

Subject:	General Fund Revenue Budget & Council Tax 2012/13		
Date of Meeting:	23 February 2012 9 February 2012 - Cabinet		
Report of:	Director of Finance		
Contact Officer:	Name:	Mark Ireland	Tel: 29-1240
		James Hengeveld	29-1242
	E-mail:	Mark.ireland@brighton-hove.gov.uk	
Key Decision:	Yes	Forward Plan No. CAB21045	
Wards Affected:	All		

FOR GENERAL RELEASE**1. SUMMARY AND POLICY CONTEXT**

- 1.1 This report sets out the final proposals for the General Fund Revenue Budget and Council Tax for 2012/13. It takes into account feedback and evidence received through consultation, the scrutiny process and equalities impact assessments. A number of significant changes to the original proposals agreed by Cabinet on December 8th 2011 have been made as a result. It also sets out the principles on which the budget has been prepared and highlights ways in which investment in key preventative services is being sustained and in some cases enhanced.
- 1.2 The report also sets out indicative proposals for the 2013/14 budget. While the council will not be setting the budget for 2013/14 at this stage, this information will help provide context for decision making for 2012/13. It also enables further detailed planning and consultation to be undertaken.
- 1.3 There is also an update of the Medium Term Financial Strategy including long term resource projections that take into account the government's proposals for reforms to local government finance. A carbon budget has been set for the first time alongside the financial budget.

2. RECOMMENDATIONS:

- 2.1 To recommend to Council, subject to recommendation 2.3 below, the 2012/13 General Fund Revenue Budget proposals contained in the body of this report including:
 - A 3.5% increase in the Brighton & Hove element of the council tax.
 - The 2012/13 budget allocations to services as set out in appendix 1.
 - The council's net General Fund budget requirement for 2012/13 of £227.1m.
 - The reinvestments as set out in paragraph 3.35.
 - The budget savings package as set out in appendix 10.
 - The contingency budget of £4.9m as set out in table 5.

- The reserves allocations as set out in appendix 5 and table 3.
 - The borrowing limit for the year commencing 1 April 2012 of £383m (to include long term liabilities relating to PFI schemes of £62m).
 - The annual Minimum Revenue Provision statement as set out in appendix 8.
 - The prudential indicators as set out in appendix 9 to this report.
- 2.2 Note the revised Medium Term Financial Strategy budget and resource projections for 2012/13 to 2014/15 as set out in appendix 6.
- 2.3 Note that supplementary information needed to set the overall council tax will be provided for the budget setting Council as listed in paragraph 4.5.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Format of the Budget report

- 3.1 The report sets out for the General Fund Revenue Budget:
- Projections of the resources available to fund the 2012/13 budget.
 - A summary of the expenditure estimates for the current year, set out in detail in month 9 Targeted Budget Management report to Cabinet, and details of the forecasts and proposals for 2012/13 including an analysis of the movements from 2011/12.
 - The proposed council tax increase of 3.5% for 2012/13 and the potential financial impact on the budget of agreeing a council tax freeze and accepting the 2012/13 council tax freeze grant from the Government.
 - Updated financial projections for the medium term financial strategy covering the 3 year period 2012/13 to 2014/15 and risk assessment.
 - A report from the Chief Finance Officer on the robustness of the estimates included in the budget and the adequacy of the level of reserves provided for in the budget.
 - The budget consultation undertaken to date and the outcomes.
 - A carbon budget.
- 3.2 The council has a total gross budget of about £780m in the current year covering the schools budget (met by dedicated schools grant and the pupil premium details of which are given later in this report), housing and council tax benefit transfer payments (met by Government grant), housing revenue account budget (met largely from council house rents and is the subject of a separate report elsewhere on the agenda) and the general fund budget. The general fund gross budget of just over £380m this year is approximately funded 30% by council tax, 30% by fees and charges and 40% by Government grants. The paragraphs below in the projected resources section set out in more detail the forecast funding available for the general fund in 2012/13.
- 3.3 The 2012/13 expenditure estimates section details the changes from the 2011/12 budget including:

- An adjusted base budget for 2011/12 to enable a like-for-like comparison between the years covering any changes in function and funding and internal budget transfers between services.
 - Assumed levels of pay and general inflation including information on the key factors which will influence future pay related budgets.
 - The additional amounts included in the budget to cover higher spending needed to maintain current service levels described as spending pressures.
 - Proposals for efficiency and other savings needed to set a balanced budget including the latest staffing implications and the strategies implemented to minimise the number of compulsory redundancies across the workforce.
 - Analysis of the changes in the corporate budgets including the minimum level for the risk provisions.
 - The changes that have been made to the original proposals following the consultation, scrutiny and Equalities Impact Assessment (EIA) processes.
- 3.4 The section on council tax shows the proposals for the Brighton & Hove council element which is about 85% of the total tax with the balance being set by Sussex Police and East Sussex Fire Authority. The section also includes the latest information on what increase in council tax would trigger a referendum which all members need to be mindful of when setting both the budget and council tax.

Projected Resources available in 2012/13

Local Government Finance Settlement – Formula Grant

- 3.5 The final settlement for 2012/13 was announced on 31 January 2012 and showed no changes from the provisional settlement announced in December 2011. The council continues to be at the grant floor for the final year of the current system with floor support of £11m. Different grant floors have been set by the Government depending on how dependent each authority is on Government grant funding, with those authorities that are least dependent on grant receiving the biggest grant reductions. For authorities with social care responsibilities the grant floor reduction varies between 7.4% and 10.4%. The council has a slightly lower than average reliance on Government grants so has been placed in band 3 with a reduction of 9.4%. The table below shows the formula grant allocations for the council for 2011/12 and 2012/13 compared to the national and unitary council averages.

TABLE 1 – Formula Grant (based on final settlement)					
	Brighton & Hove City Council			National Average	Unitary Average
	£ million	Change* £ million	Change %	Change %	Change %
2011/12	112.413	-17.245	-13.3%	-9.9%	-11.4%
2012/13	104.372	-10.518	-9.4%	-7.3%	-7.6%

**Note: the change is shown on the base for the previous year adjusted for changes in function and funding. Details of the adjustments and the additional pressures the function and funding changes place on the budget are given later in this report. The formula grant for 2012/13 now includes the 2011/12 council tax freeze grant of £2.995m that was previously shown separately.*

- 3.6 The provisional 2012/13 non-domestic rating multiplier set by the Government is 45.8 pence in the pound and the provisional 2012/13 small business non-domestic rating multiplier is 45.0 pence in the pound. Both amounts have increased by approximately the rate of inflation as measured by the Retail Price Index in September 2011 of 5.6%.

Changes in function / funding

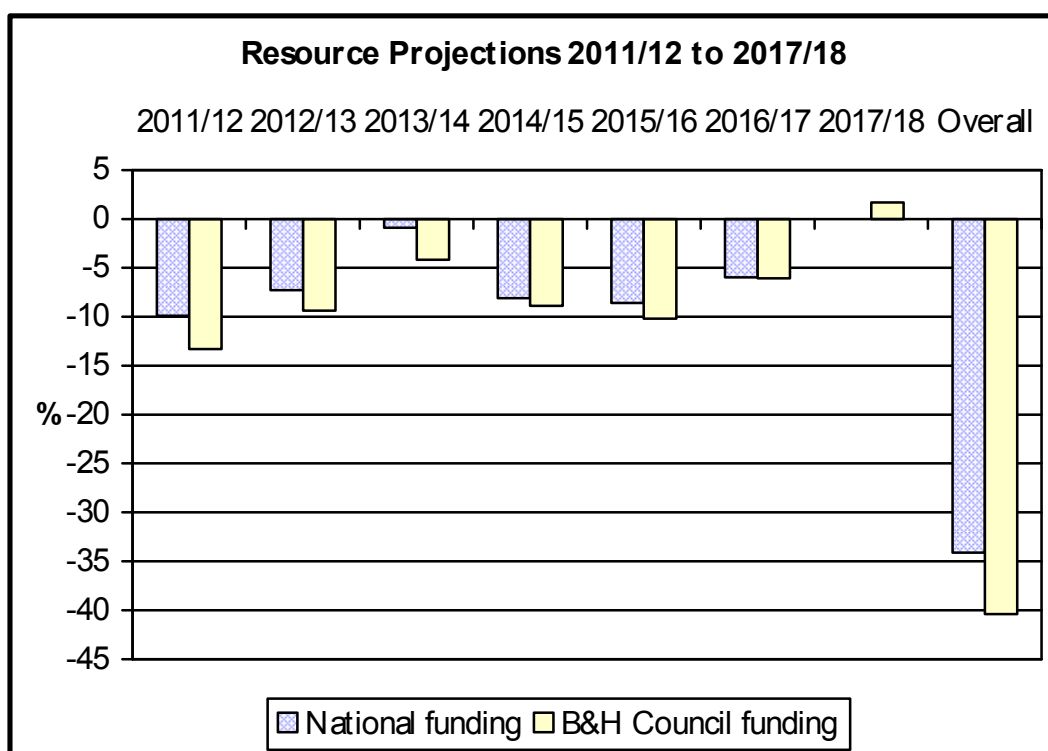
- 3.7 The finance settlement for 2012/13 includes the transfer of the recurrent 2011/12 council tax freeze specific grant into formula grant. There are two transfers out of formula grant associated with the loss of certain responsibilities that have led to additional pressures on the budget of just over £0.5m in 2012/13 and these are listed below.
- The Government has top-sliced £114.5m nationally in 2012/13 to represent the reductions in local authority central education (LEA) services spending as a result of the setting up of academies. The Brighton & Hove share of this reduction is £0.409m based on our share of the formula for these services which is not related to the number of pupils in academies within the authority. However, the Department of Education has proposed to amend this calculation to reflect actual pupil numbers at academies whilst ensuring that no local authority will be worse off. The revised calculation will be undertaken after the January 2013 pupil count is completed and verified so any change will not be known until that time.
 - Responsibility for the maintenance of private sewers has been transferred to the water companies and the Government has top-sliced £20.1m nationally in 2012/13 to reflect this transfer. The council's share of this reduction is £0.110m but no offsetting reduction in spending can be identified in the budget.

Potential funding changes from 1 April 2013

- 3.8 The Government has proposed 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. Details are given in the Medium Term Financial Strategy (MTFS) update in appendix 6.

- 3.9 The chart below shows the resource forecasts up to 2017/18 as funding for local authorities transfers from the formula grant system to the business rates retention model. The forecasts are uncertain at this stage as the Government still has to make important decisions on how the proposals will work in practice and data used in the model will need to be refined over the coming year. The resource forecasts for 2013/14 and 2014/15 have improved by £0.7m and £1.4m respectively since the July and December budget reports to Cabinet. This improvement is largely due to the confirmation that floor grant will be fully protected in the new system however this is partly offset by provisions for new risks to the council associated with future levels of business rates income.



Schools Funding

- 3.10 The Dedicated Schools Grant (DSG) can only be used for the purposes of the Schools Budget. The Schools Budget consists of delegated budgets allocated to individual schools and early years provision in Private, Voluntary and Independent (PVI) settings, and a budget for other provisions for pupils which local authorities fund centrally, such as out of city placements.
- 3.11 The total national funding available for the pupil premium will be £1.25bn in 2012/13, rising each year until 2014/15 when it will be worth £2.5bn. The pupil premium will target extra money at pupils from deprived backgrounds – pupils who under achieve compared to their non-deprived peers – in order to support them in reaching their potential. In 2012/13, the pupil premium will be allocated to those pupils eligible for Free School Meals (FSM) or those “looked after” for more than six months. FSM has been chosen

because it directly targets pupils and because the link between FSM eligibility and low attainment is strong.

- 3.12 The level of the pupil premium in 2012/13 is £600 per eligible pupil, which is approximately £3.9m for Brighton & Hove schools. The funding for the pupil premium is in addition to the underlying schools budget, and schools will have freedom to employ the strategies that they know will support their pupils to increase their attainment.
- 3.13 The actual level of budget for each individual school will vary depending on local circumstances. The minimum funding guarantee is set so that no school will see a reduction compared with its 2011/12 budget (excluding sixth form funding) of more than -1.5% per pupil before pupil premium is applied.
- 3.14 The guarantee applies to a school's overall 2011/12 budget including grants that have been mainstreamed into DSG.

TABLE 2 – Schools Funding	2011/12	2012/13
	£ million	£ million
Dedicated Schools grant	133.745	148.355
Grants	17.946	Included in above
Other Changes: -		
Funding for increased pupil numbers	2.290	1.022
Less: Funding transferred to Falmer Academy & Portslade Academy	-5.626	-1.833
Total	148.355	147.544

- 3.15 The Young People's Learning Agency (YPLA) has advised that for schools with sixth form colleges, the unit funding per learner for post-16 students will fall when compared to the 2011/12 rate. The YPLA will protect sixth form budgets so that no provider will lose more than 3% of its funding per learner when compared with 2011/12.

Specific Grants

- 3.16 The known specific grant allocations for 2012/13 have been included in appendix 4 with the 2011/12 allocations for comparison.

New Homes Bonus

- 3.17 The provisional funding allocation for the second tranche of new homes bonus funding was announced on 1 December 2011 at £0.425m per annum for the next 6 years. It is proposed that £0.225m of the funding is used to support the revenue budget and the remaining £0.2m for housing initiatives particularly to bring empty properties back into use to meet strategic housing objectives and also to generate further bonuses in the future.

Fees and Charges

- 3.18 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 of 2%, 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 changes to fees and charges for 2012/13 have therefore been presented to the relevant Cabinet Member Meetings prior to Budget Council. In addition, an overarching review of fees and charges has been undertaken to assess the cumulative equality impact of proposed changes. The review concluded that there was unlikely to be any significant disproportionate impact and that charging policies for services provided to vulnerable groups (e.g. social care services) were already designed to protect vulnerable people, for example, through means tests. Fees and Charges proposals were submitted to the following meetings:

Fees & Charges area	Decision-Making meeting	Date
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, Trading Standards, Environmental Health and Building Control	Cabinet	19 Jan 2012
Children & Young People	Children & Young People CMM	20 Jan 2012
Highways and City Parks	Environment, Transport & Sustainability CMM	24 Jan 2012

Council Tax and Council Tax Freeze Grant

- 3.19 The council tax funds approximately 30% of the general fund gross budget and the collection fund is the account into which all council tax is paid. It is a statutory requirement that the collection fund is reviewed each January to

determine whether it is projected to be in surplus or deficit. The January 2012 review of the collection fund has shown that the council's share of the projected deficit on the council tax collection fund at 31 March 2012 is £0.85m of which £0.2m relates to the previous year. Council tax collection performance during the year so far exceeds target levels but higher than expected levels of exemptions and discounts during this year has led to the forecast deficit of £0.65m. The deficit represents a 0.6% variation in the expected total amount to be collected.

- 3.20 The tax base is the amount of money that could be raised in Brighton & Hove by levying a council tax of £1. The 2012/13 tax base of 94,601.45 was agreed by Cabinet on 19 January 2012 and represented a 0.3% decrease from the 2011/12 figure, mainly due to a higher number of exemptions.
- 3.21 The council will continue to receive 2011/12 council tax freeze grant of £3m per annum for the remainder of the current spending review period. In September the Chancellor announced that money had been found in the national budget to fund a further council tax freeze for 2012/13. Communities & Local Government (CLG) has confirmed that the council would be entitled to a further one-off grant of £3m for 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.
- 3.22 The resource forecasts shown in this report assume that council tax will increase by 3.5% next year as set out in the December Cabinet 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. A section later in this report explains how proposals to increase the council tax beyond a limit set by the Government will now lead to a local council tax referendum.

Reserves

- 3.23 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 9 report.
- 3.24 The table includes the potential Collection Fund deficit which is highlighted in paragraph 3.19 of this report and details of which are given in the TBM 9 report elsewhere on this agenda.

Table 3 - General Reserves	2011/12
	£'000
Unallocated general reserves at 1 April 2011	2,122
TBM9 forecast under-spend for 2011/12	3,187
Unused 2011/12 one off risk provisions	400
1 st Tranche repayment by the LDV for forward funding	500

Table 3 - General Reserves	2011/12
	£'000
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	150
Release reserve for transition funding for youth for reallocation	500
Part release of risk management reserve following review	50
Total Resources	7,709
Resources needed to cover the council's share of:	
Actual Council Tax Collection Fund deficit in 2010/11	-183
Forecast Council Tax Collection Fund deficit for 2011/12	-668
Balance of one-off resources available for allocation	6,858
Proposed allocations of one-off resources:	
One-off funding to cover the full year effect of 2012/13 savings	715
One-off funding to cover the full year effect of 2013/14 savings	750
Creation of a one-off risk provision in 2012/13 budget	1,000
Top up the Restructure/ redundancy reserve to support the delivery of savings over the next 2 years	700
Contribution for approved Workstyles Phase 2 project	500
Transformation fund to support delivery of the 2012/13 and 2013/14 savings proposals	750
Contribution to Customer Access and Accommodation reserve	1,217
One-off resources to cover the Examination in Public for the Waste and Mineral Plan	100
One-off resources to support the implementation of a local council tax benefit scheme by 1/4/2013	750
Creation of fund for a 3 year youth grants programme	300
One-off resources to provide transitional funding for certain savings	76
Total of proposed resource allocations	6,858

3.25 The allocations 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 and 2013/14 can be delivered from 1 April each year.
- 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.

- There is an additional contribution to the restructure and redundancy reserve based to facilitate the staffing changes required by this budget.
- There is a contribution to the approved Workstyles Phase 2 programme in order to ensure that the programme is 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.
- There is a contribution to the Customer Access and Accommodation reserve to support the funding of the planned Workstyles Phase 3 programme which is in development and other customer access initiatives. This investment helps to deliver significant ongoing revenue savings and funding it from one off resources could free up other capital resources for new priorities.
- Resources set aside to deal with the introduction of the new local council tax support system from 1 April 2013. Some of that funding may be needed to cover any implementation costs that are not met by central government. The rest will be used to smooth the impact of the new scheme. The potential to provide transitional relief for those most affected will be explored as part of the design of the new scheme and there will be consultation on its use at the appropriate time.
- 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.
- One off resources have been set aside to provide transitional funding for the savings relating to Shopmobility, City in Bloom and provision of audio books for the visually impaired through previously met by the RNIB subscription.

3.26 Cabinet are asked to consider and approve the allocations of one off resources for 2012/13 set out in table 3.

Expenditure Estimates

Latest position in 2011/12

3.27 The month 9 Targeted Budget Management (TBM) report elsewhere on the agenda shows a projected under-spending of £3.187m on council controlled budgets and projected under-spending of £0.137m on NHS controlled s75 services. The overall underspend is a significant improvement since month 7 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 and the judgement on the required level of risk provision and reserves.

2011/12 Adjusted Base Budget

Internal Transfers and Other Adjustments

- 3.28 Internal transfers relate to changes in responsibility between services and corporate budgets and in 2011/12 consist of transfers of budget to reflect the commissioning structure, distribution of VFM savings across services and where budgets have been consolidated.
- 3.29 Other adjustments cover the removal of one-off expenditure items included in the 2011/12 budget.

2012/13 Budget

Analysis of Budget Changes between 2011/12 and 2012/13

- 3.30 The following table shows how the budget has changed since 2011/12.

TABLE 4: Analysis of budget changes	£ million
Revised 2011/12 base budget	232.2
Function and funding changes	2.5
Adjusted 2011/12 base budget	234.7
Pay and Inflation	3.0
Risk provisions (£1m each for ongoing and one-off)	2.0
Commitments & Reinvestment	-2.0
Demographic and cost service pressures	7.6
Full year effect of 2011/12 savings	-3.7
Savings package 2012/13 (Full year effect £16.5m)	-15.7
Change in use of reserves	1.2
Proposed Budget 2011/12	227.1

- 3.31 Appendix 1 shows a detailed breakdown of the proposed budgets and budget changes for each service for both 2012/13 and 2013/14. Whilst appendix 2 shows how the savings target has moved since the figures reported to Cabinet in December. The following sections give details of each change.

Pay and general inflation assumptions

- 3.32 The Government announced a 2 year pay freeze for 2011/12 and 2012/13 for local government as part of the spending review. Subsequently the government announced a 1% public sector pay cap for 2013/14 and 2014/15 as part of the 2011 autumn budget statement. The 2012/13 budget includes a risk provision of £0.9m (equivalent to 0.6%) for pay related matters including providing funding for the Living Wage and changes to employment costs of agency workers. The provision for pay increases in 2013/14 is 2%.

- 3.33 The Government has set a 2% per annum target inflation rate for consumer prices for the Bank of England Monetary Committee to deliver through monetary policies. The provision for general inflation on both expenditure and income in the budget is 2% per annum in line with the Government target. There is a risk that higher levels of inflation will generate new spending pressures within the budget and services will be expected to manage this risk within their budget.

Risk provisions included in the 2012/13 budget

- 3.34 £1m recurrent risk provision and £1m non-recurrent risk provision has been included in this budget. That is a reduction of £0.5m on the recurrent risk provision since the original budget proposals in December. This change is partly based on the evidence of successful implementation of a complex set of savings in the current financial year and the generally positive trends on the corporate critical budgets at month 9. The non-recurrent risk provision is designed to deal with one-off issues not foreseen at budget setting times and any unusual patterns of spend in social care where the budgets can be particularly volatile to demand changes.

Commitments and Reinvestment

- 3.35 Details of the commitments are shown in appendix 3 and details of proposed reinvestment in services of £1.126m are shown below.
- £0.15m to replace short term funding within the sustainability team which is coming to an end.
 - £0.5m for the transformation fund to support the delivery of the VFM programme and savings in future years.
 - £0.2m for housing initiatives funded through the New homes Bonus particularly to bring empty properties back into use to meet strategic housing objectives and also to generate further bonuses in the future.
 - £0.1m for examination in public of the Waste and Mineral plan, £0.1m for the first year of the youth grants programme and the £0.076m transitional funding described in 3.25.

Investment in Preventative Services

- 3.36 There are a wide number of ways in which this budget sustains and invests new resources in preventative services. A number of examples are described here but this section does not attempt to cover the very broad range of activity across all services. In adult social care there are no changes to eligibility criteria for access to services and there are planned fee increases in residential and nursing homes to ensure effective quality of care. There will continue to be joint investment by the Council and the PCT in reablement strategies and a range of measures to support independent living and prevent hospital admissions. An additional £0.75m of one off resources funded from Department of Health grant has been set aside specifically to invest in additional capacity to manage demographic pressures in the over 85 year old group of service users, particularly with dementia. £1.5m of private sector renewal funding has been included in the capital programme, funded from council borrowing due to a loss of central

government grant funding. Part of this money will be targeted at energy efficiency measures that help address fuel poverty and again prevent hospital admissions, particularly amongst older people.

- 3.37 The Preventing Homelessness Grant has been protected in full and only the already planned efficiency savings on the Supporting People budget are included for each of the next two years. Actions to support the Troubled Families Initiative will be funded through a mix of existing council resources, start up funding from central government and reinvestment of previous performance reward grant. There has also been a replacement in full of lost grant funding in the Community Safety team. Much of the ethos behind the VFM initiatives in adults and children's services also focuses on prevention and the success of this underpins much of the budget proposals. There are no cuts to carers services across adults or children's services.

Service Pressures

- 3.38 The budget estimates for service pressures have been reviewed since December and the latest estimates for demographic growth and other service pressures is £6.715m, specific grant reductions £0.25m, function and funding changes where there is no reduction in costs £0.52m and additional costs for the purchase of allowances through the Carbon Reduction Commitment £0.16m.
- 3.39 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 (£0.6m): there is assumed to be continued risks on commercial property and service areas dependent on advertising revenue.
 - 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.
 - Increased energy costs and above inflation business rates costs has also been included (£0.565m). 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.
- 3.40 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.

Budget Principles

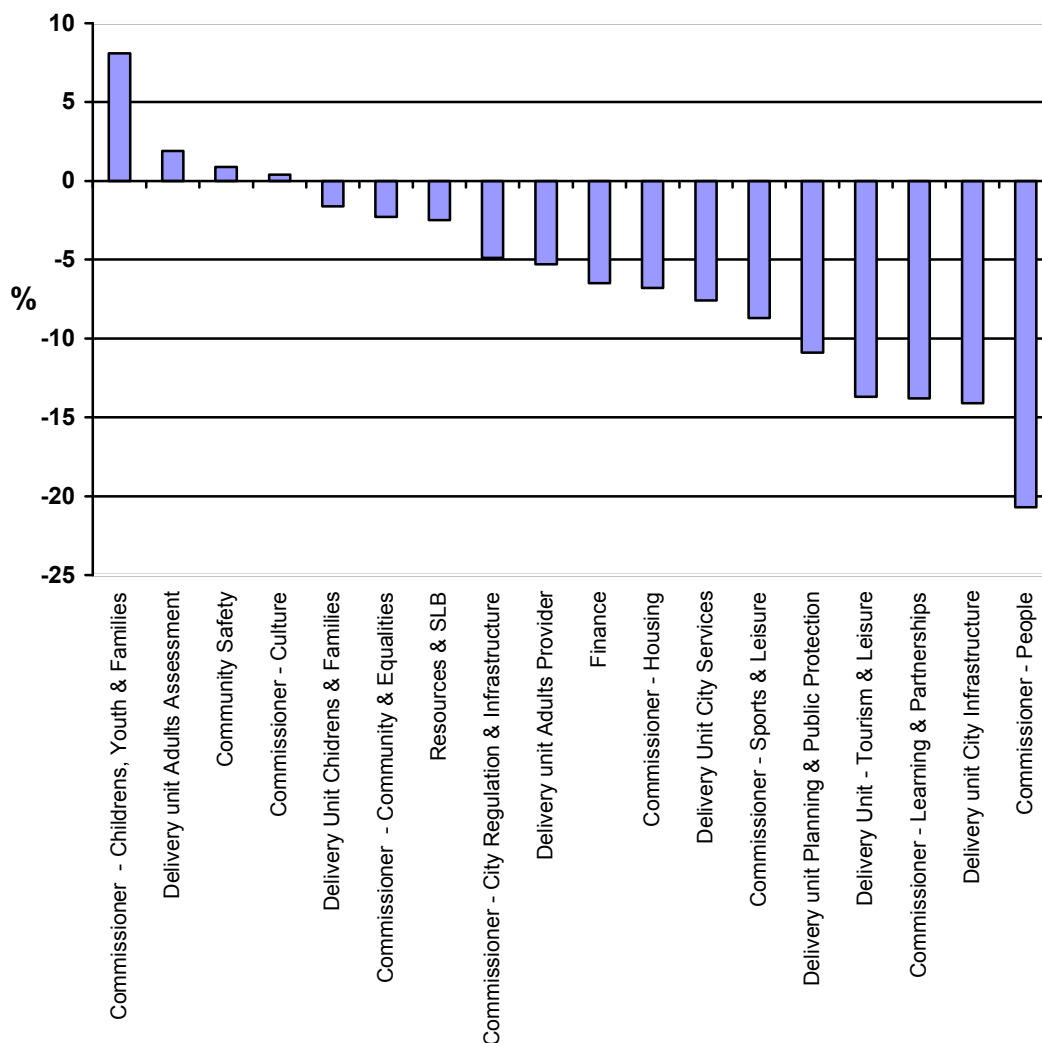
- 3.41 All service areas were asked following the report to Cabinet in July to produce options for working within budget allocations over the next 2 years of -5%, -10% and -15% based on their 2011/12 adjusted budget. This process was designed to ensure that decision making is for the medium term, not 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.
- 3.42 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.

Savings Proposals and Budget reductions

- 3.43 Revisions to the budget assumptions have resulted in changes to the savings targets for 2012/13 and 2013/14. The 2012/13 target has moved from £17.25m reported to December Cabinet to £16.4m and the 2013/14 target has moved from £17.7m to 16.5m. A summary of the changes made to the budget proposals since December is given in appendix 2. It should be noted that further savings of £1.5m still need to be identified to set a balanced budget in 2013/14.
- 3.44 A summary of the budget strategy for each main budget area and the detailed savings proposals is included at appendix 10. There are some common themes across the proposals, which fit with the principles and process set out in paragraphs 3.41 and 3.42. 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.
- 3.45 There have been a number of changes to the savings proposals published in December following feedback from scrutiny, consultation and the EIA process. These are also set out in appendix 2 and include the following areas:
- Following the announcement of central government funding reductions the saving on the Music service in 2012/13 has been removed and the saving in 2013/14 reduced;
 - A lower saving on public toilets which will enable the toilets in Saunders Park and Vale Park to remain open;

- A reduction in the planned increases on traders and business parking permits;
- A reduction in the saving on highways signing and lining and on refuse collection round changes;
- One off resources to provide transitional support for City in Bloom, Shopmobility, and new arrangements for providing audio books to the visually impaired;
- One off resources to allow the phased implementation of increases in allotment charges over the next year;
- A reduction in a number of planned savings for 2013/14 including for Supporting People, Children's Centres, Youth Employability Service and the small grants programme;
- No additional ongoing revenue resources for the planned food waste trial from 2013/14 which is conditional on receiving external grant funding and achieving further efficiencies in cityclean to reinvest back into the service;
- Further management and administration savings are planned within the VFM programme from 2013/14, once the shortfall on the existing targets has been fully bridged.

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



- 3.46 The Value for Money programme is a key part of the savings package as described in paragraphs 3.53 to 3.56 and in appendix 11.
- 3.47 Investment in preventative services has been sustained and increased wherever possible as described in paragraph 3.36.
- 3.48 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.
- 3.49 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.

- 3.50 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.
- 3.51 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.
- 3.52 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.

Value For Money

- 3.53 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.
- 3.54 In the current financial year (2011/12) the VFM Programme is expected to achieve approx £7.761m against an original target of £7.877m. This is £0.116m short of the target primarily due to difficulties outside of the council's control relating to Carbon Reduction initiatives and due to delays in taking forward System Thinking reviews. This is offset by a significant overachievement within the Children's Services VFM project. Over the 3 year period, the VFM Programme is set to exceed the original revenue

target of £18.855m by £1.033m with further potential savings expected to be identified and deliverable by 2013/14 and beyond.

- 3.55 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 undertaking effective 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.

- 3.56 More detailed information on the VFM programme is included in appendix 11.

Scrutiny

- 3.57 The report to the Overview and Scrutiny Commission on the budget scrutiny process is attached at appendix 13. Many of the changes to the budget proposals described in paragraph 3.45 are a direct response to the questions and concerns raised through scrutiny.

Staffing Implications of Proposed Savings

- 3.58 The staffing budget for 2012/13 includes funding for a £7.19 per hour living wage and the costs of complying with the new legislation for use of agency workers. A pay freeze is currently in place nationally.
- 3.59 In the December report it was estimated that 100-120 posts may be removed from the council's staffing structure as a result of the proposals for 2012/13. This estimate is still considered reasonable but actual numbers will be dependent on the detailed options proposed and on the results of formal consultation where required. The Month 9 TBM report to the 9 February Cabinet meeting also indicates that there are further savings to be made in relation 2011/12 Management & Admin Value for Money savings targets. This may require further changes to structures in some services with associated staffing implications.
- 3.60 More detailed analysis of the current vacancies within the council as at December identified that there were 64 vacant posts planned to be deleted as part of the budget proposals for 2012/13. In addition, there are a significant number of vacancies that are expected to be filled in the council structure but which will be available to redeployees and internal candidates before external recruitment is considered. This information provides further reassurance that there are opportunities to minimise the numbers of staff at risk of redundancy from either budget proposals or existing VFM targets.
- 3.61 The existing tight controls will also remain in place to help manage the impact on staff by:

- 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.
- 3.62 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.
- 3.63 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.

Corporate Budgets

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

Corporate Budgets - Concessionary Fares

- 3.65 Following the revised reimbursement guidance issued by the Department of Transport last year the council entered into fixed deals with the main bus operators in the city resulting in a saving in the budget estimated at £0.4m for the current financial year. The deal with Brighton & Hove Bus Company was for 3 years and their payment will be increased by 5.3% for 2012/13 in line with the November 2011 retail price inflation index excluding mortgage payments. It is anticipated that the increase for 2013/14 will be much lower as inflation rates are expected to continue falling over the calendar year. Although discussions are continuing with the other operators it is anticipated that forecast reimbursement payments can be met within the projected budget provision of £9.7m for 2012/13.

Corporate Budgets – Insurance Premia

- 3.66 The insurance budget of £3.4m for 2012/13 represents both the estimated cost of insurance premia and the net cost of meeting successful claims against the council paid during the year. The council is due to retender the bulk of its insurance cover next year and the budget allows for increases in cost following a hardening in the insurance market.
- 3.67 Through the retendering process officers will review and test the value for money offered by different types of insurance and the extent of existing cover. Changes made last year continue to deliver the anticipated savings. Risk management activity across the council has meant that the overall value and level of successful claims against the council has been kept

largely under control despite the increasing claims culture within the country as a whole.

Corporate Budgets - Financing Costs and Prudential Indicators

- 3.68 The financing costs budget reflects the cost of the council's capital investment plans. The council has a fully funded capital programme depending on the achievement of certain capital receipts and the costs of funding the programme are provided for in both the general fund and housing revenue account revenue budgets.
- 3.69 The financing costs budget for 2012/13 is estimated to be £9m, a significant decrease from the original budget for 2011/12. This is largely due to changes in housing finance which will financially benefit both the General Fund and Housing Revenue Accounts. Some of the benefit to the General Fund is temporary and this money will be added to the reserve created to cover reduced investment interest returns whilst interest rates remain at historically low levels. It is projected that there is now sufficient money in the reserve to cover the next 5 years when it is anticipated that interest rates will return to about 4%. It is anticipated that a permanent annual saving of £0.47m will be achieved in this budget.
- 3.70 The prudential capital finance system introduced in 2004 requires the council to set a number of indicators for affordability, prudence and sustainability. The recommended indicators are set out in appendix 9. Members should note the indicator for the authorised limit is a statutory limit required to be determined by full Council under section 3(1) of the Local Government Act 2003.

Annual Minimum Revenue Provision (MRP) Statement

- 3.71 The council is required by law to prepare an annual statement on the amount of debt that will be repaid in the following year. The statement for 2012/13 is set out in appendix 8 which includes a change from the statement agreed for 2011/12. The change allows the option for annuity repayments, whereby the annual amount payable each year including interest is the same each year, to be used where appropriate for long term investment and income generation schemes.

Corporate Budgets - Contingency

- 3.72 The council's contingency budget includes provision for costs which are likely to occur but for which the estimated cost cannot be adequately foreseen at this stage, for example for pay. It also includes risk provisions and other resources awaiting transfer to services. The proposed contingency for 2012/13 is £4.9m as detailed in table 5.

TABLE 5: Contingency	£ million
Corporate risk provision	1.00
One-off corporate risk provision for short-term spending pressures e.g. higher than anticipated inflation	1.00
Risk provision for pay related matters	0.86
Investment anticipated in 2012/13 for the VFM programme to deliver future savings	0.65
Funding to support service transformation to meet savings over 2012/13 and 2013/14	0.53
Financing costs for the construction of the new Historic Records Office (the Keep)	0.40
New Housing Initiatives funded through the New Homes Bonus	0.20
Additional costs of the Carbon Reduction Commitment	0.16
Other resources awaiting transfer to services	0.10
Total Contingency	4.90

Change in use of reserves

- 3.73 The budget strategy for 2012/13 draws on reserves to provide temporary funding to cover the part year effect of the savings package, investment in the delivery of savings for future years, covering the council tax collection fund deficit and provide support to adult social care.

4 COUNCIL TAX

- 4.1 The proposed increase of 3.5% in the council tax results in a band D council tax for the city council element of the council tax of £1,306.36 an increase of £44.16 on this year.
- 4.2 In order to propose an overall council tax for the city the council taxes of the precepting authorities need to be known. On the 2 February 2012 East Sussex Fire Authority is due to set their 2012/13 Band D council tax. The Sussex Police Authority is due to set its council tax on 16 February 2012. The 2012/13 precept for Rottingdean Parish was set on 16 January 2012 at £36,000 an increase of 33.3% on 2011/12.

Council Tax Referendum

- 4.3 The Localism Act abolished council tax capping and instead allows local residents to veto council tax increases that are deemed excessive by the Secretary of State for Communities & Local Government through a referendum. These new powers have been applied to the setting of the council tax for 2012/13.
- 4.4 In a statement published alongside the final grant settlement on 31 January 2012 the Secretary of State confirmed that local councils “will be required to seek the approval of their local electorate in a referendum if, compared with 2011-12, they set a council tax increase that exceeds 3.5%”. He also said

that this principle will not apply to town and parish councils in 2012/13 although it may in future years. The estimated cost of a referendum if it is held separately from any other election is estimated to be about £0.3m in Brighton & Hove.

Supplementary Budget report to Budget Council

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

- The Environment Agency levy figure agreed for 2012/13.
- The agreed council tax set by the Police and Fire Authorities.
- The statutory council tax calculations required under the 1992 Local Government Finance Act.
- The full budget and council tax resolution for Budget Council.

5 MEDIUM TERM FINANCIAL STRATEGY AND RISK ASSESSMENT

5.1 The Medium Term Financial Strategy (MTFS) set out in appendix 6 shows the revised resources and spending projections for 2012/13 to 2014/15. The financial projections show that savings of over £50m are forecast to be needed over the 3 year period.

5.2 All the projections are based on the best information currently available. However, in the current financial climate and with 2012/13 being the last year before the local resource review is implemented by the Government there are many uncertainties. The risk assessment set out in appendix 7 explains in more detail the uncertainties facing the budget.

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

6.1 Section 25 of the Local Government Act 2003 requires the Chief Finance (Section 151) Officer of a local authority to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. This report has to be considered by Cabinet and full Council as part of the budget approval and council tax setting process. The budget reports on this agenda are focused on the general fund 2012/13 and capital programme. It also considers key medium term issues faced by the council.

Robustness of Estimates

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

6.3 In setting the budget for 2012/13, current expenditure trends and service demands have been considered by Delivery Unit Heads and Lead Commissioners. The budget for 2012/13 has therefore been set on the

basis of the trends in the TBM 9 report and further projections of future demand and cost. The current cost and activity trends on the key corporate critical budgets are in general favourable. The child agency placements budget and the adults community care budget are rigorously monitored and actions to manage demand and cost more effectively through the VFM programme continue to have a positive impact.

- 6.4 The Council has demonstrated its ability to deliver a very challenging savings programme in 2011/12 and this led to a lower than previously assumed recurrent risk provision. The successful VFM programme has been underpinned by substantial investment particularly in project management capacity to underpin its delivery and ensure a particular focus on tracking cashable savings. For this reason there is additional one off investment included in this budget package for the implementation of VFM the next two years. Without this investment it is considered that the planned level of VFM savings will not be achievable.
- 6.5 A recurrent risk provision of £1m is included in the budget to guard against any risks not known at budget setting time including risks associated with the successful implementation of the wide ranging savings package. There is also £1m of one-off risk provision available.

Adequacy of Reserves

- 6.6 The recommendation on the prudent level of general fund working balance has been based on the robustness of estimates information and a risk assessment of the budget.
- 6.7 The analysis indicates a continuation of an underlying prudent level of working balance of £9m (excluding school balances). This represents 3.9% of the council's net revenue budget excluding schools.
- 6.8 The level of working balance is currently at this target as set by the council in the MTFS of £9m. When further details are available on the reforms to local government finance it may be necessary to consider increasing this further from 2013/14 in the light of a transfer of risk from central to local government in relation to business rate retention and council tax support.
- 6.9 All reserves have been reviewed in detail to ensure that they are set at an appropriate level. This is set out in appendix 5. Many of the Council's earmarked reserves fulfil a specific legal or financial requirement, for example the insurance reserve. Significant reductions in the levels of the reserves for the Waste PFI and Single Status were made in 2011/12 and no further changes are considered prudent at this time.

Assurance Statement of the Council's Section 151 Officer

- 6.10 In relation to the 2012/13 general fund revenue budget the Section 151 officer has examined the budget proposals and believes that, whilst the spending and service delivery proposals are challenging, they are nevertheless achievable given political and management will to implement the changes, good management, and the sound monitoring of performance and budgets. The track record of the council in successfully delivering a larger saving package in 2011/12 also provides assurance.

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

7. CONSULTATION

7.1 A wide variety of approaches has been used to consult and engage with a range of stakeholders including:

- A well publicised online budget simulator available on the council's website, intranet and accessible with support through the library network and which a representative sample of 3,000 citizens were written to and invited to complete;
- A series of three budget roundtable events over the course of the year including representatives of all political parties, trades unions and the Community & Voluntary Sector Forum;
- A star chamber process to consider options where representatives of all political parties attended;
- A meeting with representatives of business ratepayers;
- A meeting with the Older People's Council;
- Three budget workshops in different communities in the city using a deliberative approach to consultation;
- Consultation with council tenants at the City Assembly;
- Information in City News inviting comment and feedback;
- Staff consultation meetings.

7.2 Where formal or written feedback has been received, this is been collated and copies are available in the members' rooms and online. Following the consultation a number of changes have been made to the proposals, these are summarised in Appendix 2. Feedback from scrutiny and on the equalities impact assessment process is discussed elsewhere in this report.

8. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

Finance Officer Consulted: Mark Ireland Date: 30th January 2012

Legal Implications:

8.2 Under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000, the preparation, for submission to the council for their consideration, of estimates of the amounts to be aggregated in making the calculation as to the budget requirement and the basic amount of council tax is the responsibility of the Cabinet. The approval and adoption of the budget based on the Cabinet's proposals are the preserve of Full Council. These statutory requirements are reflected in Part 4.4 of the council's constitution ('Budget and Policy Framework Procedure Rules').

Lawyer Consulted: Oliver Dixon

Date: 30th January 2012

Equalities Implications:

- 8.3 The process for assessing the equalities implications of the budget changes for 2012/13, the consultation and an assessment of the cumulative impact is shown in appendix 12. Paragraph 3.45 describes changes made to the savings proposals in the light of the thorough approach to EIA. All screening documents are available on line and in the Members rooms.

Sustainability Implications:

- 8.4 A carbon budget has been produced for the first time as set out in appendix 14. 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.
- 8.5 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.
- 8.6 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:

- 8.7 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 & Opportunity Management Implications:

- 8.8 There are considerable risks to the council's short and medium term budget strategy including the impact of the national economic position, spending exceeding budgets particularly through increase for demand-led services, further reductions in grant, and major changes to local government finance. The budget process includes the recognition of these risks in determining the 2012/13 budget and relevant risk provisions are set out in the body of the report. A risk and opportunity matrix for the medium term financial strategy is included as appendix 7.

Corporate / Citywide Implications:

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

9. EVALUATION OF ANY ALTERNATIVE OPTION(S)

- 9.1 The budget process allows all parties to put forward viable alternative budget and council tax proposals to Budget Council on 23 February. Budget

Council has the opportunity to debate both the proposals put forward by Cabinet at the same time as any viable alternative proposals. All budget amendments must have been “signed off” by finance officers no later than 12 noon on Monday 20 February.

10. REASONS FOR REPORT RECOMMENDATIONS

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

SUPPORTING DOCUMENTATION

Appendices:

1. Movements in Block Allocations 2011/12 to 2012/13 and 2012/13 to 2013/14
2. Changes in the budget projections since the 8th December 2011 Budget report to Cabinet
3. Commitments
4. Summary of special and specific grant allocations for 2011/12 and 2012/13
5. Review of the Council's reserves including the planned use of reserves
6. Summary of Medium Term Financial Strategy 2012/13 to 2014/15
7. Assessment of risks
8. Minimum Revenue Provision statements
9. Prudential Indicators 2012/13 to 2014/15
10. Budget Savings Package
11. Value for Money
12. Equalities Impact Assessment - Corporate Overview
13. Budget Scrutiny Panel Report endorsed by Overview & Scrutiny Committee on 31 January 2012.
14. Carbon Budgets

Documents in Members' Rooms / Councils Website

1. Detailed Budget Consultation outcome.
2. Individual Equality Impact Assessments for savings proposals.

Background Documents

1. Files held within Finance.

