebuilding across the country the use of that fund has been revisited. It is proposed instead to use that money to fund investment in private sector renewal which has no government capital grant allocation for 2012/13.
- 3.16 The provisional funding allocation for the second tranche is expected to be announced in early December 2011. This will be based on two sets of data available to Government in October, increases in effective stock from council tax base returns and additional affordable homes from official statistics on affordable homes enhancements. Using the October data available it is expected that the council could receive about £0.4m per annum for 6 years from 2012/13 mostly from increases in stock. The estimated second tranche allocation has not been built into the overall resource allocations contained in this report at this stage and will be taken into account when the government confirms the figures and the updated budget proposals are reported to Cabinet in February.

## **Weekly collection support scheme**

- 3.17 At the end of September the Secretary of State for Communities & Local Government announced a new fund of up to £250m to support councils to deliver weekly collections of household waste. The new weekly collections support scheme will also support weekly collection councils which wish to keep and improve the weekly service they offer. Councils will be able to bid individually or in consortiums, and with the private sector, where that increases value for money. In order to encourage the most innovative and locally tailored solutions, authorities will be able to bid for a mix of revenue and capital funding. Further details of the scheme and bidding process are expected to be announced shortly. This could potentially help the council meet its plans to trial food waste collection.

## **Potential funding changes from 1 April 2013**

- 3.18 The Government is consulting on some far reaching changes to local government finance starting in 2013/14 including the retention of local business rates, localisation of council tax benefit and technical reforms to council tax.
- 3.19 A detailed report on consultation proposals for the retention of local business rates was considered at the Cabinet meeting in October. Following the meeting, a covering letter and a technical response were sent to CLG setting out significant concerns about the proposals and the potential detrimental effect on and risks to future resource levels. CLG are expected to set out the results of the consultation and any revisions to their proposals early in the New Year.
- 3.20 Cabinet will also be aware of CLG proposals to localise council tax benefit from 1 April 2013 with an associated reduction in funding of 10%. The reduction in funding for Brighton & Hove is approximately £2.6m. Achieving this level of reduction whilst continuing to protect pensioners, other vulnerable groups and incentivise work is likely to be very challenging. There are also concerns about the feasibility of introducing the new system by April 2013 not least because of the major changes needed to IT systems which suppliers are indicating may not deliverable within this timescale.
- 3.21 On the 31 October CLG published a consultation paper on technical reforms to council tax. The proposals would give greater discretion to local councils from 1 April 2013 over the size and length of time certain discounts and exemptions can be granted in relation to both empty and second homes. It also proposes giving councils the option to levy a premium on properties that have been left vacant for more than 2 years. Further details of the proposals and the possible financial impact can be found in appendix 1. The closing date for responding to the consultation paper is 29 December 2011 and Cabinet is asked to consider and agree the principles also set out in appendix 1 that will guide the detailed response to the consultation to be prepared by officers.
- 3.22 In 2013/14 councils will also gain responsibility for Public Health and the government has stated that they are committed to ensuring that local authorities are adequately funded. Shadow allocations for 2012/13 are expected by the end of this year to assist authorities in planning the provision of this service.

## **Budget Principles**

- 3.23 All service areas were asked following the report to Cabinet in July to produce options for working within budget allocations over the next 2 years of -5%, -10% and -15% based on their 2011/12 adjusted budget. This process was designed to ensure that decision making is for the medium term, not just the short term. It also enabled consideration to be given to allowing longer lead in times for delivery of savings in some areas if this would result in better long term outcomes. The options developed considered not only reductions in expenditure, but also measures to manage growth in service demand and opportunities for generating additional income. The Value for Money Programme also remains at the heart of the overall budget strategy.
- 3.24 As set out in July the budget principles on which the proposals have been developed are:
- To prioritise services for the young, elderly and vulnerable;
  - To promote efficient use of public money;
  - To support partnership working with public, private and third sector organisations.

## **Value for Money Programme**

- 3.25 The council's Value for Money Programme has developed over the past few years to include significant transformation programmes affecting almost every area of the council and ranging from service transformation in social care services to efficiencies across ICT and Procurement to reductions in management and administration costs. The programme remains a core part of the council's budget strategy. The programme is challenging and complex and contains demanding financial savings targets alongside significant non-financial benefits. Their potential impact on service delivery, including staff and customers, and the efficiency of the organisation mean that they must be well-planned, have effective project management support and be properly resourced to ensure safe delivery. The 2011/12 revenue budget included £1.3m one-off resources over 2 years to ensure that VFM Programmes were effectively planned and supported.
- 3.26 In the current financial year (2011/12) the VFM Programme is expected to achieve approx £7.342m against an original target of £7.877m. This is £0.535m short of the target primarily due to difficulties outside of the council's control relating to Carbon Reduction initiatives and due to not implementing System Thinking reviews as originally planned. However, over the 3 year period, the VFM Programme is set to exceed the original revenue target of £18.855m by £0.614m with further potential savings expected to be identified and deliverable by 2013/14 and beyond.
- 3.27 As the programme goes forward, there are a number of areas where we plan to re-commission what we do and this takes time to do properly, including proper consultation, engagement and equalities impact assessments. To support the VFM Programme and other changes, the council will be developing a longer term investment plan which will help to deliver savings on the revenue budget through:
- More efficient working practices and office spaces;

- Channel shift for customer access (e.g. to on-line services);
- Reduced building costs and associated reduced energy emissions and carbon costs;
- Reduced maintenance costs.

3.28 More detailed information on the VFM programme is included in appendix 2.

### Latest Position 2011/12

3.29 The month 7 Targeted Budget Management (TBM) report elsewhere on the agenda shows a projected under-spending of £0.292m on council controlled budgets and projected over-spending of £0.048m on NHS controlled s75 services. The overall underspend is a significant improvement since month 4 was presented to Cabinet. This is mainly driven by improvements to the spending forecasts for children services and adults social care. This not only produces additional one-off usable reserves but also helps the ongoing position on the revenue budget. This is taken into account in the savings proposed in this report, the level of service pressure funding required and the judgement on the required level of risk provision and reserves.

### Reserves Position

3.30 The working balance is planned to be maintained at £9m over the next 3 years in line with Audit Commission guidelines. The following table shows the projected general reserves position to 31 March 2012 assuming spending is in line with the latest projections for 2011/12 shown in the TBM 7 report.

3.31 The table includes the potential Collection Fund deficit which is highlighted in paragraph 3.14 of this report and details of which are given in the TBM 7 report elsewhere on this agenda.

<b>Table 1 - General Reserves</b>	<b>2011/12</b>
	<b>£'000</b>
<b>Unallocated general reserves at 1 April 2011</b>	<b>2,122</b>
TBM7 forecast under-spend	292
Unused 2011/12 one off risk provisions	400
1 <sup>st</sup> Tranche repayment by the LDV for forward funding	500
Unringfenced social care grant funding due from the PCT	800
Release of unused loan funding set aside for a new model of delivery for youth services in the 2011/12 budget	150
Release reserve for transition funding for youth for reallocation	500
<b>Total Resources</b>	<b>4,764</b>
Resources needed to cover the council's share of:	
Actual Collection Fund deficit in 2010/11	-183
Forecast Collection Fund deficit for 2011/12	-924
<b>Balance of one-off resources</b>	<b>3,657</b>
<b>Indicative allocations for 2012/13:</b>	
One off funding to cover the full year effect of 2012/13 savings	-676
Creation of fund for a 3 year youth community grants programme	-300
Creation of a one off risk provision for social care	-1,000



<b>Table 1 - General Reserves</b>	<b>2011/12</b>
	<b>£'000</b>
Top up the Restructure/ redundancy reserve to support the delivery of savings over the next 2 years	-700
Contribution to the Customer Access and Accommodation reserve	-500
Contribution to the Transformation fund to support delivery of the VFM programme and other aspects of the 2012/13 and 2013/14 savings proposals	-750
One off resources to cover the Examination in Public for the Waste and Mineral Plan	-100
<b>Resources to be identified</b>	<b>-369</b>

3.32 The indicative allocations for 2012/13 are proposed for the following reasons:

- One off resources are needed because the lead in times, primarily due to consultation requirements, mean that not all the proposed savings for 2012/13 can be delivered from 1 April 2012.
- There are no existing commitments against the funding previously set aside for youth services. Therefore it is proposed to reallocate some of this to a 3 year youth community grants programme. The nature of that programme and how it will operate has not been determined at this stage.
- In addition to the recurrent risk provisions, it is proposed to have a one off risk provision for social care, using some of the unused 2011/12 related risk provision and all of the unringfenced grant funding for social care which was provided to help the council deal with unexpected costs of winter pressures and so is well suited to be set aside in this way.
- Additional resources will be needed to support the Workstyles programme and other customer access and accommodation initiatives in order to ensure that the programmes are not overly reliant on the timing of capital receipts.
- Additional resources will be needed to support the VFM programme, particularly into 2013/14 and to ensure the delivery of proposed savings.

3.33 Cabinet are asked to consider and approve the indicative allocations of one off resources for 2012/13 set out in table 1 subject to the identification of sufficient further resources to fund the proposed allocations. The sale of the mayoral number plate is being explored as a potential source of one off resources.

### **Fees & Charges**

3.34 Fees and charges are assumed to increase by a standard inflation rate of 2% each year. The Council's Corporate Fees & Charges Policy requires that all fees and charges are reviewed at least annually and should normally be increased by either the standard rate of inflation, statutory increases, or actual increases in the costs of providing the service as applicable. Non-statutory increases above the standard rate of inflation and/or changes to concessions or subsidies should be reported to and considered at the relevant Cabinet Member Meeting. Where appropriate, details of fees and charges changes for 2012/13 are therefore being presented to the relevant Cabinet Member Meetings prior to Budget Council. In

addition, an overarching review of fees and charges has been undertaken to ensure there is no disproportionate or cumulative equality impact of proposed changes to fees and charges on vulnerable, minority or other groups. Timetabled fees and charges reporting is shown below.

<b>Fees &amp; Charges area</b>	<b>Decision-Making meeting</b>	<b>Date</b>
Licensing and Enforcement	Licensing Committee	17 Nov 2011
Parking Tariffs	Environment, Transport & Sustainability CMM	29 Nov 2011
Sports Facilities Contracts	Culture, Recreation & Tourism CMM	6 Dec 2011
Venues, Royal Pavilion and Museums	Culture, Recreation & Tourism CMM	6 Dec 2011
Libraries	Culture, Recreation & Tourism CMM	6 Dec 2011
Seafront Services	Culture, Recreation & Tourism CMM	6 Dec 2011
Adult Social Care Non-residential care services	Adult Social Care & Health CMM	16 Jan 2012
Private Sector Housing – HMO Licensing	Housing CMM	18 Jan 2012
City Services	Cabinet	19 Jan 2012
Children & Young People	Children & Young People CMM	20 Jan 2012
Environmental Health, Highways and City Parks	Environment, Transport & Sustainability CMM	24 Jan 2012

## **Expenditure Projections Update**

### **Service Pressures**

3.34 The budget estimates for service pressures have been reviewed since July and the latest estimates for demographic growth and other service pressures is £6.75m, potential specific grant reductions £0.25m and additional costs for the purchase of allowances through the Carbon Reduction Commitment £0.16m.

3.35 Details of the proposed allocations are as follows:

- Demographic and demand pressures (£4.75m): of which £2.5m for growth in numbers of clients in Adult Social care, in particular those with learning disabilities and physical disabilities and accessing mental health services. A further £2.25m pressure has been assumed for Children's services, which includes growth in independent foster and residential agency placements, in house placements and associated legal costs.
- There is also assumed to be a continuation of the demand on travellers' services seen over recent years and on support provided by the Community Safety partnership (£0.4m).

- Income shortfalls (£0.65m): there is assumed to be continued pressure on income from Penalty Charge Notices (PCN) due to the successful enforcement strategy, and continued risks on commercial property and service areas dependent on advertising revenue due to the economic climate.
- Legislative and compliance risk (£0.4m): some additional costs associated with the Localism Bill are anticipated. There are ongoing issues around ICT licensing and rising insurance costs.
- The provision for increased energy costs has also been included (£0.55m). While there are other cost pressures being faced by services it is assumed that these will be identified and managed within their overall resource base.

3.36 Demographic and other service pressure funding of £7.5m has been included in the budget estimates for 2013/14, however indicative allocations have not been made at this stage as it is too early to predict where pressures will arise with certainty. Provision for specific service pressures has also been made covering the £2.6m reduction in council tax benefit grant, £0.45m for the inflation on other grants and £0.1m to purchase carbon allowances. A separate additional risk provision of £0.5m has been provided for in 2013/14.

## Savings

3.37 Revisions to the budget assumptions have resulted in changes to the savings targets for 2012/13 and 2013/14. The table below shows how the 2012/13 target has moved from £16.4m to £17.25m. The latest savings target for 2013/14 is £17.7m an increase of £0.5m since the July report. The increase is a result of setting aside additional resources of up to £0.5m for a food waste collection pilot as outlined in a report elsewhere on the agenda.

<b>Table 2 – Revised 2012/13 Savings Target</b>	<b>£ m</b>
Savings target at July Cabinet	16.30
Increases in target:	
Reduction in taxbase as described in paragraphs 3.11 to 3.14	0.75
VFM savings adjustments	1.25
Impact of previous Cabinet decisions	0.37
Adjustments to inflation assumptions for unringfenced grants	0.08
Additional investment in sustainability	0.15
Financing costs for Woodingdean Library redevelopment	0.05
Reductions in target:	
Reduce pay provision to £0.90m for 12/13 leaving sufficient funding for living wage and agency workers	-0.45
Change to the assumption about the use of some general adult social care grant funding	-0.50
Review of service pressure funding as described in paragraphs 3.34 to 3.36	-0.75
<b>Revised savings target for 2012/13</b>	<b>17.25</b>

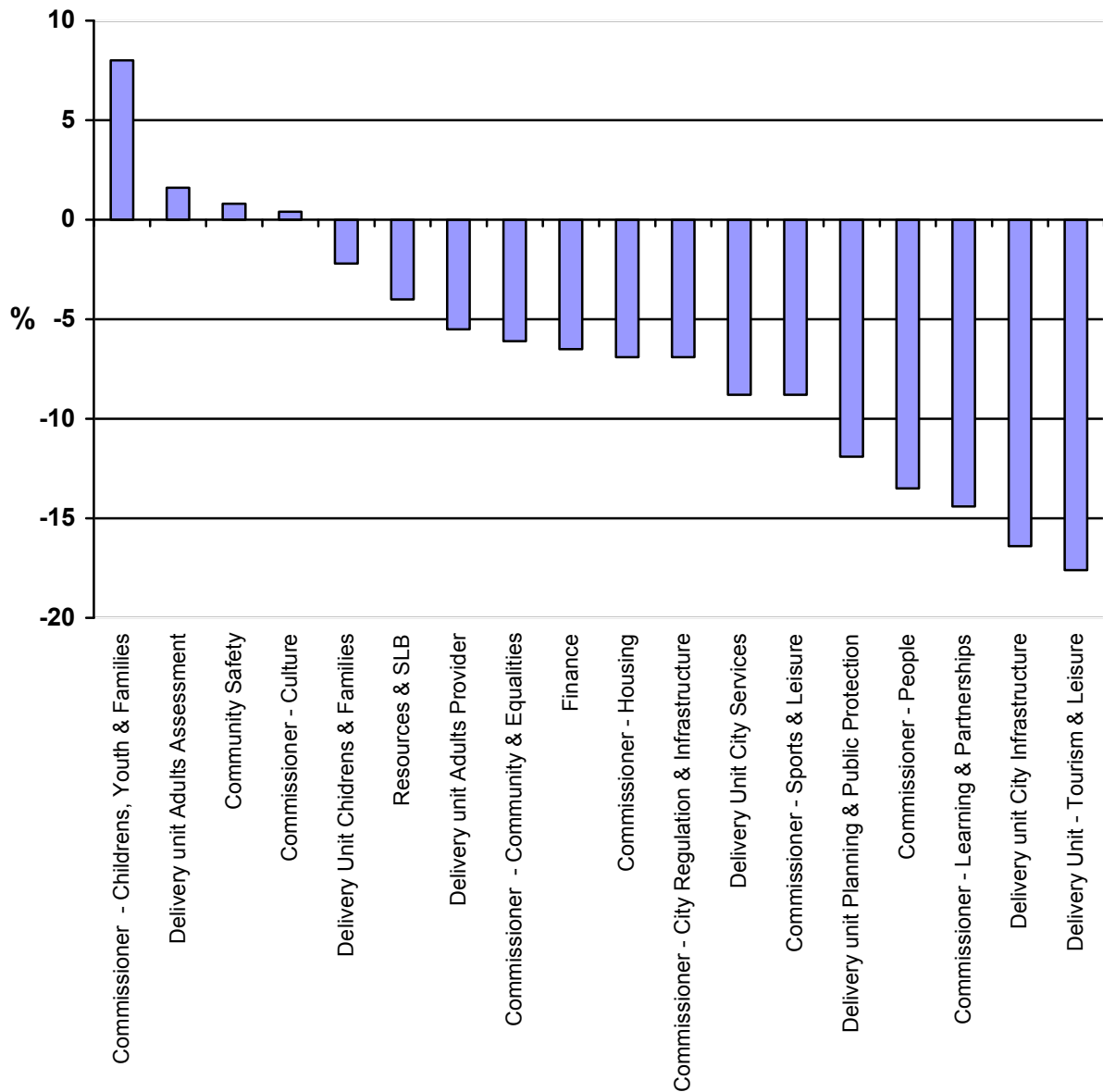
3.38 The changes have been made for the following reasons:

- The VFM savings adjustment includes a reduction in the planned savings for Management and Administration in the Children's Social Care Delivery Unit (0.25m), removal of the carbon reduction saving (0.5m) primarily due to changes to Feed in Tariff assumptions and a change in approach to delivering systems thinking savings, all set out in more detail in appendix 2.
- Previous Cabinet decisions not to implement 2011/12 savings in relation to Brightstart Nursery, Castleham Industries and City Clean round changes have been carried through and adjusted in the savings target, in addition to the costs relating to the in-sourcing of the management of the council's agricultural estate.
- It is proposed to invest an additional £0.15m into the sustainability team in order to continue the existing work conducted by the team when short term funding ends and more broadly implement the council's commitment to the One Planet Living framework.
- It is proposed to fund the costs of the Woodingdean Library redevelopment, agreed by Cabinet in October, from borrowing.
- The government has announced a two year pay freeze for public sector workers. Although national negotiations continue it is proposed to make a reduction in anticipated provision for pay related matters. That provision also needs to cover the existing Living Wage commitment and the additional costs of complying with new legislation in respect of agency workers.
- Earlier calculations of the savings gap assumed we may not have been able to use some general adult social care grant funding from the Department of Health in the same way as we do in the current year, potentially creating an additional service pressure. However it has been confirmed with the PCT that this is not the case and therefore this commitment has been reversed.

3.39 A summary table of the budget forecasts for 2012/13 and 2013/14 is shown in appendix 3.

3.40 A summary of the budget strategy for each main budget area and the detailed savings proposals is included at appendix 4. The General Fund savings proposals for 2012/13 total £16.3m in year and £16.95m in a full year with the difference funded by £0.7m reserves as shown in table 1. The General Fund savings proposals for 2013/14 total £14.9m in year and £15.65m in a full year and further one-off resources or savings will need to be identified to fund the difference. There are some common themes across the proposals, which fit with the principles and process set out in paragraphs 3.23 and 3.24. Service areas have prepared proposals on a two year horizon as intended which results in higher percentage reductions in year 1 for some and in year 2 for others. The chart below shows the percentage change in each service area spending more than £1m between 2011/12 and 2012/13 based on the proposals set out in this report.

**% Change in Budget 2011/12 to 2012/13 (for budgets over £1m)**



3.41 The Value for Money programme is a key part of the savings package as described in paragraphs 3.25 to 3.28 and in appendix 2.

3.42 Investment in preventative services has been protected, including no reductions in support for carers; no changes to eligibility criteria for adult social care; no reductions in spend from the preventing homelessness grant; and efficiency savings only on the Supporting People budget.

3.43 Additional income is being raised in order to help protect essential services. This is through a range of methods including increasing parking charges to better reflect demand and rates in comparator authorities; successful marketing and pricing strategies at the Royal Pavilion and reviewing fees and charges across a range of services to ensure that they are fair and transparent.

- 3.44 Partnership working with the community and voluntary sector remains central to the council's approach to commissioning of services. No cuts to the main grants programme are proposed and additional one off resources of £0.3m have been made available to support a new youth grants programme of £0.1m per annum over three years to support the third sector in delivering youth services. The council will continue to work with the sector to continue to improve efficiency and reduce duplication where possible and to focus work on priority outcomes.
- 3.45 National government policy is changing the way the council works with schools and the funding available to do this. As a result there is a significant reduction in spend directly by the council through the Commissioner for Schools, Skills and Learning. The impact of this has partly been managed through a recent restructure of the service that has already been implemented. It will also be managed by using flexibility in the Dedicated Schools Grant to change the funding source for some of the central services provided by the council in order to maintain those that have the most impact on outcomes for children and young people.
- 3.46 For 2013/14 some major reshaping of services is expected and careful planning and consultation is required to ensure that priority outcomes can be delivered. Consultation will begin on the future of provision from children's centres to ensure services for the most vulnerable are delivered from the most appropriate places. At the same time the council will consider other public access points to services in the community including housing offices and libraries to identify opportunities to co-locate services. This would provide more joined up services to customers, reduce building based overheads and reduce carbon emissions.
- 3.47 The Government is currently in negotiations with the Trade Unions over changes to the Local Government Pension Scheme. The options include a range of measures which could result in lower employer contribution rates largely as a result of higher employee pension contribution rates and reduced employee benefits. The budget projections in this report do not include any savings from lower contributions as it is unclear what the financial benefit will be and whether it will be retained by the council or be passed on to the Treasury.

### **Options to address the remaining budget gap**

- 3.48 The remaining budget gap for 2012/13 is £0.3m and for 2013/14 is £2.05m assuming one-off resources can be identified to meet the difference between the full and part year savings identified. There a number of assumptions that need to be reviewed and updated between now and the revised report to Cabinet on February 9. These include but are not limited to:
- The provisional local government finance settlement;
  - The council tax base which will be set in January;
  - The outcome of the government's consultation on changes to Feed in Tariffs which have very recently affected the planned savings from installation of solar panels on corporate buildings and council housing;
  - Potential further information on funding available from CLG for waste collection and for community budgets;
  - The 2012/13 New Homes Bonus allocation;

- Updated financing cost assumptions including in relation to the unpooling of General Fund and Housing Revenue Account debt;
- The Month 9 position on the 2011/12 TBM budget monitoring;
- The projections in on the latest trends on the corporate critical budgets and their implications for the levels of service pressure funding required and risk provisions required.

3.49 These updates could have positive or negative implications for the budget gap for 2012/13 and revisions or additions to the proposed savings may be required as a result. This is in addition to any changes that may be proposed following the further scrutiny, consultation and engagement processes. This report should be considered the start of that consultation process not the end.

3.50 There are very many changes that will inevitably occur between now and the 2013/14 budget setting process. The Local Government Resource Review and the proposed changes to Council Tax Benefits and the proposed changes to council tax may all have very significant impacts.

### **Staffing Implications**

3.51 The staffing budget for 2012/13 includes funding for a £7.19 living wage and the costs of complying with the new legislation for use of agency workers. A pay freeze is currently in place nationally.

3.52 At this stage in the budget process it is difficult to determine exactly how many staff may be affected by the proposals. A broad estimate is that In 2012/13 an estimated 100-120 posts may be removed from the council's staffing structure. However actual numbers will be dependent on the detailed options proposed and on the results of formal consultation where required. Some of these are already vacant and some will become vacant through natural turnover. Based on previous years experience this is likely to account for at least half of the posts lost. As in previous years it is planned to minimise the staff at risk of redundancy through:

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

3.53 In addition in certain circumstances, voluntary severance may be available to some staff. These measures will continue as we work with trades unions and colleagues on the detailed staffing implications.

3.54 It is more difficult to estimate the staffing implications of the proposals for 2013/14 as there are many different options available to implement the planned reductions in spend. The detail of numbers of staff affected in each area will only emerge through more detailed planning, consultation and options appraisals.

## **Housing Revenue Account**

### **Budget Strategy**

- 3.55 The Commissioning framework for the HRA aims to reduce management unit costs to enable re-investment in services to reduce inequality (support) and improvements to homes and neighbourhoods (investment).
- 3.56 The HRA budget strategy responds to the housing commissioning framework and corporate plan priorities by focusing upon the following key areas in 2012/13:
- reducing housing management and maintenance unit costs;
  - Continuation of the council's commitment to improve the quality of existing council homes;
  - Improving engagement with council housing tenants through the introduction of Tenant Scrutiny;
  - Improving access to housing services through phase 3 the Housing Customer Access Review;
  - Improvements to the energy efficiency of the Council's housing stock;
  - Delivery of work, learning and apprenticeship initiatives for staff and residents through establishing a 'Learning Centre' at the Housing Centre in Moulsecoomb;
  - Taking action to promote financial inclusion.
- 3.57 The HRA revenue expenditure and income budgets in 2012/13 are both currently projected at about £53m creating a balanced budget.
- 3.58 The savings proposals of 14.1% over two years (8.5% in 2012/13 and 5.6% in 2013/14) are detailed in appendix 4. This equates to savings of £0.902m in 2012/13 and £0.590m in 2013/14 which will be delivered by improving the use of HRA buildings including more efficient working at the housing centre, streamlining processes and implementation of phase 3 of the Customer Access Review. The move towards open book accounting for the partnership in the future will continue to support the delivery of future savings, thereby reducing the overall maintenance costs.
- 3.59 Savings will be reinvested in housing commissioning priorities to tackle inequality promote financial inclusion and to fund capital investment.

### **HRA Self Financing**

- 3.60 The HRA currently operates within the national housing subsidy system, the annual system through which the Government determines the amounts local authorities need to spend on their council housing and whether subsidy is required to support this expenditure. 'HRA subsidy' is the sum paid by Government to make up any shortfall between HRA income and expenditure.
- 3.61 HRA subsidy may be a negative amount where the government determines that the local authorities have more money than they need to finance their



expenditure. Local authorities therefore pay this sum across to the Government. In 2011/12 the negative subsidy payment for the HRA is forecast at £4.9m as at Month 6.

- 3.62 Under plans in the Localism Bill the current housing subsidy system will be abolished from April 2012 and replaced with a new system of self financing. Under this system the council will no longer be required to transfer its resources to central government, but in return will be required to take on additional housing debt (called settlement payment) at a level which is sustainable in the long term. Self financing will enable the HRA to develop a balanced 30 year Business Plan aiming for the effective long term management of the housing stock.
- 3.63 The draft determination issued by CLG on 21 November 2011 has advised that the self financing settlement payment will now be £19.444m. This is a significant increase from the previous CLG estimate of £9.325m which reflects an increase in the valuation of the business due to higher rental increases (from the September RPI) than originally anticipated. The 2012/13 Budget will include provision for the financing costs of borrowing this sum from the Public Works Loan Board.

### **HRA Summary**

- 3.64 The final HRA Budget 2012/13 including rents and service charges and an update to the Medium Term Financial Strategy will be reported to Housing Management Consultative Committee and Cabinet in February 2012.

### **Capital Programme**

- 3.65 The projected capital programme and resources are included in the table in appendix 5 this includes all amendments highlighted in the TBM 7 report. It also includes the following priority schemes:
- Workstyles (office accommodation);
  - Replacement funding for private sector renewal grant.
- 3.66 Grant is provided to the council as unringfenced funding with the exception of Devolved Schools Grant. New grants for education, transport, health and disabled facilities are projected to be £13.8m in 2012/13 but are subject to confirmation from the Government in December 2011. The table shows a significant shortfall in funding if planned capital receipts of £12.3m are not achieved and an overall shortfall of about £1m in resources over the 3 years if all receipts are achieved. A detailed capital programme report will be presented to Cabinet in February prioritising the limited capital resources available to the council given the risks associated with delivering the planned high level of capital receipts.

### **Timetable**

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

<b>Table 3 - Remaining 2012/13 Budget Timetable</b>		
<b>Date</b>	<b>Meeting</b>	<b>Papers / Activities</b>
End November / beginning December		Provisional 2012/13 Local Government Finance Settlement
2 December	Scrutiny	Scrutiny panels begin
8 December	Cabinet	Budget update and savings package
19 Jan 2012	Cabinet	Tax base report
9 Feb 2012	Cabinet	Month 9 Forecasts of 2011/12 budget position General Fund Revenue 2012/13 Budget Housing Revenue Account Budget Housing Revenue Account Capital Programme
23 Feb 2012	Budget Council	Capital Programme

#### **4. COMMUNITY ENGAGEMENT AND CONSULTATION**

- 4.1 The scale of the savings required over the coming years requires the council to plan and consult well in advance and the two year budget setting process helps support this. The approach to public consultation was discussed and agreed by all political parties as has been the case in previous years.
- 4.2 An on-line budget simulator model was developed and went live at the end of September, available on the council's website. A representative sample of 3000 residents were invited by postcard to complete the survey. It was also open to staff and any resident to complete and was publicised through a variety of routes. Details were sent to business rate payer representatives and other key business contacts in the city. Support was made available through Council Connect in libraries for those who did not have internet access and paper copies were available for those who preferred. A first report on the findings to date has been prepared and made available to Cabinet and will be considered by Scrutiny Committee as part of the budget process. The model remains open and a further report will be provided to Cabinet to inform their revised proposals in February and it will also be provided to all councillors. The simulator will continue to be publicised including in the December edition of City News. The December edition of City News has further information on the council's budget, the timetable and opportunities to give feedback.
- 4.3 Three public consultation events were held in the city centre, Patcham and Hangleton, using external facilitators. A summary of the feedback from those events will also be circulated to Cabinet and Scrutiny. There was further consultation at the City Assembly for council tenants at the end of November.
- 4.4 A budget roundtable discussion has been held with Leaders and Finance Spokespeople for all political parties invited alongside representatives of the Trades Unions and Community and Voluntary Sector Forum. A further meeting is

planned for January. In addition there have been a number of separate informal consultation discussions with unions and the CVSF and these will continue throughout the remainder of the budget process. Formal consultation with staff, unions and service users will continue as required.

- 4.5 The review and challenge of the options as they were developed for this paper included members from all political parties (the “star chamber” process). A number of scrutiny meetings have been set up following publication of this report.
- 4.6 The further consultation and engagement planned through the Equalities Impact Assessment process is set out in paragraph 5.3 below.
- 4.7 Formal consultation with business ratepayers will be scheduled in January.

## **5. FINANCIAL & OTHER IMPLICATIONS:**

### Financial Implications:

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

*Finance Officer Consulted: Mark Ireland*

*Date: 24 November 2011*

### Legal Implications:

- 5.2 The formulation and approval of budget proposals, which forms part of the recommendations at paragraph 2 above, conforms with the council’s budget and policy framework procedure rules. Although there is no statutory requirement under current equalities legislation to perform an equalities impact assessment, conducting such an assessment for relevant service areas is probably the best way of demonstrating that due regard has been given to equalities issues in formulating the budget proposals; and, in particular, that the council has complied with its public sector equality duty under section 149 of the Equality Act 2010.

*Lawyer Consulted: Oliver Dixon*

*Date: 29 November 2011*

### Equalities Implications:

- 5.3 In order to ensure that the equality impact of the budget proposals is fully considered as part of the decision making process we are to follow the process set out below:
  - All service areas have prepared an Equality Impact Assessment screening document for the budget proposals in their area. This document flags up the perceived potential equality impacts from the changes and is attached at appendix 7.
  - The questions that we have for the public and other stakeholders are:
    - Are the identified impacts the right ones?
    - What others are possible?
    - What actions will help to address these impacts?
    - What is the potential cumulative impact?

- As part of the engagement process, a series of meetings will be held with specific communities of interest in early December and early January to explore the issues for these groups arising from the changes.
- More engagement with stakeholders and analysis of equality data will follow to ensure that the decisions taken by Cabinet on the 9 February 2012 are fully informed by potential equality impact and the possible actions that will address the identified issues.
- Cabinet will also receive an analysis of the corporate cumulative impact.
- As potential changes are implemented there will be a further requirement for fuller equality impacts to be undertaken in some areas including further consultation and data analysis as appropriate.

#### Sustainability Implications

- 5.4 A carbon budget has been produced for the first time as set out in Appendix 6. This shows the current level of spend on energy and the estimated carbon emissions across each service area. It includes a planned 4% reduction in 2012/13. This modest target will be challenging to meet on the basis of the current approach to carbon management.
- 5.5 To make more significant savings in carbon emissions a more radical and longer term approach is required. There will therefore be a clear focus placed on reducing carbon emissions from buildings through the acceleration of the workstyles programme, reducing both the total number of buildings occupied by the council and also ensuring improved energy efficiency in the ones retained. In addition there will be long term investment in more energy efficient street lighting funded through the Local Transport Plan.
- 5.6 The budget proposals include additional investment of £0.15m in sustainability initiatives in support of the One Planet Living approach. They also include a proposal to deliver investment in the private sector housing stock to improve both decency standards and energy efficiency.

#### Crime & Disorder Implications:

- 5.7 The proposed changes in the community safety service provision are not expected to have significant adverse consequences on crime and disorder. The funding allocated for service pressures includes an element to replace some lost specific grant funding for community safety.

#### Risk and Opportunity Management Implications:

- 5.8 The budget proposals include recurrent risk provisions of £1.5m and one off risk provisions of £1m. These will need to be reviewed again in the light of updated information at Cabinet on 9<sup>th</sup> February. That report will include the Chief Finance Officer's formal assessment of the robustness of estimates in the budget and the adequacy of reserves. A detailed updated financial risk assessment was provided alongside the Corporate Plan and Medium Term Financial Strategy to Cabinet in September and Full Council. There have been no significant changes to that analysis since that time.

#### Public Health Implications:

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

#### Corporate / Citywide Implications:

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

### **6. EVALUATION OF ANY ALTERNATIVE OPTION(S):**

- 6.1 The budget process allows all parties to put forward viable alternative budget and council tax proposals to Budget Council on 23 February. Budget Council has the opportunity to debate the proposals put forward by Cabinet at the same time as any viable alternative proposals.

### **7. REASONS FOR REPORT RECOMMENDATIONS:**

- 7.1 The council is under a statutory duty to set its budget and council tax before 11 March each year. This report sets out the latest budget assumptions, process and timetable to meet the statutory duty.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Summary of technical reforms to the council tax consultation paper.
2. Value for Money.
3. Budget Summary for 2012/13 and 2013/14.
4. Budget Strategy for each main budget area and detailed savings proposals.
5. Summary Capital Investment Programme 2012/13 to 2014/15.
6. Carbon Budget for 2012/13.
7. Equality Impact Assessments.

### **Documents in Members' Rooms**

None.

### **Background Documents**

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