

<b>Subject:</b>	<b>Budget Update and Draft 4 - Year Budget Proposals 2016/17 to 2019/20</b>		
<b>Date of Meeting:</b>	<b>3 December 2015</b>		
<b>Report of:</b>	<b>Interim Executive Director Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Nigel Manvell</b>	<b>Tel: 01273 293104</b>
		<b>James Hengeveld</b>	<b>01273 291242</b>
	<b>Email:</b>	<a href="mailto:nigel.manvell@brighton-hove.gov.uk">nigel.manvell@brighton-hove.gov.uk</a>	
		<a href="mailto:james.hengeveld@brighton-hove.gov.uk">james.hengeveld@brighton-hove.gov.uk</a>	
<b>Ward(s) affected:</b>	<b>All</b>		

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 needed to support the 4 year service and financial plans was still subject to final verification and assessment of impacts.

## **FOR GENERAL RELEASE**

### **1. PURPOSE OF REPORT AND POLICY CONTEXT:**

- 1.1 The July Policy & Resources Committee considered a report setting out predicted budget gaps over the next 4 years based on the government's projected spending targets that aim to address the public sector deficit. Budget gaps of £68 million, based on a 1.99% annual council tax increase, or £77 million based on annual council tax freezes were predicted for the 4-year period 2016/17 to 2019/20. The primary drivers of the predicted gaps are reducing government grant support, projected growth in service demands (mainly social care), and cost increases (inflation).
- 1.2 The profile of the budget gaps over each of the next 4 years will not be known until the Local Government Financial Settlement is received in mid to late December. To provide a planning guide for the budget setting process a prudent approach was adopted which assumed that government spending reductions would be greater at first and then lessen over the next Comprehensive Spending Review period. For 2016/17, a budget gap of £25 million was advised for planning purposes, based on a 1.99% council tax increase, or £27 million for a council tax freeze. The Policy & Resources Committee instructed officers to develop proposals based on both council tax options.
- 1.3 Due to the financial challenge facing the local authority over the medium term, the July budget report also recommended that the move to a longer term budget planning framework would be essential in order to manage the situation effectively. The Committee agreed that 4 Year Service & Financial Plan proposals should be drawn up for consideration at the December and February meetings.

- 1.4 This report sets out draft 4 Year Service & Financial Plans that include detailed savings for 2016/17 and summary savings totals for the remaining 3 years to 2019/20. Proposals are presented in this way as although savings over the 4 year period can reasonably be assessed, the exact profile and timing of savings in later years may fluctuate.
- 1.5 The proposals contain savings that were drawn up after considering a wide range of options as set out in the July report, including:
- Whether or not the council should be providing a service in the short or medium term, particularly if it is not statutory, is above statutory minimum levels or could be provided in another way without council funding;
  - If it is assessed that the service will need to continue to be provided and funded by the council, exploring the best and most affordable way to provide the service in the longer term;
  - The need to modernise services relative to best practice, leading research or changing industry standards. This includes many services that are already under review - for example Disability and Special Educational Needs services (the SEND review) and Adult Social Care (through the Better Care Fund programme);
  - Looking at the possibility of services operating on a different basis e.g. in a shared service or in a new partnership, or on a more commercial/trading basis.
- 1.6 Where essential services are recommended to be retained in-house, normally because there is no suitable or viable available alternative provision, services have been fully reviewed to consider whether savings are possible from:
- Improved and effective 'demand management'. This is really a form of service redesign that is specifically aimed at preventing and/or managing demands for high impact areas such as social care;
  - Redesigning the service for efficiency, including undertaking Business Process Improvement, to improve value for money particularly where services benchmark as high cost;
  - Modernising the service, e.g. through digital services;
  - Reviewing management spans & accountability (MSA) and staffing structures;
  - For some services, exploring new partnerships and co-designed services with greater integration (e.g. Adult Social Care and Health through the Better Care programme).
- 1.7 For other service areas, there is a potential opportunity to move toward self-financing or to consider an Alternative Delivery Model, usually because there is already a well-developed domain of alternative providers or there is a potential trading (income) opportunity. For these services, a more 'commercial approach'

may be appropriate but must be within the context of delivering and/or supporting public services. Options considered included:

- Income generation through benchmarking fees & charges and increasing them where this is sensible or offering existing or differential levels of service to other customers, organisations or service users;
- Creating new sources of income through new fees and charges including pursuing an Alternative Delivery Model (ADM) in order to do so;
- Alternative Delivery Models (ADM's) where a compelling case can be made and services would be provided at lower cost either through sharing the cost base (i.e. economies of scale), generating additional income or funding, or because there is already a competitive marketplace for provision. These can arise from available local opportunities, business case proposals, discussions with city partners, or other reasons. ADM's could include:
  - A local authority trading company (LATC);
  - A Shared Service with one or more local authorities;
  - Outsourcing;
  - A Social Enterprise;
  - Creation of a Mutual or Trust status entity;
  - Public Sector Partnerships or joint venture models.

1.8 For all services, invest-to-save remains an option whereby investment in service change can bring about greater savings in order to i) pay back the investment and ii) provide additional savings towards meeting the budget gap.

1.9 The feedback from further consultation and engagement following publication of these draft proposals will be used to adapt and improve the proposals which will be re-submitted to Policy & Resources Committee on 11 February 2016 prior to a final decision by Budget Council on 25 February 2016.

## **2. RECOMMENDATIONS:**

That the Policy & Resources Committee:

2.1 Notes the updated forecasts for resources and expenditure for 2016/17 and an estimated budget savings requirement for 2016/17 based on two 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 draft proposals for savings in 2016/17 towards meeting a budget gap based on a council tax increase of 1.99% or a council tax freeze.

2.4 Notes the 4 year Service & Financial Plans and projected 4-year draft savings proposals at Appendices 1 and 2.

- 2.5 Directs that all of the draft savings proposals identified at Appendices 1 and 2 be subject to further consultation and engagement, meeting statutory requirements where required.
- 2.6 Notes the indicative allocations of one-off resources for 2016/17 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 3.27 to 3.30.
- 2.8 Notes the Capital Investment Programme update set out in paragraphs 3.31 to 3.33.

### **3. CONTEXT/ BACKGROUND INFORMATION**

#### **Resources and Local Government Finance Settlement for 2016/17**

- 3.1 The Chancellor of the Exchequer is due to make a combined statement on the Spending Review and Autumn Statement on the 25 November 2015. This statement will set out the government's spending plans over the course of the Parliament and will include departmental spending over the 4 years to 2019/20. The information will be at a national level and reflect policy changes but will not provide specific details on the local government finance settlement which is due to be announced later in December.
- 3.2 A key announcement has been made by the Chancellor of the Exchequer that local authorities will retain 100% of their business rates by 2020 and it is anticipated further details on this announcement will be included with the Spending Review.
- 3.3 The government has yet to make an announcement on the threshold above which an increase in council tax requires confirmation from a local referendum. The current assumption is 2% in line with the threshold in 2015/16. In addition, no announcements have been made on any freeze grant funding that could be available to incentivise local authorities to freeze their council tax. In 2015/16 freeze grant was available equivalent to a 1% increase in Council Tax.
- 3.4 In July 2015 the Budget Planning and Resource Update report to this committee included a number of assumptions for changes to the Revenue Support Grant and other specific grants and these assumptions have not been amended further but will be revised once the local government finance settlement is known. However the New Homes Bonus for 2016/17 is expected to be £1.177m which is £0.577m above the assumed £0.600m, mainly driven by the increased number of new properties across the city and the continued focus on bringing back into use long term empty properties in the city. These additional resources will be held as contingency/risk provision until the local government finance settlement is known.
- 3.5 The estimated council tax base has increased above the level assumed in the budget projections reported to this committee in July as a result of higher than forecast new properties and reduced discounts. This increase is estimated to provide the council with additional ongoing council tax income from 2016/17 of

£1.020m based on the current level of council tax. The increase does not take into account the proposed changes to the Council Tax Reduction scheme included elsewhere on this agenda. In addition to the ongoing resources, the council tax collection fund is now estimated to have a total surplus of £1.825m for the council by 31 March 2016 and this will provide one-off resources in 2016/17.

- 3.6 The estimated business rates base has decreased against the level assumed in the budget projections in July as a result of the recognition of a greater financial impact of appeals and the 2016/17 business rates increase being set at 0.8% (based on September RPI) which is lower than previously forecast. This decrease is estimated to result in a reduction in ongoing business rates income from 2016/17 of £0.976m. In addition to the ongoing income reduction, the business rates collection fund is now estimated to have a total deficit of £0.853m for the council by 31 March 2016 and this will be a one-off pressure in 2016/17.
- 3.7 The net impact of one-off resources for council tax and business rates income in 2016/17 is a surplus of £0.972m. The ongoing change in recurrent resources from council tax and business rates income from 2016/17 is expected to provide an additional £0.044m for the council and this will be held as contingency/risk provision. The final estimates for 2016/17 will be detailed in separate reports to be agreed by this committee in January 2016.

#### **Latest Position 2015/16**

- 3.8 The Month 7 Targeted Budget Management (TBM) report elsewhere on the agenda shows a projected overspending of £1.111m on council controlled budgets and projected overspending of £0.542m on the council's share of NHS controlled s75 partnership services giving a total overspend of £1.653m. The overall overspend shows substantial improvement since Month 6 as presented to the Committee in November. The mitigating actions to reduce the overspend further are included in the TBM report.
- 3.9 Resources need to be set aside to cover this overspend to avoid impacting on the 2016/17 position if breakeven cannot be achieved by the year-end and Table 1 in the reserves section shows what impact this may have. There is a £1.622m of as yet unallocated risk provision that could be used to mitigate this overspend if necessary. Preliminary consideration of the impact of the in-year overspend on the service pressures requirements for 2016/17 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**

- 3.10 The working balance needs to be maintained at a minimum of £9m over the next 4 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 or curtail service provision in a damaging and arbitrary way. The assumptions and risks will be formally reviewed in February 2016 as part of the final budget proposals.

- 3.11 The following table shows the projected general reserves position to 31 March 2017 assuming spending is in line with the latest projections for 2015/16 shown in the TBM Month 7 report.

<b>Table 1 - General Reserves</b>	
	<b>£m</b>
<b>General reserves</b>	<b>0.360</b>
One off contribution to pension fund as set out in the triennial review	-0.249
<b>Unallocated general reserves</b>	<b>0.111</b>
Estimated council tax collection fund 2015/16 surplus	1.825
Estimated business rates retention collection fund 2015/16 deficit	-0.853
Release backdated business rates refunds for Brighton Centre and business rates creditor provision against the business rates deficit	0.373
<b>Total Resources</b>	<b>1.456</b>
TBM Month 7 forecast overspend (incl. share of NHS S75 services)	-1.653
Estimated unused 2015/16 risk provision	1.622
<b>Resources available to support 4- year service and financial plans</b>	<b>1.425</b>

- 3.12 The table above includes the following commitments: -

- The East Sussex Pension Fund triennial review included the need for a one off payment of £0.249m in 2016/17 in addition to the changes to the employer's contribution rate.
- The Month 7 forecast overspend of £1.653m will need to be financed from one off resources. However there is an unused 2015/16 risk provision of £1.622m could be released to offset this if necessary.
- The 4-year service & financial plans include the need for investment to support the delivery of savings and the estimated one-off resources of £1.425m will be earmarked to support this. However, all investment demands will require fully developed business cases to be approved by the Corporate Modernisation Delivery Board (CMDDB).

- 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 standard 2% increase in fees and charges. 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 committees as follows:

<b>Fees &amp; Charges Area</b>	<b>Meeting</b>	<b>Date</b>
Private Sector Housing – HMO Licensing	Housing & New Homes Committee	17/6/2015
Royal Pavilion and Museums	Economic Development & Culture Committee	12/11/2015
Licensing and Enforcement	Licensing Committee	19/11/2015
Life Events	Policy & Resources Committee	3/12/2015
Children & Young People	Children, Young People & Skills Committee	11/1/2016
Housing Revenue Account	Housing & New Homes Committee	13/1/2016
Venues	Economic Development & Culture Committee	14/1/2016
Libraries	Economic Development & Culture Committee	14/1/2016
Seafront and Outdoor Events	Economic Development & Culture Committee	14/1/2016
Parking and Highways	Environment, Transport & Sustainability Committee	19/1/2016
Environmental Health, Trading Standards, Planning and City Parks	Environment, Transport & Sustainability Committee	19/1/2016
Adult Social Care Non-residential care services	Health & Wellbeing Board	2/2/2016

- 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.

## Cost, Income and Demand Pressures

- 3.16 The budget projections include £5.000m for service pressures and £1.150m for unringfenced grants pressures in 2016/17. The July budget update report included indicative allocations of the 2016/17 service pressure funding however these need to be revised to take account of the underlying pressures experienced in the current financial year, in particular for Adults and Children's social care and homelessness. Currently the 2016/17 budget includes £4.500m of risk provisions including the additional recurrent resources set out in

paragraph 3.4 and 3.7. The ongoing service pressures are currently projected to exceed the £5.000m assumption and therefore consideration needs to be given to the balance between risks provisions held corporately and setting robust service budgets.

- 3.17 The final treatment of pressure funding and risk provisions will be included in the budget report to this committee in February when the overall resource position is known including the TBM month 9 2015/16 position.
- 3.18 The government has announced changes to employers' National Insurance contributions including removing the contracted out rate for defined benefit pensions. This change will increase the council's General Fund employer contributions by £1.80m, schools by up to £1.75m and the Housing Revenue Account by £0.10m. At this time, there is no information regarding whether or not local authorities will be compensated for this additional cost.

### **Budget Savings Requirement**

- 3.19 The Medium Term Financial Strategy identifies a projected £68m budget gap over the next 4 years assuming a 2% council tax increase, or £77m assuming a council tax freeze. These projections are subject to change once the local government finance settlement is known. The July Budget report to this committee set out the uncertainties in the profile of the budget gap over the next 4 years and instructed the Executive Leadership Team to plan on the basis of a £25m budget gap in 2016/17 assuming a 1.99% council tax increase, and develop 4 year service and financial plans for the period 2016/17 to 2019/20. The additional savings required to deliver a council tax freeze compared to a 1.99% council tax increase in 2016/17 is £2.2m.

### **4-Year Service & Financial Plans**

- 3.20 The 4-year Service & Financial Plans at Appendix 2 include proposals for each directorate with an accompanying 4-Year Budget Strategy statement. The total General Fund savings identified in the draft proposals and the remaining potential budget gaps are outlined below:

<b>Council Tax Option</b>	<b>2016/17 Savings Proposals</b>	<b>Remaining Potential 2016/17 Budget Gap</b>	<b>3-Year Savings Proposals 2017/18 to 2019/20</b>	<b>Remaining Potential 4-Year Budget Gap</b>
Council Tax increase at 1.99%	£20.3m	£4.7m	£40.2m	£7.5m
Council Tax freeze	£20.3m	£6.9m	£40.2m	£16.5m

The 4-Year Service & Financial Plans provide the following information for each service heading:

- Service Area name (and description);



- Gross Budget i.e. the total expenditure for the service including staffing, transport and premises related costs, supplies and services, contract or provider costs, grants and other transfer payments;
- Net Budget i.e. the Gross Budget less any income from fees and charges, specific government grants, rents, or external/partner funding (e.g. health service funding);
- Budget FTE i.e. the Full Time Equivalent (FTE) staffing budget for delivering the service;
- Stop (Funding) % – indicates the percentage of the proposed service strategy and saving (if any) that relates to withdrawing the funding or part thereof from a service;
- Retain & Redesign % - indicates the percentage of the proposed service strategy and saving (if any) that will be achieved through redesign of the current service;
- ‘Commercial’ Approach % - indicates the percentage of the proposed service strategy and saving (if any) that will be achieved through measures to either generate more income, renegotiate supplier or provider contracts, or develop an Alternative Delivery Model such as a shared service, new Trust, or through outsourcing;
- Rationale for Strategy – provides a description of the service’s main objectives and the approach taken to improving value for money or reducing cost over the 4-year period;
- Service & Financial Proposal – a brief description of the measures that will be undertaken to achieve savings over the 4 years;
- Parameters to succeed / Success Factors – a brief description of conditions or factors that need to be satisfied in order for delivery of the proposal to be successful;
- Delivery Risk – identification of potential risks to delivery and/or the level of saving achievable;
- Saving 2016/17 – proposed amount to be saved in 2016/17;
- Savings 2017/18 to 2019/20 – proposed amount to be saved over the remaining 3 years from 2017/18 to 2019/20;
- Impact on Outcomes – a summary of the potential impact of the service strategy and any associated savings proposals on outcomes for customers, service users, clients, partners and other stakeholders as appropriate.

### **Staffing Implications**

3.21 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 2016/17, 230 to 260 posts may be removed from the council’s staffing structure as a result of the savings proposals set out in Appendix 2. However, actual numbers will be dependent on the detailed options proposed and on the results of formal consultation where required. Some of these posts are already vacant and some will become vacant through normal turnover.

- 3.22 The 4-year integrated service and financial plans provide further information about reductions in posts up to 2020 and currently indicate that approximately 540 posts will be removed from the staffing structure. This figure is likely to increase as service plans become clearer for subsequent years. This information will be used to plan for reductions in the workforce to mitigate the impact on staff and focus redeployment, outplacement and voluntary severance activity. In addition the transfer of some services to alternative models of delivery will result in the TUPE transfer of some staff to other organisations. Discussions regarding potential TUPE transfers will continue both this year and in future years as proposals become clearer.
- 3.23 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;
  - An offer of online outplacement support across the organisation to ensure staff are supported in applying for new and different opportunities both within and outside the council;
  - Controlling recruitment and ensuring there is a clear business case for any recruitment activity;
  - Managing redeployment at a corporate level and maximising the opportunities for movement across the organisation;
  - Limiting the use of temporary or agency resources through the financial controls currently in place.
- 3.24 These measures will continue as work with trades unions and colleagues continues on the detailed staffing implications.
- 3.25 Every effort will be made to reduce the impact of the proposals by offering voluntary severance where appropriate to staff in service areas affected by budget proposals on a case by case basis. This targeted voluntary approach to releasing staff in areas undergoing change will be managed to support service redesigns, whilst ensuring that the organisation retains the skills that will be needed into the future.
- 3.26 The council has adopted organisation design principles for management structures which identify an optimal model across the organisation of a maximum of 6 layers of management (from Chief Executive to front line) with an average of 6 direct reports (there could be more, but only less in exceptional circumstances). These principles, referred to as Management Spans & Accountability (MSA), ensure that there is clarity of decision making accountability and that efficiencies are made through de-layering where appropriate. Therefore management levels and numbers are being reviewed where structures are being reviewed, with the expectation that they will reflect the design principles agreed. More detail on identified management savings as part of 2016/17 budget will be provided in the February report as the outcome of reviews becomes clearer.

### **Housing Revenue Account (HRA)**

- 3.27 The Housing Revenue Account (HRA) is a ring-fenced account which covers the management and maintenance of council owned housing stock. This 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. Although the HRA is not subject to the same funding constraints as the General Fund it still follows the principles of value for money and equally seeks to drive out inefficiencies and achieve cost economies wherever possible. Benchmarking of both service quality and cost with comparator organisations is used extensively to identify opportunities for better efficiency and service delivery.

- 3.28 The HRA Budget aims to balance the priorities of both the council and housing residents within the context of the Housing Strategy 2015, and the Corporate Plan 2015-2019 which sets out the overall direction for the council over the next four years. The 2016/17 budget includes savings proposals of £1.201m which include a number of efficiencies, reductions in responsive repairs expenditure and additional income.
- 3.29 Rents will continue to be calculated in accordance with government's rent guidance. However this is changing; The Welfare Reform and Work Bill 2015/16, which is expected to become legislation in 2016, proposes that all social rents should be reduced by 1% per annum for the next 4 years (2016/17 to 2019/20).
- 3.30 The HRA Budget & Investment Programme 2016/17 and the Medium Term Financial Strategy (MTFS), will be reported separately to Housing & New Homes Committee in January 2016, and Policy & Resources Committee and Council in February 2016.

### **Capital Programme**

- 3.31 A 10-year capital programme has been developed and included in the MTFS. A detailed Capital Investment Programme will be presented to Policy & Resources Committee in February prioritising the resources available to the council given the risks associated with delivering the planned high level of receipts. The programme will be a fully funded capital investment programme. The capital strategy identifies longer term capital investment plans as well as a funding strategy and the potential outcomes for each investment plan. This strategy includes major investment requirements such as new pupil places, investment in the seafront infrastructure and partnership investment through major projects such as Brighton Waterfront and the i360 project. The strategy also includes Heritage Lottery Fund bids such as the Stanmer Park Master Plan, Royal Pavilion Estates Regeneration and the Volks Railway. Successful bids for government funding through the City Deal will support the development of New England House, Circus Street, Preston Barracks and Valley Gardens.
- 3.32 The projected capital programme and resources for the next 10 years are included in the table in Appendix 3. Investment in ICT had increased from £0.5m per year to £2.0m over the 3 year period for 2016/17 to 2018/19 with future years reverting back to £0.5m. This element has been revised to £2.0m per year for the next 3 years to support the Customer First in a Digital Age programme. Grant funding is provided to the council as a Single Capital Pot and with the exception of Devolved Schools Capital Grant can be prioritised as the council sees fit. Unringfenced government grants for education, transport, health and housing are projected to be £24.7m in 2016/17 but are subject to confirmation from the Government in December 2015. Indicative education new pupil places

and education maintenance grants have been announced up to 2017/18 and total £33.9m for the next two years. Allocations for the Local Transport Fund (LTP) have been announced for the next two years of £5.5m in 2016/17 and £5.4m in 2017/18. Further indicative LTP announcements of £5.2m pa have been announced up to 2020/21.

- 3.33 Capital receipts support the Capital Investment Programme and include receipts from the disposal of Kings House, Patcham Court Farm, 251-253 Preston Road, Preston Barracks, the land at the Cliff and a number of non-core rural assets to support the Stanmer Park redevelopment project. Receipts associated with Workstyles Phase 3 such as the disposal of Kings House are ringfenced to support that project and help deliver future efficiency savings with any surplus receipt released to support corporate priorities. The Capital programme included in appendix 3 currently has a funding gap of £3.090m in 2016/17 however a fully funded capital programme will be presented to this committee in February.
- 3.34 The implementation of the 4 year Service & Financial Plans requires investment and any surplus receipts will be earmarked to support this corporate priority. The investment in Customer First in a Digital Age will help underpin service changes, but in addition service plans have identified specific investment requirements over the 4 year period. Services will be required to bring forward detailed business plans including all project management and related costs, identify outcomes and risks to support any investment decisions before any funding is allocated. The scale of staffing changes will mean the council's Restructure & Redundancy Reserve will also need funding over the 4 years to support change in addition to the service specific investments.
- 3.35 At this stage, the estimated total one-off resources required over the 4 years is £18.0m and is anticipated to be funded from a combination of any release of reserves including those set out in paragraph 3.12 and capital receipts. The resources required in 2016/17 will be set out in the budget report to this committee in February 2016.

### Timetable

- 3.36 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.

<b>Date</b>	<b>Meeting</b>	<b>Papers / Activities</b>
25 Nov 2015		Spending Review and Autumn Statement
Late Dec 2015		Provisional Local Government Finance Settlement
13 Jan 2016	Housing and New Homes Committee	Housing Revenue Account Budget and Capital Programme
21 Jan 2016	Policy & Resources	Taxbase report and Business Rates retention forecast

<b>Table 3 - Remaining 2016/17 Budget Timetable</b>		
<b>Date</b>	<b>Meeting</b>	<b>Papers / Activities</b>
11 Feb 2016	Policy & Resources	Month 9 Forecast of 2015/16 budget position General Fund Revenue Budget 2016/17 and 4 Year Budget Strategy Housing Revenue Account Budget and Capital Programme Capital Investment Programme
25 Feb 2016	Budget Council	

#### **4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 4.1 The budget process allows all parties to engage in the examination of budget proposals and put forward viable alternative budget and council tax proposals to Budget Council on 25 February 2016. 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 over the medium term to 2019/20 has necessarily required the development of saving and cost reduction proposals that have 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 also financial planning over the medium term.
- 5.2 General information and advice about the council's budget will be provided through the council's web site and via a refreshed 'Budget Animation' available on Youtube™ 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 online social media inviting residents and stakeholders to give us their views and ideas on Twitter via **#BHBudget**. Social media will be a key, low cost, mechanism for engaging with residents for this budget round. Key proposals from the 4 year budget strategies will be publicised and question and comment invited from residents immediately following their publication over the period leading to the February Policy & Resources Committee meeting. A summary of responses will be provided to all political groups through the Budget Review Group and appended to the February budget report.

Other consultation and engagement processes are as follows:

- 5.3 Key performance and comparative data covering the whole of the council's budget has been made available to the cross-party Budget Review Group alongside the developing 4 year budget strategies and proposals. The intention being to provide members with a 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.

- 5.4 Various other events including meetings with the Older Peoples Council and a Youth Council event are planned in and information is being shared with Strategic Partners and community groups to invite feedback.
- 5.5 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, will therefore ensure that information is shared across the sector to assess and mitigate adverse cumulative impacts 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.
- 5.6 There are ongoing briefings and discussions with the Economic Partnership and a broader event for the business sector could be scheduled in January 2016 including the required formal consultation with business ratepayers. The focus will be on the developing devolution agenda, city regeneration, economic growth, employment and apprenticeship strategies.
- 5.7 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 the council's intranet. Formal consultation with Staff and Unions will be undertaken as normal including Departmental Consultative Group (DCG) meetings in November and early December 2015 followed by appropriate consultation with directly affected staff.
- 5.8 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.
- 5.9 Costs are expected to be well within the sum estimated in the Budget Update report to the July 2015 committee (£10,000), for which there is existing budget provision.

### **Schools**

- 5.10 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.
- 5.11 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 Schools Block 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.

- 5.12 Annual budget shares will be presented to the 18 January 2016 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**

- 5.13 A budget communication will be sent to Tenant Representatives in January 2016 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 11 March each year. This report sets out the latest budget assumptions, process and timetable to meet the statutory duty. Proposals cover a 4 year period, however, only proposals for 2016/17 and associated council tax decisions require formal approval. Proposals for later years will be for noting.

### **7. FINANCIAL & OTHER IMPLICATIONS:**

#### Financial Implications:

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

*Finance Officer Consulted: James Hengeveld Date: 25/11/15*

#### Legal Implications:

- 7.2 Policy & Resources Committee has the necessary authority to make the recommendations set out in paragraph 2 of this report as part of its function of formulating budget proposals for subsequent consideration and adoption by Full Council.
- 7.3 Recommendation 2.5 reflects the council's duties to consult interested parties in relation to the draft savings proposals set out in the report.

*Lawyer Consulted: Elizabeth Culbert*

*Date: 25/11/15*

#### 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) and actions to mitigate these negative impacts or promote positive impacts. This is a key part of meeting the requirements of the Act and demonstrating that we are doing so. In law, the potential impacts identified, and how far proposed actions mitigate them, must be given due regard by decision-makers at each stage of the budget-setting process.
- 7.5 All proposals with a potential equalities impact in 2016/17 have had an EIA completed (provided in Members' rooms and on-line), and this is cross-

referenced within the savings proposals. Staffing EIAs will be completed alongside the formal consultation process on proposed staffing changes and feedback will be provided in the February report.

- 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 will be set for 2016/17 and included in the budget report to this committee in February 2016. This will show the level of spend on energy and the estimated carbon emissions across each carbon budget area and includes a planned 4% reduction.

#### Any Other Significant Implications:

#### Risk and Opportunity Management Implications:

- 7.8 The budget proposals currently include recurrent risk provisions of £4.5m set against the uncertainty of the local government finance settlement and the councils ongoing service pressures. This will need to be reviewed again in the light of 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. Council budget strategy and direction of travel
2. Service 4-Year Budget Strategies and 4-Year Service & Financial Plans
3. Summary 10 year Capital Programme

### **Documents in Members' Rooms**

4. Budget Equality Impact Assessment Screening Documents (also available online)

### **Background Documents**

1. Budget files held within Finance
2. Consultation papers
3. Spending Review

