Brighton & Hove City Council

Medium Term Financial Strategy

2015/16 to 2019/20

Brighton & Hove City Council

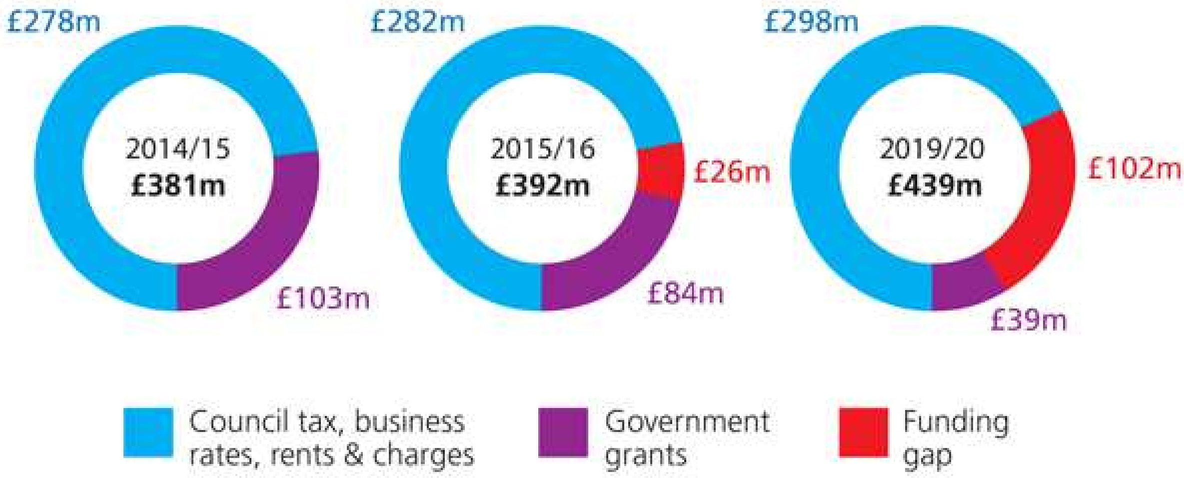
Medium Term Financial Strategy

The Medium Term Financial Strategy (MTFS) covers a 5-year period and sets out key planning assumptions and resources projections over the period together with information about key areas for capital and revenue investment and our financing and treasury management strategies.

The council's total gross budget was £778 million in 2014/15 of which just over half (51%) is ring-fenced and may only be spent on education, housing benefit and council housing. These 3 areas are funded by Dedicated Schools Grant, Housing Benefit Grant and council housing rents and service charges respectively. Funding is ring-fenced in all cases and the planning for these areas is therefore undertaken separately.

The remaining budget is referred to as the General Fund. Our challenge in 2015/16 and beyond is therefore to reduce spending from the remaining 49% (£392 million in 2015/16), which is funded by council tax, business rates, government grants and fees and charges. This is spent on services like social care for vulnerable children and adults, libraries, parks and transport.

We expect that rising costs (inflation) and demand for services alongside reduced central government funding will result in a budget gap of £102.4 million by 2019/20, **starting with the assumption of no increases in council tax**. In 2015/16 alone we will see a reduction of £18 million of government grant funding, which together with increased costs and demands, leaves a gap of £26.3 million. We have already saved £77.5 million between 2011/12 and 2014/15 and therefore finding further efficiencies and savings will become progressively more challenging.



The short term

Growth in the short term will make a small contribution. We expect council tax paying dwellings to increase by about 250 properties a year. Business rates will also grow, but much of this will be from small businesses who pay lower business rates. Fees and charges are expected to increase too. A change in central government in 2015 would be unlikely to change the scale of the funding reductions. Therefore savings have to be met by significantly reducing current spending on services.

The medium to longer term

In the longer term our approach will be to transform how we as a council operate to improve outcomes and reduce our overall costs, leading partners in efforts to get people into employment as a route to improved health, family stability and reduced need for social care. We will also need to become financially more self-sufficient through growth, community involvement and increased social action.

The tables below show the forecasts for net expenditure and future funding streams based on the latest information available. The Chancellor has previously 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. approximately 10% per annum on average and this reduction has been built into the forecasts for 2016/17 to 2019/20.

MTFS Assumptions & Projections

Two tables are shown below. The first sets out the core planning assumptions while the second sets out the resulting spending, income, savings and budget gap projections.

Core Planning Assumptions

The table below sets out the core planning assumptions included in the MTFS projections:

MEDIUM TERM FINANCIAL STRATEGY 2015/16 TO 2019/20 *(Tables may not add due to rounding)*					
Summary of MTFS assumptions	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Pay inflation and pay related matters:					
- Provision for pay award	2.2%	1.0%	1.0%	1.0%	1.0%
- Provision for pension contributions	0.5%	0.5%	0.5%	0.5%	0.5%
- Provision for changes in national insurance	0.0%	(*)	0.0%	0.0%	0.0%
General inflation:					
- Inflation on income	2.0%	2.0%	2.0%	2.0%	2.0%
- Inflation on parking income	0.0%	2.0%	2.0%	2.0%	2.0%
- Inflation on penalty charge notices	0.0%	0.0%	0.0%	0.0%	0.0%
Resources:					
Change in Settlement Funding Assessment	-14.1%	-11.9%	-10.5%	-10.6%	-11.7%
Change to Revenue Support Grant (RSG)	-27.3%	-29.1%	-33.0%	-45.4%	-82.3%
Business Rates					
- Business rates poundage inflation uplift	2.3%	2.8%	2.8%	2.8%	2.8%
Change to other specific grants	-27.2%	-15.0%	-10.0%	-10.0%	-10.0%
Public Health grant	0.0%	0.0%	0.0%	0.0%	0.0%
Assumed council tax threshold increase	2.0%	2.0%	2.0%	2.0%	2.0%
Council Tax Base	2.8%	0.25%	0.25%	0.25%	0.25%

* National insurance changes planned for 2016/17 are expected to add over £2m to the expenditure estimates but the Government has said that national expenditure control totals for local government will be adjusted and the council therefore should receive additional grant to offset the cost.

Summary of MTFS projections

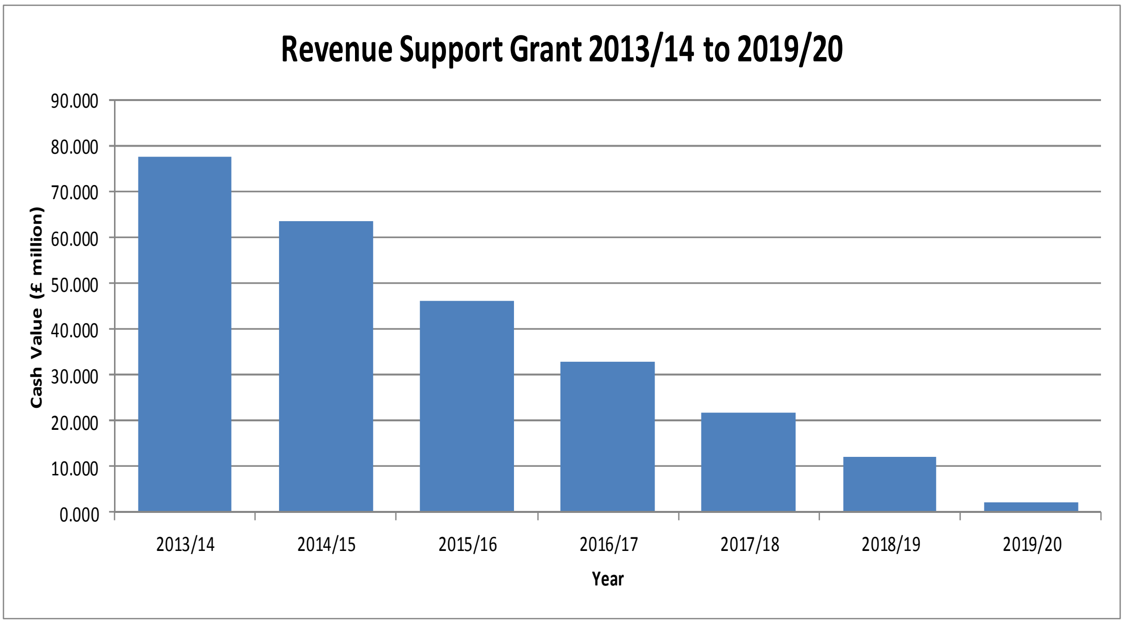
The table below sets out the savings /budget gap taking into account the anticipated expenditure over the MTFS period and the funding resources available:

Summary of General Fund Budget Projections	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	£m	**£m**	**£m**	**£m**	**£m**
Sub-total Net Budget Requirement B/Fwd	**225.337**	**215.888**	**205.730**	**197.576**	**192.372**
Pay and Inflation	3.787	4.200	3.883	3.712	3.549
General Risk Provisions	1.622	0.500	0.500	0.500	0.500
Commitments - impact of previous decisions	1.847	-1.036	-0.088	0.336	0.000
Change in S31 Business Rates compensation grants	-0.986	3.385	-0.017	-0.016	-0.018
Change in New Homes Bonus	-1.166	-0.600	0.000	-0.200	0.350
Service pressures - demographic and inflation	5.000	5.000	5.000	5.000	5.000
Service pressures - specific grants	1.386	1.150	0.600	0.500	0.500
Full year effect of savings in previous year	-1.149	-3.763	0.000	0.000	0.000
Savings / Budget gap	-18.821	-19.675	-18.032	-15.036	-14.745
Sub-Total	**216.857**	**205.049**	**197.576**	**192.372**	**187.508**
Change in contribution to / from reserves	-0.969	0.681	0.000	0.000	0.000
Budget Requirement C/Fwd	**215.888**	**205.730**	**197.576**	**192.372**	**187.508**
Funded by:					
Revenue Support Grant	46.097	32.694	21.896	11.951	2.118
Top Up Grant	1.642	1.694	1.741	1.789	1.838
Locally retained Business Rates	52.380	56.841	56.867	58.930	61.151
Business Rates Collection Fund surplus to repay safety net	1.996	0.000	0.000	0.000	0.000
Business Rates Collection Fund surplus	1.590	0.000	0.000	0.000	0.000
Council Tax Collection Fund surplus	0.196	0.000	0.000	0.000	0.000
Council Tax from tax base savings	2.268	0.000	0.000	0.000	0.000
Council Tax	109.719	114.501	117.072	119.702	122.401
Total Funding	**215.888**	**205.730**	**197.576**	**192.372**	**187.508**

Revenue Support Grant Projections

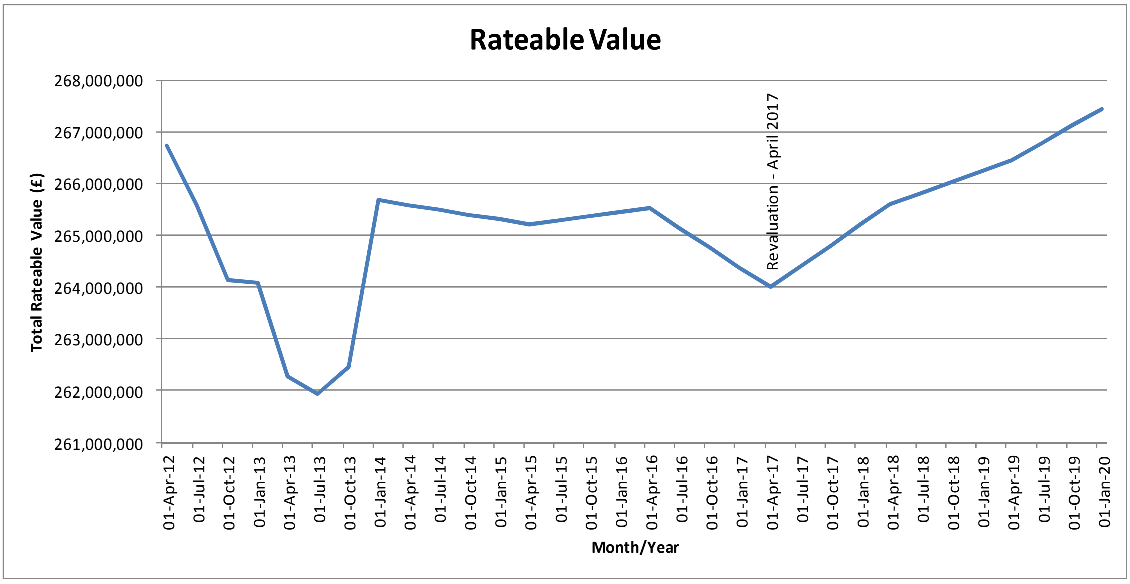
The chart below demonstrates the impact of reductions in central government funding (Revenue Support Grant). It shows how the cash value of Revenue Support Grant from the government falls from 2013/14 to 2019/20 when it will all but disappear.

It is not expected that any change in government after the next General Election would have a significant impact on the national spending on local government. However it is possible that there could be distributional changes that would affect resources at an individual authority level.



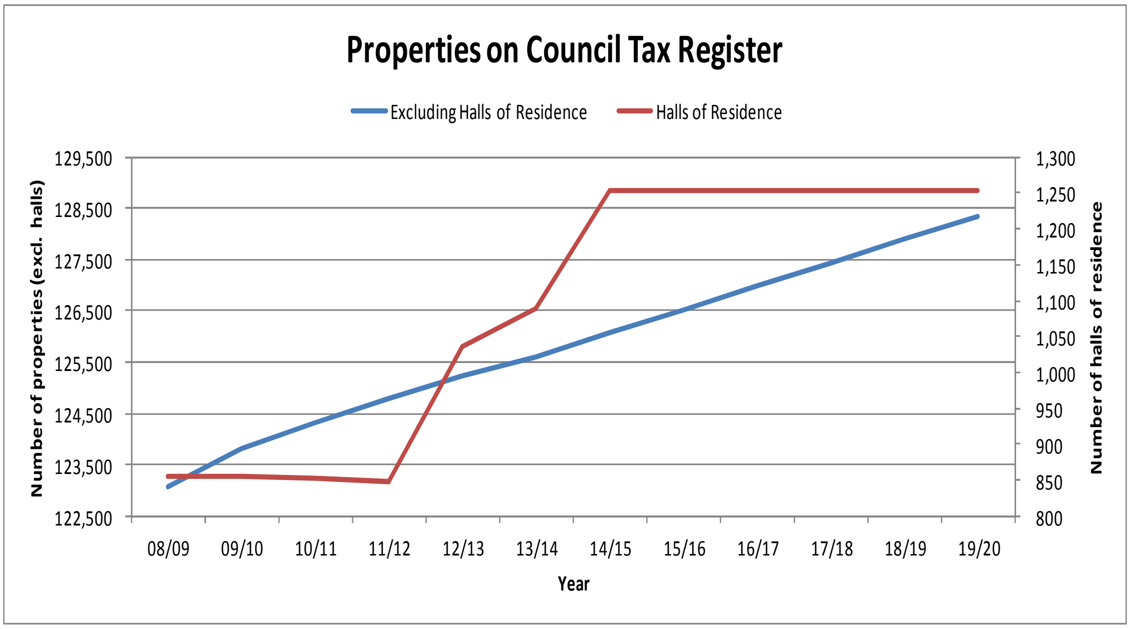
Business Rate Retention Projections

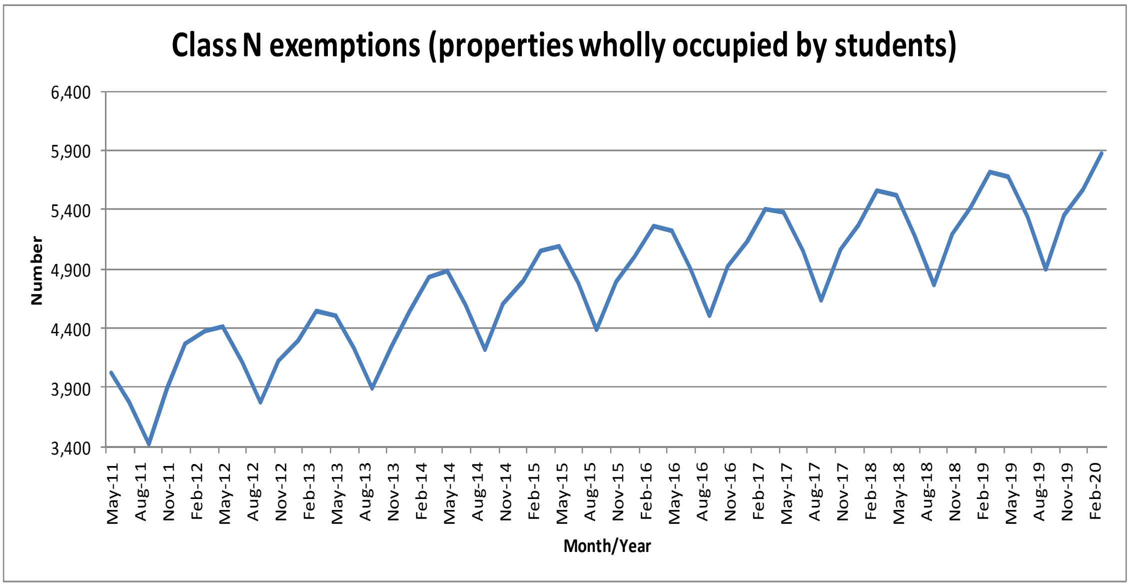
The chart below shows the projected change in the rateable value (RV) of properties liable to pay business rates in the city including the impact of the expected revaluation in 2017 which leads to national resource equalisation rather than local gain. The RV is set by the Valuation Office. The council retains 49% of any increase in the rateable value (excluding changes from revaluation) but has no control over the 'multiplier' applied to each RV (which determines the amount to be paid) which is set nationally by central government. The RV fluctuates as a result of properties coming on and off the system and crucially as a result of the impact of successful appeals by businesses against their RV. The appeals are determined by the Valuation Office and were the major cause of the dip in RV in 2013.



Council Taxbase Projections

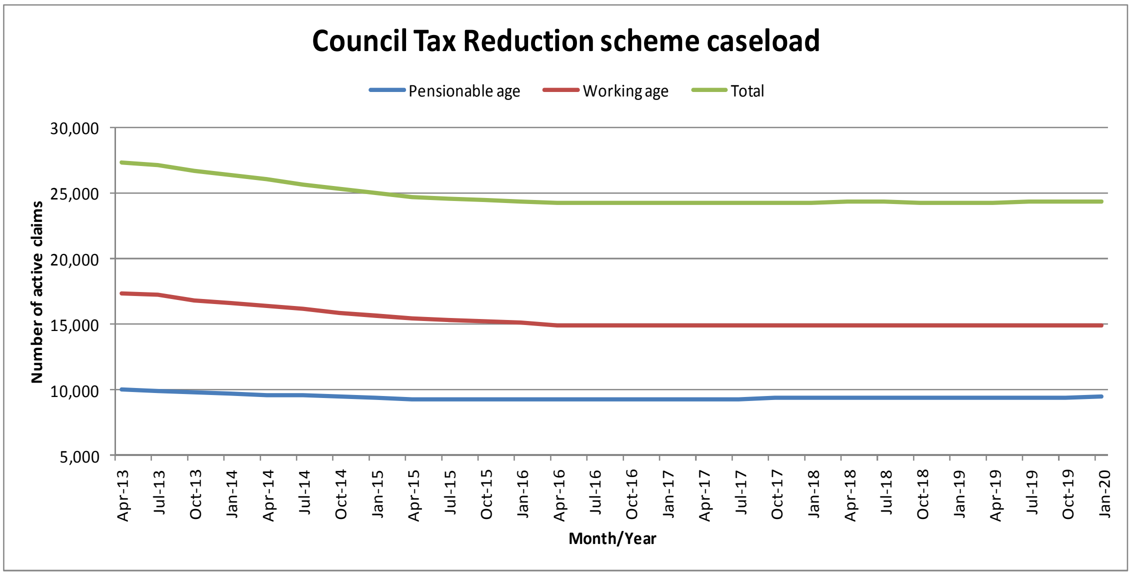
The charts below provide projections of the council taxbase taking into account student accommodation and growth in the number of properties. The first chart shows the numbers of properties on the council tax register. Properties occupied by students are exempt from council tax and so this particularly highlights the changes in the taxbase excluding halls of residence and then the second chart shows the profile of student exemptions in properties other than halls of residence. While there is underlying growth in the council taxbase it is almost entirely offset by the growth in student exemptions – from 2015/16 the financial model assumes a net 0.25% growth.





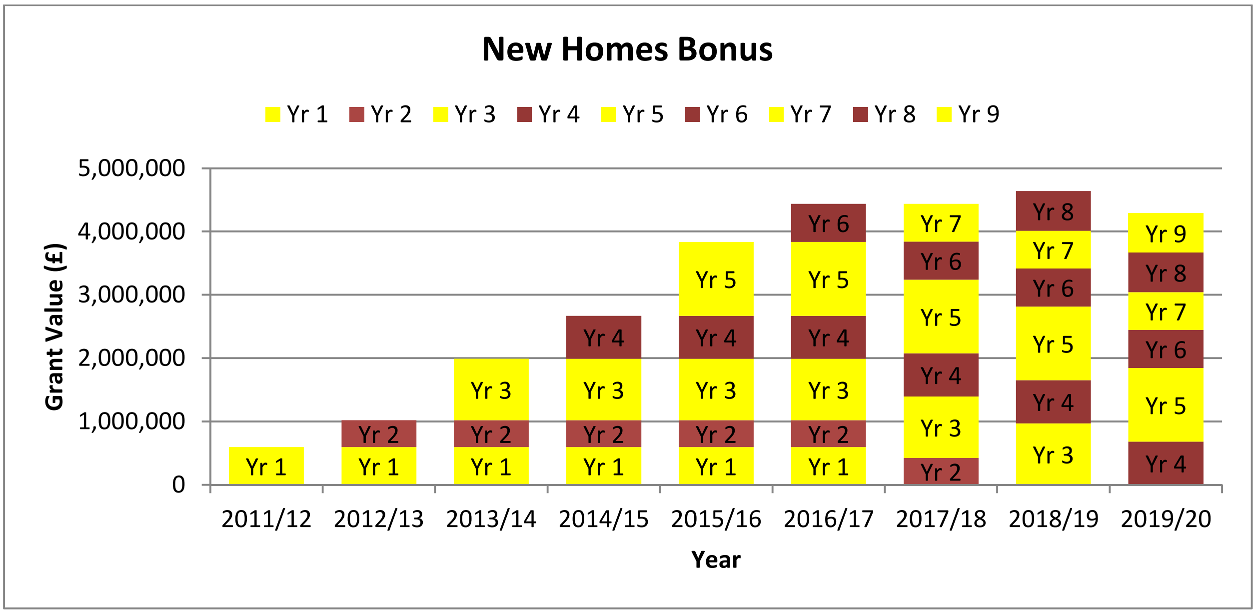
Council Tax Reduction Scheme

The Council Tax Reduction Scheme (CTRS) provides a discount on the amount of council tax payable by those on a low income, currently set at 91.5%. Introduced in 2013/14, it is entirely funded from the council's General Fund resources. In 2013/14 the caseload fell both across pensionable and working age clients and this trend is continuing in 2014/15. It is currently projected to remain stable in future years – any caseload changes are entirely the council's risk. While the numbers of people of working age in employment can potentially be influenced by the council through its approach to economic development, the pensionable caseload is entirely related to demographics. As the Revenue Support Grant falls, the funding of a high level of discount will become increasingly difficult and the current level of discount could only be sustained by reducing costs or spending on services elsewhere.



New Homes Bonus (NHB)

The New Homes Bonus provides an incentive for increasing the council taxbase; it is payable for a maximum of 6 years and has been funded in general by nationally top-slicing local government funding. As a result of the pressures on the General Fund budget, the council has used the NHB to contribute to its budget gap; this means it needs to be mindful of whether additional funding is sufficient to compensate for the ending of NHB resources gained in earlier years.



Revenue Resources

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 public services in the city.

For the council taxbase this means:

- enabling new development of housing through our planning policy and City Plan;
- progressing estate regeneration schemes using Housing Revenue Account resources to leverage new investment;
- working with the Universities to ensure that, as far as possible, growing student housing needs are met by new student accommodation rather than by existing housing which attracts student exemptions for council tax;
- ensuring that we have a fair Council Tax Reduction Scheme that includes support when people run into acute financial difficulty;
- planning to maximise resources from council tax within the parameters set by central government either directly or through ‘freeze grants’.

We therefore aim to:

- increase the number of new properties paying council tax and generate additional short term income through the New Homes Bonus;
- mitigate as far as possible the ongoing rise in properties not paying council tax as a result of student exemptions;
- minimise the number of homes that are empty through effective policies and the number of fraudulent awards of discounts, especially single person discounts;

- maintain a top quartile collection rate in comparison with similar authorities and maximise collection of any outstanding debts.

For business rates retention this means:

- attracting inward investment into the city as detailed later;
- maximising the deployment of our successful City Deal funding bids 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.

We therefore 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 receive funding from government (£46.1m of Revenue Support Grant in 2015/16) for some years although this will become less important within the context of the council’s overall finances into the future as we move 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:

- maintaining local democratic choice in determining council tax rises;
- ensuring 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 Housing Benefit Administration Grant fairly reflects the costs incurred by the council, particularly given delays to the rollout of Universal Credit and changing work patterns as a result of Welfare Reform;
- ensuring any changes to grant distribution methodology have a fair outcome for the city and that all new burdens on local government are fully funded, in particular, Care Act and Better Care Fund implications.

The council will seek to supplement its resource base by bidding for **revenue and capital grants** in order to:

- deliver capital investment that it cannot finance 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 initiatives in order to minimise the long term impact on the revenue budget.

Fees, Charges and Rents

The council also generates substantial income from fees, charges and other rents (i.e. other than council housing rents). The overall approach to **fees and charges and rents** in this Medium Term Financial Strategy is:

- to recognise fees, charges and rents are an increasingly vital part of the council's resource base and an important aspect of ensuring services provide value for money, but also recognising that they need to be set at sustainable levels;
- as part of our value for money programme, to closely scrutinise all aspects of fees, charges and rents from the setting of fees and charges through to collection performance, and from finding new sources of income to the cost of collection;
- to protect and enhance income in our leisure facilities, cultural destinations and public venues through the quality of the visitor offer while considering concessions and differential charging where appropriate;
- to ensure, where fees and charges are determined locally, they take into account any impact on demand and local conditions, and compare well with those charged by comparable services or other providers in similar settings;
- to develop new income streams from charging or trading while minimising any increase in associated costs.

Planned Investment in Services

Although the financial position will be challenging over the 5-year period, **the council's General Fund budget will still provide substantial revenue funding with gross spending on services remaining well in excess of £300m per annum throughout the MTFS period**. The focus of the Corporate Plan and the MTFS is therefore on prioritising the use of these significant resources to deliver value for money public services and achieve good outcomes for the city, increasingly in partnership with a range of other providers and across all sectors. The General Fund budget will therefore be invested in line with 'Our Principles' as set out in the Corporate Plan with the aim of:

- Increasing equality
- Improving engagement

A summary of how the council's resources will be invested to support the priorities in the Sustainable Community Strategy (Brighton & Hove Connected) and the Council's Corporate Plan, is set out in the following pages under each of the following priorities:

- Economy, jobs and homes
- Children & young people
- Health & wellbeing
- Community safety & resilience
- Environmental sustainability

Economy, Jobs & Homes

Our **City Regeneration** Unit will be at the heart of planning for the future development of the city, working in partnership with other authorities and other sectors to attract funding for developments that will promote the business, visitor and academic economies together with appropriate housing and transport infrastructure 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. Other joint investment will be secured through the Greater Brighton Economic Board and the Coast to Capital Local Enterprise Partnership. This central government supported 'City Deal' partnership will provide investment in the Greater Brighton City Region. The main priorities for the Greater Brighton Economic Board are to:

- bring forward plans for key development sites, such as Preston Barracks, Circus Street Market and New England House, linked to job growth and skills;
- regenerate the seafront to preserve the city's reputation and visitor economy, through key sites including the i360, Brighton Centre, Black Rock and King Alfred Leisure Centre;
- improve major transport routes including Valley Gardens and the completion of the Brighton Station Gateway;

- improve our transport infrastructure sustainability through Local Transport Plan and European funding;
- maintain a quality built environment through a modern planning service to enable growth and promote health and wellbeing.

The **Brighton i360** will provide a boost to our economy. It will generate more than 440 permanent jobs - 169 jobs at the attraction plus additional jobs from the spin off benefits to other businesses located in the city. The i360 is expected to attract over 700,000 visitors a year, including up to 300,000 new visitors to the city, who will all spend money in local shops, restaurants, and at other attractions. In total it is expected that the i360 will inject between £13m and £25m of additional revenue into the local economy annually.

We will continue to seek to leverage **external investment** to maintain our historic assets, including for the Royal Pavilion Estate.

The MTFS will also support sustained investment in **homelessness prevention** and working with neighbouring authorities to procure sufficient quantities of temporary accommodation. This will mean collaboration across adult social care, children's services and the health service to secure appropriate accommodation for our most vulnerable clients.

By doing this we aim to:

- support growth of our council tax and business rates taxbase as described earlier;
- sustain and enhance income streams from our seafront properties, at our venues and at other visitor attractions;
- maintain a successful visitor economy to support accessible employment opportunities for the city;
- 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 in housing stock with minimum subsidy from the council.

How do we plan to invest?

- Creating future job and business growth through joint investment, accessing new funding via the Greater Brighton Economic Board, Coast to Capital local enterprise partnership and EU funding.
- Draw in new partnership investment to develop the Royal Pavilion Estate sustaining this unique site's importance as the heart of the city's cultural offer.
- Enable development of new, affordable homes, including building new council homes working with government, registered providers and other partners to maximize investment.
- Draw in external investment for our downland estate and city parks and open spaces, including developing Stanmer Park as a major gateway from the city into the South Downs National Park.
- Enable development and regeneration of key sites and transport routes through the Greater Brighton Economic Board.

Children & Young People

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 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 Hub** services particularly supporting schools and redesigning our behaviour support services;
- improving our safeguarding approach through more effective cross-partnership working with other agencies and the development of our **MASH** (Multi-agency safeguarding hub) facilities in Whitehawk and Woodingdean.

We will continuously improve value for money through the **procurement and commissioning** of:

- Universal services, such as youth services and children's centres. This may involve difficult choices when compared with the need to protect and safeguard children and provide care services for those who need it;
- SEN and Disability Services which are currently the subject of a major review incorporating the SEN reform agenda;
- home to school transport, including working closely with transport colleagues and the adult social care client transport team to maximise value for money;
- expert assessments in care proceedings;
- high cost placements, working across East and West Sussex, particularly with South East Seven (SE7) partners on special educational needs.

We will continue to 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 through improved multi-agency working;
- reduce our relatively high costs of providing children's social care;
- secure sufficient capital investment for school places.

How do we plan to invest?

- Plan and deliver sufficient school places, with a focus on secondary places.
- Improve secondary attainment, linked to skills for the workplace and the developing city economy, closing the gap in attainment for vulnerable students.
- Provide early help advice and support for public agencies on child protection issues, including schools.
- Embed and further improve our multi-agency response for safeguarding, to reduce the rate of re-referrals below the national average.
- Review support for children and young people with special educational needs and disabilities to develop improved and joined up services.
- Review children and young people with emotional wellbeing and mental health needs. Develop more personalised services for children and their families.

Health & Wellbeing

The transfer of the Public Health function from 1 April 2013 provided an opportunity for us to align spend with other council services to promote healthy choices and lifestyles to prevent long term health conditions. We aim to realign budgets to:

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

We will **maintain fair access** to Adult Social Care services at the current needs level of “Critical and Substantial” and we expect that these criteria will be in line with new nationally set criteria to be in place from 2015/16. We will fulfil our responsibilities to assure the quality of services provided in the city and **safeguard** vulnerable adults under new statutory responsibilities in the Care Act 2014.

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;
- investing in Telecare, Reablement and other services that can prevent admission to more expensive forms of care or hospital;
- working closely with the community and voluntary sector to ensure flexible local provision that best meets individual needs;
- working closely with health partners and housing colleagues to ensure the **Better Care Fund** delivers whole system integration for those who are frail, including those who are homeless and have mental health difficulties.

We will continue to assess the options for alternative service delivery models to protect the council’s capacity to be an essential provider of certain services in the city.

We therefore we aim to:

- reduce our relatively high unit costs of adult social care by reducing the numbers of clients in expensive residential and nursing home care;
- develop housing solutions that can help to provide a lower cost, mixed economy of care provision;
- improve the outcomes and value for money of our Public Health function;
- adapt to the changing demographics and needs of our population in a way which is affordable;
- improve safeguarding through integrated working and improved support (e.g. Telecare);
- generate new sources of income to help protect quality services and safeguard the most vulnerable;
- support integration of services to reduce acute hospital admissions.

How do we plan to invest?

- Coordinate approaches to health and wellbeing priorities across the council and its partners, managed through the new and developing Health & Wellbeing Board.
- Improve the health of the population and reduce costs of long term health conditions by ensuring effective programmes for obesity, smoking, drugs and alcohol and sexual health.
- Personalise approaches for adult social care, to promote greater independence and meet new assessment requirements in Better Care and Care Act legislation.
- Create supported housing to promote independence and reduce the need for acute and residential care services.
- Review support for disabled adults and children, ensuring effective and value for money services.
- Use community buildings, such as our libraries, to promote health and wellbeing and co-locate facilities and services.
- Provide better advocacy, information and advice for clients and informal carers.
- Continue to promote the city’s cultural, sporting, outdoor and active travel offer, with a focus on communities where health inequality is more common.
- Improve health and social care outcomes for people experiencing homelessness, as part of our Better Care programme.

Community Safety & Resilience

We will **collaborate with the community and voluntary sector**, supporting its programme to transform local infrastructure and moving away from a grants based funding model to a commissioning and contracting model.

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

By doing this we aim to:

- better target our limited resources for public protection and develop new income streams;
- support a robust third sector in the city that can contribute to resilient local communities and deliver a high social return on investment.

How do we plan to invest?

- Build on our mature Safe in the City community safety partnership approach between council, police, health, community and voluntary sector organisations and businesses.
- Develop our work with communities, such as Local Action Teams, community forums and volunteers.
- Deliver effective programmes with partners to address hate crime, domestic and sexual violence and anti-social behaviour, and support for those who have been affected.
- Continue to manage effective prevention through a range of different services, such as licensing and public protection, as part of our joined up health and wellbeing approach.
- Review options for further discretionary licensing of private rented homes, including Houses in Multiple Occupation where evidence shows it will address poor standards or anti-social behavior.
- Keep children and young people safe, for example through our Local Safeguarding Children Board, and provide support to reduce their chances of becoming offenders or reoffending.
- Protect vulnerable adults though the Adults Safeguarding Board, which reports to the Health & Well Being Board.
- Offer cultural and leisure activities for the city that promote community cohesion and understanding.
- Promote a safe, inclusive city, recognising disaffection among young people in particular and the potential for radicalisation and extremism, for example through the One Voice partnership.
- Use our buildings and services in community settings, such as libraries, to foster positive relationships with public services and between different communities.

Environmental Sustainability

We will work with partners to promote and deliver a broad understanding of sustainability for the council and the city with the aim of protecting the environment and also improving the health and wellbeing of our communities. We will also educate about and protect the biodiversity in the city, celebrating our unique environment through our Brighton & Lewes Downs Biosphere.

We will continue working in partnership with the South Downs National Park ensuring the city both helps protect and benefits from its proximity to the Park.

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

- redesigning our CityClean services to support our future waste management strategy;
- working with SE7 partners on a long term strategy for securing commercial income streams from recyclate;
- sharing the revenue from commercial waste disposal and electricity generation at the Energy from Waste facility in Newhaven.

Through our **Workstyles** modernisation programme we will continue to reduce our accommodation requirements and improve the sustainability of remaining buildings through our Planned Maintenance Programme, addressing key energy saving initiatives including oil to gas conversions and improvements to insulation. We have also introduced Automated Meter Reading (AMR) equipment widely to address energy losses and leaks where they occur.

Other measures include:

- continuing with energy efficient renewal of Street Lighting across the city and exploring options for major capital investment for the replacement of lighting with energy efficient fittings;
- reducing the council's vehicle fleet and continuing to replace vehicles with lower CO2 (g/km) models;
- working with the Sussex Energy Savings Partnership to reduce carbon emissions and tackle fuel poverty in the city's overall housing stock.

In terms of procurement activity, we have developed a **Sustainable Procurement Strategy** as part of our overarching Corporate Procurement Strategy. This aims to embed the principles of sustainability throughout the council's procurement activities and ensure that only value for money products and services are selected. Under this strategy we will:

- apply a 'whole life' costing approach to give a clear understanding of the full impact of purchasing decisions over the lifetime of a contract;
- develop and maintain sustainability based selection and evaluation criteria;
- use targeted contract management to ensure that sustainability targets are delivered upon through the lifetime of a contract;
- encourage suppliers to take action to reduce waste and promote reuse throughout the supply chain;
- consider the potential transport requirements associated with any contract and how these may be minimised;
- build a requirement for CO^2 reduction into the specification of contracts, where appropriate;
- consider the risk of negative water impact in specific contracts, with particular focus on waste use, waste waster and discharges;
- encourage suppliers to seek sustainable alternatives to materials which are scarce or at risk of becoming so, including use of sustainable timber;
- promote the use of, and compliance with, the council's Minimum Food Standards in all relevant contracts.

How do we plan to invest?

- Continue the implementation of our one planet city sustainability action plan for the council and the city.
- Create a combined infrastructure plan with our partners for energy, water, waste and transport to support sustainable growth and protect the environment.
- Continue to secure high quality, sustainable development and building standards through planning policy and the City Plan.
- Promote and preserve our Brighton & Lewes Downs Biosphere, using it as a focus to celebrate and protect the quality of biodiversity in the city region.

- Work in partnership with the South Downs National Park authority to promote and enhance the park and ensure that citizens and the local economy benefit from it.
- Draw in external investment for our downland estate and city parks and open spaces, including developing Stanmer Park as a major gateway from city into South Downs.
- Develop opportunities with partners to improve the quality and energy efficiency of the city's housing stock.
- Improve the efficiency and reliability with which we collect and dispose of recycling, household, food, green and commercial waste.
- Continue to increase energy efficiency measures for the council, including carbon reduction across services and renewable energy schemes for our own land and property.
- Provide access to sustainable travel initiatives and low-emission forms of transport through the Local Transport Plan and EU funding, including major plans for Valley Gardens.
- Bring forward private investment to deliver key development sites that will renew and enhance our seafront, such as the i360.

Modernising the Council

Modernising the council is about ensuring that the council is in a good position to make the best use of limited public resources, ensuring that services represent good value for council tax payers and sustaining our financial future.

This means:

1. Continuing our value for money programme to reduce costs in key areas.
2. Using our assets, property and land to the best financial effect, supporting collaboration in future service delivery and enabling investment and regeneration in the city.
3. Reviewing our model of central services provision within the council to ensure it can support modernisation across the whole organisation.
4. Leading progress with partners on future funding relationships between local public services, capitalising on growth and opportunities in the wider economy.
5. Learning from benchmarking our services with other councils and providers, and from best practice elsewhere.

We will also be proactive in our response to the government's **welfare reform** agenda and continue to 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, fair and early **debt collection and fraud prevention** to maximise and safeguard the council's revenue streams.

We will invest in the council's **ICT infrastructure** to ensure it is resilient and secure, can support efficient working practices, and enables easier access to our services on-line and through digital media where necessary.

We will drive the council's ambitious **Modernisation Programmes** including Value for Money, workforce changes, and quality services through integrated working with partners and better understanding and management of rising demands.

We will maintain **effective governance and performance management** through strong civic leadership supported by high quality legal, financial and procurement advice to safeguard the interests of the council taxpayer. We will explore working in integrated, joint or shared service arrangements with our partners where appropriate, both within and cross sector, to secure value for money and maintain sufficient expert capacity.

Treasury Management & Investment

This section of the MTFS sets out the strategy for treasury management activity. An effective approach to treasury management can make a significant contribution to the council's overall financial position and resilience. Our treasury management practices are strictly regulated by statutory requirements, operating within the CIPFA[1] Code of Practice for Treasury Management and adhering to Department for Communities and Local Government guidance.

The Code of Practice on Treasury Management recommends the policy statement should include the council's high level policies on borrowing and investments. To this end the council will invest its monies prudently, considering security first, liquidity second and yield last, carefully considering its investment counterparties. The council will similarly borrow monies prudently and where this is consistent with the council's priorities.

The council also approves an Annual Investment Strategy which is designed to proactively manage the council's debt & investment portfolios and cash flows to meet financing and investment budget and income targets respectively whilst ensuring the authority is not placed at undue financial risk.

To help us achieve this, we have developed a number of aims as follows:

- managing the security and liquidity risk of investments whilst taking opportunities to optimise returns on investments;
- effectively managing the council's cash flow requirements;
- undertaking new borrowing at or below budgeted rates;
- Seeking opportunities to reduce the cost of servicing existing debt and managing exposure to interest rate risk and volatility;
- monitoring economic and market developments and assessing the implications on the debt and/or investment portfolio.

The council will review the performance of the treasury management function against the following long-term objectives:

[1] CIPFA (Chartered Institute of Public Finance & Accountancy)

- to manage the financial exposure to risk arising from fluctuations in interest rates and potential changes in Government policy;
- to investigate options for improving performance and generating short and long term revenue savings;
- to develop meaningful performance measures for borrowing and investment which can be reviewed and reported on a regular basis.

One of the objectives for treasury management is to reduce, over the medium term, the average cost of the long-term debt portfolio. In the absence of any generally accepted market practice the benchmarking for borrowing will be assessed against this objective.

Investments are benchmarked against the 7-day LIBID (London Interbank Bid Rate) rate. This rate is used as it traditionally represents an achievable return on short-term investments without active treasury management. The target rate, i.e. the margin above the benchmark, is as follows:

- for the in-house team: 105% of the benchmark rate (i.e. if the benchmark rate is 4% then the target rate is 4% times 1.05 which is 4.2%);
- for external cash managers: 115% of the benchmark rate (the higher margin reflects the long-term nature of the cash manager mandate and the potential higher returns from the specialist markets available to the manager).

A benchmarked risk factor is also used to measure investment risk and for 2014/15 is recommended at 0.05%, the same as 2013/14. This benchmark is a simple target (not limit) to measure investment risk and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. All breaches are reported and reviewed to inform ongoing investment strategy.

Capital Investment Strategy

Capital resources are available to the council for investment in assets. They play an important role in helping to achieve the council's Corporate Plan priorities. This section of the MTFS sets out the strategy and plans for capital expenditure. The council's Capital Strategy outlines the process for the prioritisation and evaluation of capital investment projects. A summary of these priorities is detailed as follows to:

- seek to protect as far as possible capital grant funding for transport and the public realm investment;
- pool all remaining non ring-fenced capital resources and allocate to priority areas for investment;
- allocate approximately £0.25m per annum to 'major projects' investment through a Strategic Investment Fund. These projects support the economy through regeneration of key sites;
- allocate £0.5m per annum towards the Information and Communication Technology Fund to address the funding of central network support and improvements to the ICT infrastructure identified in the ICT Investment Strategy;
- allocate £1.0m per annum to the Asset Management Fund to support essential property improvements;
- allocate £0.5m per annum through borrowing to support investment in Social Care buildings;
- generate capital receipts from the disposal of surplus or under-performing assets and to deploy the proceeds from the sale of capital assets:
    i) for reinvestment in the capital investment programme, or;
    ii) for repayment of debt or for investment, for example, to offset any loss of rental income in the revenue budget, or;
    iii) for reinvestment from under-performing assets back into more commercially viable assets as part of the rationalisation of the property portfolio.
- divide the net receipts from 'right to buy' sales of council housing between funding for corporate strategic priorities delivering regeneration, including affordable housing opportunities, and investment directly in housing. Changes to the Right to Buy Regulations mean the maximum that the council can currently retain for corporate investment will be £0.475m per annum;
- use unsupported borrowing for service improvements where a business case has been developed and approved, and can demonstrate that the investment will provide value for money and that the additional financing costs are reflected in the revenue budget;
- explore all funding options including partnerships and one-off bidding processes.

In the context of this strategy the council will need to review its deteriorating infrastructure asset base such as highways structures, street lighting and the seafront, and identify critical investment requirements over the medium term and sources of funding.

The following sections describe the main areas of capital investment over the MTFS period.

Corporate Capital Expenditure

Currently, as mentioned above, the council groups its corporate capital spend into 3 areas:

- Strategic Investment Fund (SIF) - £0.250m per annum
- Asset Management Fund (AMF) - £1.000m per annum
- ICT Fund - £2.000m for 2015/16 and £0.500m per annum thereafter.

The level of these funds is dependant on generating capital receipts from asset disposals and is therefore subject to their availability and prevailing market conditions. Projected future receipts include some major disposals such as Patcham Court Farm and Preston Barracks. Receipts associated with the council's Workstyles Programme, such as the disposal of Kings House, are ring-fenced to support that programme and help deliver future efficiency savings. Capital receipt projections are shown at table 2 below.

Government Capital Grants

The government provides the council with funding for education and transport investment. The council is entitled to treat this funding as a "single capital pot" and hence spend it in accordance with corporate priorities. However the calls for spending in these service areas are very high and there are often conditions attached to these funds by the relevant government department.

Education capital – The programme includes allocations of £36m over the next 3 years for New Pupil Places and estimates have been included for Education Capital Maintenance of £4.9m pa and £0.5m pa for Devolved Capital to schools. All of this will be required for new primary and secondary pupil places, capital maintenance for schools and devolved formula capital for schools.

Transport capital – No announcements have been made for future allocations although it is expected that these allocations will be top sliced and be diverted toward regional funding.

The **Greater Brighton City Region** is a major part of the Coast to Capital LEP and will fulfil its potential to become one of the UK's leading Super City regions by developing a network of Growth Hubs. The council has also received grant funding through the City Deal for up to £4.9m to support the New England House redevelopment. Grant funding has been secured for the Valley Gardens Phase 1 & 2 of £8.0m and £6.0m for Phase 3 of the project which is due to commence from 2016/17.

Adult Social Care grant will be received under the banner of Better Care Funding and will support capital investment such as the Disabled Facilities Grants allocations.

The council may receive other **one off capital grants** from government lottery funding or the EU for individual capital schemes but they will be ring-fenced. The project at ‘the Level’ is an example of this where the council has provided match funding to lever in additional resources.

Funding from Revenue

Some capital expenditure is funded directly from revenue such as planned maintenance to schools and other council buildings; however, there is no capacity to increase these resources in the context of the revenue budget savings requirements.

Funding from Borrowing

Some capital expenditure is funded from borrowing and the financing costs included in the revenue budget to spread the costs over many years.

While there are limits (set by full Council) about how much borrowing can be undertaken, the real test is one of affordability – if the revenue financing costs can be funded through cashable savings, the investment may be supportable. A recent example of this has been the capital investment in upgrading car parks where the projected additional parking revenues will fund the borrowing and also deliver savings.

Most notably, borrowing is being used to support the i360 investment where the council is working in partnership with a private developer to support the construction of a viewing tower on the seafront through a commercial loan arrangement together with Local Enterprise Partnership (LEP). The council has started borrowing funds through a government agency, called the Public Works Loans Board (PWLB), to lend to the developer of the i360 at a commercial interest rate. The council will receive a higher rate of interest than it pays the PWLB, thereby earning nearly £1 million per year for the city at a time of funding reductions. The total project cost is £46.2 million, including interest. The developer, Marks Barfield (the architects and developers of the London Eye), is investing £6 million and the Coast to Capital Local Enterprise Partnership (LEP) will invest £4 million. The loan will be repaid over 25 years but could potentially be repaid sooner if the attraction is more successful than projected.

Options to Generate Capital Investment

The council can use its land to facilitate private sector or partnership based investment. Recent examples include the Amex Community Stadium, Circus Street Development, Open Market and Preston Barracks developments. Strategic Investment Fund money is used to help support the delivery of these projects.

The council has 3 existing PFI schemes – Integrated waste management with East Sussex County Council, the Jubilee Library, and 3 secondary schools. The potential for obtaining future PFI credits for projects that would fit with the council's priorities will be considered where available, however, these schemes need careful consideration of value for money due to their, usually, long term lifecycle.

The council also bids for capital investment through funding streams such as the Heritage Lottery Fund (HLF) and may include potential investment for schemes at the Royal Pavilion and the Stanmer Park regeneration project. The Royal Pavilion project has already secured £0.2m from the Arts Council to progress the project. The council is also supporting the Saltdean Lido CIC (Community Interest Company) in its bid for HLF funding.

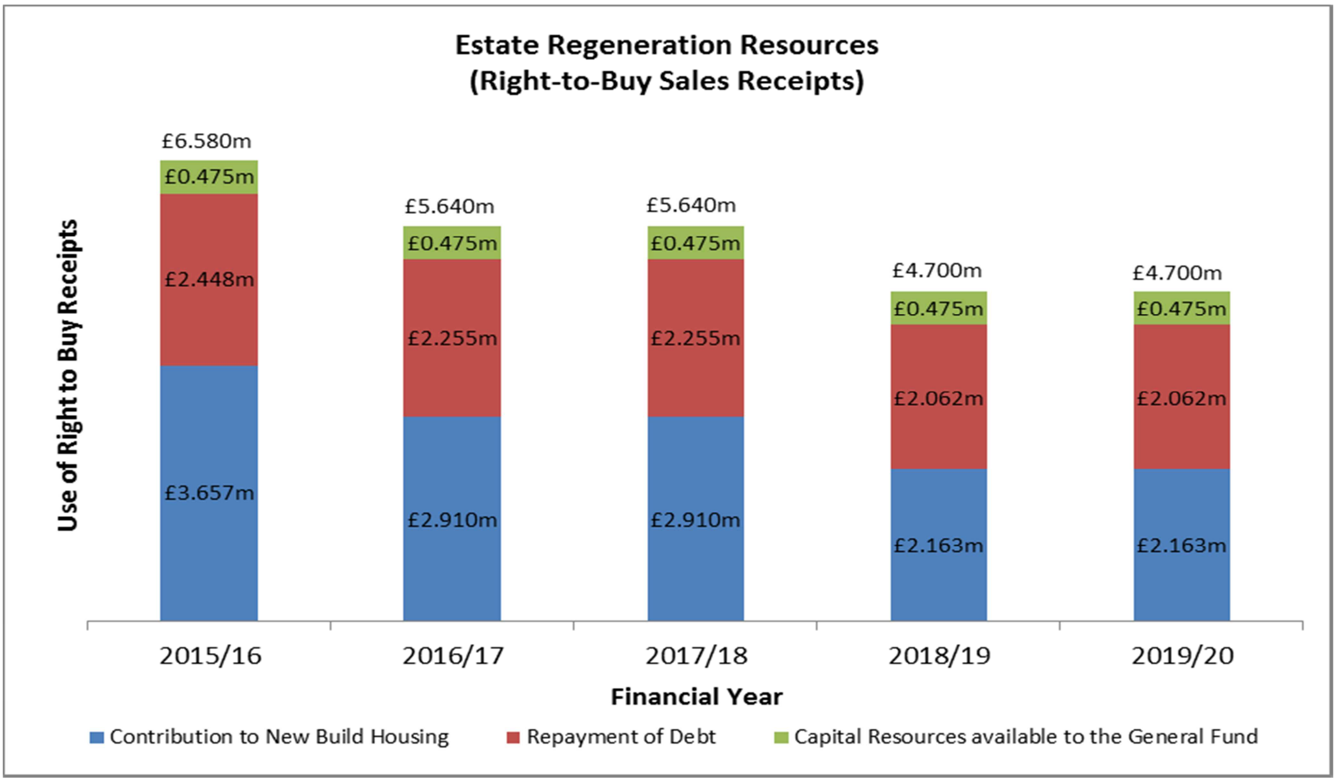
Housing Revenue Account

The Housing Revenue Account (HRA) capital strategy focuses on meeting Corporate Plan priorities through building new homes and improving the quality and sustainability of the existing housing stock. The HRA capital strategy aims to ensure that every pound invested reaches beyond the housing service and contributes to regeneration, tackling inequality, creating training and employment opportunities and improving sustainability.

The HRA now operates on 'self-financing' principles and the capital programme may therefore be funded from a variety of HRA sources including revenue surpluses (rental income), borrowing, capital receipts (including surplus Right-to-Buy receipts towards new build schemes), reserves and other grants. These resources are part of the HRA ring-fenced account to be spent on council owned stock.

The City Plan sets a local housing target for the City to 2030 of 11,300 new homes; this includes 500 homes from HRA/Estates Regeneration Programme. The HRA new homes/estates regeneration programme is split into 3 phases, with delivery of phases 1 & 2 by 2017 and the wider regeneration phase 3 by 2020.

Under current central government policy Right to Buy receipts from the sale of council houses may be used to contribute up to 30% of the cost of new build and estate regeneration schemes with remaining financing coming from 'self-financing' resources referred to above. The total projected Right-to-Buy (RTB) sales are shown below split between their projected contribution to new housing, an amount set aside for the required repayment of debt, and resources allowable for use in the General Fund Capital Investment Programme. Under current rules, time limits are applicable to the use of receipts for new housing schemes.



10 Year Capital Strategy Model

The strategy is presented in the form of a 10-year projection (Table 1) including known capital investment requirements for which there may not be funding secured or identified as yet, such as the requirement for up to £100m for seafront infrastructure investment over the next 15 years.

We will prepare future capital strategies in a new format that will focus on outcomes that meet the priorities of the council and that may also have a positive effect on the revenue budget. Outcomes include identifying new housing units, new pupil places, employment generation, generating new business rate and council tax income streams, reduced carbon emissions and reductions in road traffic incidents amongst others.

Capital Investment Outcomes

Capital investment will only be undertaken where it can be shown to support Corporate Plan priorities and associated service objectives. Under the developing 10 year Capital Strategy Model there will be an increasing focus on identifying and measuring expected outcomes from capital investments. This ensures that all aspects of capital investment can be reviewed so that continuous improvement in investment decisions can be made over the MTFS and capital strategy periods.

Table 1 – 10 Year Capital Projections Summary

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Capital Investment Programme – 10 Year	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Approved Schemes										
Adults Services	426	375	375	-	-	-	-	-	-	-
Children's Services	7,263	-	-	-	-	-	-	-	-	-
Env, Development & Housing - General Fund	9,973	5,976	3,391	1,350	1,845	1,547	741	770	801	833
Env. Development & Housing - HRA	6,277	-	-	-	-	-	-	-	-	-
Assistant Chief Executive	18,082	6,222	-	-	-	-	-	-	-	-
Finance Resources & Law	11,681	15,256	12,250	-	-	-	-	-	-	-
New Schemes										
Adults Services	309	1,220	1,220	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Children's Services	14,850	18,950	21,309	18,700	13,700	3,700	3,700	3,700	3,700	3,700
Env Development & Housing - General Fund	10,048	21,622	27,163	21,119	15,169	15,169	10,000	10,000	10,000	10,000
Env. Development & Housing - HRA	41,034	36,225	27,000	25,600	25,600	24,900	24,600	24,100	24,100	23,600
Assistant Chief Executive	0	39,057	87,500	74,000	6,000	-	-	-	-	-
Finance Resources & law	4,250	2,550	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250
Total	**124,193**	**147,453**	**183,458**	**145,519**	**67,064**	**50,066**	**43,791**	**43,320**	**43,351**	**42,883**
Funded by Capital Resources:										
Government Grants (non ring-fenced)	25,322	24,608	23,340	8,969	8,969	8,969	8,800	8,800	8,800	8,800
Government Grants (ring-fenced)	5,638	26,749	7,122	5,600	3,900	600	600	600	600	600
Capital Receipts	11,517	21,015	47,840	34,990	3,850	3,350	2,850	2,750	2,750	2,750
Capital Reserves	6,067	7,118	500	500	500	500	-	-	-	-
External Contributions	4,591	20,478	16,043	6,458	3,085	712	741	770	801	833
Direct Revenue Funding	1,432	1,400	1,500	1,520	1,400	1,400	1,400	1,400	1,400	1,400
Revenue contribution capital (HRA self-financing)	22,837	24,000	24,500	25,000	26,000	26,400	26,400	27,000	27,000	27,000
Council Borrowing	38,975	24,149	53,508	40,192	7,160	6,835	1,000	1,000	1,000	1,000
Temporary funding (Workstyles & LTP)	7,814	-7,814	-	-	-	-	-	-	-	-
Total Capital Resources	**124,193**	**141,703**	**174,353**	**123,229**	**54,864**	**48,766**	**41,791**	**42,320**	**42,351**	**42,383**

Funding deficit general fund	-	5,750	9,105	25,190	15,300	5,500	6,000	6,000	6,000	6,000
Funding (surplus) HRA	-	-	-	(2,900)	(3,100)	(4,200)	(4,000)	(5,000)	(5,000)	(5,500)

Table 2 Capital Receipts Projections

Capital Receipts Projections – 10 Year	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Right to Buy Receipts (from HRA):										
Sale of Council houses (RTB's)	6,580	5,640	5,640	4,700	4,700	4,700	4,700	4,700	4,700	4,700
Contribution to new build (time limited & ringfenced)	(3,657)	(2,910)	(2,910)	(2,163)	(2,163)	(2,163)	(2,163)	(2,163)	(2,163)	(2,163)
Payment to Govt. & Allowable Debt	(2,448)	(2,255)	(2,255)	(2,062)	(2,062)	(2,062)	(2,062)	(2,062)	(2,062)	(2,062)
Net after expenses & New Build contribution	475	475	475	475	475	475	475	475	475	475
General Fund:										
Overage/covenants/licences/loan repayments	370	370	370	250	250	250	250	250	250	250
Patcham Court Farm	300	2,700								
Falmer released land & hotel land	tbc	Tbc	tbc							
Preston Barracks		5,150								
Kings House	960	8,640								
Other Workstyles Buildings	1,515									
Stanmer Park properties	3,720	1,000	1,000							
Less set aside for loss of rent, fees & liabilities	(686)	(1,896)	(250)	0	0	0	0	0	0	0
Net General Receipts	**6,654**	**16,439**	**1,595**	**725**	**725**	**725**	**725**	**725**	**725**	**725**
Use of Capital Receipts	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General Fund Receipts balance b/fwd	5,113	0	8,270	6,065	3,040	2,015	990	(35)	(1,060)	(2,085)
Capital Receipts	6,654	16,439	1,595	725	725	725	725	725	725	725
Planned programmes - SIF	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Planned programmes - AMF	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Planned programmes - ICT	(2,000)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)
Planned contributions to Brighton Centre redevelopment reserve	0	(2,750)								
King Alfred Reserve	0	(689)								
Ringfenced for Workstyles	(8,517)	(1,550)								
Ringfenced regeneration projects (net Preston Barracks receipt and Stanmer)		(1,430)	(2,050)	(2,000)						
Net balance (assuming receipts delivered)	**0**	**8,270**	**6,065**	**3,040**	**2,015**	**990**	**(35)**	**(1,060)**	**(2,085)**	**(3,110)**

Other capital receipts that may potentially be received in the future include Kensington Street sites, the Cliff at Roedean, Imperial Arcade & Industrial House, Conway Street, Montague Place and Hangleton Bottom. The above receipts exclude those associated with Brighton & Hove Seaside Community Homes, education related land and buildings and receipts associated with funding the Brighton waterfront project which are ring-fenced specifically for that project.

Business Rate Revaluation

A national 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, it is unclear how appeals will be treated so new provisions for potential successful appeals on the 2017 list have been made in the forecast. Further analysis needs to be undertaken regarding the major redevelopment of the Royal Sussex County Hospital (known as 3T's) 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.

Sensitivity of the Projections

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, for example, 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 £0.3m 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.

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