

Subject: Budget Update and Savings 2015/16
Date of Meeting: 4 December 2014
Report of: Executive Director of Finance & Resources

Contact Officer: Name: Nigel Manvell Tel: 29-3104
James Hengeveld Tel: 29-1242
Email: nigel.manvell@brighton-hove.gov.uk
james.hengeveld@brighton-hove.gov.uk

Ward(s) affected: All

Note: The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that some of the key financial information could not be updated until the in-year budget monitoring report elsewhere on the agenda had been completed.

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT:

- 1.1 This report sets out the draft budget proposals for 2015/16 and should be read alongside the draft Corporate Plan 2015-19 and Medium Term Financial Strategy.
- 1.2 The proposals are put forward in the context of a very challenging financial position, with an estimated £102m savings requirement by 2019/20. The proposals are a balanced package of efficiency measures and Value for Money improvements, including income generation, as well as service redesign, re-commissioning and de-commissioning decisions.
- 1.3 Policy & Resources Committee in July 2014 was unable to agree a recommended council tax level for planning purposes and therefore this report is set out in such a way as to enable all options, ranging from a council tax freeze to a council tax rise that would trigger a referendum to be considered.
- 1.4 The feedback from further consultation and scrutiny of this draft budget will be used to adapt and improve the proposals which will be re-presented to Policy & Resources Committee on 12th February 2015 prior to a final decision by Budget Council on 26th February 2015.

2. RECOMMENDATIONS:

That the Committee: –

- 2.1 Notes the updated forecasts for resources and expenditure for 2015/16 and an estimated budget savings requirement for 2015/16 based on a range of council tax propositions.
- 2.2 Notes the approach taken to identifying savings in the context of the council's draft Corporate Plan and Medium Term Financial Strategy.
- 2.3 Notes the detailed proposals for savings in 2015/16 based on a council tax increase of 5.9%, which would trigger a referendum in accordance with Chapter IVZA of the Local Government Finance Act 1992 and associated regulations ("the Referendum Budget").
- 2.4 Notes options for further savings that could form part of the "Substitute Budget" that would be required in addition to the proposals at 2.3 or alternatively to support a budget based on a threshold rise in the council tax (the "Threshold Budget") or a council tax freeze (the "Freeze Budget").
- 2.5 Directs that all of the savings proposals be subject to further consultation, engagement and scrutiny alongside the draft Corporate Plan and Medium Term Financial Strategy.
- 2.6 Notes the indicative allocations of one-off resources for 2015/16 set out in table 1 subject to the identification of sufficient further one-off resources to fund the proposed allocations.
- 2.7 Notes the update on the HRA budget set out in paragraphs 3.31 to 3.34.
- 2.8 Notes the Capital Investment Programme update set out in paragraphs 3.35 to 3.36.

3. CONTEXT/ BACKGROUND INFORMATION

Structure of the report

- 3.1 The full set of information provided in this report is listed here as an aid to navigation:
 - **Draft Corporate Plan and Medium Term Financial Strategy** – information about the report elsewhere on this agenda and its relationship to this report and proposals;
 - **Resources and Local Financial Settlement updates** - updates are given on the latest position regarding government grant announcements including council tax freeze grant;
 - **Latest Position 2014/15** - a detailed report elsewhere on the agenda sets out the latest revenue and capital expenditure and income forecasts for the current year based on actual spending data for the first 7 months which are also summarised here;
 - **Reserves Position** - a re-assessment is included of the level of reserves available to fund one-off items of expenditure and/or provide short term support for the budget;

- **Fees & Charges** – summary information on changes to fees and charges and is also in the Medium Term Financial Strategy;
- **Cost and Income Pressures** – summary information on specific investment in services, i.e. ‘Cost and Income Pressure funding’;
- **Budget Savings Requirement** – summary information on the projected level of savings required is provided in Appendix 1;
- **Referendum Budget savings proposals** – the draft savings proposals under a 5.9% council tax increase;
- **Additional Budget savings proposals** – further savings proposals for the Substitute, Threshold and Freeze budgets;
- **Staffing Implications** – summary staffing implications are provided based on the best information available at the time of publishing this report;
- **Housing Revenue Account** – a summary of the HRA position;
- **Capital Programme** – implications for the capital programme and latest resource information;
- **Timetable** – the timetable leading up to Budget Council on 26 February 2015;
- **Community Engagement & Consultation** – feedback on the wide range of consultation undertaken to date together with information on further consultation;
- **Appendices** – the full set of detailed appendices including Equality Impact Assessments is listed at the end of the main report.

Draft Corporate Plan and Medium Term Financial Strategy

- 3.2 The draft Corporate Plan for 2015 - 2019 and Medium Term Financial Strategy are also included on this agenda and should be read alongside these budget proposals. The proposals for next financial year should be viewed in the context of a significant General Fund budget gap over the planning period, driven by reduced government grant funding and rising costs. The proposals are designed to ensure that the council retains its focus on its core purpose and ensures its resources are directed towards the city’s agreed strategic priorities.
- 3.3 No changes have been made to the existing taxbase assumptions for 2015/16 and beyond, other than to reduce the expected level of nationally set RPI increase to the level of business rates payable in 2015/16. This is to better reflect the current levels of inflation, rather than using the government’s published projection which is considered to be too high. This has had the impact of increasing the size of the budget gap in 2015/16; future years assumptions are set below the governments forecasts and these will be reviewed when updated forecasts are received in December. The current assumptions of 0.25% per annum net increase in the council tax base and 0.5% per annum net increase in the business rates taxbase are already sufficiently challenging when

current performance is taken into account and therefore no further growth will be assumed at this stage.

Resources and Local Government Finance Settlement for 2015/16

- 3.4 The Chancellor of the Exchequer is due to make his Autumn statement on the national budget on 3rd December 2014 and on the same day the Office of Budget Responsibility (OBR) will publish its economic and fiscal outlook. The provisional Local Government Finance Settlement for 2015/16 is expected to be published in the week commencing 15th December 2014. However there are not expected to be significant changes from the two year funding totals that were announced in February 2014.
- 3.5 Council tax freeze grant funding has been announced for 2015/16 equivalent to a 1% increase in council tax for those councils who freeze their council tax in 2015/16. It is unclear whether any freeze grant funding will continue beyond 2015/16. It was also planned that council tax could not be increased by more than 2% without securing confirmation from a local referendum. Full Council on 26th February 2015 will determine both the budget and council tax for 2015/16 and a range of savings requirements based on different council tax propositions is set out subsequently including for a Freeze budget.
- 3.6 In July 2014 we reported to this committee the latest position in relation to other grants, for example the Education Services Grant. There have been no further updates since then and therefore no changes to our planning assumptions but this will be updated when the council receives the Local Government Finance Settlement.

Latest Position 2014/15

- 3.7 The Month 7 Targeted Budget Management (TBM) report elsewhere on the agenda shows a projected overspending of £4.052m on council controlled budgets and projected overspending of £0.316m on the council's share of NHS controlled s75 services giving a total overspend of £4.368m. In addition there is a further £1.890m of as yet unallocated risk provision that could be used to mitigate against this overspend. The overall overspend shows some improvement since Month 5 as presented to the Committee in October. The mitigating actions to reduce the overspend further are included in the TBM report.
- 3.8 Resources need to be set aside to cover this overspend to avoid impacting on the 2015/16 position and Table 1 in the reserves section, shows what impact this may have. Preliminary consideration of the impact of the in-year overspend on the service pressures requirements for 2015/16 and the deliverability of the savings proposals has been undertaken, however this will need further review at Month 9 when the final budget proposals are put forward for decision.

Reserves Position

- 3.9 The working balance needs to be maintained at £9m over the next 3 years of the Medium Term Financial Strategy. Determining the appropriate levels of working balance requires a professional judgement based on local circumstances

including the overall budget size, risks, robustness of budget estimates, major initiatives being undertaken, budget assumptions, levels of other earmarked reserves and provisions, and the council's track record in budget management. The consequences of not keeping a minimum prudent level of balances can be serious. In the event of a major problem or a series of events, the council would run a serious risk of a deficit or of being forced to cut spending during the year in a damaging and arbitrary way. The assumptions and risks will be formally reviewed in February 2015 as part of the final budget proposals.

3.10 The current working balance in year is, technically, below the minimum level. This is due to a timing issue in relation to the re-payment of £3.97m safety net grant for 2013/14 and the way the funding for Local Authorities interacts differently between the Collection Fund and the General Fund. This will be adjusted on 1st April 2015. The council also has a significant sum outstanding from its former cash collection contractors CCI which was being repaid gradually but payments have very recently stopped, which remains the position. The contract was terminated earlier this year because of performance breaches and this matter has been reported to the Audit & Standards Committee. At this stage it is not possible to form a view on the likely collectability of that money, but specialist external advice is being received to support the council in recovering the cash but it could have a significant impact on the council's overall reserves position.

3.11 The following table shows the projected general reserves position to 31st March 2015 assuming spending is in line with the latest projections for 2014/15 shown in the TBM Month 7 report. The table includes the potential release of specific reserves to support the 2015/16 budget with allocations identified in paragraph 3.12.

Table 1 - General Reserves	2014/15
	£'000
Unallocated general reserves	0
Estimated Business Rates Retention Collection Fund surplus from 2013/14 outturn	1,590
Estimated refund of Revenue Support Grant in 2015/16 to reflect the top slice for New Homes Bonus funding in the national grant settlement was overestimated by the Government	400
Total Resources	1,990
TBM Month 7 forecast overspend (incl. share of NHS S75 services)	-4,368
Potential use of unallocated 2014/15 risk provisions to mitigate the TBM Month 7 overspend	1,890
Estimated one off costs of holding a Referendum vote*	-150
Fund part year effect of 2015/16 savings identified to date for the Referendum Budget in Appendix 2	-1,711
Fund part year effect of 2015/16 additional budget savings identified to date in Appendix 3	-318
Fund part year effect of further savings not yet identified relevant to all budget options	tbc
Estimated costs associated with implementing the Substitute	tbc

budget in the event of a Referendum no vote*	
One off resources to support ICT	-360
Resources to be identified	tbc

* Only relevant to the Referendum and Substitute Budget options

3.12 The table above includes the following commitments : -

- The Month 7 forecast overspend of £4.368m will need to be financed from one off resources. Pressure to reduce this overspend will continue, in order to minimise this impact.
- The additional costs of holding a referendum based on cost sharing with local and general elections.
- Many of the savings included in Appendix 2 and 3 require one off resources of £2.029m because the lead-in times, primarily due to consultation requirements, mean that not all the proposed savings for 2015/16 can be delivered from 1st April 2015.
- There remains a budget gap under all options and any additional savings may also require part year effect funding. This will not be known until February.
- There remains a budget gap under all options and any additional savings may also require part year effect funding. This will not be known until February.
- The Substitute budget which would be implemented in the event of a no vote in a referendum requires additional one off resources. This includes the costs of re-billing council tax payers and the delayed implementation of the additional savings. This will be estimated in the February report to Policy & Resources Committee when there is more complete information about the savings package.
- One off resources for ICT relate to existing contractual commitments as we transition to new sourcing arrangements for a number of services including data centres.

3.13 A full review of reserves will be completed and the outcome of the review will be reflected in the February budget report along with any changes to the TBM position at Month 9.

Fees and Charges

3.14 As agreed by this committee in July the budget assumes a 2% increase in fees and charges with the exception of parking charges where the assumption is 0%. Any proposals to increase charges over and above those assumptions will therefore contribute to closing the budget gap. Charges have been or are planned to be agreed by the relevant service committee as follows:

Fees & Charges Area	Meeting	Date
City Services	Policy & Resources Committee	16/10/2014
Licensing and Enforcement	Licensing Committee	20/11/2014
Children & Young People	Children and Young People Committee	12/1/2015
Private Sector Housing – HMO Licensing (Mandatory licences set January 2011 for 5 years. Additional Licences set June 2012 for 5 years.)	Housing Committee	14/1/2015
Housing Revenue Account	Housing Committee	14/1/2015
Highways	Environment, Transport & Sustainability Committee	20/1/2015
Environmental Health, Trading Standards, Planning and City Parks	Environment, Transport & Sustainability Committee	20/1/2015
Royal Pavilion and Museums	Economic Development & Culture Committee	23/1/2015
Venues	Economic Development & Culture Committee	23/1/2015
Libraries	Economic Development & Culture Committee	23/1/2015
Seafront and Outdoor Events	Economic Development & Culture Committee	23/1/2015
Adult Social Care Non-residential care services	Health & Wellbeing Board	12/2/2015

- 3.15 A review of the council's approach to fees and charges forms part of the Value for Money Programme. The council's Corporate Fees & Charges Policy requires that all fees and charges are reviewed at least annually and should normally be increased by either: the standard rate of inflation; statutory increases; or actual increases in the costs of providing the service as applicable. An overarching equalities impact assessment of the cumulative impact of changes to fees and charges will be included with the Budget papers to this committee in February when all fees and charges will have been set.

Cost and Income Pressures

- 3.16 The budget estimates have been reviewed for the most significant cost pressures faced by services since July and the current trends on the council's corporate critical budgets. It is proposed to allocate the following funding in order to ensure a balanced budget can be set:
- £2.0m for Adult Social Care particularly in relation to Learning Disability transitions, increased complexity of physical disabilities, deprivation of liberty assessments and mental health services. These funds will be supplemented by £0.8m additional agreed allocations from the Better Care Fund to protect social care and therefore reduce the savings requirement from this area;

- £2.1m for children’s social care mainly relating to children’s placements, inter-agency placement fees, and independent reviewing officers;
 - £1.15m for reductions in un-ringfenced grants particularly the reductions to Education Services Grant;
 - £0.8m for ICT services including the reinvestment of £0.345m from ICT contract savings;
 - £0.1m for electricity and gas price increases above inflation.
- 3.17 These allocations use in full the £6.15m set aside for income and cost pressures in the budget planning model. However there is significant work to do to ensure in particular that the Adult Social Care budget will be balanced at this level of resourcing and it is expected that further funding or further savings may be needed. There are also a number of smaller cost pressures which are assumed to be absorbed within service budgets, however the deliverability of this still needs to be checked. This could result in additional funding requirements and therefore additional savings being required over and above the current planning assumptions.

Budget Savings Requirement

- 3.18 Revisions to the budget assumptions have resulted in changes to the savings targets for 2015/16. These include increased costs for the pay award and a lower RPI increase in business rates, off set by increased income from the New Homes Bonus and revised concessionary fares costs. The net result of these changes has been to increase the budget gap by £0.064m.
- 3.19 For information, the latest estimate of budget savings required in 2015/16 assuming a 5.9% council tax increase is £21.25m; a 2.0% council tax increase is £25.45m; and a council tax freeze is £26.36m (subject to confirmation of the freeze grant which will depend on the final council tax base).

Referendum Budget savings proposals

- 3.20 The savings requirement for the Referendum Budget is £21.25m based on a 5.9% council tax increase. The overarching context is set out in the Medium Term Financial Strategy and this provides information on the direction of travel for 2016/17 and beyond including for example reviewing the options for the future model of delivery of Central Services and the joint plans for the Royal Pavilion and Dome estate and other cultural provision in the city.
- 3.21 Key components of the specific savings proposals for 2015/16 are:
- The delivery of the Phase 4 Value for Money Programme which covers Adult Social Care and Children’s Social Care as well as cross-cutting areas such as better procurement, our arrangements for transporting our clients, income management and the Workstyles programme. Progress against the expected savings for 2015/16 were reported to June Policy & Resources Committee, and are included in Appendix 4;
 - Re-commissioning of some services, including joining up our approach across Adults, Children’s and Public Health where we have in some cases multiple small contracts or grant payments with similar providers. Examples include housing related support expenditure and substance misuse services.

- De-commissioning or reducing some services where they are not considered to be the most effective way of meeting the outcomes we are seeking for the city, given the budget context we are facing. Examples include bed based services for older people, sports development activity and some planned maintenance.
- Service redesign to ensure that our services are responsive to customer needs, and using business process improvement techniques to ensure efficiency and lower management costs of in-house services. Examples of service redesign include Cityclean and Parks, the fostering and adoption service and the Stop Smoking service.

3.22 As part of the budget package there will continue to be considerable investment in services, particularly early help and prevention and measures to support sustainable economic growth in the city. Again this is set out in more detail in the draft Corporate Plan and Medium Term Financial Strategy but examples include:

- expansion of our Stronger Families, Stronger Communities programme;
- a focus through the Better Care Fund on both the frail elderly and vulnerable homeless people;
- use of ring-fenced Public Health funding to build the intelligence capacity of the council and to support a number of existing council services such as the family nurse partnership and adult social care preventative services.

3.23 The total savings in Appendix 2 that are proposed to contribute to the Referendum Budget is £19.600m. The intention is that the remaining £1.651m (to total £21.251m) could include additional savings from commissioning and service reviews that are in progress but not yet complete including for example Learning Disability Services and Children’s Disability Services and from making best use of the remaining flexibility within the Public Health grant.

Additional Budget savings Proposals

Additional savings are required for a Substitute Budget, Threshold Budget or Freeze Budget. A further £4.041m of proposals is set out in Appendix 3 which build on and expand the Referendum Budget proposals.

3.24 The following table sets out in summary the budget gap.

Table 3	Referendum Budget	Substitute/ Threshold Budget	Freeze Budget
Council Tax increase	5.90%	2%	0%
	£'000	£'000	£'000
Budget Gap	21,251	25,451	26,362
Referendum Proposals	-19,600	-19,600	-19,600
Additional Savings	0	-4,041	-4,041
Remaining Gap	1,651	1,810	2,721

- 3.25 It is important to note that all of these figures assume decisions are made by Full Council in December to change council tax discounts and exemptions (value £1.165m) and to increase the minimum contribution rate for the Council Tax Reduction scheme from 8.5% to 25% (value £1.724m). These matters are the subject of reports elsewhere on this agenda.
- 3.26 Options for additional savings continue to be developed in line with the draft Corporate Plan and Medium Term Financial Strategy intentions.

Staffing Implications

- 3.27 At this stage in the budget process it is difficult to determine exactly how many staff may be affected by the proposals. A broad estimate is that in 2015/16, 200-250 posts (plus a number of posts in nurseries dependent on the outcome of the review) may be removed from the council's staffing structure as a result of the savings proposals set out in Appendix 2 and 3. However actual numbers will be dependent on the detailed options proposed and on the results of formal consultation where required. Some of these are already vacant and some will become vacant through normal turnover. It is planned to support staff at risk of redundancy through:
- Providing appropriate support to staff throughout the change process to enable them to maximise any opportunities available;
 - Reviewing our approach to outplacement support across the organisation to ensure staff are equipped with the skills necessary to move to new and different opportunities and models of delivery;
 - Controlling recruitment and ensuring there is a clear business case for any recruitment activity;
 - Looking for redeployment at a corporate level, and maximising the opportunities for movement within the organisation;
 - Limiting the use of temporary or agency resources through controls in relation to the agency booking process.
- 3.28 These measures will continue as we work with trades unions and colleagues on the detailed staffing implications.
- 3.29 We will look to reduce the impact of the proposals by offering voluntary severance to staff in service areas affected by budget proposals on a case by case basis, this will not be an open scheme across the entire workforce. This targeted approach to releasing staff in areas undergoing change is needed to support service redesign. Where there is a clear business case for voluntary severance and an individual is not in immediate receipt of their pension, an enhanced offer in line with the previous offer may be made. Each case will be subject to a business case signed off by the council's compensation panel.
- 3.30 As we redesign services through the budget process we will be reviewing our management structures to ensure decision making accountability is clear, and to identify areas where efficiencies can be made.

Housing Revenue Account (HRA) Budget estimates

- 3.31 The Housing Revenue Account (HRA) is a ring-fenced account which covers the management and maintenance of council owned housing stock. A local authority's HRA must be in balance meaning that the authority must show in its financial planning that HRA income meets expenditure and that the HRA is consequently viable. In April 2012, the HRA became a 'self financing' account which means that the authority needs to ensure sufficient funds are available to meet the future management, repairs and investment needs of the stock. This has enabled the council to improve planning for management and investment decisions over the longer term. In developing a 30 year Business Plan it is essential the council balances the need to increase the rent with a programme to invest money for the benefit of tenants and also building new council homes.
- 3.32 Although the HRA is a ring-fenced account and is not therefore subject to funding reductions applicable to the council's General Fund, the HRA follows the principles of value for money and equally seeks to drive out inefficiencies and achieve cost economies wherever possible. This frees up more HRA resources to fund priority investments for tenants as well as increasing the resources available for the building of new social housing in the City. Benchmarking of both service quality and cost with comparator organisations is used extensively to identify opportunities for better efficiency and service delivery. Therefore the budget strategy reflects savings of £0.945m which include a number of efficiencies, additional income and the part year effect of future service redesign. The full year impact of service redesign will be fed into the 2016/17 budget setting process. Further benchmarking information will be available during December which will further inform service redesign and the savings strategy for the next three years.
- 3.33 Rents will be calculated in accordance with the recent government's rent guidance (DCLG 'Guidance on rents for Social Housing' May 2014) which specifies a maximum increase of rent in any one year as being Consumer Price Index (CPI) inflation plus 1% for the next 10 years. Therefore, following this guidance rents will increase by 2.2% for 2015/16.
- 3.34 The HRA Budget proposals for 2015/16, including an update to the Medium Term Financial Strategy and the Capital Programme, will be reported separately to Housing Committee and Policy & Resources Committee in January and February 2015.

Capital Programme

- 3.35 The assumptions for the capital programme for next year and, in estimate, over a 10 year period are included in the draft Medium Term Financial Strategy.
- 3.36 A detailed capital programme report will be presented to Policy & Resources Committee in February prioritising the limited capital resources available to the council given the risks associated with delivering the planned high level of capital receipts. The programme proposed will be a fully funded capital investment programme.

Timetable

- 3.37 The Timetable for budget papers is given below in table 3. This timetable does not include detailed plans for ongoing consultation with stakeholders and this will be determined in conjunction with those involved.

Date	Meeting	Papers / Activities
3 Dec 2014		Autumn Statement
8 Dec 2014	Scrutiny	Scrutiny panels begin
Late Dec 2014		Provisional Local Government Finance Settlement
14 Jan 2015	Housing Committee	Housing Revenue Account Budget Housing Revenue Account Capital
22 Jan 2015	Policy & Resources	Taxbase report and Business Rates retention forecast
12 Feb 2015	Policy & Resources	Month 9 Forecast of 2014/15 budget position General Fund Revenue 2015/16 Budget Housing Revenue Account Budget Housing Revenue Account Capital Programme Capital Programme
26 Feb 2015	Budget Council	

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The budget process allows all parties to engage in the scrutiny of budget proposals and put forward viable alternative budget and council tax proposals to Budget Council on 26th February 2015. Budget Council has the opportunity to debate the proposals put forward by the Committee at the same time as any viable alternative proposals.

5. COMMUNITY ENGAGEMENT AND CONSULTATION

- 5.1 The scale of the budget gap in 2015/16 and over the medium term to 2019/20 will require significant saving and cost reduction proposals that will have potentially significant implications for the design and delivery of many council services. This is likely to carry higher risks for the impact on service delivery than in recent times and requires effective consultation and engagement on not only service changes but financial planning over the medium term. For this reason the draft Corporate Plan and Medium Term Financial Strategy (MTFS) are being presented on this Policy & Resources Committee agenda in draft form alongside the detailed proposals for 2015/16 contained in this report. This will enable further scrutiny and consultation with a wide range of stakeholders leading up to approval of the final 2015/16 budget in February 2015 and the final Corporate Plan and MTFS in March 2015.
- 5.2 Engagement this year has focused on the more successful methods developed last year including:

- A Budget Questionnaire sent to 3,000 randomly selected households and also made available online via our consultation web portal;
- An online budget prioritisation tool available on our web site;
- Refreshing and publishing the 'Budget Animation' which shows how money is spent on services, where the money comes from and a summary of the financial challenges ahead.

The council has also widely publicised its 'Stop, Start, Change' budget discussion, inviting residents and stakeholders to give us their views and ideas on Twitter via **#BHBudget**.

- 5.3 The common themes emerging from the questionnaire and prioritisation tool are presented in Appendix 6 to this report "Summary Report: Budget Consultation". All the consultation and engagement feedback to date and over the coming weeks will be taken into account as the final budget proposals are developed. A further update of the feedback and results from the online budget prioritisation tool and online and paper surveys will be included in the February budget report.

Other consultation and engagement processes are as follows:

- 5.4 Key performance and comparative data covering the whole of the council's budget has been collated and reviewed by the cross-party Budget Review Group alongside the developing budget proposals. The intention was to provide members with a more rounded, contextual and comparative view of the whole budget to help prioritise expenditure and/or options for savings. Six sessions were held covering the key service blocks and the capital programme.
- 5.5 A number of scrutiny meetings have been set up in December and January following publication and consideration of this report. The first scrutiny panel is on 12th December 2014 and will focus on a small number of thematic areas taken from the draft proposals.
- 5.6 Various other events including meetings with the Older Peoples Council and a Youth Council event are planned and information is being shared with Strategic Partners and community groups to invite feedback.
- 5.7 Local Strategic Partners are acutely aware of the potential cumulative impact of funding pressures across public sector agencies on the city. The City Management Board, attended by all Local Strategic Partnership representatives, have therefore ensured that information is being shared across the sector to assess and mitigate impact wherever possible and develop joint actions where appropriate. Engagement with statutory partners will continue on an ongoing basis through the City Management Board and appropriate working groups to further share and understand the potential cumulative impact of budget proposals across the city as they take shape.
- 5.8 A business breakfast with key representatives of the business sector was held on 21st October 2014 at the Jubilee Library to share information and seek views. There is a further briefing planned with the Economic Partnership and a broader event for the business sector will be scheduled in January 2015 including the required formal consultation with business ratepayers. The focus is on city regeneration, economic growth and employment opportunities.

- 5.9 As last year, a significant number of staff roadshows have been delivered covering all service directorates across the council to ensure that key messages reach all staff. Further updates are being provided via monthly briefings from the Executive Leadership Team and via the council's intranet. Full formal consultation with Staff and Unions will be undertaken as normal including Departmental Consultative Group (DCG) meetings in early December 2014 followed by appropriate consultation with directly affected staff. At the roadshows staff were encouraged to join the Stop, Start, Change discussion via the council's internal discussion boards or Twitter.
- 5.10 Similarly, where appropriate or required by statute, specific consultation will be undertaken with residents and other people directly affected by proposed changes to service delivery.
- 5.11 Every effort has been made to maximise consultation and engagement, whilst minimising the cost, by using in-house resources wherever possible. Costs are expected to be well within the sum estimated in the Budget Update report to the July 2014 committee (£10,000), for which there is existing budget provision.

Schools

- 5.12 There is a statutory requirement on the local authority to consult with the Schools Forum on certain financial aspects of the schools budget including formula changes and the associated impact on budget distribution. The Schools Forum is a public meeting whose membership is made up of schools representation from across all phases and on which the Education Funding Agency has optional observer status.
- 5.13 Information is provided throughout the year to meetings of the Schools Forum concerning the development and/or changes to elements of the schools budget and the schools formula, now principally based on a national formula. There is a Formula Working sub-group that works with Education & Inclusion and Finance colleagues to ensure involvement and engagement of schools representatives in looking at considerations and options as proposals are developed.
- 5.14 Annual budget shares will be presented to the 19th January 2015 meeting of the Schools Forum for consultation and in recent years the council's Executive Director of Finance & Resources has also attended this meeting and presented a report on the potential direct or indirect impacts of the council's General Fund budget proposals on schools.

Housing Revenue Account

- 5.15 A budget communication will be sent to Tenant Representatives in December setting out budget proposals, rent levels and the capital investment strategy.

6. CONCLUSION

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

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

Finance Officer Consulted: James Hengeveld

Date: 26/11/2014

Legal Implications:

- 7.2 Recommendation 2.5 – that the 2015/16 savings proposals be subject to further consultation and engagement – reflects the council’s common law duty to consult interested parties, especially where the effect of those proposals is to withdraw or de-specify a service which those parties might reasonably have expected to continue at their current level.
- 7.3 All the other recommendations are for noting only.

Lawyer Consulted: Oliver Dixon

Date: 24/11/14

Equalities Implications:

- 7.4 In Brighton & Hove City Council a budget Equality Impact Assessment (EIA) process has been used to identify the potential disproportionate impacts of proposals on groups/individuals covered by legislation (the ‘protected characteristics’ in the Equality Act 2010). Assessing the potential positive and negative impact of decisions on different equality groups is a key part of meeting the requirements of the Act, and demonstrating that we are doing so. EIAs are important for informing decision-making, increasing opportunities for positive benefits and reducing or removing negative impacts, specifically where they affect one or more groups disproportionately, and especially where they may be unlawful. In law, the potential impacts identified, and how far proposed actions mitigate them, must be given due regard within the budget-setting process.
- 7.5 All proposals with a potential equalities impact have had an EIA completed (included at Appendix 8), and this is cross-referenced within the savings proposals. The Communities, Equality and Third Sector Team have also completed an overarching cumulative impact assessment which is attached at Appendix 7. The documents are available online. Staffing EIAs will be completed alongside the formal consultation process on proposed staffing changes and feedback will be provided in the February report. A cumulative impact assessment on fees and charges will also be undertaken as the detailed proposals are presented to service committees.
- 7.6 When the budget proposals are made public, these EIAs will also be circulated widely to stakeholders. Feedback will be used by officers to revise the first drafts of EIAs into final versions which will be available to members and scrutiny as they consider the budget proposals. They will also be published on the council website.

Sustainability Implications

- 7.7 A carbon budget has been set for 2015/16. This shows the level of spend on energy and the estimated carbon emissions across each carbon budget area and includes a planned 4% reduction in 2014/15 and again in 2015/16. This modest target will be challenging to meet on the basis of the current approach to carbon management.
- 7.8 Carbon budgets aim to provide the organisation with a framework of accountability for reducing carbon emissions from our buildings, street lights and fleet. They were first introduced in 2012/13 and supported by actions plans that set out how carbon budgets are to be achieved and these plans are reviewed and challenged once a year. The council spends around £8.5m each year heating and lighting its buildings, lighting our neighbourhoods and travelling around the city to deliver key services. With rising energy and fuel prices and the purchase of annual Carbon Reduction Commitment allowances, the business case for reducing carbon emissions is clear.
- 7.9 The council's 2013/14 Carbon Reduction Commitment footprint accounted for 22,915 tonnes of CO₂ from council buildings for which the council purchased £0.275m worth of CRC allowances at £12 per tonne. This was 627 tonnes less than in 2012/13. 2014/15 allowances will rise to £16.00 per tonne and the council purchased our requirements in advance for £15.60 per tonne.
- 7.10 Non half-hourly electricity prices increased by 15% at the beginning of April 2013, half-hourly electricity prices increased by 3.9% in October 2014 and gas prices reduced by 3.7%, both for the commencing year.
- 7.11 The council's carbon budget data update is detailed in Appendix 5 and profiles spend and CO₂ carbon footprint for 2013/14 across the council and sets out the targets for 2014/15 and 2015/16.

Any Other Significant Implications:

Risk and Opportunity Management Implications:

- 7.12 The budget proposals include a recurrent risk provision of £1m. This will need to be reviewed again in the light the Month 9 TBM position. The budget report to February Policy & Resources Committee will include the Chief Finance Officer's formal assessment of the robustness of estimates in the budget and the adequacy of reserves.

SUPPORTING DOCUMENTATION

Appendices:

1. Budget Summary for 2015/16
2. Detailed savings proposals 2015/16 to support a Referendum Budget
3. Further savings proposals to support a Substitute Budget, Threshold Budget or Freeze Budget.
4. Value for Money Phase 4
5. Carbon Budget for 2015/16
6. Summary Report: Budget Consultation Survey
7. Cumulative Equality Impact Assessment

Documents in Members' Rooms

1. Appendix 8 - Budget Equality Impact Assessment Screening Documents (also available online)

Background Documents

1. Budget files held within Financial Services
2. Consultation papers

