

MEDIUM TERM FINANCIAL STRATEGY 2013/14 TO 2018/19 ~ GENERAL FUND FINANCIAL FORECASTS

The tables below show the forecasts for net expenditure and future funding streams based on the latest information available. The key assumptions relating to inflation and future funding are shown in the first table. The most notable relate to future funding. The Chancellor has already announced that funding for local government will be reduced by the same amount in the next Spending Review as in the current one i.e. 28% and this reduction has been built into the forecasts for 2015/16 to 2018/19. In addition it has been assumed that all current council tax freeze funding will end in 2015/16 as the government have only given assurances of funding in this Spending Review period. A revaluation of business rates is due to be implemented from 1 April 2017. Whilst any increases or decreases in business rates as a result of the revaluation will be adjusted for in the business rates retention system, new provisions for potential successful appeals on the 2017 list need to be made and a forecast is included along with a reduction due to the anticipated demolition of the original AMEX offices. Further analysis needs to be undertaken regarding the agreed major redevelopment of the Royal Sussex County Hospital where there will be temporary reductions in business rates income as the phased works are carried out but an overall increase once all the work is completed.

On the basis of these forecasts it is estimated that the council will need to identify new savings of about £120m over 6 years. This represents a reduction of about 30% in the gross budget.

A sensitivity analysis has also been carried out for some other possible scenarios. The results are as follows:

- If the number of new homes in the city rises by 540 per annum (i.e. the average shown in the City Plan) then approximately £0.7m New Homes Bonus and £0.5m additional council tax income would be generated each year. However in 2017/18 the first tranche of New Homes Bonus money allocated in 2011/12 ends so the net benefit in that year is only £0.1m.
- If the number of homes exempt because they are occupied solely by students rises at 7.5% per annum then council tax income will fall by about £0.4m per annum.
- For each 0.5% increase in the rateable value for business rates generates about £0.25m per annum.
- If 10% of the local authority maintained schools transfer to become either academies or free schools then the loss of business rates income would be about £0.1m per annum and the loss of Education Services Grant would be about £0.4m per annum. However, the loss of Education Services Grant could be at least partly offset if the council was successful in selling these services to the new academies and free schools.
- A council tax freeze would reduce the funding available to the council each year by £2m assuming no further freeze grant is forthcoming from the government.

MEDIUM TERM FINANCIAL STRATEGY 2013/14 TO 2018/19 (Tables may not add due to rounding)

Summary of MTFs assumptions	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Pay inflation and pay related matters	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%
General inflation	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Change to Start Up Funding Assessment (SUFA)	-5.9%	-9.3%	-12.5%	-11.3%	-9.5%	-10.4%
Business rates poundage inflation uplift	2.6%	3.1%	3.0%	3.0%	3.0%	3.0%
Other changes to business rates including revaluation	-3.8%	0.2%	0.0%	0.0%	-9.1%	-10.0%
Change to other specific grants		-10.0%	-5.0%	-5.0%	-5.0%	-5.0%
Council Tax change	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Summary of General Fund budget projections	£ million	£ million	£ million	£ million	£ million	£ million
Budget Requirement brought forward	234.9	228.1	223.2	210.7	201.1	189.6
Pay and Inflation	4.5	4.9	4.6	4.4	4.0	3.8
General Risk Provision	1.5	0.5	0.5	0.5	0.5	0.5
Commitments - impact of previous decisions	3.4	1.2	-0.6	-0.1	0.0	0.0
Service pressures - demographic and inflation	4.8	5.7	5.0	5.0	5.0	5.0
Service pressures - specific grants	3.0	0.8	0.6	0.6	0.5	0.5
Full year effect of savings in previous year	-1.0	-1.2	0.0	0.0	0.0	0.0
Savings	-15.8	-23.4	-24.2	-20.2	-20.8	-16.3
Sub-Total	235.3	216.6	209.1	200.9	190.3	183.1
Change in contribution to /from reserves	-7.2	6.6	1.5	0.3	-0.7	0.0
Budget Requirement	228.1	223.2	210.7	201.1	189.6	183.1

Funding

Revenue Support Grant	77.7	64.1	47.8	34.6	24.3	13.9
Top Up Grant	1.6	1.6	1.7	1.7	1.8	1.8
Safety Net Grant	4.0	0.0	0.0	0.0	0.0	0.0
Locally retained Business Rates	42.2	52.8	54.3	56.0	52.5	54.1
Council Tax	102.7	104.7	106.8	108.9	111.0	113.2
Total Funding	228.1	223.2	210.7	201.1	189.6	183.1

Medium Term Financial Strategy

Resources

The council's resource base is dependent on its council taxbase and its level of business rates retention. While we currently receive top up grant from central government, the direction of travel for local government finance is for local authorities to aim to be self sustaining amid an overall national context of reductions in public sector spending. This means we need to plan for a resilient and buoyant taxbase in order to protect vital services in the city.

For the **council taxbase** this means:

- enabling new development of housing through our planning policy, for example the Toads Hole Valley site
- progressing our planned council estate regeneration using Housing Revenue Account resources to leverage new investment
- working with the Universities to ensure that as much of their growing student housing needs are met through new student accommodation rather than existing housing attracting student exemptions for council tax
- having a tightly controlled system of discounts and exemptions
- ensuring that we have a fair council tax reduction scheme, balancing the need for as many people as possible to contribute to local services while supporting those in financial difficulty
- planning to increase council tax levels within the parameters set by central government but without triggering a referendum

By doing this we aim to:

- increase the number of new properties paying council tax and generating additional short term income through the New Homes Bonus
- stabilise the ongoing rise in properties not paying council tax as a result of student exemptions
- minimise the number of homes that are empty and not paying council tax and the number of fraudulent awards of discounts, especially single person discounts
- maintain a top quartile collection rate in comparison with similar authorities
- plan for council tax rises to protect vital public services

For **business rates retention** this means:

- working closely with the Economic Partnership and the Coast 2 Capital Local Enterprise Partnership (LEP) to attract inward investment into the city
- securing a City Deal with the government to ensure a thriving city region
- enabling the mixed use development of key sites in the city, using our land and, where the business case supports it, prudential borrowing or other financing arrangements, to generate new employment space
- having a system of discounts that protects the long term income stream from business rates
- lobby the government to change its approach to settling appeals and refunds which are outside the council's control and which have a disproportionate impact in Brighton & Hove including seeking a right to appeal valuations that it considers to be understated
- working with the Valuation Office to ensure the rating list is complete, up to date and fit for purpose for the council to predict and monitor the collection of what is owed

By doing this we aim to:

- protect and grow the council's share of the business rates taxbase
- minimise the number of businesses who are not paying the expected level of business rates
- maintain a top quartile collection rate in comparison with similar authorities

Government Grant Funding and Council Tax

The council will continue to rely on core funding from government (£73m of Revenue Support Grant in 2013/14) for some time even within a context of moving towards a self-sustaining system. We will therefore continue to lobby government to take into account a number of issues that are key to the financial resilience of the council including:

- local choice in determining council tax rises with increases of up to RPI allowable without the need to trigger a referendum

- ensuring that the high and growing number of student exemptions on the council taxbase are compensated for in the grant system
- securing a fair system for funding academies and free schools that doesn't have a detrimental impact on the council's ability to support and challenge schools across all sectors
- ensuring that any changes to grant distribution methodology have a fair outcome for the city
- ensuring all new burdens on local government are fully funded

Fees, Charges and Rents

The council also has income from fees, charges and rents, specific government grants and makes bids for other sources of one off grants.

The overall approach to **fees and charges and rents** in this Medium Term Financial Strategy is:

- to recognise that fees, charges and rents are a vital part of the council's resource base but need to be set at sustainable levels
- to protect and enhance income in our leisure facilities, cultural destinations and venues through the quality of the visitor offer while ensuring fair discounts for concessionary groups
- to develop new income streams through identifying potential areas for additional charging or income generation

The council will seek to supplement its resource base by applying for **grants** in order to:

- deliver capital investment that it cannot afford from its core funding
- pump prime new service development designed to achieve long term financial savings

We are likely to need to be increasingly reliant on one off grant funding and therefore need to plan up front for ongoing maintenance of any capital investment and any exit costs from new initiative in order to minimise the long term impact on the revenue budget.

Specific service plans in relation to fees, charges, rents and grants are set out below.

Expenditure

The council will shift its focus in its budget planning from an emphasis on savings and changes to the budget to being clearer about how it is prioritising its substantial expenditure.

Adult Social Care

We will **maintain fair access** to Adult Social Care services at the current needs level of "Critical and Substantial". We will ensure that we fulfil our responsibilities to ensure the **quality** of services provided in the city and **safeguard** vulnerable adults.

We will support individuals to **stay in their own homes** and in their own communities wherever possible by:

- promoting personal budgets, choice and independence
- protecting funding for carers
- making better use of Telecare
- working closely with the community and voluntary sector to ensure flexible local provision that best meets individual needs

We will work closely with health partners to commission **short term services** (for example redeveloping Craven Vale Resource centre) as part of our reablement approach.

We will work closely with housing colleagues to commission **extra care** housing where appropriate and other **housing related support** through the Supporting People budget.

We will start the planning to set up a new model of council service delivery, potentially a Local Authority Trading Company. This will protect the council's capacity to be an essential provider of certain services in the city, in particular by enabling us to offer services and receive income from individuals on personal budgets.

By doing this we aim to:

- reduce our relatively high unit costs of providing adult social care particularly through reducing the numbers of clients in expensive residential and nursing home care;

- adapt to the changing demographics and needs of our population in a way which is affordable
- generate new sources of income to help protect quality services and safeguard the most vulnerable

Children's Services

We will continue to invest in **prevention and early intervention** and prioritise resources on preventing families falling into need, and helping them to get out and stay out of crisis. We will do this through:

- our Stronger Families, Stronger Communities programme which supports families in multiple deprivation through jointly commissioning interventions across the council and with partner agencies such as police and probation services
- sustaining investment in early years services, but targeting interventions at those most in need, for example free childcare for the 20% most disadvantaged 2 year olds
- strengthening our early help services particularly supporting schools and redesigning our behaviour support services

We will continuously improve our **procurement and commissioning** of:

- home to school transport, including working closely with transport colleagues and the adult social care client transport team
- expert assessments in care proceedings
- high cost placements, working across East and West Sussex, particularly South East Seven (SE7) partners on special educational needs (a Dedicated Schools Grant funded service)

We will lobby government to ensure that there is sufficient "basic needs" capital funding for new pupil places. We will work with the Department for Education to secure additional capital investment to increase the diversity of school provision within a context of strong partnership working across all the city's schools.

By doing this we aim to:

- support children to stay with their families and in their local communities rather than in expensive local authority placements

- reduce the amount the council spends on supporting the costs of institutional care pathways
- reduce our relatively high unit costs of providing children's social care
- secure capital investment for school places without subsidy from other council services

Communities, Culture and Public Health

The transfer of the Public Health function from 1 April 2013 provides an opportunity for us to align spend with other council services. While the public health budget is ring fenced, we aim to achieve **indirect savings** in other parts of the council through:

- coordinating support functions such as research and analysis and communications
- simplifying our commissioning of services from the community and voluntary sector as some organisations are in receipt of multiple funding streams from the council
- combining spend for example with transport, housing and sports and leisure initiatives to maximise its impact.

We will continue to seek to leverage **external investment** to maintain our historic assets, and our cultural and leisure facilities including the seafront. We will start the planning to move our Tourism and Venues services onto a more **independent and commercial** footing, potentially through a Local Authority Trading Company.

We will **collaborate with the community and voluntary sector**, supporting its programme to transform local infrastructure and seeking to move away in the medium term from a grants based funding model to placing more emphasis on a commissioning and contracting model.

By doing this we aim to:

- improve the outcomes and value for money of our Public Health function
- sustain and enhance income streams from our seafront properties, at our venues and at other visitor attractions for example through our catering concessions
- maintain a successful visitor economy to support accessible employment opportunities for our residents
- support a thriving third sector in the city that can contribute to resilient local communities and deliver a high social return on investment

Environment, Housing & Development

The Council's new City **Regeneration** Unit will be at the heart of planning for the future development of the city, creating a balanced economy and a One Planet Living City within the framework set by the council's City Plan.

Capital investment in the Local Transport Plan will be protected and the opportunities presented by self-financing in the Housing Revenue Account will be used to generate estate regeneration.

Better use of **intelligence** through working with the police will ensure our public protection function is focussed on the most effective interventions and we will explore opportunities to **expand traded services**.

We will deliver savings and additional income through our **management of waste** by:

- expanding city centre communal recycling and driving down levels of waste arising
- working with SE7 partners on a long term strategy for securing commercial income streams from recycle
- sharing the revenue from commercial waste disposal and electricity generation at the Energy from Waste facility in Newhaven

We will sustain investment in **homelessness prevention** and work in the city and with neighbouring authorities to procure sufficient quantities of temporary accommodation. We will work closely with colleagues in adult social care, children's services and health to secure appropriate accommodation for our most vulnerable clients and make the most cost-effective use of the Supporting People budget. We will work with our partners in West Sussex to reduce carbon emissions and tackle fuel poverty in the city's overall housing stock through combining the government's **Green Deal** initiative with Energy Company Obligations (ECO) and local initiatives to support the most vulnerable.

By doing this we aim to:

- grow our council tax and business rates taxbase as described above
- better target our limited resources for public protection and develop new income streams
- minimise the costs of waste disposal and maximise the income we can derive from it
- contain the financial impact of the anticipated rise in demand for homelessness services and provide cost effective support for independent living for vulnerable clients

- secure investment into the city's housing stock with minimum subsidy from the council

Central Services

We will be proactive in our response to the government's **welfare reform** agenda and plan ahead for the transition to Universal Credit, working with the community and voluntary sector to:

- ensure access to financial advice and support
- enable digital inclusion as far as possible across all customer groups
- provide coordinated support to the most financially vulnerable for example through our discretionary funds

We will continue to invest in coordinated and fair early **debt collection and fraud prevention** to maximise our revenue streams.

We will make it easier for customers to **access our services on-line** and through digital media. We will invest in the council's ICT infrastructure over the next three years to ensure it is resilient and can support efficient working practices. We will drive the council's ambitious improvement programmes covering:

- Value for Money
- Workstyles
- Improving the Customer Experience
- Systems Thinking

through a single **Modernisation** Programme Board, underpinned by the council's People Strategy.

We will maintain **effective governance and performance management** and high quality legal, financial and procurement advice to safeguard the interests of the council taxpayer. We will work in **shared service arrangements** with other councils and partners where appropriate to secure value for money and maintain sufficient expert capacity.