

<b>Subject:</b>	<b>Budget Update &amp; Budget Process Report 2012/13</b>		
<b>Date of Meeting:</b>	<b>14 July 2011</b>		
<b>Report of:</b>	<b>Director of Finance</b>		
<b>Lead Member:</b>	<b>Cabinet Member for Finance &amp; Central Services</b>		
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<b>Key Decision:</b>	<b>Yes</b>	<b>Forward Plan No: CAB21117</b>	
<b>Wards Affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE****1. SUMMARY AND POLICY CONTEXT:**

- 1.1 This report sets out the financial context the Council is working in. It begins the process for preparing the 2012/13 budget and describes the basis and principles on which this will be planned, in particular in the context of indicative plans for 2013/14.
- 1.2 The process is designed to combine the city's intelligent commissioning approach and a continued focus on value for money. It includes a broader and more transparent approach to consultation and engagement and takes into account the equalities and sustainability implications of the council's financial and service plans.
- 1.3 The Medium Term Financial Strategy (MTFS) will be further updated in the autumn alongside the publication of the new Corporate Plan.

**2. RECOMMENDATIONS:**

- 2.1 That Cabinet notes the resource and expenditure projections for 2012/13 to 2014/15 set out in table 3, paragraph 3.27.
- 2.2 That Cabinet instruct Directors and relevant Cabinet Members to produce options for working within a budget allocation over the next 2 years of -5%, -10% and -15% based on their 2011/12 adjusted budget as exemplified in appendix 1.
- 2.3 That Cabinet notes the resource projections for the capital investment programme as shown in appendix 2.
- 2.4 That Cabinet agrees the timetable for budget reports set out in paragraph 3.52.

### **3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:**

#### ***2011/12 Council Tax***

- 3.1 There was a freeze in the overall council tax for residents of Brighton & Hove for 2011/12. The overall average across the country and for unitary councils was also a council tax freeze at 0%. The level of council tax at band D remains significantly lower than most other councils in Sussex.

#### ***Capping Announcement***

- 3.2 The Secretary of State for Communities and Local Government Eric Pickles announced on 23 March that following the 100 percent response to the freeze by eligible authorities, no further capping action was required in 2011/12. The capping criteria previously announced included the allowable council tax increase for 2011/12 being no more than 3.5%. The capping limit for 2012/13 will be announced by the Secretary of State in late November or early December as part of the provisional Local Government Finance Settlement. With inflation levels likely to be above 4% in the autumn it is unlikely that the allowable council tax increase for next year will be lower than this year.

#### ***2010/11 Outturn***

- 3.3 The 2010/11 provisional outturn was presented to Cabinet on 9<sup>th</sup> June 2011 and showed an underspend of £2.560m. The Budget report to Budget Council in March included an estimated underspend of £1.597m including the reversal of the provision for S117 Mental Health Act which is no longer required. The additional £0.963m resources will be transferred to general reserves which leaves a total unallocated general reserves balance of £1.243m at the start of the current financial year.

#### ***2011/12 Budget Position***

- 3.4 A high level forecast of the likely level of spending at the end of this financial year based on spending patterns in the first 2 months of the year is shown in a report elsewhere on this agenda. It shows an overall projected overspend for council controlled budgets of £0.941m. This assumes the delivery of the majority of the extensive Value for Money programme and the use of £1.5m risk provisions on a one off basis. Service areas that are overspending are required to develop financial recovery plans so that a break even position is achieved. However there are unallocated general reserves set out later in this report in table 2 that are available to fund any overspend.

### **Medium Term Financial Strategy 2012/13 – 2014/15**

#### **Resources**

#### ***Local Government Resource Review***

- 3.5 The Government published terms of reference for the review in March 2011 with the primary objectives being to give local authorities greater financial autonomy and strengthen incentives to support local economic growth. Currently there is no

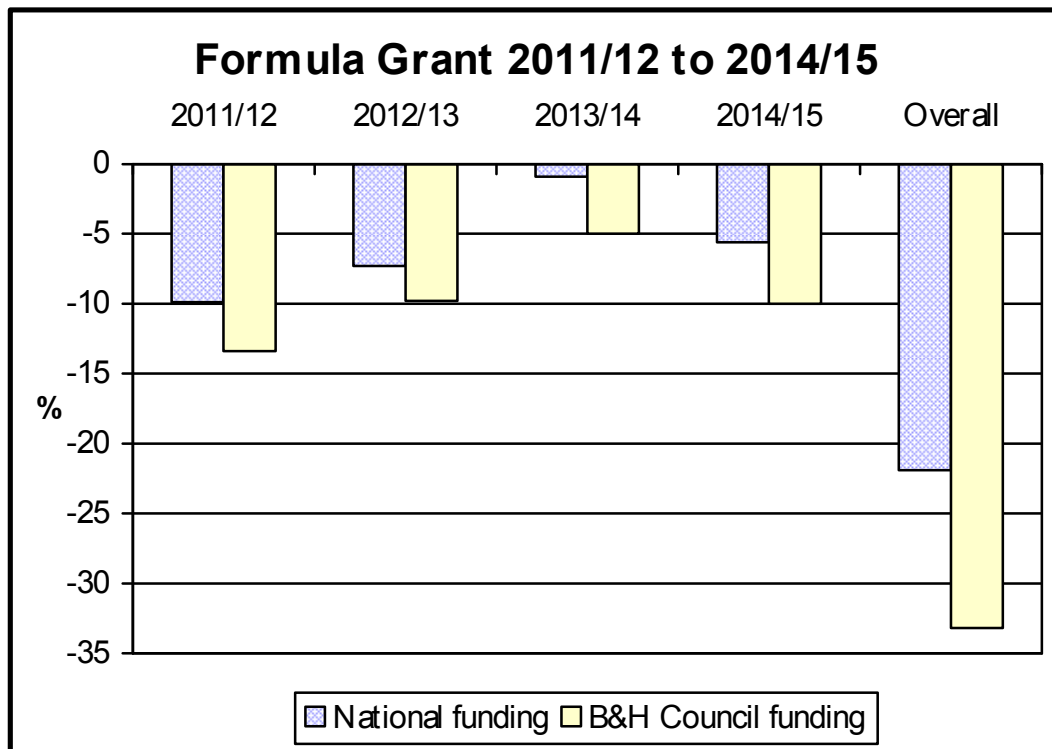
connection whatsoever between the business rates collected locally and the business rates funded proportion of Formula Grant. Proposals are being developed by the Department for Communities & Local Government which will allow councils to keep some or all of their business rate income collected locally. Councils will also get to keep increases in local business rates over and above inflation but see reductions in their resources if business rates fall. Local authority areas with a growing economy and increasing number of business premises have potentially most to gain from these proposals. The Government appears to be extremely keen to make changes and has an ambitious target of 1 April 2013 for the introduction of a new system.

- 3.6 Local government finance is extremely complicated and making changes of this fundamental nature is not easy and can create many unintended consequences. Officers are closely monitoring progress on the proposals and keeping the cross-party Members Budget Review Group informed of the latest developments. The work undertaken so far has thrown up many unanswered questions which makes assessing the impact on the future resource position of the council difficult to ascertain. However, any localisation of business rates will give the council significant new risks to manage as the income from business rates is quite volatile and provide some different financial incentives to take into account when the council is making decisions on business developments within the city.

### ***Formula Grant***

- 3.7 Whilst the Spending Review last year set out Government spending plan totals for 4 years the Government only announced a 2 year Local Government Finance Settlement covering 2011/12 and 2012/13. Although the 2012/13 figures are provisional there are currently no indications that there will be any significant changes when the 2012/13 settlement is announced at the end of November or beginning of December 2011. However, the way the Government reduced the 2011/12 settlement and proposes to reduce the 2012/13 settlement to reflect the growing number of academies is being challenged by a group of councils in the Courts and a hearing is expected in September.
- 3.8 Another 2 year settlement is likely to be announced in November or December 2012 for 2013/14 and 2014/15 taking into account any changes resulting from the Local Government Resource Review. These changes could have a significant impact on resource distribution so grant forecasts for these years are very provisional at this stage.
- 3.9 Major changes made to the grant distribution formula in 2003/04 and subsequent years resulted in the council being protected from the full scale of grant losses generated by those changes by a grant floor. The grant floor is set by the Government each year and represents the minimum increase or maximum decrease in grant any local authority can experience in any year. The council will receive £11million floor grant in 2012/13 and future forecasts assume that the council will continue to receive below national average grant settlements as floor grant protection declines. The Government have also said that future allocations of funding for the New Homes Bonus (see paragraph 3.19 for details) will be top-sliced from the resources allocated in the Spending Review to Formula Grant. The forecasts for the council have been reduced to reflect the possible impact of the top-slicing.

- 3.10 The following chart compares the average national Formula Grant changes set out in the Spending Review with the actual Formula Grant for 2011/12, the provisional settlement for 2012/13 and the forecasts for 2013/14 and 2014/15 for the council.



- 3.11 Formula Grant is expected to be £101million for the council in 2012/13 a reduction of £11million over the current year. Over the Spending Review period Formula Grant for Brighton & Hove is forecast to fall in cash terms by approximately one third or £43million.

### **Specific Grants**

- 3.12 The Local Government Finance Settlement for 2011/12 and 2012/13 swept away many of the specific grants the council previously received and relaxed the controls on nearly all the grants the council now receives by making them 'unringfenced'.
- 3.13 Unringfenced means there are no specific terms or controls that limit how the council can spend the grant and this allows the council the flexibility to reallocate funding according to local priorities and maximise outcomes. This means these grants are a general resource to the council in the same way formula grant is.
- 3.14 Therefore there is no requirement to account for these unringfenced grants discreetly; it also means there is no need to differentiate spending/commissioning decisions in services based on whether it is core funded or funded from an unringfenced grant.
- 3.15 For budget setting from 2012/13 it is proposed to 'gross up' service budgets for unringfenced grants based on their 2011/12 allocations which effectively makes the resource core funding and account for these grants as a corporate income budget. This means services can plan their resources more effectively not just

focus on the areas previously funded by that grant, whilst any fluctuations in these grants form part of the overall savings target. Although the Government has removed ringfencing consideration will be given during the budget process to protecting funding for certain services based on local priorities.

- 3.16 The following table shows the unringfenced grants that will be treated as core funding in the future.

<b>Table1 – Unringfenced Grants</b>	<b>2011/12 allocation £'000</b>
Early Intervention Grant	10,707
Learning Disability and Health Reform Grant	6,564
Housing Benefit and Council Tax Benefit Admin	3,258
<i>Local Services Support Grant : -</i>	
- Preventing Homelessness	1,300
- Community Safety	283
- Extended Rights for free Travel	213
- Lead Local Flood Grant	141
Work Choice	120
Drug Intervention Programme	280
Music Grant	385
<b>Total</b>	<b>23,251</b>
Unringfenced grants already held corporately	
Council Tax freeze grant	2,995
New Homes Bonus	596
<b>Overall Total</b>	<b>26,842</b>

- 3.17 Certain grants remain ringfenced such as Dedicated Schools Grant (DSG) and Pupil Premium; other grants are based on demonstrating spend to claim grant such as Housing Benefit or asylum seekers. There are no proposals to change the way these grants are managed.

#### ***Schools Funding***

- 3.18 Schools funding can only be spent on schools related expenditure. In the Spending Review schools funding was protected with DSG and funding for the new Pupil Premium rising by 0.1% per annum in real terms (i.e. after allowing for inflation) over the period of the Spending Review at a national level. The Department for Education are continuing to consult on the changes to the way the national funding pot is distributed including the introduction of a national funding formula to replace locally agreed formulae. The next stage of consultation is expected in the summer. Changes to the distribution mechanisms will create winners and losers both at the local authority and individual school levels but it is too early to tell how schools within Brighton & Hove might be affected.

### ***New Homes Bonus***

- 3.19 The Government introduced the New Homes Bonus last year as a funding incentive for local authorities to facilitate the creation of new homes in their area. The council will receive approximately £0.6m per annum for 6 years from the first tranche. Allocations of this funding were agreed at Budget Council on the 3 March 2011. Using the same calculation and the data available from the council tax register to the end of May the council could receive a further £0.2m per annum for 6 years starting in 2012/13. This forecast will change as data on the register changes until October when the data is submitted to the Government who will announce initial funding allocations for 2012/13 in December. The forecast new allocation has not been built into the overall resource allocations contained in this report at this stage.

### ***Fees and Charges***

- 3.20 Fees and charges are assumed to increase by a standard inflation of 2% each year. Details of fees and charges for 2012/13 will be presented to the relevant Cabinet Member Meetings and onto Council, where appropriate, prior to Budget Council. In addition, an overarching review of fees and charges will be undertaken prior to Budget Council to ensure there is no cumulative impact of proposed changes to fees and charges on vulnerable groups.

### ***Council Tax Strategy, Tax Base and the Collection Fund***

- 3.21 The Collection Fund, the account into which all council tax and council tax benefit is paid, was forecast to breakeven at 31<sup>st</sup> March 2011. The actual position when the 2010/11 accounts were closed was a deficit of £0.215m which related to shortfall in the liability raised and the main reason for this was the increased level of student exemption awarded during the final 3 months being higher than anticipated. The city council share of the deficit is £0.183m and this, along with the forecast for the current year which will be finalised in January 2012, will need to be factored into the 2012/13 budget. The Collection Fund position is monitored monthly and projections are included in the regular TBM reports to Cabinet. The council's share of the in year forecast deficit is £0.9m which largely arises from increased numbers of exemptions and discounts.
- 3.22 The growth in properties as a result of new property developments is expected to be offset by a continuing growth in the number of properties occupied solely by students and therefore exempt from paying council tax. So the assumption that the taxbase will not increase beyond 2011/12 will be maintained. Further work will be undertaken to establish whether the increase in exemptions and discounts in the current year is a temporary or permanent phenomenon. At this stage the forecast tax base has not been reduced but the budget strategy will need to be flexible enough to cope with possible resource reductions should they be identified later in the year.
- 3.23 The future resource estimates in the budget papers agreed at Full Council in March were based on a council tax increase of 2.5%. The indicative council tax strategy in this report assumes increases of 3.5% for the next 3 years but it will be up to all Members at Budget Council in March 2012 to agree the final level of the council tax.

### **General reserves position and working balance**

- 3.24 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 31<sup>st</sup> March 2012 assuming spending is in line with budget projections for 2011/12 shown in the TBM report and all risk provisions are allocated to support each year's budget.
- 3.25 The biennial actuarial review of the Insurance Fund has been recently completed. The fund needs to be set at a level that covers potential future successful claims. Officers have met with the Actuary to closely review all the provisions made for different types of claims and have agreed that based on the most recent data the fund should be set at just over £6.1m a reduction of £0.88m on the current level.
- 3.26 The table includes the potential Collection Fund deficit which is highlighted in paragraph 3.21 of this report and details of which are given in the TBM 2 report elsewhere on this agenda.

<b>Table 2 - General Reserves</b>	<b>2011/12</b>
	<b>£'000</b>
Unallocated general reserves	<b>1,243</b>
TBM2 forecast overspend	-941
Resources released from the Insurance Fund	879
Resources needed to cover the council's share of:	
Actual Collection Fund deficit in 2010/11	-183
Forecast Collection Fund deficit for 2011/12	-921
Forecast balance at 31 March 2012	<b>77</b>

### **Budget Estimates and Budget Process**

#### **MTFS summary expenditure estimates**

- 3.27 The following table shows the budget estimates for 2012/13 to 2014/15.

<b>Table 3 - Budget Estimates</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Base Budget</b>	<b>231.7</b>	<b>225.4</b>	<b>224.6</b>
Inflation	2.9	4.9	4.9
New Risk Provision	0.5	0.5	0.5
Commitments	-1.9	-1.0	-0.2
Non achievable function & funding changes (academies & private sewers)	0.5	0.0	0.0
Service pressures - General	7.5	7.5	7.5
Service pressures - Specific grants	0.3	0.5	0.5
Service pressure - Carbon Allowances	0.1	0.3	0
Service pressures - Council Tax Benefit	0.0	2.6	0.0
Full year effect of 2011/12 savings	-3.9	0.0	0.0
Savings	-16.3	-17.2	-18.3
<b>Sub-Total</b>	<b>221.4</b>	<b>223.5</b>	<b>219.5</b>
Change in contribution to / from	4.0	1.1	0.0

reserves			
<b>Budget Requirement</b>	<b>225.4</b>	<b>224.6</b>	<b>219.5</b>
<b>Funding Projections:</b>			
Formula Grant	101.4	96.3	86.7
Council Tax	124.0	128.3	132.8
<b>Total</b>	<b>225.4</b>	<b>224.6</b>	<b>219.5</b>

### ***Pay and Inflation assumptions***

- 3.28 The Government have announced a 2 year pay freeze for the public sector for 2011/12 and 2012/13. The budget estimates for 2012/13 include a risk provision for pay related matters equivalent to a 0.5% increase. The assumed pay award for 2013/14 and 2014/15 is 2% per annum.
- 3.29 The Government has set out proposals to increase the employee pension contributions by 3% on average phased in over a 3 year period although these proposals are subject to further negotiations with the trade unions. For the purpose of this report it has been assumed that any consequent reduction in employer contribution rates when the Pension Fund is next subject to actuarial review will be wholly offset by further grant reductions so the changes would be cost neutral for the council.
- 3.30 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 low but inflation is expected to decrease later this year. Some budgets such as fuel and energy have been extremely volatile in recent times. The potential increase in energy costs above 2% inflation for the general fund has been included within the £7.5m overall provision for service pressures. Gas prices are projected to increase by 20% and the 100kw+ electricity sites by 15%. Electricity sites using below 100kw are on a fixed rate until April 2013. This pressure equates to approximately £0.41m for the general fund £0.25m for schools and £0.12m for the HRA.

### ***Commitments and the Risk Provision***

- 3.31 The 2011/12 budget includes recurrent risk provisions of £2m and one off risk provisions of £1.2m. Any of these resources that are not required to support the 2011/12 budget will become available to support the 2012/13 budget. In addition the 2011/12 budget included a 1% salary inflation assumption based on 0.5% for increased employer national insurance contributions and 0.5% for other pay related matters.
- 3.32 A general risk provision of £0.5m per annum is incorporated into the budget projections to cover uncertainties within the budget. A number of commitments have been included to cover the planned changes in budgets from previous decisions. In 2012/13 these include the planned 0.4% increase to employer pension contributions and reinvestment of NHS social care funding which are more than off-set by anticipated reductions in the financing costs budget and reversal of one off allocations within the 2011/12 budget.



### ***Single Status (Back pay & future pay)***

- 3.33 Single Status Pay & Grading Structure was implemented in January 2010 which was supported by revenue funding of £1.63m to cover the ongoing financial implications. Over the next 3 to 4 years there will be an incremental drift pressure of approximately £0.6m in total as staff who received an increase in grade progress through their new pay banding. This pressure will be met within services' allocated budgets.
- 3.34 The Single Status Reserve, held to meet potential equal pay risks, stands at £5.75m as at 31 March 2011. The balance has reduced following settlement of residual equal pay claims in 2010/11 and the transfer of £3.5m to the restructure and redundancy reserve to cover costs associated with the 2011/12 budget savings package as approved by Full Council in March 2011. A further £1.5m was transferred out of the reserve to resolve pay-related matters in respect of non-teaching staff in Voluntary Aided Schools as agreed by Cabinet in April 2010. There remain a number of residual equal pay risks that may require the utilisation of one-off resources and these would be funded from the Single Status Reserve.

### ***Service Pressures***

- 3.35 The budget estimates for 2012/13 assume demographic growth and other service pressures of £7.5m, potential specific grant reductions of £0.3m and additional costs for the purchase of allowances through the Carbon Reduction Commitment of £0.1m.
- 3.36 Commissioners working with Heads of Delivery and Resource and Finance units have been asked for early indications of anticipated demographic, demand and other cost pressures and income shortfalls to support the allocation of the £7.5m funding. The following assumptions have been made at this stage:
- Demographic and demand pressures (£5.4m): of which £2.5m for growth in numbers of clients in Adult Social care, in particular those with learning disabilities and physical disabilities and accessing mental health services. A further £2.5m pressure has been assumed for Children's services, which includes growth in independent foster and residential agency placements, in house placements and associated legal costs.
- There is also assumed to be a continuation of the demand on travellers' services seen over recent years and on support provided by the Community Safety partnership (£0.4m).
- Income shortfalls (£0.8m): there is assumed to be continued pressure on income from Penalty Charge Notices (PCN) due to the successful enforcement strategy, and continued risks on commercial property and service areas dependent on advertising revenue.
- Legislative and compliance risk (£0.55m): some additional costs associated with the Localism Bill are anticipated and there are ongoing issues around ICT licensing and rising insurance costs.
- The provision for increased energy costs has also been included in the £7.5m. While there are other cost pressures being faced by services it is assumed that these will be identified and managed within their overall resource base. £0.35m has also been retained centrally for distribution at a later stage when there is greater certainty of these figures.

- 3.37 Demographic and other service pressure funding of £7.5m has been included in the budget estimates for 2013/14, however indicative allocations have not been made at this stage as it is too early to predict where pressures would arise with certainty.

### ***Budget Principles and Savings***

- 3.38 All service areas are being asked to produce options for working within a budget allocation over the next 2 years of -5%, -10% and -15% based on their 2011/12 adjusted budget and these are exemplified in appendix 1. It is expected that these plans cover both 2012/13 and 2013/14 in order to ensure that decision making is for the medium term, not just the short term. The intention is for Full Council to agree a budget for 2012/13 in the light of indicative plans for 2013/14.
- 3.39 This will also enable consideration to be given to allowing longer lead in times for delivery of savings in some areas if this would result in better long term outcomes.
- 3.40 These options would take into account not just options for reducing expenditure, but also for managing growth in service demand and exploring opportunities for generating additional income. Intelligent commissioning will be a core part of this thought process, ensuring that needs are properly understood and resources prioritised, to deliver the intended outcomes. This will help drive improved financial planning across service and organisational boundaries. There will also be a continued focus on improving value for money, both through the existing VFM programme and also identifying potential further opportunities.
- 3.41 The budget principles on which those options will be developed are:
- \* To prioritise services for the young, elderly and vulnerable
  - \* To promote efficient use of public money
  - \* To support partnership working with public, private and third sector organisations
- 3.42 This process will produce a wide range of options, allowing greater public debate and scrutiny about what the challenges and choices are. The process is deliberately designed not to pre-judge the outcomes. Opportunities will arise to consider how the funding available for service pressures and the risk provisions in the budget will be best deployed to achieve a robust and deliverable budget.
- 3.43 Devolving aspects of budget decision making to local neighbourhoods will be a key consideration of any further decisions made. Both national legislative changes and local priorities offer new ways of ensuring local communities and communities of interest can play a significant role in making decisions that affect them.

### ***Value For Money Programme***

- 3.44 The TBM month 2 report included on this agenda provides an update on the value for money (VFM) programme for 2011/12. Projections of gains through the programme will support services in managing the pressures identified and in meeting their savings targets.

## **Central Budgets**

### ***Financing Costs***

- 3.45 No changes have been made to the forecasts contained within the 2011/12 budget report however, there is an increased risk that interest rates could remain at very low levels for longer than anticipated. Officers are looking at investment and borrowing strategies to minimise the adverse impact on the future financing costs budget whilst meeting agreed credit risk parameters given continuing high levels of uncertainty in the international financial markets.
- 3.46 Any impact from Government changes to Housing Finance will be reported later in the year once greater detail of the proposals is known.

### ***Concessionary Fares Budget***

- 3.47 In June Cabinet agreed to the council entering into fixed deal agreements in 2011/12 with the key bus operators which led to more certainty on concessionary fares expenditure. The reduction of £0.4m has been reflected in the budget forecasts for future years and it is possible that further savings can be made if inflation (as measured by the Retail Price Index excluding mortgage repayments) is less than 5%.

### ***Insurance Premia***

- 3.48 Most of the insurance portfolio will be retendered during this year with new premia payments being paid from 1 April 2012. The level of those payments will depend both on the prevailing state of the insurance market and the claims history of the council. The insurance market is more expensive than 4 years ago when the portfolio was last tendered and although the council has not experienced an increase in the number of claims the average cost of those claims, in particular the legal costs element, has significantly increased. It is extremely difficult to predict what impact these issues will have on overall insurance costs but the projections allow for an increase of about 10%. It is hoped that negotiations will have been concluded in time for budget setting in February. Officers will continue to look at options to create greater value for money by varying levels of cover although most of these have now been fully explored.

## **Capital Programme 2012/13**

- 3.49 The projected capital programme and resources are included in the table in appendix 2. Grant funding is provided to the council as a Single Capital Pot and with the exception of Devolved Schools Grant these can be reprioritised as the Council sees fit. Unringfenced government grants for education, transport, health and disabled facilities are projected to be £13.8m in 2012/13 but are subject to confirmation from the Government in December 2011.
- 3.50 Capital receipts support the capital programme and the projections have been reviewed over a 3 year period and include receipts from the sale of Patcham Court Farm, the former ice rink in Queens Square, the Charter Hotel, Patcham Place and the Amex building.

- 3.51 The overall approach to capital investment, oversight and management is currently under review in the light of the availability of capital resources to ensure that they are used as efficiently and effectively as possible.

### Timetable

- 3.52 Timetable for budget papers. This timetable does not include detailed plans for ongoing consultation with stakeholders and this will be determined in conjunction with those involved.

<b>Table 4 - Proposed 2012/13 Budget Timetable</b>		
Date	Meeting	Papers / Activities
22 <sup>nd</sup> September	Cabinet	Corporate Plan & Medium Term Financial Strategy Month 4 Forecasts of 2011/12 budget position Public Consultation begins
October / November		Star Chamber process
End November / beginning December		Provisional 2012/13 Local Government Finance Settlement
8 <sup>th</sup> December	Cabinet	Budget update and savings package Scrutiny process begins
19 <sup>th</sup> Jan 2012	Cabinet	Tax base report
9 <sup>th</sup> Feb 2012	Cabinet	Month 9 Forecasts of 2011/12 budget position General Fund Revenue 2012/13 Budget Housing Revenue Account Budget Capital Programme
27 <sup>th</sup> Feb 2012	Budget Council	

## 4. CONSULTATION

- 4.1 The magnitude of the savings required over the coming years requires the council to plan and consult well in advance and therefore the consultation process will look at proposals for the next 2 years. It is intended that there will be wide and open consultation on the budget based on best practice used elsewhere in the country. Advice has already been sought from the Local Government Association and officers have been investigating other consultation methods and models such as budget simulators, focus groups and online surveys.

- 4.2 The consultation process will involve:
- public consultation in September/October through a process to be agreed by all political parties;
  - Scrutiny both early in the process on particular issues and in considering published proposals in December / January;
  - cross-party review and challenge of the options as they are developed (a “star chamber” process);
  - consultation with business rate payers;
  - roundtable discussions involving all political parties, recognised trades unions and the Community and Voluntary Sector Forum
  - formal and informal consultation with Trades Unions and with staff affected
  - formal consultation with service users as needed
- 4.3 In addition plans will be developed for moving beyond the immediate public consultation in the short term to more participative budget setting processes in the future.

## **5 FINANCIAL & OTHER IMPLICATIONS:**

### Financial Implications:

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

*Finance Officer Consulted: Mark Ireland Date: 30/06/11*

### 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: 30/06/11*

### Equalities Implications:

- 5.3 Significant improvements were made in 2011/12 to the process of considering the Equalities Impact of the Budget process and these will be further developed in 2012/13. In particular the full detail of Equality Impact Assessments will be published alongside the papers for Scrutiny rather than being available only on the council’s website. In addition where possible and proportionate to the decision being taken, consideration will be given to the cumulative impact of the council’s decision making on individuals and groups affected in the light of reductions in public expenditure by other bodies.

### Sustainability Implications:

- 5.4 It is intended to report on carbon budgets alongside the overall financial budget for the council. There are a number of options available for doing this which are currently being explored.

Crime & Disorder Implications:

- 5.5 The crime and disorder implications of savings and service proposals will be set out in future budget reports.

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 economic conditions and changes in the national budget, 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 2012/13 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 budget amendments and council tax proposals to Budget Council on 27<sup>th</sup> February 2012. 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 this statutory duty.

**SUPPORTING DOCUMENTATION**

**Appendices:**

1. Budget estimates and savings targets
2. Projected Capital Investment Programme

**Documents in Members' Rooms**

None

**Background Documents**

1. Files held within Strategic Finance and Financial Services
2. Government Budget Report
3. Brighton & Hove City Council Budget report, March 2011