

Subject:	Draft Revenue Budget and Capital Investment Proposals 2018/19		
Date of Meeting:	30 November 2017		
Report of:	Executive Director Finance & Resources		
Contact Officer:	Name:	Nigel Manvell	Tel: 01273 293104
		James Hengeveld	01273 291242
	Email:	nigel.manvell@brighton-hove.gov.uk	
		james.hengeveld@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report presents the draft revenue and capital budget proposals for the third year of the 4-year planning framework introduced in 2016/17 and which is aligned with the current central government spending review period and 4-year funding deal.
- 1.2 The budget proposals are still in development and therefore the aim of this report is to provide early sight of emerging proposals to enable consultation, discussion and debate in the lead up to the Budget Council in February 2018 where the final proposals will be considered by the Full Council. The proposals are based on the planning assumption of a 1.99% Council Tax increase and an additional 3% increase for the Adult Social Care precept. At this stage, the draft proposals indicate that:
- Service Pressure funding of £13.598m will be required to support increased demands and costs, primarily across adults and children's social care;
 - Savings and efficiencies, including tax base savings, totalling £12.100m have been identified to contribute to the Service Pressure funding above;
 - Including other net funding changes, there is a remaining budget gap of approximately £1.262m to be addressed to achieve a balanced budget package;
 - There are significant capital investment resources available to support investments focused on priorities for the city.
- 1.3 In 2015 the council developed 4-year plans, referred to as Integrated Service & Financial Plans (ISFPs), covering the period 2016/17 to 2019/20. These are not currently being rolled-forward beyond 2019/20 because the system and national distribution of local government funding is currently uncertain beyond that point. Some scenario planning and financial modelling is however under way, as it is vital that this longer-term financial planning continues.

- 1.4 The 4-year ISFPs are refreshed annually to ensure that they take into account a number of factors including:
- Changes, up or down, in resource and funding assumptions, estimates and announcements;
 - Changes in demography or demand predictions, particularly for social care, based on current trends and experience;
 - Changes in the cost of services compared with initial pay and inflation assumptions.

Any or all of these can increase (or decrease) the calculation of the budget gap each year and therefore the level of savings and efficiencies required to balance the budget.

- 1.5 The Comprehensive Spending Review (CSR) 2015 confirmed the continuation of deficit reduction measures up to 2019/20 and indicated that Revenue Support Grant (RSG) for this council will reduce from £46.097m to £6.523m over the 4 year period 2016/17 to 2019/20; a reduction of £39.574m. The RSG reduction in 2018/19 is £7.474m. This is a key element of the council's budget gap over the period alongside growing costs and demands.
- 1.6 Although the council has elected to apply for the government's '4 year deal', this does not mean that the council's financial position is completely stable as there are other grants and funding that can change. For example, last year saw the removal of the remainder of the Education Services Grant worth £2.895m. There was also a major revaluation of non-domestic rateable values affecting the Business Rate tax base and yield. The effect of this revaluation and changes to various associated reliefs is difficult to estimate with accuracy, so affecting forward planning.
- 1.7 This report provides draft proposals to meet the estimated savings requirement of £13.362m in 2018/19 along with outline proposals for 2019/20. As before, proposals also identify investment requirements in order to achieve the proposed savings, as well as deliver priority improvements; these will be supported by one-off resources subject to the approval of business cases.
- 1.8 It should be noted that the draft proposals do not meet the budget gap in full and there is a shortfall of £1.262m for which further options are being considered as set out in paragraph 5.4.
- 1.9 The feedback from further consultation and engagement following publication of these draft proposals will be used to adapt the proposals which will be re-submitted to Policy, Resources & Growth Committee on 8 February 2018 prior to a final decision by Budget Council on 22 February 2018.
- 1.10 Further information from the government's Autumn Budget, scheduled for the week before this Committee, and the subsequent Local Government Finance Settlement, may also affect the proposals.

2. RECOMMENDATIONS:

That the Policy, Resources & Growth Committee:

- 2.1 Notes the updated forecasts for resources and expenditure and an estimated budget gap for 2018/19 based on a 1.99% Council Tax increase and an additional 3% Adult Social Care precept.
- 2.2 Note the Budget, Investment & Efficiency Strategy approach to meeting the financial challenge next year and over the life of this parliament.
- 2.3 Notes the refreshed 4 year Integrated Service & Financial Plans (ISFPs) including detailed draft proposals for savings in 2018/19 toward meeting the identified budget gap.
- 2.4 Directs that all of the draft savings proposals identified at Appendix 2 be subject to further consultation and engagement with relevant stakeholders and across the council, meeting statutory consultation requirements where required.
- 2.5 Notes the update on the HRA budget set out in paragraph 6.4 to 6.7.
- 2.6 Notes the Capital Investment Programme update set out in paragraphs 4.10 to 4.16.
- 2.7 Receive and note the Equality Impact Assessments undertaken in relation to the draft budget proposals.
- 2.8 Notes that subsequent decisions and information from central government may impact on the proposals in this report.

3. RESOURCES AND LOCAL GOVERNMENT FINANCE SETTLEMENT FOR 2018/19 AND THE 4 YEAR OFFER

Local Government Finance Settlement and Tax base Forecasts

- 3.1 As part of the provisional local government finance settlement (LGFS) announced on the 17 December 2015, the Secretary of State for Communities and Local Government announced a 4-year funding offer for local authorities for the period 2016/17 to 2019/20. The settlement provided indicative resources over the period and the offer is to provide these resources as minimum funding levels, however, the government has stated it could amend the offer depending on the national financial position as well as changes to responsibilities of local authorities. The allocations of funding for 2016/17 and 2017/18 were in line with the 4 year deal and financial projections are based on the indicative allocations for the remaining two years. The provisional LGFS for 2018/19 is due to be announced in early December 2017.
- 3.2 A major element of the settlement is the assumed resources the council will retain from its 49% share of local Business Rates income. Business Rates were revalued from 2017 for the first time since 2010 and the new rating list applies from 1 April 2017. The revaluation is fiscally neutral nationally but caused significant distributional change among local authorities which was dealt with by changes to the top-up and tariffs mechanism. This adjustment was based on the draft 2017 list and will be updated to account for the final compiled list as at 1 April 2017. A number of high value rateable values reduced significantly between the draft and final list and the council expects the tariff payment to reduce by £0.4m to £1.1m although the loss of business rates income from changes to the

rating list exceed this gain in 2017/18. Overall, a deficit of £0.644m is projected for 2017/18.

- 3.3 The government has not included the introduction of 100% retained business rates in its parliamentary agenda for the next 2 years, however local authorities were invited to pilot 100% retention of business rates in 2018/19 but only as part of a pooling arrangement. As the council had no existing plans to be part of a pooling arrangement, having identified no local partners for whom the potential benefits of pooling would align, the council has not applied to be a pilot authority.
- 3.4 In September the government published a consultation on the 2018/19 LGFS. This was a technical consultation covering council tax referendum principles (unchanged) and proposals to make further changes to the new homes bonus scheme. The outcome of this consultation is still awaited and is expected alongside the provisional LGFS.
- 3.5 The final Council Tax Base and Business Rates forecasts for 2018/19 will be presented in separate reports to this committee in January 2018. The current estimated council tax base assumes a net 1.4% increase in 2018/19. This is mainly from an increase in the ultimate collection rate highlighted in the July Budget report to this committee and the continued reduction in all ages of Council Tax Reduction claimants. Business Rates increase by the September Retail Price Index each year and this is 3.9% for 2018/19 as was assumed in the Medium Term Financial Strategy. The estimated business rates retained for 2018/19 remains unchanged at this stage.

Latest Position in 2017/18

- 3.6 Targeted Budget Management (TBM) is the council's system of budget monitoring and the TBM Month 7 report elsewhere on the agenda shows a projected overspend of £1.270m on the General Fund, which includes a projected overspend of £0.190m on the council's share of NHS controlled s75 partnership services. The overall overspend shows an improvement of £0.408m since Month 5 as presented to the Committee in October. The report highlights the need for mitigating actions across the council to reduce the overspend further.
- 3.7 Resources need to be set aside to cover this overspend to avoid impacting on the 2018/19 position if breakeven cannot be achieved by the year-end. Table 1 in the reserves and one-off funding section shows what impact this has on one-off resources at this time. The council has remaining risk provisions of £1.384m available to mitigate the position. Preliminary consideration of the impact of the in-year overspend on the service pressures requirements for 2017/18 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.
- 3.8 The council's share of the net surplus on the Council Tax and Business Rates collection funds is forecast to be £1.289m in 2017/18 and this will be available to support the 2018/19 budget.

Reserves Position and one-off funding

- 3.9 The working balance is recommended to continue at a minimum of £9m to meet general risks applicable to a unitary authority. However, the proposed change to managing financial risk set out in the July Budget report provides a financial risk safety net of £1.5m to replace recurrent risk provisions and therefore the planning assumption for 2018/19 is a working balance of £10.5m. There are no unallocated general reserves as these were either included as part of the budget set for 2017/18, or allocated in the TBM Month 2 report.
- 3.10 The following table identifies potential resources and liabilities that will need to be taken into account in setting the 2018/19 budget. This assumes that spending in 2017/18 is in line with the TBM Month 7 report projections included elsewhere on this agenda.

Table 1 – One-off resources, liabilities and potential allocations	£m
Revenue Budget position 2017/18 (TBM):	
Forecast outturn overspend reported for TBM month 7	-1.270
Less original 2017/18 risk provision	+1.500
Allocation of risk provision to fund care leavers council tax discount	-0.066
Allocation of risk provision for communal bin rounds	-0.050
Projected Net Position at year-end 2017/18	+0.114
In-year Collection Fund¹ position 2017/18:	
Brought forward 2016/17 additional council tax collection fund surplus	+0.882
Brought forward 2016/17 additional business rate collection fund deficit	-0.052
Estimated 2017/18 council tax collection fund surplus (Month 7)	+1.103
Estimated business rates retention collection fund 2017/18 deficit (Month 7)	-0.644
New Homes Bonus Returned funding 2018/19	TBC
Total Projected One-off Resources Available at start of 2018/19	+1.403
Potential One-off Allocations 2018/19:	
Creation of new one-off financial risk safety net for 2018/19	-1.500
Year 2 of Poverty Proofing the school day	-0.075
Earmark resources for 2019 local elections	-0.270
Welfare Reform support in 2018/19	-0.400
Delay of service savings in Revenues & Benefits from Universal Credit	-0.155
Potential planning appeals costs (Ovingdean)	-0.150
Delay of Public Health substance misuse savings until 2019/20	-0.350
Potential one off funding to support rough sleeping initiatives	-0.165
Additional one off costs in City Clean due to timing of bank holidays	-0.065
One-off funding to smooth the impact of teachers pay increase	-0.100
Current shortfall of one off resources	-1.827

¹ Collection Funds are separate accounts where taxation received from the Council Tax and Business Rates are allocated and compared to the expected tax yield for the year.

- 3.11 Table 1 shows an estimated shortfall in resources of £1.827m based on the current TBM and collection funds positions. This position will be updated for the February budget report. The main factors expected to affect the position are:
- The latest TBM position which will be updated for month 9 – any improvement to the current overspend forecast will reduce the one-off resources shortfall and vice versa;
 - Confirmation of any allocation of New Homes Bonus Returned funding for 2018/19 (£0.131m was received in 2017/18);
 - A comprehensive review of reserves and provisions which is undertaken annually as part of the budget process. Last year, the review of reserves released one-off funding of £0.593m to support the 2017/18 budget;
 - Further review of in-year Collection Fund (tax yield) performance. Any further improvement will reduce the shortfall and vice versa.

Fees and Charges

- 3.12 As agreed by this Committee in July, the budget assumes a standard 2% increase in fees and charges with the exception of penalty charge notices (parking fines) where the levels of fines are set by government and cannot be changed independently. Any proposals to increase charges over and above those assumptions will therefore contribute to closing the budget gap. Charges are agreed by the relevant service committees and the details of the relevant meetings are set out in Table 5 under the section on Community Engagement & Consultation.
- 3.13 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. Non-statutory increases above the standard rate of inflation and/or changes to concessions or subsidies are reported to and considered at the relevant service committee as noted above.
- 3.14 The reduction of central government funding over recent years effectively requires fee-earning services to move toward self-financing to ensure that other resources can be applied to meeting the growth in costs and demands on demand-led service areas such as social care. A blanket increase to all fees & charges is not appropriate but services have been tasked with exploring opportunities to increase income from fees and charges where this is reasonable and comparable. It should also be noted that, nationally, inflation is running ahead of the corporately applied rate of inflation.
- 3.15 In order to increase income from fees and charges in line with this objective, they must be reviewed in accordance with any regulations governing the service area. All services are following the approach below for reviewing fees and charges:
- Using benchmarking and/or other comparative information to assess where current fees and charges are set in relation to comparable services and, where lower, move (increase) toward the benchmark as far as practicable and reasonable;

- Understand demand elasticity by undertaking market research on what the market will bear before problems arise (e.g. reduction of service take-up);
 - Assess the potential impact of financial exclusion of people from services. For example, in order to achieve an increase without excluding groups of people, thresholds, means tests and/or concession policies may need to be considered;
 - Assess the potential for differential service offers, again, to avoid financially excluding groups of people from services. This might be similar to the current approach in Life Events where basic Welfare Funerals are offered at an affordable price whilst more comprehensive funeral services are offered at higher prices.
- 3.16 All fees and charges proposals will ultimately come forward to the relevant service committee for consideration. Where not agreed, the decision may be referred to Budget Council if the loss of the saving associated with the proposals would have a significant impact on the overall budget package.

Cost, Income and Demand Pressures

- 3.17 The July 2017 budget projections for 2018/19 included total service pressure funding of £11.879m comprising:
- £5.000m for council-wide service pressures (mainly social care);
 - £1.050m for unringfenced grant reductions;
 - £3.875m specifically for cost pressures in Adult Social Care and Learning Disabilities funded from resources expected to be raised through the Adult Social Care Precept; and
 - a further £1.954m Adult Social Care pressures funded from the improved Better Care Fund (iBCF) as part of the 4 year deal.
- 3.18 However, these assumptions have now been revised to take account of the underlying pressures experienced in the current financial year, in particular for Adults and Children's social care. The total cost, income and demand pressures above standard inflation are now estimated to be £13.598m, adding £1.719m to the predicted budget gap. This estimate will be further reviewed in light of TBM Month 9 budget monitoring, any outcome from national pay negotiations, and funding announcements from the Local Government Finance Settlement.

Table 2 – Draft Service Pressures identified for 2018/19		
Service Area	£m	Comment
Children's Social Care	3.116	To support increasing demand and costs of Looked After Children
Adults Learning Disabilities	2.512	To support increased costs in community care and sleep-in costs
Adult Social Care	0.913	Increased costs due to Living Wage increases
Adult Social Care	1.499	Changes in demand for physical, memory & cognition, and mental Health services
Adult social Care	1.098	Other pressures including reductions in income, and increasing costs of the Community Equipment Service
Public Health	0.651	Reduction in ringfenced grant and impact of one off savings in 2017/18

Business Rates	0.347	Increased business rates costs from revaluation and loss of transitional relief for council-owned car parks and corporate landlord buildings
Commercial rents	0.200	Underlying pressure on rental income as lease reviews and renewals have not kept up with inflation
Communal Refuse Collection	0.120	Full-year effect of additional posts to support meeting collection targets
Grounds Maintenance works to Cemeteries	0.100	Provide permanent funding to meet service requirement
Waste disposal (PFI)	0.125	Increased costs of contract from increased waste (increased properties)
Community Grants	0.208	As recommended in the July TBM Month 2 report to this committee
Trade Union Facilities time	0.050	Pressure recognising increased support for new delivery models (e.g. Orbis, Royal Pavilion & Museums, Learning Disability), impact of modernisation, and general level of organisational change and restructuring.
Bereavement Services	0.200	Reduction in income from cremation and burial fees
Members allowances	0.043	The recommendation of the Independent Remuneration Panel (IRP), if supported by this committee and full Council would mean that the 2017/18 saving on the costs of allowances cannot be met.
Software Maintenance	0.025	Ongoing maintenance costs supporting the iCase Information system
HR and Legal Services	0.091	Increased demand for services including supporting governance arrangements, alternative models of service delivery, and health and social care integration.
Pay settlement provision above 1%	1.250	Subject to national pay negotiations but considered to be a prudent estimate.
Reductions in unringfenced grants	1.050	Includes the loss of Education Services Grant (£0.863m) transitional funding.
Total Draft Pressures	13.598	
Resources as at July	11.879	
Increase since July	1.719	This increases the budget gap

3.19 It is also worth noting that other multi-year one-off funding will also be deployed to manage service pressures in 2018/19. These are as follows:

Other funding to support budget pressures		
Improved Better Care Fund (iBCF) from the Spring Budget 2017	3.483	One-off ringfenced funding to support Adult Social Care pressures, enable further integration with health and support hospital discharge. This money reduces to £1.7m in 2019/20 with no announcements beyond this.
Net increase in Flexible Homeless Support Grant	1.350	One-off ringfenced funding which will support Temporary Accommodation pressures during

		transition of this service. No allocations announced for 2019/20 but expect this additional funding to end.
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- 3.20 The final treatment of pressure funding will be included in the budget report to this committee in February when the overall resource position is known, including the TBM month 9 2017/18 position.

Changes in budget commitments

- 3.21 Since the July Budget update report to this Committee there have been some minor changes to commitments included in the budget. The latest estimate for the Sussex Inshore Fisheries and Conservation Area levy is expected to increase by £0.008m compared to the budget assumption, and the estimated cost of providing the care leavers council tax discount has increased from £0.050m to £0.070m based on the current year's awards.

4. BUDGET, INVESTMENT & EFFICIENCY STRATEGY

- 4.1 The council is in the second year of its current 4-year plan which will see savings of around £44m being achieved by the end of 2017/18. The remaining 2 years (2018/19 and 2019/20) will continue to be challenging as demands and costs across social care escalate in common with the national picture. Although estimated additional recurrent funding of £7.063m is available through the Improved Better Care Fund and the Adult Social Care precept, these are negated by the reduction in the Revenue Support Grant of £7.474m. One-off Improved Better Care resources have also been provided to help local authorities move toward greater integration with Health and to manage the pressures on hospital discharge.
- 4.2 Taking all funding sources, inflationary cost pressures and demand projections into account, an overall budget gap of £23.392m is predicted between 2018/19 and 2019/20 requiring savings at this level to legally balance the budget. The 2018/19 budget to be approved by Council in February is estimated to require savings of £13.362m to achieve balance.
- 4.3 Given the high level of savings that have had to be found in recent years, identifying further savings opportunities becomes increasingly difficult without having any adverse impacts on essential services that many vulnerable residents rely on for support. The council must also find the money to continue to provide good quality public services such as refuse collection and recycling and continue to support the city's important community & voluntary sector.
- 4.4 The financial situation is very challenging and therefore the development of the draft budget has focused on 3 guiding principles. As far as possible, the proposed Budget, Investment & Efficiency Strategy will attempt to:
- ❖ **Get basic services right and invest in making the city an enjoyable place to live and work;**
 - ❖ **Protect provision for vulnerable people as the city's population grows and the cost of care rises;**
 - ❖ **Support and invest in economic growth and regeneration that benefits everyone.**

4.5 To achieve this, the Local Authority will make every effort to continue to reduce costs and make economies in order to protect vital services. Similarly, fees and charges will be set at levels that are reasonable but which will also enable the council to fund vital services that support vulnerable people, contribute to the visitor and business economies and ensure the city and its environment are safe and well run. There are difficult choices to be made and this budget will necessarily contain higher risks and ambitious assumptions in order to protect critical service areas that, if reduced, would lead to potential harm and/or higher long term costs.

4.6 The proposed 2018/19 budget will:

Get basic services right:

To support delivery of the proposals the council has adopted a number of approaches that will help it to keep costs down while investing in the provision of modern, efficient and accessible services that promote neighbourhoods and regeneration as follows:

- **Modernisation Programme:** The council is investing in the modernisation of its services and is exploring different models of service delivery to improve efficiency, value for money, and outcomes for residents. Areas where modernisation is helping to reduce or contain costs or improve services include:
 - Communities and Neighbourhood programmes: These programmes put communities at the heart of service delivery, make effective use of local resources and support the delivery of savings. The communities and neighbourhood programmes are part of a joined-up approach to improving resident and customer experience of council services, including more digital access, more co-ordinated responses to residents' issues and more community collaboration to develop solutions and resources.
 - The Digital First investment programme which is a £5.300m scheme aimed at improving the council's on-line services and accessibility across a wide range of services used by large numbers of residents, visitors, businesses and service users;
 - The Orbis Shared Service Partnership with East Sussex and Surrey County Councils which is bringing together support functions such as Finance, Human Resources, IT & Digital Services, Property, Procurement and Audit to create economies of scale and provide added resilience as cost reductions are made;
 - New delivery models for some of our services, for example, the Royal Pavilion & Museums charitable trust, roll-out of the Libraries Extra service model and continuing to explore options for future management of our parks and open spaces.
 - Modernisation through the 4-Year Integrated Service & Financial Plans and other initiatives such as those above requires substantial one-off funding of £24.5m over the 4 year period to achieve delivery within a reasonable timeframe. The details of the capital funding and the associated use of the government's capital flexibilities are set out in the Capital Programme section below (see para 4.16).
- **Self-financing:** For many services that the council provides, fees and charges can be reasonably levied on the users of those services. Some

charges are set by statute or are prescribed but many are subject to local decision. The council keeps its fees and charges under regular review and where appropriate will look to move services toward a self-financing model, particularly where they are discretionary. This will also include benchmarking fees and charges to ensure they are reasonable and are recovering costs and contributing to overheads.

- **Income Generation:** The council is also exploring innovative business opportunities for generating income such as developing new commercial services.
- **Procurement and Contract Management:** The council will invest additional one-off resources of £1.200m over 3 years to drive value in the £300m+ spent on services provided by third party suppliers and providers by improving its management of contracts and contractors and seeking economies through re-procurement of goods and services.
- **Management Spans & Accountability (MSA):** The council recognises that effective management of services is critical to ensure that they are well-run, have good operational plans and can plan ahead for changes and improvements. Managers ensure that services manage within budget and are organised to meet performance targets and standards, and continue to seek improved value for money and customer satisfaction. The council has used its MSA programme to test its management levels and ensure that its management resource is reasonable, with sensible 'spans of control' and the minimum safe number of management layers. All service improvements and redesigns, including those within Orbis, continue to consider management and administrative costs and there are further savings proposed in 2018/19 which will see the deletion of approximately 22 full time equivalent management grade posts saving approximately £1.5m.

Protect provision for vulnerable people:

- **Service Pressures across social care:** The proposed budget will provide substantial 'Service Pressure' funding to protect services for vulnerable people so that they can meet the increasingly complex needs of a growing demographic and support the health and social care system as follows:
 - £3.510m for Adult Social Care services;
 - £2.512m for Adult Learning Disability services;
 - £3.116m for Children's Social Care placements.
- **Protecting Services:** The proposed budget will enable provision and support for many services to be protected, including:
 - Children's Centres
 - Support for Care Leavers
 - Early Years Nurseries
 - Youth Services
 - Support for Carers
 - Community & Voluntary Sector services through protection of the Third Sector Investment Programme
 - Library buildings and services
 - Supported Bus and School Routes
- **Welfare Support and Advice:** It is proposed to provide further support for vulnerable people and families on low incomes by:

- Continuing to provide discretionary funds to help those suffering temporary hardships;
 - Providing Council Tax discounts for Care Leavers;
 - Providing substantial resources to support around 600 families expected to be affected by Welfare Reforms including help to move to sustainable tenancies, provision of benefit advice and support services, and a Local Discretionary Social Fund;
 - Continuing to support the Community Banking Partnership and the local East Sussex Credit Union to provide accessible banking services and money advice, particularly in relation to Universal Credit roll-out;
 - Holding the Council Tax Reduction Scheme minimum contribution rate at the current level for working age people and providing discretionary funds for those in temporary hardship.
- **Continue to focus on tackling homelessness:**
 - A night shelter has been put in place for this Winter, and £0.165m one-off funding will be provided to support Rough Sleeping initiatives next year
 - Preventive homelessness initiatives are being mainstreamed through the application of the successful £1.300m bid for Trailblazer funding
 - Preparing for Homelessness Reduction Act
 - Providing new council-owned temporary accommodation facilities
 - **Health & Social Care Integration:** The council will continue to engage fully with the Brighton & Hove Caring Together initiative including developing integrated commissioning with the Brighton & Hove Clinical Commissioning Group (CCG), working jointly on delivery of the Better Care Programme to minimise hospital discharge delays, and understanding the implications of the Sustainability & Transformation Partnership plans for the area.
 - **Social Care costs:** The council will be investing in improvements to its commissioning, brokerage and risk management of children and adults social care placements. This is to ensure that it is effectively managing the costs of social care and is doing everything possible to make sure that it is paying appropriate prices for care whilst delivering high quality services and that it has robust systems in place for ensuring appropriate scrutiny and review of care placements at regular intervals.
 - **Public Health:** Reductions in the Public Health grant will be managed by recommissioning and redesigning contracted services to achieve positive preventive outcomes.

Support and invest in economic growth and regeneration:

- **Regeneration Programme:** This is aimed at growing the economy through the Greater Brighton Economic Partnership and long term capital investment opportunities through major regeneration programmes which will renew and strengthen the infrastructure of the city. There are various strands to the programme including:
 - Drawing in private sector investment to create jobs and ensure that economic gains are fairly distributed;

- Maintaining a resilient Planning Service to safeguard development and play an important role in the delivery of the regeneration projects;
- Implementing and jointly financing with Hyde Housing the Housing Joint Venture to deliver affordable housing;
- Making the most of our city-wide commercial asset portfolio to generate long term revenues for the council to protect essential public services.

4.7 The budget strategy will be mindful of the need to support equalities and will be underpinned by impact assessments and meaningful engagement and consultation with people, partners and other stakeholders affected by changes to services.

Investing in the City

4.8 The budget will be supported by substantial capital investment made possible by reducing the use of administrative buildings and releasing other land and property for major regeneration and housing projects. These have provided substantial additional capital receipts that the council can apply to regeneration and priority capital investments but can also apply to revenue costs, using the government's capital flexibility rules, where these costs support achievement of ongoing efficiencies, revenue saving or cost avoidance.

4.9 The July Policy, Resources & Growth committee identified additional available resources of £7.5m but there is also an expected additional receipt from the Preston Barracks development of a minimum of £3.7m which has been earmarked for potential regeneration schemes. The available resources will be used to provide major investment in support of the 3 guiding principles. These are still early estimates at this stage of the budget process and final options and proposals will be firmed up over the winter period and set out in the final Budget, Investment & Efficiency Strategy to Budget Council in February 2018. At this stage these include:

Investment - Getting the basics right:

- Parks Investment Fund: (£0.200m) It is proposed to provide resources for park area improvements to support improved neighbourhoods and wellbeing.
- Citywide Street Investment: (£0.750m): Investment in street scene improvements including a further roll-out of the successful Big Belly Bins and provision for repairs and replacements e.g. broken bins, paving, etc. which will contribute to an improved look and feel to the city and support the visitor economy.
- Hove Station Footbridge: (£0.500m) This is a potential investment requirement that needs further exploration but the need for improvement of the footbridge is long overdue and may require support from council resources. The improvement would benefit the station area and the city.
- Re-location of Stanmer Park depot: (min. £0.400m) This investment supports the current plans for the depot and will support relocation of the service, which in turn supports investment in our parks and heritage buildings as part of the Stanmer Park Masterplan. This is also expected to support

savings on maintenance and utility costs in the longer term.

- **Building security:**
(£0.200m)
The council has identified an immediate need to invest in improved building security which will reduce security costs in the longer term.
- **Improving IT Infrastructure and Security:**
(£1.144m)
The council needs to urgently augment its investment in IT infrastructure and software to manage demands, improve security and meet the requirements of the forthcoming General Data Protection Regulations. The 2019/20 ICT Fund will be brought forward and increased to cover this investment, which will ensure the council avoids potential data breach penalties and reputational harm.

Investment - Protecting vulnerable people:

- **Replacement of the social care IT system:**
(Approved £2.5m)
The council must replace its soon-to-be unsupported IT system with a secure, modern, web based system that can support improved mobile and flexible working for staff, support services for residents, and create greater efficiencies and digital access services. This investment was approved by the committee in October 2017.
- **Credit Union loan:**
(£0.100m)
Further investment with the East Sussex Credit Union will provide support for financially vulnerable people and supplement the council's financial inclusion approach. This may have indirect benefits for the council's budget by helping to maintain people's financial stability.

Investing in an Economy that Benefits All:

- **Madeira Terraces**
(min. £1m)
An appropriate level of match-funding support to the Heritage Lottery Fund bid and crowd-funding initiative is proposed to support this important renovation that will benefit residents and the visitor economy.
- **Royal Pavilion Estate**
(phase 2)
(min. £1m)
This capital project is dependent on various funding streams but a capital injection from the council is likely to be required and will support the current business case for the transfer of operations to a charitable trust.
- **Economic development & regeneration project support:**
(£0.200m)
Additional project resources are proposed to support the high number of current and planned projects to ensure these can be implemented at pace for the benefit of the city economy.
- **Shelter Hall:**
(min. £1m)
Significant additional costs of around £4m have been identified as the Shelter Hall project has progressed and it is proposed to minimise additional borrowing costs by funding up to £1m

toward this important development from available capital resources.

- Brighton Town Hall:
(min. £1.5m)
This supports investment in an innovative scheme previously reported to the committee. The overall scheme cost may be between £8m to £10m. The proposed investment from capital receipts would reduce the borrowing requirement and make for a more robust and deliverable business case based on current projected rentals and revenues. However, the full business case is still subject to confirmation.
- Social Enterprise
• (£0.030m)
A modest investment is proposed to support development of local social enterprises where priorities align with the council's.

Capital Programme

- 4.10 The additional investments above will be incorporated into a full Capital Programme alongside current and perennial capital investments that will also support regeneration, improved transport infrastructure, provision for school places, and major housing improvements and new build programmes.
- 4.11 As previously, a 10-year capital programme has been developed and included in the Medium Term Financial Strategy. A detailed Capital Investment Programme will be presented to Policy, Resources & Growth Committee and Budget Council in February prioritising the resources available and incorporating the additional investments identified above. The programme will be a fully funded capital investment programme.
- 4.12 The capital programme identifies longer term capital investment plans as well as a funding strategy and the potential outcomes for each investment plan. This includes major investment requirements such as new pupil places, investment in the seafront infrastructure and partnership investment through major projects such as Brighton Waterfront, King Alfred and the Housing Joint Venture. The programme also includes Heritage Lottery Fund bids such as the Stanmer Park Master Plan and the Royal Pavilion Estates Regeneration. Successful bids for government funding through the City Deal will support the development of New England House, Circus Street, Preston Barracks and transport initiatives such as Valley Gardens Phase 1 & 2 and the Intelligent Transport System.
- 4.13 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 to support the Digital First programme with future years reverting back to £0.5m. This element was revised at Budget Council 2017 to £1.3m for the final year 2018/19.
- 4.14 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 and health are projected to be £9.7m in 2018/19 but are subject to confirmation from the

Government in December 2017. There are no further tranches of education new pupil places grant awarded to the council for 2018/19 and 2019/20. There are no announcements of education maintenance grant to date and estimates have been included into the current strategy. Indicative allocations for the Local Transport Plan (LTP) have been announced of £5.169m up to and including 2020/21 and £0.2m Incentive Funding to support transport asset management. Adult Social Care Grant has been estimated at £1.500m annually to support both Better Care Funding and Disabled Facilities Grant; these have yet to be confirmed by Government.

- 4.15 Capital receipts support the Capital Investment Programme and include receipts from the disposal of Patcham Court Farm, land at the Cliff, Preston Barracks, Hollingbury Library, the land at the Cliff, lease at Shoreham Airport and a number of non-core rural assets to support the Stanmer Park redevelopment project. Ringfenced capital receipts are also projected to support property commercial reinvestment, the Waterfront project and the HRA Capital Investment Programme. The Capital programme included in appendix 3 has a fully funded capital programme for 2018/19 and the programme will be updated for any funding announcements and the latest position at TBM month 9 when it is presented to this committee in February 2018.
- 4.16 The implementation of the 4 year Integrated Service & Financial Plans and Modernisation Programme (see above) requires significant investment and therefore capital receipts have been earmarked to support implementation within reasonable timeframes over the period. This will make use of the government's capital flexibilities provided as part of the 4-year deal which enables capital funding to be used to provide resources to support efficiency, savings and cost avoidance initiatives. In summary, resources of £24.5m were anticipated to be required over the period as follows:
- **4-Year Integrated Service & Financial Plans (ISFPs):** it was anticipated that £6.8m would be required to support implementation of specific service changes, recommissioning and redesigns (including Orbis) identified in the ISFPs. For 2018/19 investment requirements are currently being reviewed and finalised. This resource is held in a reserve and only released through approval of business cases by the Corporate Modernisation Delivery Board.
 - **Digital First:** Originally, £6m was identified to support this important investment to improve the council's web presence and the accessibility and efficiency of on-line services. This was reduced to £5.3m by Budget Council in February 2018 with £0.7m being transferred to support a business case for increased Procurement & Contract Management resources (see below).
 - **Modernisation Resources:** effective implementation requires good project management support and the co-ordination, tracking and planning of a wide range of activities from legal support to consultation and engagement activities. Business Process review and analysis skills are also required as well as augmentation of the council's Procurement and Contract Management team to help drive out savings. As noted above, £0.7m was diverted from the Digital First Programme to support the latter, bringing investment in Procurement & Contract Management up to £1.2m over the 4 years. Overall, it is anticipated that £5.3m will be required over the 4-year period to support modernisation.

- **Managing staffing changes:** managing changes in the level of staffing needs consideration with a substantial number of posts expected to be deleted from the council's staffing over the 4 year period. This will happen through a mixture of normal turnover, redeployments and voluntary severance. This will inevitably need resourcing and an estimated £7.1m will need to be set aside in the Restructure & Redundancy reserve over the 4 year period to manage change and transfers.

With the exception of Digital First which was approved separately, the above indicative allocations were included in the budget agreed at Budget Council in February 2017. Revised estimates are being prepared in light of the updated ISFP's and these will be included in the budget report to this committee in February 2018. This is expected to change the overall requirement and the profile (across years).

Staffing Implications (*General Fund Services*)

- 4.17 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 2018/19, 80 to 90 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. As previously experienced, it is likely that the majority of these posts are already being held vacant and some will become vacant through normal turnover.
- 4.18 In addition to the posts mentioned above, the transfer of some services to alternative models of delivery may result in the TUPE transfer of some staff to other organisations. The proposals for 2018/19 currently include the transfer of an estimated 118.5 posts to a Royal Pavilion & Museums charitable trust. Close working with future providers of services will ensure that staff are fully engaged and consulted with as they move into other organisations.
- 4.19 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;
 - 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;
 - Managing the use of temporary or agency resources via regular reports to DMT's.

These measures will remain in place as work with trade unions and staff continues.

- 4.20 Whilst the focus will be on redeployment of staff, every effort will be made to reduce the impact of the proposals, including offering voluntary severance where appropriate to staff 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.

5. BUDGET GAP (SAVINGS REQUIREMENT)

- 5.1 The Medium Term Financial Strategy has been revised to reflect the latest cost pressure assumptions and identifies a projected £23.392m budget gap over the next 2 years assuming a 1.99% council tax increase and 3% additional Adult Social Care Precept in 2018/19. The projected gap for 2017/18 is £13.362m. These projections are subject to change once the Local Government Finance Settlement is known. The Table below shows how the budget is expected to change from 2017/18.

Table 3 - Breakdown of Budget Gaps	2018/19	2019/20
	£'000	£'000
Pay and standard inflation	5,113	5,877
Cost, income and demand pressures	12,548	8,032
Other budget changes	(11)	(4,200)
Reductions in RSG and unringfenced Grants	8,524	7,791
Inflationary increase on fees and charges	(1,976)	(2,015)
Adult Social Care Precept	(3,875)	
Additional Council Tax and BRR Income	(6,961)	(5,455)
Budget Gap (Savings Requirement)	13,362	10,030
Savings identified	(11,793)	(7,861)
Tax base savings identified for 2017/18	(307)	(307)
Remaining gap	1,262	1,862

- 5.2 The information above covers to the end of the current 4-year plan period, however, the Budget Report to this committee in February 2018 will include an updated Medium Term Financial Strategy which will contain longer term financial planning assumptions and resource projections up to the financial year 2021/22. Projections from 2020/21 onward are clearly subject to change given the uncertainties over local government funding and key elements of the budget.

Further actions to meet the remaining gap

- 5.3 In common with previous years, draft savings proposals to close the gap and achieve a balanced budget have been developed across the whole council by challenging all areas of spend to identify potential savings opportunities. Savings opportunities include the following:
- Modernising council services through redesign and restructure to achieve further efficiencies and economies including through digital service developments;

- Recommissioning or re-procuring externally provided or contracted services to identify cost efficiencies;
- Exploring innovative income generation opportunities;
- Benchmarking fees & charges to maximise income where appropriate;
- Exploring different ways of delivering or commissioning services, often with other partners or sectors, to reduce overall costs while continuing to deliver outcomes for residents and meet statutory duties.

Proposals are based on what can be reasonably delivered and achieved within an acceptable level of delivery risk.

5.4 The proposals presented to date do not currently close the budget gap. There remains an imbalance of approximately £1.262m. Further options are therefore being explored including:

- Further procurement and contract management savings in addition to the £0.5m target assumed;
- Increased investment in managing social care costs as detailed above;
- Exploring further Fees and Charges opportunities where this can generate additional income after taking account of any impact on demand for services;
- Funding or financing switches to ease pressures on the revenue budget e.g. borrowing versus revenue spending where allowable. This can spread expenditure over a longer time frame to ease short term revenue budget pressures.

6. OTHER FUNDS

Schools Funding and Balances

6.1 Schools carried forward £1.293m into 2017/18 and at the Schools Forum in June 2017 it was agreed to amend the scheme for financing schools so that 100% of the carry forward could be used for licensed deficit agreements.

- Licensed Deficit agreements continuing into 2017/18 total £1.021m which equates to 79% of the balances.
- Schools requiring new licensed deficits in 2017/18 total £1.143m and when added to the £1.021m existing deficit agreements, totals £2.164m (or 167% of school balances), which is £0.871m above the level of school balances.
- Early indications are that the level of schools' surpluses will fall from £2.895m at 31/03/17 to £1.700m at 31/03/18. This projection would result in an overall overspend on schools of approximately £0.464m (£2.164m - £1.700m) at 31/03/18, which would need to be met from General Fund reserves in the short term.

Teachers' Pay

6.2 It is proposed to allocate £0.100m of one-off funding in 2018/19 to smooth the introduction of a 2% pay increase for teachers on salary points M2-M5. This will be allocated to maintained schools based on the number of teachers on these scale points on the 1 September 2017.

National Funding Formula

6.3 There are a number of significant changes to the funding system this year:

- (i) A central school services block (CSSB) has been created. Local authorities will be allocated funding for central school services through the new CSSB. This will comprise funding for ongoing responsibilities and a cash sum for historic commitments. The Dedicated Schools Grant (DSG) therefore now comprises four blocks: schools, high needs, early years and the new central school services block.
- (ii) Each of the four blocks of the DSG will be determined by a separate national funding formula. National funding formulae will determine local authorities' schools, high needs and central school services blocks for the first time in 2018/19. Funding for early years has been allocated through a national funding formula since 2017/18. Baselines have been adjusted to take account of local authorities' most recent spending patterns.
- (iii) Within the schools block, the Government will provide for at least a 0.5% per pupil increase for each school in 2018/19 through the national funding formula. The formula will provide local authorities with per pupil funding of at least £4,800 for all secondary schools that have pupils in years 10 and 11 by 2019/20.
- (iv) Within the high needs block, the Government will provide for at least a 0.5% overall increase in 2018/19 through the high needs national funding formula. The high needs block will be protected at 2017/18 baselines.
- (v) The minimum funding guarantee (MFG) for schools will continue, but local authorities will have the flexibility to set a local MFG between 0% and -1.5% per pupil. In past years, the MFG has been fixed at -1.5% per pupil. Local authorities can use the flexibility to offer higher levels of protection locally if desired.
- (vi) The schools block will be ring-fenced from 2018/19, but local authorities will be able to transfer up to 0.5% of their schools block funding out with the agreement of their schools forum. Local authorities will be expected to demonstrate to their schools forum that they have consulted locally with all maintained schools and academies when seeking agreement to transfer any funding out of the schools block.

Housing Revenue Account (HRA)

6.4 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 continuously improve efficiency 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.

- 6.5 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.
- 6.6 The HRA Budget & Investment Programme 2018/19 and the Medium Term Financial Strategy (MTFS) is currently being drafted and will be reported separately to Housing & New Homes Committee in January 2018, and Policy, Resources & Growth Committee and Council in February 2018. The revenue budget will include savings proposals as well as some service pressures mainly in relation to further health and safety measures being considered in light of the Grenfell Tower fire.
- 6.7 Rents will continue to be calculated in accordance with government's rent guidance. The Welfare Reform and Work Act 2016 received Royal Assent in March 2016 and the act requires that social rents should be reduced by 1% per annum over a 4 year period from 2016/17 to 2019/20.

7. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 7.1 The budget process allows all parties to engage in the examination of budget proposals and to put forward viable alternative budget and council tax proposals to Budget Council on 22 February 2018. Budget Council has the opportunity to debate the proposals put forward by this Committee at the same time as any viable alternative proposals.
- 7.2 Any alternative proposal will need prior assessment by the Section 151 Chief Financial Officer and will not normally be allowed where an estimate is not considered to be robust for one of the following reasons:
- i) The risk of not achieving the saving is assessed to be untenably high;
 - ii) There is insufficient evidence or information to assess the potential saving;
 - iii) The alternative proposal is adding to or bringing forward an existing saving without further information as to how this can be achieved;
 - iv) The alternative proposal requires one-off investment or loan financing that cannot be supported;
 - v) The alternative proposal is beyond the powers and duties of the local authority.

8. COMMUNITY ENGAGEMENT & CONSULTATION

Budget Timetable

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

Table 4 - Remaining 2018/19 Budget Timetable		
Date	Meeting	Papers / Activities
22 Nov 2017		Autumn Budget
Early Dec 2017		Provisional Local Government Finance Settlement

Table 4 - Remaining 2018/19 Budget Timetable		
Date	Meeting	Papers / Activities
17 Jan 2018	Housing & New Homes Committee	Housing Revenue Account Budget and Capital Programme
25 Jan 2018	Policy, Resources & Growth Committee	Tax base report and Business Rates retention forecast
8 Feb 2018	Policy, Resources & Growth Committee	Month 9 Forecast of 2017/18 budget position. General Fund Budget, Investment & Efficiency Strategy 2018/19 Housing Revenue Account Budget and Capital Programme. Capital Investment Programme.
22 Feb 2018	Budget Council	

8.2 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.

8.3 General information and advice about the council's budget will continue to 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.

8.4 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 continues to be a key, low cost, mechanism for engaging with residents and other stakeholders. Key proposals from the 4 year budget strategies will be publicised, along with information about council services, and questions and comments invited from residents immediately following their publication over the period leading to the February Policy, Resources & Growth Committee meeting. A summary of response threads 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:

8.5 Engagement with the Older Peoples Council is planned and information is being shared with Strategic Partners and community groups to invite feedback.

8.6 Local Strategic Partners remain 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.

- 8.7 There are ongoing briefings and discussions with the Economic Partnership and a broader event for the business sector could be scheduled in January 2018 including the required formal consultation with business ratepayers, particularly concerning the impact of 2017 revaluation. The focus will be on potential funding sources and bids, city regeneration, economic growth, employment and apprenticeship strategies.
- 8.8 For staff, updates will be provided via the council's intranet and formal consultation with Staff and Unions will be undertaken as normal including Departmental Consultative Group (DCG) meetings in November and early December 2017 followed by appropriate consultation with directly affected staff.
- 8.9 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.
- 8.10 For information on specific fees and charges proposals please refer to the relevant service committee where proposals are normally considered and approved. The list of meetings is set out in the table below.

Fees & Charges Area	Meeting	Date
Private Sector Housing – HMO Licensing	Housing & New Homes Committee	15/11/2017
Planning	Tourism, Development & Culture Committee	16/11/2017
Licensing and Enforcement	Licensing Committee	23/11/2017
Libraries	Tourism, Development & Culture Committee	11/01/2018
Seafront, Outdoor Events and Venues	Tourism, Development & Culture Committee	11/01/2018
Children & Young People	Children, Young People & Skills Committee	15/01/2018
Housing Revenue Account	Housing & New Homes Committee	17/01/2018
Environmental Health and Trading Standards	Neighbourhoods, Inclusion, Communities & Equalities Committee	22/01/2018
City Parks and City Clean	Environment, Transport & Sustainability Committee	23/01/2018
Parking and Highways	Environment, Transport & Sustainability Committee	23/01/2018
Life Events	Policy, Resources and Growth Committee	25/01/2018
Adult Social Care Non-residential care services	Health & Wellbeing Board	30/01/2018

Schools Forum Consultation

- 8.11 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.
- 8.12 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 and Skills and Finance colleagues to ensure involvement and engagement of schools representatives in looking at considerations and options as proposals are developed. Annual budget shares will be presented to the 16 January 2018 meeting of the Schools Forum for consultation.

Housing Revenue Account (HRA)

- 8.13 The HRA follows a separate consultation and engagement process involving relevant stakeholders and tenant representative groups. Details and feedback will be set out in the HRA Revenue Budget and Capital Programme report to the 17 January 2018 Housing & New Homes Committee.

9. CONCLUSION

- 9.1 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. The plans cover a 4 year period, however only proposals for 2018/19 and associated council tax decisions require formal approval. The Medium Term Financial Strategy and 4-year plan proposals for 2019/20 will be for noting but the principles of effective longer term planning require that subsequent withdrawal of any approved savings should be accompanied with alternative proposals in order to maintain the current position and avoid impacting further on financial resilience.

10. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

Finance Officer Consulted: James Hengeveld

Date: 17/11/17

Legal Implications:

- 10.2 Policy, Resources & Growth 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.

- 10.3 Recommendation 2.4 reflects the council's duties to consult interested parties in relation to the draft savings proposals set out in the report.
- 10.4 Any decisions taken as part of the budget setting process are "resourcing" decisions and are subject to compliance with relevant legal requirements where appropriate before implementation.

Lawyer Consulted: Elizabeth Culbert

Date: 21/11/17

Equalities Implications:

- 10.5 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.
- 10.6 All proposals with a potential equalities impact in 2018/19 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.
- 10.7 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:

- 10.8 A carbon budget will be set for 2018/19 and included in the budget report to this committee in February 2018. 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:

- 10.9 The budget proposals normally provide risk provisions against the uncertainty of the local government finance settlement, delivery risk across savings proposals and forecast risk on service pressures and demands. However, the national and local picture present growing risks in respect of the pressures on the health and social care system and hospital discharge, the growing problem of homelessness

and rough sleeping, and the cumulative impact of welfare reforms, particularly the roll-out of Universal Credit. This suggests a higher level of potential risks than previously experienced and will need good quality data and analysis to ensure that trends and the impact of interventions can be closely monitored and understood.

- 10.10 The level of financial risk provisions will need to be reviewed for 2018/19 in the light of the Month 9 TBM budget monitoring position and available resources. Taking into account the risks highlighted above, the level of risk provision will clearly need to strike a balance between putting money to one side at a time when vulnerable people's reliance on essential public services is expected to grow.
- 10.11 The budget report to February Policy, Resources & Growth Committee will include the Chief Finance Officer's formal assessment of the robustness of estimates in the budget and the adequacy of reserves.

SUPPORTING DOCUMENTATION

Appendices:

1. Budget changes from 2017/18 to 2018/19
2. Service Descriptions and 4-Year Integrated Service & Financial Plans (ISFPs)
3. Summary 10 year Capital Programme

Documents in Members' Rooms

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

Background Documents

1. Budget files held within Finance
2. Consultation papers