

OVERVIEW AND SCRUTINY COMMISSION

Agenda Item 17
Appendix 2 (1)
Brighton & Hove City Council

Subject:	Budget Update & Budget Process Report 2010/11		
Date of Meeting:	9 July 2009 Cabinet 14 July 2009 OSC		
Report of:	Interim Director of Finance & Resources		
Contact Officer:	Name:	Mark Ireland	Tel: 29-1240
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Key Decision:	Yes	Forward Plan No.	
Wards Affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The budget setting process for 2010/11 is recommended in the context of having reasonable certainty over the finance settlement as it is the final year of the 3 year settlement and the current government has confirmed that it does not propose to revise this settlement. However the council's resource position will continue to be significantly affected by the recession and the uncertainties in the financial markets, in terms of needing to provide additional services in response to increasing demand, reductions in income from fees, charges and investment interest.
- 1.2 The council's resource position from 2011/12 onwards is highly uncertain. The government's overall financial position means there will be significant reductions in national spending to meet projected budget deficits and this will impact upon the next spending round and the resources available for local government. There will also be a general election before the next spending round and the current review of grant distribution is due to be completed. This adds further uncertainty to both the timing of the settlement and the financial assumptions on general and specific grants.

2. RECOMMENDATIONS:

- 2.1 To note the resource and expenditure projections for 2010/11 to 2012/13 set out in table 3 in paragraph 3.19.
- 2.2 To agree that the provision for future pay awards becomes a joint provision for both future pay awards and increased pension contributions.
- 2.3 To note the further development of the Value for Money programme set out in paragraphs 3.31 to 3.35.

- 2.4 To instruct Directors and relevant Cabinet Members to produce budget strategies to provide their services within the indicative cash limits as set out in appendix 1.
- 2.5 To instruct Directors to demonstrate 4% efficiency savings for each year within their budget strategies.
- 2.6 To note the resource projections for the capital investment programme as shown in appendix 2 of this report.
- 2.7 To agree the timetable for budget reports set out in paragraph 3.48.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

2009/10 Council Tax

- 3.1 The increase in the overall council tax for residents of Brighton & Hove was 3.6% for 2009/10 compared to an average 3.8% for existing unitary councils and a 3.0% overall average across the country. Whilst the level of council tax at band D is marginally above the national average it is significantly lower than most other councils in Sussex except Chichester and Horsham.
- 3.2 The 2009/10 budget increase for the city council was 1.1%, lower than any other unitary, county or metropolitan council and the fourth lowest in the country for councils providing education and social services. The average budget increase for unitary councils was 3.7%.

Capping Announcement

- 3.3 The Minister for Local Government, John Healey, confirmed on 13 May that 2 police authorities would be subject to capping. Derbyshire Police whose council tax increase was 8.7% have had their budget and council tax increases restricted for future years. Surrey Police whose council tax increase was 7.1% but also had their budget capped the previous year, were ordered to reduce their 2009/10 council tax and incur the substantial costs of re-billing as well as having to make significant additional savings to balance their budget.

2008/09 Outturn

- 3.4 The 2008/09 provisional outturn was presented to cabinet on 11th June 2009. The report showed an underspend of £4.1m, £1.7m had been allocated as part of the 2009/10 budget and a further £2.4m

was allocated within the report. The most significant allocation was £1.5m to support the Building Schools for the Future (BSF) programme.

General reserves position and working balance

- 3.5 The working balance is currently £9m and is planned to remain at this level over the next 3 years. The following table shows the projected general reserves position to 2012/13 assuming spending is in line with budget and all risk provisions are allocated to support each years budget. The table reflects the improved collection fund performance in 2008/09 and also includes a planned contribution to BSF. At this time the balance on general reserves should be kept as a 'shock absorber' against the risk of pressure on income during the recession and rising demand for services.

Table 1 - General Reserves	2009/10	2010/11	2011/12	2012/13
	£'000	£'000	£'000	£'000
B/fwd	2,309	114	923	583
Budgeted collection fund deficit	-2,515			
2008/09 improved collection fund		1,009		
Projected under-spend on insurance premia	380	380		
Contribution to energy costs	-60	-30		
Contribution to BSF		-550		
Local Elections funding			-340	
C/fwd	114	923	583	583

Medium Term Financial Strategy 2010/11 – 2012/13

Resources

Formula Grant

- 3.6 The projection of grant increases beyond 2010/11 is highly speculative because 2011/12 and 2012/13 fall into the next government spending round which will be determined after the next General Election. It is absolutely clear from the prevailing economic conditions that spending will be very tightly constrained and the national focus will be on providing additional resources for those budgets such as benefits and debt repayments that are rising due to the recession whilst the national political priority spending areas are likely to remain education and health. This is likely to leave little funding for other local government services.
- 3.7 Whatever changes are made to the grant distribution formulae the council will remain at the grant floor over the period. A commitment was given by the Government to honour the provisional grant settlement figures for 2010/11. Looking at the information given in the March national budget it would seem prudent to reduce the forecast grant floor increase of 1% in 2011/12 to a cash freeze and to plan for a similar cash freeze in 2012/13. However, there remains a significant risk that there could be cash reductions in both these years. The forecast reduction in resources in 2011/12 by reducing the grant floor increase by 1% is £1.1m.

Table 2: Grant Floor assumptions					
Year	2008/09 Actual	2009/10 Actual	2010/11 Provisional	2011/12 Projection	2012/13 Projection
Change	+2.0%	+1.75%	+1.5%	0%	0%

Specific Grants and Area Based Grants (ABG)

- 3.8 The level of most specific grants and ABG is known for 2010/11. The transitional funding for Stronger Safer Communities and the Working Neighbourhoods Fund ceases in 2010/11 resulting in a reduction of £0.762m compared with 2009/10. A corporate commitment of £0.25m funding on a recurrent basis has been put in place to cover part of this loss. The Supporting People Grant is combined with ABG from 2010/11 however this element of ABG will see a reduction of £0.6m or 5% compared to 2009/10. A 2 year package of support for grant ending during 2009/10 and 2010/11 was put in place which included using LPSA reward grant and the £0.25m corporate recurrent funding in each year. There is potential to receive further reward grant beyond 2010/11 for the achievement of certain Local Area Agreement targets which could be used to provide continued temporary funding but the amount of the reward will only become clearer towards the end of 2010.
- 3.9 The level of specific grants is not known for 2011/12 onwards however the government's latest estimates of funding for public services included in the budget statement suggest this funding is at risk of being reduced and in some cases might come to an end. The council receives approximately £80m in specific grants (excluding Dedicated Schools Grant and Housing Benefit & Council Tax Benefit grant), of which £24m of the £80m are Area Based Grants. If there are no inflationary increases to these grants it will add about £1.6m to council funding pressures, and each further 1% reduction in grants will add £0.8m to funding pressures. The assumption within the MTFs is an overall grant freeze and therefore there will be approximately £1.6m additional pressures from 2011/12.

Dedicated Schools Grant (DSG)

- 3.10 The level of DSG is planned to increase by 4.1% per pupil in 2010/11, this is higher than the 3.6% per pupil increase in 2009/10. The position beyond 2010/11 is unknown although funding for education is likely to have a higher priority in the next spending round compared to other local government services. The other uncertainty is the major review of DSG distribution which is described in more detail below.

3.11 In his statement to the House on 31 January 2008, Jim Knight, Minister for Schools and 14-19 Learners, launched the review of the formula for distributing DSG. The aim is to develop a single, transparent formula that will be available for use in distributing the DSG to local authorities from 2011/12. The development phase of the review started in February 2008 and will continue until late 2009, with consultation on specific proposals in early 2010. Ministers will announce broad decisions from the review in summer 2010. The Formula Review Group has met on 9 occasions to date covering a wide range of topics such as reflecting the higher costs of providing services in different parts of the country, streamlining grants into DSG, the timing of pupil counts, issues associated with small schools, the funding of academies and many more issues. The Department of Children, Schools and Families (DCSF) and PricewaterhouseCoopers are about to launch a major survey into the incidence and costs of additional educational needs to support the DSG Review.

Concessionary Fares Funding

3.12 The concessionary fares special grant was originally announced for 3 years 2008/09 to 2010/11, however, following lobbying from authorities (including Brighton & Hove) who felt they have not received sufficient additional funding to cover the extra costs of the national statutory scheme, transport ministers are reviewing the distribution arrangements for 2010/11. A consultation on options to revise these arrangements is now expected in the autumn.

3.13 A consultation paper has been issued by the Department of Transport looking only at options for the future administration of concessionary fares. All of these options will have potentially significant implications for the future allocation and distribution of concessionary fares funding for 2011/12 onwards. The council already budgets for a shortfall in Government funding of about £1.85m and at this stage it would be prudent to maintain this position. The consultation ends on 21st July but there are likely to be subsequent consultations on funding arrangements as part of the work of the grant Settlement Working Group.

Local Authority Business Growth Incentive (LABGI)

3.14 The LABGI scheme allows local authorities to retain a proportion of the growth in business rates income in their area above an individual threshold. The Department of Communities and Local Government consulted last year on proposals to extend the LABGI scheme for at least 2 years (2009/10 to 2010/11) and to extensively amend the distribution of a significantly reduced amount of cash. The council

has allocated all the resources it derived from the original scheme to a range of projects largely designed to help the local economy in the current downturn. There has not yet been an announcement about the final shape of the new scheme but early indications are that the council's share of a regional allocation could amount to about £0.2m for 2009/10.

Fees and Charges

- 3.15 Fees and charges are assumed to increase by a standard inflation of 2% each year. Details of fees and charges for 2010/11 will be presented to the relevant Cabinet Member Meetings and onto Council where appropriate prior to Budget Council.

Council Tax Strategy, Tax Base and the Collection Fund

- 3.16 Earlier projections of a £2.9m deficit for the collection fund, the account into which all council tax and council tax benefit is paid, assumed that the recession would have a negative impact on collection rates and require higher levels of bad debt provisions. Actual collection performance to date has been maintained and slightly improved and the closure of the 2008/09 accounts has shown that bad debt provisions can in fact be reduced. The overall impact is a significant reduction of £1.2m in the previously projected deficit of which the city council share is £1m. Early indications show that there could be a surplus on the collection fund for 2009/10 which together with the reduction in the 2008/09 deficit will be factored into the calculation of the 2010/11 council tax in January 2010.
- 3.17 Initially the downturn in the housing market was assumed to suppress the council tax base. It was assumed that there would be no growth in the tax base with any new properties being offset by increases in student exemptions. Since November 2008 the position has improved and the tax base is now expected to grow by 1% by the end of 2009/10 generating an additional £1.2m in a full year. With limited new developments in future years the prudent assumption that the taxbase will not increase beyond 2009/10 will be maintained.
- 3.18 For the future resource estimates in this report the indicative council tax strategy showing increases of 2.5% for 2010/11 and 2011/12 as set out in the 2009/10 budget report have been assumed but it will be up to all Members at Budget Council in February 2010 to agree the final level of the council tax. If a Conservative government is elected it has pledged that any council setting a council tax increase of 2.5% or less will receive sufficient additional funding to enable the council to freeze its council tax for 2 years. The same indicative increase has also been assumed for 2012/13.

Budget Estimates and Budget Process

MTFS summary expenditure estimates

3.19 The following table shows the budget estimates over the next 3 years.

Table 3. Budget Estimates	2010/11	2011/12	2012/13
	£m	£m	£m
Budget b/fwd	219.0	227.1	230.1
Inflation	4.2	4.3	4.4
Risk Provision	1.2	0.5	0.5
Commitments	0.3	0.8	0
Service pressures	7.5	8.5	8.5
Service pressures – specific Grants		1.6	1.6
Efficiency Savings	-8.4	-8.4	-8.4
Other savings	-0.3	-2.8	-2.8
Total	223.5	231.6	233.9
Change in contribution to / from reserves	3.6	-1.5	-0.8
Budget Requirement	227.1	230.1	233.1
Funding Projections:			
Formula Grant	109.2	109.2	109.2
Council Tax	117.9	120.9	123.9
Total	227.1	230.1	233.1

Pay award and Inflation assumptions

3.20 The pay award assumption built into the budget estimates is 2% each year for the next 3 years. The figure of 2.3% shown in the budget report for 2009/10 allows for the higher final settlement of the 2008/09 pay award of 2.75% over the earlier 2.45% offer. The national employers have made an initial offer to the unions and staff of 0.5% for 2009/10 so it is possible that the final settlement will be below the 2% provision. However, as set out later in this report it is also likely that additional resources will be needed to fund increased pension fund contributions from 2011/12, therefore, it is recommended that any surplus pay award provision in any future year is transferred into a pension fund contribution provision.

3.21 The provision for general inflation on both expenditure and income is 2% per annum. Compared to current levels of inflation in the economy this is high but inflation is expected to increase after this year. Services could choose to use any additional resources created by the higher provision to keep fees and charges increases down. Some budgets such as fuel and energy have been extremely volatile

in recent times and a separate analysis will be carried out in these areas prior to the renewal of key contracts with appropriate adjustments made to the risk provision in the budget.

Commitments and the Risk Provision

- 3.22 A risk provision to cover uncertainties within the budget is incorporated into the budget projections; £1.2m in 2010/11 and a £0.5m recurrent budget has been included in each subsequent year and added to contingency.
- 3.23 A number of commitments have been included to cover the planned changes in budgets from previous decisions. In 2010/11 these include £0.25m replacement funding for grants that have come to an end and part of the financing costs to provide a £5m contribution towards a new Historic Records Centre known as The Keep.

Single Status (Back pay & future pay)

- 3.24 Full Council in February set the budget and in doing so provided the financial framework for future pay and ensured funding was available to meet the estimated equal pay back pay liability.
- 3.25 The 2009/10 budget contains an ongoing Equal Pay Provision of £3.43m per annum including a contribution of £1m per annum from the Schools Formula Budget. In settling the back dated pay liability the council made use of a capitalisation direction available last year. £1.8m of the £3.43m has been transferred to the financing costs budget to meet the borrowing costs of using the £14.05m capitalisation. The balance of £1.63m remains in contingency to meet the ongoing costs of future pay and allowances. This provision was based on the estimated impact of job evaluation at the time of setting the budget. No further resources are planned for future years.
- 3.26 Total resources of £37.5m were identified in a specific reserve to meet the substantial one-off cost of the equal pay back pay settlement together with other one-off equal pay liabilities. Most of the back pay settlements have now been paid but there are other potential equal pay liabilities and financial risks that must be met from this reserve:
- Potential cost of settling collective or individual grievances.
 - Contingency for pension contributions on back pay offers.
 - The possible cost of resolving back dated Housing Benefit issues resulting from back pay offers.
 - Contingency for new back pay liability building up should Single Status (Future Pay) not be implemented by 1st January 2010; this is estimated to be up to £0.5m per month.

- 2009/10 and 2010/11 administrative costs of implementing future pay.
- Contingency for Business Continuity costs.
- Any potential equal pay claims (back pay) and future pay costs arising in Faith Schools, which the council has guaranteed to meet as a condition of the Schools Forum decision to contribute £1m per annum.

3.27 These potential liabilities and costs could be very substantial and will need to be monitored and re-evaluated regularly to ensure that financial risk provisions are maintained at appropriate levels.

Pension fund triennial review

3.28 Work by the Actuary will start shortly on the review of the East Sussex pension fund for implementation from 1st April 2011. Although the East Sussex pension fund has been one of the stronger performers market conditions are likely to mean that there will be a significant deficit identified on the fund and increased employers contributions will be required from 2011/12 onwards. It is purely speculative what this increase might be but as a guide the triennial review in 2004, which also identified a substantial deficit on the fund, required contribution rates to go up by 4.2% over the 3 years 2005/06 to 2007/08 to eliminate the deficit. If the pay award averages 0.5% for the next 3 years then the council would have a 4.5% provision to meet any increases or less if the pay awards are higher. Early indications of the outcome of the review will be known in Autumn 2010.

Cash Limits (% change in Budgets)

3.29 The 2009/10 adjusted budget is the basis from which percentage changes are proposed for the main service areas to generate cash limits for future years. These percentage changes are net of savings, service pressures and areas of growth and are designed to provide allocations that directorates are expected to manage within to deliver a balanced budget. Directorates are instructed to provide budget strategies for their services covering 2010/11 & 2011/12 with high level information for 2012/13. The indicative percentage changes for service areas are included in appendix 1.

Service Pressures

3.30 The cash limits are set to incorporate spending pressures. The directorates will identify their pressures over a 3 year period and base their financial strategies on managing these pressures within the allocated funding.

Savings

- 3.31 Directorates are required to identify savings to manage within their cash limit allocations. The government announced the requirement to identify 4% rather than 3% efficiency savings from 2010/11 onwards in the budget report. Directorates are tasked with identifying 4% efficiency savings within their financial strategies as well as any further savings required to manage within their cash limit. The overall efficiency savings target is therefore £8.4m.
- 3.32 Although the Council has achieved a score of 3 in value for money on the (outgoing) Comprehensive Performance Assessment Use of Resources, the council will need to maintain and step up its efforts to continue improving value for money for customers and taxpayers.
- 3.33 This is consistent with the corporate objective of achieving a better use of public money in two ways:
- improving the customer experience while reducing costs; and
 - a clear view of what is a priority and, equally if not more important, what is not a priority.
- 3.34 At the same time it is important to recognise the efficiency improvements already achieved in previous years and through the initial value for money programme which includes:
- £11.8m of efficiency savings over 2 years.
 - The cost of support services has been frozen, in cash terms, to maximise budgets for front line services and council priorities. This means that the council will continue to be one of the lowest spending (per head) of all unitary councils on its central support services such as human resources, legal and finance.
 - The Access Point for Adult Social Care was opened to provide support and assistance to a wider range of people. It is also improving value for money by making access to things like grab rails and luncheon clubs much simpler. This has and will continue to improve customer service and reduces the need for costly assessments for smaller needs that make a difference to peoples' lives.
 - The council has absorbed the loss of £650,000 in central government grant support in relation to community safety and crime reduction with the help of temporary funding from the successful implementation of the Local Public Services Agreement. All priority services will be able to continue. This includes the work with the council's partners on the Crime and Disorder Reduction Partnership to reduce crime and the causes and consequences of drugs abuse.
 - Improving value for money of Cityclean by 17% or just under £1m by introducing new recycling and collection rounds.

- Improving value for money in Cultural Services through activities such as sharing functions, for example in marketing, web services and through cross-selling in the tourism and venues services. This includes making better use of technology; the latest example of this is the new VisitBrighton website.
- The award of a new Housing Procurement contract which has followed a long procurement process is imminent and will deliver the savings required by the service in order to enable investment in council housing improvements.

- 3.35 The medium to long term value for money programme includes:
- Continuing to implement actions from the initial value for money programme. This element remains the accountability of the relevant Director working in conjunction with the relevant Cabinet Member.
 - Building on current on targeted intervention that better co-ordinates interventions and realigns services to preventive work and community support.
 - A structured programme of fundamental service reviews and corporate capability workstreams to better support business improvement.

Central Budgets

Financing Costs

- 3.36 The unprecedented level of short term interest rates has meant that investment returns will continue to be very low. As agreed in the 2009/10 budget report £2.9m reserves have been earmarked to meet expected shortfalls in this budget over the next 3 years. Opportunities have arisen to repay debt on a temporary basis to both minimise investment risk and improve investment returns. Latest projections show the interest rates are not likely to return to normal levels until 2013/14 at the earliest, so investment returns are likely to be below budget levels in 2012/13 as well.

Concessionary Fares Budget

- 3.37 The council has successfully set up a new scheme for Brighton & Hove based on data solely relating to bus operations within the City. This was published by the statutory deadline of 3rd March 2009. Discussions have been taking place with all 8 of the bus operators within the City to determine reimbursement levels for 2009/10. However, of the total reimbursement 96.7% goes to Brighton & Hove Bus Company and 1.8% to Stagecoach South so the rest are very small.

- 3.38 Based on all the reimbursement calculations made to date and making an allowance for more journeys assuming better overall weather conditions and more people holidaying at home, the projected spend is £8.9m for 2009/10 delivers a saving of £0.75m on the budget agreed at Budget Council. The allocation of the £0.75m was agreed at Cabinet on 11th June 2009.
- 3.39 Monitoring of journey numbers and average fares will be expanded so that it is carried out on a monthly and route by route basis. Payments to the bus operators will only be made if relevant data has been received by the council by the due dates.

Insurance Premia

- 3.40 The council entered into long-term agreements for most insurance cover for the period up to 31 March 2011. The insurance companies can increase rates in the interim if market conditions change but there is limited evidence to date to suggest this will occur. Insurance companies are having to make additional payments due to the recession and could be faced with significant business continuity compensation payments should a global flu pandemic have a serious widespread health impact in the future. Projections for the budget for 2011/12 and beyond have been set at higher levels to reflect potential increased pressures on insurance companies but risk management work is designed to reduce claims locally. The biennial review of the Insurance Fund has recently been completed and the fund has been increased as recommended by the actuary.

Capital Programme 2010/11 to 2012/13

- 3.41 The projected capital programme and resources are included in the table in appendix 2. The council has already received the settlement for 2010/11 and therefore the government resources available are reasonably certain, however beyond 2010/11 the resources are dependant on the outcome of the spending review and reductions in capital resources are likely to be greater than revenue. The next sections go into more detail about potential resources.
- 3.42 Over the 3 years the projections show there is a potential deficit of £1m based on current investment plans and capital receipts projections. There are additional pressures potentially facing the council including building schools for the future, maintenance to operational buildings, investment in schemes to reduce the council's carbon footprint and the seafront which could add to this deficit.
- 3.43 The potential deficit could, depending on circumstances and other priorities, be met from contributions from reserves generated by unused risk provisions and underspends in the revenue budget.

Capital Receipts

- 3.44 The capital programme in future years relies on certain receipts being generated over the 3 year period. If these do not materialise then the capital expenditure plans will need to be reviewed or alternative sources of funding identified. The capital investment plans for the HRA assume significant capital receipts generated through the LDV and these have been included within the 3 year projections.

Capital Grants

- 3.45 As with the revenue grants, capital grants have been announced for 2010/11 as part of the 3 year settlement but there is no certainty over the level of grants from 2011/12 onwards and it anticipated capital grants will reduce as the government reduces its expenditure in future years. It has been assumed within our projections the reduction will be 5% per annum. In 2010/11 the most significant grants include funding for the Falmer Academy as well as the Primary Capital programme and the Targeted Capital Fund within the CYPT programme. The 3 year capital projections assume certain capital grants will continue but at a reduced level.

Borrowing

- 3.46 The MTFS assumes the council will take up the supported borrowing allocations from government although the council receives no resources to support the financing costs of this borrowing. The government has announced supported borrowing allocations for 2010/11. The projections assume there will be no supported borrowing allocations beyond 2010/11. The council will also undertake unsupported borrowing to finance capital expenditure plans. This includes continued annual investment in social services buildings and replacement of vehicles and plant. The programme also includes borrowing £5m over 3 years to support the development of a new Historic Records Centre (The Keep) with East Sussex County Council.

Corporate Investment Funds

- 3.47 The table in appendix 2 includes the projected resources available to the Strategic Investment, Asset Management and ICT funds.

Timetable

3.48 Timetable for budget papers

2009	Budget Strategies	Cabinet	3 Dec
2010	Council Taxbase	Cabinet	14 Jan
Feb 2010	General Fund Revenue Budget and Council Tax	Cabinet	11
Feb 2010	Capital Resources and Capital Investment	Cabinet	11

Budget Council will be held on 25 Feb 2010.

4 CONSULTATION

- 4.1 The budget and council tax consultation process will be discussed by the cross party Budget Review Group during the summer. The conclusions from consultation will be circulated to all Members.

5 FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 These are contained in the main body of the report.

Finance Officer Consulted: Mark Ireland

Date: 11 June 2009

Legal Implications:

- 5.2 The process of formulating a plan or strategy for the control of the council's borrowing, investments or capital expenditure, or for determining the authority's minimum revenue position is an executive function and thus falls to the Cabinet to discharge. The recommendations at paragraph 2 above are proper to be considered and, if appropriate, approved by the Cabinet

Lawyer Consulted: Oliver Dixon

Date: 16 June 2009

Equalities Implications:

- 5.3 The budget includes provisions to meet both equal pay compensation and address inequalities in pay through the implementation of job evaluation including changes to allowances package. Equalities issues will be taken into account throughout the budget setting process and the development of budget strategies for individual services.

Sustainability Implications:

- 5.4 Sustainability issues will be taken into account throughout the council's budget setting process.

Crime & Disorder Implications:

- 5.5 The budget projections identify resources to help replace the reduction in government grants funding of certain crime and disorder initiatives.

Risk & Opportunity Management Implications:

- 5.6 There are considerable risks to the council's short and medium term budget strategy including the impact of the recession and changes in the national economy, spending exceeding budgets, pressures on existing budgets, further reductions in grant, legislative change demands for new spend. The budget process includes the recognition of these risks in determining the 2010/11 budget

Corporate / Citywide Implications:

- 5.7 The report is relevant to the whole of the city.

6 EVALUATION OF ANY ALTERNATIVE OPTION(S)

- 6.1 The budget process allows all parties to put forward viable alternative budget and council tax proposals to Budget Council on 25 February. Budget Council has the opportunity to debate both the proposals put forward by Cabinet at the same time as any viable alternative proposals.

7 REASONS FOR REPORT RECOMMENDATIONS

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

SUPPORTING DOCUMENTATION

Appendices:

- | | |
|------------|---|
| Appendix 1 | Service cash limit changes |
| Appendix 2 | Projected capital programme 2010/11 – 2012/13 |

Documents in Members' Rooms

1. None

Background Documents

1. Files held within Strategic Finance section
2. Government Budget Report
3. Brighton & Hove City Council Budget report, Feb 2009.

Appendix 1

Indicative service cash limits

The cash limits are at the level to deliver a balanced budget based on the assumptions set out in the report.

	2010/11	2011/12
Planned Maintenance	3.00%	3.00%
Finance & Resources	-0.25%	-0.25%
Members allowances	2.00%	2.00%
Strategy & Governance	-0.25%	-0.25%
Culture & Enterprise	1.75%	1.75%
Waste Disposal	0.00%	0.00%
City Clean	-0.50%	-0.50%
Parking income	0.00%	-1.00%
Environment other	1.15%	1.15%
CYPT – LEA functions	-0.25%	-0.25%
CYPT Children's & other services	3.25%	3.25%
Adult Learning Disabilities	3.00%	3.00%
Adult Social Care & Housing	0.50%	0.50%
Health Led services	0.50%	0.50%

Appendix 2

Projected Capital Investment Programme

Capital Programme	2010/11	2011/12	2012/13
	£'000	£'000	£'000
Strategic Investment Fund	750	1,000	1,000
Asset Management Fund	1,000	1,000	1,000
ICT Fund	685	750	750
Brighton Centre Redevelopment	500	1,000	1,000
Children & Young Peoples Trust	21,769	5,860	5,600
Culture & Enterprise	500	4,000	500
Environment	6,299	1,689	1,350
Finance & Resources	3,399	3,250	1,750
Strategy & Governance	495	140	-
Adult Social Care & housing	17,636	15,484	15,096
Total	53,033	34,173	28,046

Resources			
Supported Borrowing	7,375	-	-
Unsupported Borrowing	3,085	6,270	2,250
Government Capital Grants	36,057	19,113	18,126
Capital receipts & Reserves	1,484	3,750	2,750
Direct Revenue Funding	5,032	5,040	3,920
Total	53,033	34,173	27,046
Projected Shortfall			1,000

Note: The above programme excludes the Falmer Academy, any investment funded through receipts from the LDV and the Building Schools for the future programme.

