

General Fund Budget Strategy

Strategic Financial Context

- 1.1 The position regarding local authority funding over the next 5 years will clearly be challenging as central government continues to closely manage the deficit reduction programme. The Local Government Association has provided local authorities with a future funding model that shows that unless cost pressures across social care, waste and energy are managed very effectively, local authorities will find it increasingly difficult to provide funding for the wide range of services currently provided. The government's intention is for local government to become increasingly self-sustaining by relying on local sources of income rather than central government grant. Even if cost pressures are contained and councils make progress towards being more self-sustaining, many local authorities, including Brighton & Hove, will also need to look at alternative options for the commissioning and delivery of services and make difficult decisions about priorities.

Key Aspects of the Council's Budget Strategy

- 1.2 The council's budget strategy must necessarily work within both the short and medium term financial contexts. The Council must, statutorily, approve an annual budget including levels of council tax and determine the council taxbase and council tax reduction scheme each year. However, the council's Medium Term Financial Strategy ensures that a longer term view is also taken and that decisions for the next year are also taken in that context.
- 1.3 The council has developed its budget savings proposals with a longer term view of the direction of services in mind. This is detailed in the relevant service budget strategies in appendix 4. For example, it would be counter-intuitive to make savings or reductions in certain preventive services where it is known or likely that longer term costs would be greater. This applies particularly in social care and public health but also in areas such as ICT infrastructure and some income generating services.
- 1.4 The budget strategy includes a mixture of council-wide approaches, for example the Value for Money Programme, and individual service changes, for example, fees and charges reviews. However, proposals in the 2014/15 budget have been made as a result of taking into consideration the following principles:
- Corporate Plan Priorities: all savings and investments are developed in the context of how they can support one or more of the four Corporate Plan priorities. Savings proposals that would undermine or put at high risk the achievement of these priorities have not been put forward unless alternative service provision or other mitigating measures have been identified as part of the proposal. The detailed budget strategies in appendix 4 provide more detail on how service proposals support Corporate Plan priorities.

- Value for Money benchmarking: the budget process this year included a review of the whole council budget including information about spending, staffing and, critically, comparative value for money performance. The latter focused on both financial and non-financial performance compared, wherever possible, with the 'Nearest Neighbour' group (statistically) of unitary authorities or other suitable comparators. This has enabled both elected members on the Budget Review Group and senior officers to understand how services compare on both cost and performance terms to better inform decisions and choices.
- Partnership and Community working: partnership working with the statutory and third sectors is becoming increasingly important to ensure that there is an effective and efficient mixed economy of provision across the city. Strategic Partnerships are of vital importance to improve health, safety and well-being across the city and this has more recently been cemented by government policy in relation to the integration of health and social care. All sectors realise that minimising duplication as well as improving economy and efficiency across services is critical to maintain services in future and achieve priority outcomes. Where relevant, budget proposals are therefore developed in partnership through appropriate engagement and consultation.
- Commissioning approach: linked strongly to partnership working but also applicable more generally is a strengthening commissioning approach¹. Very substantial sums of public money are spent on public, private and third sector services and contracts to provide necessary services. However, commissioners are increasingly focusing on improving commissioning across public agencies and other sectors, strengthening the specification and monitoring of outcomes expected, improving procurement processes, and driving better value for money. Many of the proposed savings in the 2014/15 budget relate directly or indirectly to enhanced commissioning activity and a more robust approach.
- Service viability – models of delivery: both value for money benchmarking and/or other factors help improve our understanding of where some services may struggle to be financially viable over the medium term without looking carefully at their business model and/or model of delivery. This can apply to services that rely on income generation but also on those where costs are comparatively high, often due to local factors. Similarly, some services may need significant investment in order to secure long term financial sustainability or to maintain performance. The council's medium term financial outlook may mean that some services will have to look at other delivery models in order to generate income, attract investment, or maintain services. Some budget proposals are included with a view to exploring alternative delivery models.

¹ The council has moved away from commissioning as an 'organising principle', preferring to embed commissioning in service areas, and recognises that high quality commissioning is critical to the design, specification and monitoring of effective services in partnership with key public sector and third sector partners.

- Invest to save: the budget strategy is increasingly focused on an ‘invest-to-save’ approach linked to the Capital Investment Programme and the MTFS. There are investments planned in ICT infrastructure, Workstyles and digital customer services which will not only help the council to modernise services but will also help deliver productivity and efficiency savings over the medium term. Investment in preventive services, and project and programme support will also help delivery of corporate priorities and reduce costs over the longer term. Budget strategies in appendix 4 identify where services plan to maintain or increase investment to achieve greater savings in the long term and/or better outcomes.
- Cross-cutting initiatives: to support the savings in the budget strategy and the MTFS, services will need to look much harder at areas where working together and joining forces can help to reduce costs, generate income, or improve customer service. Some examples of cross-cutting areas currently being worked on across the council include:
 - The provision of Services to Schools (and Academies);
 - Digital Customer Experience – a programme of improvements across the council to improve digital services, reduce costs and improve services;
 - Extra Care & other housing provision for vulnerable adults and children involving council services, partners and other providers;
 - Debt collection and recovery linked to financial inclusion which involves working across a wide range of services;
 - Voluntary and third sector service provision – particularly across social care, public health, community safety and Assistant Chief Executive services;
 - Reviewing council-wide organisational design including management and administration functions and structures, flexibility of job roles (job families), performance management and use of ICT;
 - Business Process Improvement (BPI) – primarily in support of the roll-out of services affected by the Workstyles programme but also more generally to provide tools to any service needing to improve its business processes;

Key aspects of the strategy are set out in more detail below.

Value for Money Programme

- 1.5 The council’s Value for Money approach has successfully promoted and embedded a value for money culture across all services and has delivered very substantial financial gains as well as non-financial benefits. The programme includes significant modernisation programmes affecting almost every area of the council and ranging from service transformation in social care services to procurement efficiencies and savings in management and administration costs.
- 1.6 Investment in supporting resources for the VFM programme is critical for delivery of these financial gains. Principally, investment is used to secure

sufficient temporary project management, expert advice, business analysis or other skills to enable programmes to move forward at a fast pace. The programme is also supported by the Programme Management Office which holds a small pool of project management expertise which is efficiently managed and allocated to various related corporate priorities and VFM projects as the need arises.

- 1.7 In the current financial year 2013/14 the VFM Programme is expected to achieve approx £9.868m against an original target of £10.315m. Children's Services are expected to exceed their target by £0.934m due to their approach to focusing on prevention and strengthening processes. For the 3-year period to 2013/14, the VFM Programme has exceeded the original revenue target of £27.096m by £4.044m. Further VFM savings of £8.285m are expected to be deliverable in 2014/15.
- 1.8 The financial gains on current and planned VFM projects are set out in the table below.

VFM Project	2013/14 Forecast (Month 9) £m	2014/15 Savings £m
Adult Social Care	2.284	3.220
Children's Services	3.594	2.539
ICT	0.181	-
Procurement & Contracts	1.396	2.144
Workstyles/Corporate Landlord	0.440	0.382
Business Process Improvement	0.320	-
Accelerated Service Redesign **	1.374	-
Management & Administration Savings	0.149	-
Client Transport	0.130	-
VfM Phase 4 additional target		0.500
Total VFM Projects	9.868	8.785

** There is a further £1.626m budgeted savings from accelerated service redesign that was not achieved in 2013/14 that will need to be delivered in 2014/15.

- 1.9 External advisers Ernst & Young (EY) were commissioned in early January to review the current VfM programme, its governance and further opportunities for savings in the short and medium term. Stage 1 of their review indicates that Phase 4 of the VfM programme should of course include a continued focus on Children's Social Care and Adult Services. The feedback suggests that the savings in Children's are already well defined. In Adult Services the scope for additional savings beyond what has already been budgeted is

expected to be through partnership and integration and effective use of the Better Care Fund. It is potentially premature for this to be included in the budget for 2014/15 but it will be a crucial part of planning for 2015/16 and beyond.

- 1.10 The feedback endorses the focus on economic development and growth within our Medium Term Financial Strategy and suggests an ongoing focus on effective income management will be critical. It suggests that other councils have benefitted from alternative models of service delivery in cultural services and leisure. This clearly merits further consideration and indeed the future of the Royal Pavilion Estate is part of the council's forward thinking but there would need to be longer planning and consultation in these areas than is feasible for 2014/15 budget savings. The feedback also suggests that there is no scope for additional savings in the short term from ICT but that there needs to be a clear focus on ensuring that the additional investment being made delivers the expected benefits across the organisation.
- 1.11 In the short term in 2014/15 the greatest opportunities for additional savings appear to be in the areas of integrated transport provision and procurement. Procurement already has a demanding savings target in 2014/15 but with additional pump priming of resources could potentially deliver more. Client transport does not at the moment have additional targets for 2014/15. Taking all of this into account an additional £0.500m savings target appears challenging but reasonable.
- 1.12 At the time of writing this report EY are undertaking Stage 2 of their assignment to produce a high level business for the potential VFM opportunities identified in stage 1. Stage 2 will further refine the potential opportunities and develop more evidence to support investment decisions and prioritise opportunities with the most significant potential benefits; this will help to shape the detailed profile of Phase 4 of the VFM Programme in the short and longer term. The business cases will set out a range of potential financial and non-financial benefits and indicate levels of resources and one-off investment required to maximise benefits. The proposed 2014/15 budget includes an additional £0.350m one-off investment in 2014/15 and £0.700m one-off investment in 2015/16 to continue the pace of delivery and maximise savings and benefits. There are also related capital and revenue investments for the Workstyles VFM programme and the ICT Investment Strategy, both of which are critical to modernisation of the council and achieving greater efficiencies in the medium term.

Fees and Charges Approach

- 1.13 Fees and charges are a very important source of income to the council and currently represent approximately 1/3rd of General Fund resources, enabling important services to be sustained and provided. This proportion is likely to (and may need to) grow over the coming years as the level of central government funding reduces. A wide range of services are funded or part-

funded from fees and charges and are included in the reports detailed below. The budget strategy aims to ensure that fees & charges are maintained or, preferably, increased as a proportion of gross expenditure through identifying income generating opportunities, ensuring that charges for discretionary services or trading accounts cover costs (e.g. building control and licensing), and ensuring that fees & charges keep pace with price inflation and/or competitor and comparator rates.

- 1.14 In recent years the consumer price index has been increasing by over 3% per annum whilst the council had applied a standard rate of 2% and over time this difference has been harder to sustain. Fees and charges budgets for 2014/15 are assumed to increase by a standard inflation rate of 2.5% with the exception of parking charges which are planned to remain at 2013/14 levels, and penalty charge notices (parking fines) where the levels of fines are set by government and cannot be changed independently.
- 1.15 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 increases in the costs of providing the service as applicable. The strategy in recent years and going forward focuses on benchmarking fees and charges with comparable public or private sector provision to ensure services maintain or improve value for money. 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 service committee. Where appropriate, details of fees and charges changes for 2014/15 have been presented to the relevant service committee prior to Budget Council as shown below.

Fees & Charges Area	Meeting	Date
Adult Social Care Non-residential care services	Adult Care & Health Committee	20/01/14
Children & Young People	Children and Young People Committee	13/01/14
Private Sector Housing – HMO Licensing	Housing Committee	Mandatory licences set January 2011 for 5 years Additional Licences set June 2012 for 5 years
Royal Pavilion and Museums	Economic Development & Culture Committee	Admission fees for 2014/15 set 20/09/13 Other fees & charges 23/01/14
Venues	Economic Development & Culture Committee	23/01/14
Libraries	Economic Development & Culture	23/01/14

Fees & Charges Area	Meeting	Date
	Committee	
Seafront and Outdoor Events	Economic Development & Culture Committee	23/01/14
Highways	Environment, Transport & Sustainability Committee	14/01/14
Environmental Health, Trading Standards, Planning and City Parks	Environment, Transport & Sustainability Committee	14/01/14
Licensing and Enforcement	Licensing Committee	14/01/14
City Services	Policy & Resources Committee	16/01/14
<i>Housing Revenue Account</i>	<i>Housing Committee</i>	<i>15/01/14</i>

Investing in Priorities - Service Pressure Funding

1.16 The budget strategy provides for continued investment in areas that will:

- support the achievement of Corporate Plan priorities, in particular tackling inequality through providing for vulnerable adults, children and young people;
- enable further value for money and savings to be levered in through invest-to-save proposals;
- meet known demographic or other exceptional cost pressures to avoid severe impacts on front-line service budgets.

1.17 The budget estimates for service pressures have been reviewed since December and the planned allocations for demographic growth and other service pressures were initially reduced from £5.695m to £5.508m. However, latest trends on the council's corporate critical budgets have been taken into account in setting the service pressure assumptions, linked to consideration of risk provisions detailed at appendix 9, and this indicates that further funding of £1m is required to cover Adult Social Care pressures. The allocation of Service Pressure investments to cover eligible demographic and cost pressures is as follows:

Service Pressure Investment Area	Amount (£m)
Children's social care: to protect investment in preventative measures including Early Help	1.500
Adult social care: particularly in relation to demographic	2.500

pressures on Learning Disability transitions and demands across mental health services as well as home care	
Homelessness: in relation to increased numbers of acceptances and rising prices of accommodation	0.640
Investment priorities within ICT: the additional costs of information security compliance and software licensing	0.750
Mitigating the impact of reductions in centrally-held unringfenced government grants	0.423
Alleviating various income pressures	0.250
Travellers Service: reflect the ongoing increased costs of the service	0.100
Provision for rising energy costs	0.100
Funding of the Carbon Reduction tariff to support sustainability and avoid impacts on critical service budgets	0.100
Funding for a range of other unavoidable pressures across services	0.145
Total Service Pressure Investment	6.508

Summary

- 1.18 The General Fund Budget Strategy above describes the approach and context within which savings proposals in the 2014/15 budget have been developed. More detailed service budget strategies are provided at appendix 4 together with detailed savings proposals.
- 1.19 The council's Corporate Plan and Medium Term Financial Strategy (MTFS) provide further information on the approach over the longer term. An updated MTFS is provided at appendix 8 and an updated Corporate Plan will be provided to the March Policy & Resources Committee.