

Subject:	Budget Update and Savings 2014/15		
Date of Meeting:	5 December 2013		
Report of:	Executive Director of Finance & Resources		
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Ward(s) affected:	All		

Note: The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that some of the key financial information could not be updated until the in-year budget monitoring report elsewhere on the agenda had been completed.

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT:

- 1.1 This report sets out initial proposals for the General Fund Revenue Budget and Council Tax for 2014/15. As last year, information is being provided as early as practicable to enable effective scrutiny and consultation to take place and inform final proposals for the February 2014 Policy & Resources Committee. It also provides an update on the Capital Programme, schools funding and Housing Revenue Account.
- 1.2 The July 2013 Policy & Resources Budget Update and Process report outlined the budget setting process in the context of ongoing substantial reductions in central government grant funding. It explained how closer links would be made between the corporate plan priorities and in February the updated Corporate Plan will be brought forward alongside the updated Medium Term Financial Strategy.
- 1.3 The proposals presented here do not fully meet the currently estimated budget savings requirement for 2014/15 and further work will be required to ensure that a balanced budget can be set.
- 1.4 A revised set of proposals will be presented to Policy & Resources Committee on 13 February 2014 taking into consideration the feedback from the engagement, consultation and scrutiny processes and the most up to date financial information. The final responsibility for agreeing the council's budget for 2013/14 rests with Full Council when it meets on 27 February 2014.

2. RECOMMENDATIONS:

That the Committee: –

- 2.1 Notes the updated forecasts for resources and expenditure for 2014/15 and an estimated budget savings requirement for 2014/15.
- 2.2 Notes the indicative allocations of one-off resources for 2014/15 set out in table 1 subject to the identification of sufficient further one-off resources to fund the proposed allocations.
- 2.3 Notes the revised savings targets for 2014/15 and considers the budget strategies and detailed savings proposals relating to the General Fund for 2013/14 shown in appendix 5 and approves their release for the scrutiny review.
- 2.4 Notes the update on the HRA budget set out in paragraph 3.36.
- 2.5 Notes the summary Capital Investment Programme set out in paragraphs 3.40 to 3.45 and appendix 6.

3. CONTEXT/ BACKGROUND INFORMATION

Structure of the report

- 3.1 The report provides full information on function and funding changes and other legal and financial matters that have resource implications for the 2014/15 budget. The full set of information provided in this report is listed here as an aid to navigation:
 - **Resources and Local Financial Settlement updates** - updates are given on the latest position regarding government grant announcements and anticipated changes to the method of funding local authorities;
 - **Council Tax Freeze Grant** – information is provided about recent government announcements;
 - **Taxbase and Other Funding Changes**– information about taxbase estimates and other funding changes is provided at appendices 2 and 3;
 - **Latest Position 2013/14** - a detailed report elsewhere on the agenda sets out the latest revenue and capital expenditure and income forecasts for the current year based on actual spending data for the first 7 months which are also summarised here;
 - **Reserves Position** - a re-assessment is included of the level of reserves available to fund one-off items of expenditure and / or provide short term support for the budget;
 - **Fees & Charges** - information on changes to fees and charges is provided in summary and in more detail in the Budget Strategy appendix 4;

- **Service Pressures** - information on specific investment in services, i.e. 'Service Pressure funding', is provided in summary and in detail in the Budget Strategy appendix 4;
- **Budget Savings Requirement** – summary information on the projected level of savings required is provided together with detailed service strategies and savings proposals at appendix 5;
- **Options to address the Budget Gap** – information on options and processes for identifying the remaining savings requirement for 2014/15 is provided;
- **Staffing Implications** – summary staffing implications are provided based on the best information available at the time of publishing the report;
- **Housing Revenue Account** – a summary of the HRA position is provided;
- **Capital Programme** – implications for the capital programme and latest resource information are given;
- **Timetable** – the timetable leading up to Budget Council on 27 February 2014 is set out;
- **Community Engagement & Consultation** – feedback on the wide range of consultation undertaken to date together with information on further consultation is provided;
- **Budget Strategy and Proposals** – these key elements of the budget report are set out in appendices 4 and 5.
- **Appendices** – the full set of detailed appendices including Equality Impact Assessments is listed at the end of the main report.

Resources update

- 3.2 The Department for Communities & Local Government (CLG) issued various technical consultation papers at the end of July 2013. The most significant from a resources perspective covered the Local Government Finance Settlements for 2014-15 and 2015-16 and proposals to top slice the New Homes Bonus for the Local Growth Fund.

Provisional Local Government Finance Settlement for 2014/15 and 2015/16

- 3.3 The Chancellor of the Exchequer is due to make his autumn statement on the national budget on 5 December 2013 and on the same day the Office of Budget Responsibility (OBR) will publish its economic and fiscal outlook. The provisional Local Government Finance Settlement for 2014/15 and 2015/16 depends upon spending and funding totals set out in the Autumn Statement so cannot be announced until at least one week later.
- 3.4 However the consultation paper issued in the summer helpfully set out provisional spending control totals and exemplified the impact on individual

authorities for the next 2 years. These showed that the assumptions and projections for 2014/15 set out in the July budget update report were correct, however, the funding reductions for 2015/16 are about 15% rather than the 10% set out in the Spending Round announced by the Chancellor at the end of June. This means that about £3.3m additional savings will need to be identified in 2015/16 bringing the savings target to £25.9m. More information has also been released on future levels of specific grants which are now forecast to be £0.6m lower than anticipated increasing the savings target to £26.5m.

Council Tax Freeze Grant

- 3.5 New freeze grant funding has been announced for both 2014/15 and 2015/16 equivalent to a 1% increase in council tax for those councils who freeze their council tax in 2014/15 payable for 2 years and a similar grant for councils who freeze their council tax in 2015/16. It is unclear whether any freeze grant funding will continue beyond 2015/16. It was also confirmed that council tax could not be increased by more than 2% without securing confirmation from a local referendum. Higher thresholds may apply to Police and Fire Authorities.
- 3.6 Full Council on 27 February 2014 will determine both the budget and council tax for 2014/15 but the resource forecasts shown in this report assume that council tax will increase by 2% next year. A decision to freeze the council tax in 2014/15 will require an additional £0.8m recurrent savings to be identified and agreed for next year and further increase the savings needed in 2016/17 of £1.2m if the new council tax freeze grant ends.
- 3.7 The Local Government Chronicle has undertaken a recent survey of authorities asking them whether they intend to increase their council tax next year or accept the Government freeze grant funding. Based on 142 responses the survey indicated that approximately one third of authorities would reject the freeze grant, a significant increase on previous years. In particular 75% of County Councils said they will reject the freeze grant. For Unitary Councils 41% said they would accept the freeze grant, 37% said they would reject and 22% remain undecided.

Taxbase and other funding changes

- 3.8 This Committee is statutorily required to agree both the council tax base for 2014/15 and a forecast of business rates for 2014/15 by the end of January and detailed reports will be presented for consideration at the January meeting. Details of taxbase estimates and other funding changes impacting upon the General Fund and schools are given in appendices 2 and 3.
- 3.9 The taxbase forecasts both show a significant improvement for next year generating additional resources of approximately £3.37m although business rates remain hard to predict and in-year collection of council tax is currently 1% lower than last year which is consistent with other unitaries. The main reasons for the improvement are:
- A decrease in the numbers claiming council tax reduction which is consistent with improvements in local employment levels.

- Proposed changes to council tax property discounts set out in detail in a report elsewhere on the agenda.
- A reduction in the provision for successful business rates appeals based on the actual appeals settled in the current financial year and recently received appeals data from the Valuation Office Agency (VOA).
- An improvement in the business rates baseline due to improvements in the local economy. In addition there is a further forecast increase to cover a range of initiatives that will be explored by officers to ensure that the current register fairly reflects the businesses operating within the city.

3.10 The Government proposes to top slice £400m of New Homes Bonus (NHB) funding nationally in 2015/16 to create a Local Growth Fund for Local Enterprise Partnerships (LEP) to allocate for local housing and growth priorities. CLG have indicated that the top slice will be about 35% of the total NHB awarded to each authority in 2015/16. Forecasts show that the 65% retained by the council in that year will only be sufficient to cover existing commitments to support the current revenue budget and therefore the forecast NHB of £680,000 for 2014/15 can only be used to fund one-off expenditure. It is unclear how much NHB will be retained by councils after 2015/16.

Latest Position 2013/14

- 3.11 The month 7 Targeted Budget Management (TBM) report elsewhere on the agenda shows a projected overspending of £1.762m on council controlled budgets and projected overspending of £0.283m on the council's share of NHS controlled s75 services. This assumes an estimated £1.9m pay and pension provisions held in contingency will be transferred to reserves to support future restructures and or anticipated increases in the pension contribution costs. The overall overspend is an improvement since month 5 was presented to the Committee in October. Executive Directors will continue to keep the position under close scrutiny and will take appropriate action to reduce spending, manage vacancies and develop financial recovery plans where necessary.
- 3.12 However at this stage resources need to be set aside to cover this overspend to avoid impacting on the 2014/15 position and the table 1 in the section on reserves shows how this can be managed.

Reserves Position

- 3.13 The working balance is planned to be maintained at £9m over the next 3 years of the Medium Term Financial Strategy. Determining the appropriate levels of working balance requires a professional judgement based on local circumstances including the overall budget size, risks, robustness of budget estimates, major initiatives being undertaken, budget assumptions, levels of other earmarked reserves and provisions, and the council's track record in budget management. The consequences of not keeping a minimum prudent level of balances can be serious. In the event of a major problem or a series of events, the council would run a serious risk of a deficit or of being forced to cut spending during the year in a damaging and arbitrary way.

- 3.14 The current level of balances has been based on the robustness of estimates information and the Corporate Risk Register. In addition, the other strategic, operational and financial risks taken into account when considering the minimum level of the working balance include:
- (i) The complexity and degree of uncertainty associated with planned economy and efficiency measures and/or service changes and the likelihood of achieving them in full;
 - (ii) The level of balances required to complement resources potentially available under the Bellwin Scheme for Emergency Financial Assistance to Local Authorities in the event of a major emergency;
 - (iii) Risks of rising demand, increasing costs and/or falling income due to economic conditions or potential legislative changes;
 - (iv) The risk of major legal challenges, both current and in the future;
 - (v) Risks in the financial inter-relationship between NHS partners and the council.
 - (vi) The need to retain a general contingency to provide against unforeseen circumstances that may arise. For example, delays in council tax billing which could arise from a major systems or power failure;
 - (vii) The need to retain reserves for general day-to-day cash flow needs.
- 3.15 In addition, the cash flow risk for unitary authorities is significant given the full range of services provided. Taking all of these factors into account, a £9.0m working balance is considered appropriate, representing about 4 weeks of council tax revenue.
- 3.16 The following table shows the projected general reserves position to 31 March 2014 assuming spending is in line with the latest projections for 2013/14 shown in the TBM month 7 report.
- 3.17 The table includes the potential release of specific reserves to support the 2014/15 budget with allocations identified in paragraph 3.19.

Table 1 - General Reserves	2013/14
	£'m
Unallocated general reserves at 1 April 2013	0.160
Estimated Collection Fund surplus for 2012/13 and 2013/14	1.464
Estimated New Homes Bonus for 2014/15	0.680
Estimated refund of Revenue Support Grant in 2014/15 to reflect the top slice for New Homes Bonus funding in the national grant settlement was overestimated by the Government	0.779
Total Resources	3.083
Commitments	
TBM Month 7 forecast overspend (incl. share of NHS S75 services)	-2.045
Fund part year effect of 2014/15 savings	-0.732
Saltdean Lido matched contribution	-0.020

Rugby World Cup	-0.200
Balance of one-off resources	0.086
Indicative allocations for 2014/15:	
Implementation funding for Adult Social Care reforms	-0.500
Support the capital investment programme	-0.680
One off risk provision	-1.000
Additional contribution to Modernisation Fund	-0.250
ICT short term resources for contract pressures	-0.300
Resources to be identified	-2.644

3.18 The table above includes the following commitments : -

- The month 7 forecast overspend of £2.045m will need to be financed from one off resources. Pressure to reduce this overspend will continue in order to minimise this impact.
- The budget proposals included in appendix 5 require one off resources of £0.732m because the lead-in times, primarily due to consultation requirements, mean that not all the proposed savings for 2014/15 can be delivered from 1 April 2014.
- The Saltdean Lido report elsewhere on this agenda details a proposed £0.020m contribution towards the Saltdean CIC's redevelopment project to match the contribution by Lewes DC.
- Policy & Resources committee on the 29th November 2012 approved a commitment of £0.2m to support the Rugby World Cup 2015 bid.

3.19 The indicative allocations for 2014/15 are proposed for the following reasons:

- The scale of the Adult Social Care Reforms and the lack of certainty about the adequacy of funding to support those changes mean that one off resources have been set aside as part of this budget setting process to support the changes. This is explained in more detail in appendix 3.
- The one-off New Homes Bonus funding has been set aside to support the pressures on the capital investment programme.
- A one of risk provision has been set aside to address one off or short term risks to the council's budget not identified at budget setting time.
- The resources set aside so far for the Modernisation Fund are fully committed in 2014/15. Further expansion of the VfM programme is likely to require additional one off investment as is workforce development and training to support the culture change aspects of the Modernisation programme.
- Budgets for certain ICT contracts are currently insufficient. These are being formally reviewed with a view to considering a different sourcing model. Short term resources have been identified to bridge the gap while those options are explored and the financing will need to be revisited in 2015/16.

Fees & Charges

- 3.20 In recent years the consumer price index has been increasing by over 3% per annum whilst the council had applied a standard rate of 2% and over time this difference has been harder to sustain. Fees and charges budgets for 2014/15 are assumed to increase by a standard inflation rate of 2.5% with the exception of parking charges which are planned to remain at 2013/14 levels, and parking charge notices (parking fines) where the levels of fines are set by government and cannot be changed independently.
- 3.21 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 should be reported to and considered at the relevant service committee. Where appropriate, details of fees and charges changes for 2013/14 are therefore being presented to the relevant service committee prior to Budget Council. In addition, an overarching review of fees and charges is undertaken to ensure there is no disproportionate or cumulative equality impact of proposed changes to fees and charges on vulnerable, minority or other groups. This equalities impact assessment will be included with the Budget papers to this committee in February when all fees and charges will have been set.

Service Pressures

- 3.22 The budget estimates for priority service pressures have been reviewed since July and the latest estimates for demographic growth and other service pressures has been reduced down from £6.4m to £5.69m. The current trends on the council's corporate critical budgets have been taken into account in determining levels of service pressure funding. The detailed allocation of Service Pressures investments is set out in the Budget Strategy appendix 4.
- 3.23 The council is due to hear the outcome of the triennial review of the East Sussex Pension Fund on the 13 December 2014. The review will determine pension contributions made by the council for the next 3 years. Reviews completed in other parts of the country have shown a mixed picture with both increases and decreases in contribution rates. The budget projections contain provisions for pay and pay related matters which will cover a 1% increase in the contribution rate. The actual rates will be built into the budget estimates presented in February.

Budget Savings Requirement

- 3.24 Revisions to the budget assumptions have resulted in changes to the savings targets for 2014/15. The table below shows how the 2014/15 target has moved from £23.62m to £22.56m.

Table 2 – Revised 2014/15 Savings Target	£ m
Savings target at July Policy & Resources Committee	23.62
Change in inflation assumptions (parking charges)	0.53
Change to pay provision and inflation assumptions	-0.93
Adjustment to commitments for Concessionary Fares and financing costs	0.05
Reduction in service pressure assumptions	-0.71
Budget Savings Requirement	22.56
Less	
Actual Savings proposals 2014/15	-15.98
Full year effect of 2014/15 savings proposals funded by one off resources	-0.73
Estimated increase in Council Tax Base	-1.12
Adjustment to Class C exemptions (included in savings schedule)	-0.26
Estimated increase in share of Business Rate income	-2.00
Remaining budget gap 2014/15	2.47

- 3.25 For information, the latest estimate of budget savings required in 2015/16, assuming a 2% Council Tax increase, is £26.5m; an increase of £3.9m since the July report. The position for 2015/16 will be updated for February along with an updated Medium Term Financial Strategy subject to available information.

Budget Strategy

- 3.26 A summary table of the budget forecasts for 2014/15 is shown in appendix 1.
- 3.27 An overarching Budget Strategy and strategies for each main budget area and the detailed savings proposals are included at appendix 4 and 5 respectively. The General Fund savings proposals for 2014/15 total £16.0m in year and £16.7m in a full year with the difference funded by £0.7m reserves as shown in table 1.
- 3.28 There are some common themes across the proposals, which fit with the principles and process set out in the budget strategy at appendix 4.

Options to address the remaining budget gap

- 3.29 The remaining budget gap for 2014/15 is £2.47m assuming sufficient one-off resources can be identified. There a number of assumptions that need to be reviewed and updated between now and the revised report to Policy & Resources Committee on 13 February. These include but are not limited to:
- The provisional local government finance settlement;
 - The council tax base which will be set in January including assumptions about council tax reduction caseload, collection rates, student exemptions, single person discounts and increases in the property taxbase;
 - The NNDR forecast which will be agreed in January;
 - The Month 9 position on the 2013/14 TBM budget monitoring;
 - The Triennial review of the Pension Fund;

- The projections on the latest trends on corporate critical budgets and their implications for the levels of service pressure funding required and risk provisions required.
- 3.30 These updates could have positive or negative implications for the budget gap for 2014/15 and revisions or additions to the proposed savings may be required as a result. This is in addition to any changes that may be proposed following the further scrutiny, consultation and engagement processes. This report should be considered the start of that consultation process not the end.
- 3.31 A thorough review of the council's Value for Money Programme is being undertaken to consider how the current initiatives could be developed further and to propose new initiatives, drawing where possible from best practice in other local authorities. Options to deliver at least a further £2m savings will be drawn up for consideration.

Staffing Implications

- 3.32 The staffing budget for 2014/15 includes funding for a £7.65 living wage. An assumption of an increase of 1% in pay and 1% on the cost of pension contributions has been included.
- 3.33 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 2014/15 an estimated 100-150 posts may be removed from the council's staffing structure as a result of the savings proposals set out in appendix 5. However actual numbers will be dependent on the detailed options proposed and on the results of formal consultation where required. Some of these are already vacant and some will become vacant through normal turnover. Based on previous years' experience this is likely to account for at least half of the posts lost. As in previous years it is planned to minimise the number of staff at risk of redundancy through:
- Controlling recruitment and only making permanent appointments in exceptional circumstances and when all other alternatives have been exhausted;
 - Holding any vacancies available internally to increase the opportunities for re-deployment;
 - Minimise the use of interim or consultant appointments;
 - Limiting the use of temporary or agency resources.
- 3.34 These measures will continue as we work with trades unions and colleagues on the detailed staffing implications.
- 3.35 A Voluntary Severance Scheme will be accessible for staff in service areas subject to planned savings from redesign but there will not be an open scheme across the workforce. This is because it is only a few months since an open scheme was offered and it is felt that a more targeted approach to releasing staff in areas undergoing change is needed at this moment. It is also proposed to retain the previous enhanced terms compared to the council's normal redundancy provisions and a multiplier of 2 will therefore be applied to voluntary redundancy (not pension) entitlement to ensure the success of the scheme.

Housing Revenue Account

- 3.36 The Housing Revenue Account (HRA) is a ringfenced account which covers the management and maintenance of council owned housing stock. A local authority's HRA 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. The introduction of self-financing of the HRA from 1st April 2012 means that the authority needs to ensure sufficient funds are available to meet the future management, repairs and investment needs of the stock. Self financing has given authorities the freedom to plan for the longer term and has given greater emphasis to the 30 year business plan.
- 3.37 The Commissioning framework for the HRA aims to reduce management unit costs to enable re-investment in services to reduce inequality (support) and make improvements to homes and neighbourhoods (investment). As the HRA is a ring-fenced account, any savings achieved are reinvested into council housing services. However, the significance of the HRA budget reaches beyond housing service provision and provides the opportunity to tackle inequality, create jobs and training opportunities, and improve the lives and well-being of residents. This in turn can reduce pressures upon social care and other General Fund budgets.
- 3.38 Benchmarking against comparator organisations and an analysis of the outcome of the Housing Quality Network (HQN) value for money review identified a savings target of £1.028m over 2 years to ensure that the service provides value for money. This is the second year of the programme, £0.590m was included in 2013/14 and a further £0.438m was originally planned for inclusion in 2014/15.
- 3.39 The HRA Budget proposals for 2014/15, including rents and service charges and an update to the Medium Term Financial Strategy, will be reported separately to, Housing Committee and Policy & Resources Committee in January and February 2014 alongside other planned consultation and engagement.

Capital Programme

- 3.40 As well as some significant funding issues in the short term the council is facing some major longer term capital investment challenges, not least the delivery of additional secondary school places and the major works needed to the seafront structures / infrastructure. Officers are working with external advisors to develop a longer term capital investment programme (up to 10 years) so that shorter term investment decisions can be made in the context of the longer term position. This work will also aim to:
- Ensure that the capital investment programme has clear links with the Corporate Plan, Revenue Budget, Reserves Strategy and Treasury Management Strategy.
 - Capture the contribution schemes make to the achievement of strategic objectives and the impact on the local economy including jobs, business rates and council tax income.

- 3.41 The projected capital programme and resources are included in the table in appendix 6; this includes all amendments highlighted in the TBM 7 report.
- 3.42 Grant is provided to the council as unringfenced funding with the exception of Devolved Schools Grant. New grants for education, transport, health and disabled facilities are projected to be £16.2m in 2014/15 but are subject to confirmation from the Government in December 2013. Education allocations for New Pupil Places were announced last December for a two-year period. The projected capital programme in appendix 6 includes education shortfall for investment in primary school places but does not include future year's shortfalls for secondary places. The programme also excludes potential capital pressures for investment in seafront infrastructure which could require up to £70m investment over a number of years.
- 3.43 The table shows a shortfall in funding of £4.3m over the 3 year period assuming planned net capital receipts of £21.9m over the 3 years are achieved.
- 3.44 The planned receipts includes disposals associated with Workstyles Phase 3 including the disposal of Kings House in 2015/16 to 2016/17. The planned receipts also includes potentially difficult disposals such as Patcham Court Farm and if this receipt is not realised the shortfall will increase by £3m.
- 3.45 Plans to address the shortfall include reviewing the current commitments in the planned capital programme to reallocate to priority areas, reprioritising the allocation of future capital grant funding allocations announced by the government in December 2013 and a review of reserves subject to priority pressures elsewhere in the budget. It is intended that the programme will, as in previous years, be cash-backed and not dependent on in-year receipts.
- 3.46 A detailed capital programme report will be presented to Policy & Resources Committee in February prioritising the limited capital resources available to the council given the risks associated with delivering the planned high level of capital receipts. The programme proposed will be a fully funded capital investment programme.

Timetable

- 3.47 The Timetable for budget papers is given below in table 3. This timetable does not include detailed plans for ongoing consultation with stakeholders and this will be determined in conjunction with those involved.

Date	Meeting	Papers / Activities
5 Dec 2013		Autumn Statement
19 Dec 2013	Scrutiny	Scrutiny panels begin
Late Dec 2013		Provisional Local Government Finance Settlement
15 Jan 2014	Housing Committee	Housing Revenue Account Budget Housing Revenue Account Capital
16 Jan 2014	Policy & Resources	Taxbase report and Business Rates retention forecast

Table 3 - Remaining 2014/15 Budget Timetable		
Date	Meeting	Papers / Activities
13 Feb 2014	Policy & Resources	Month 9 Forecast of 2013/14 budget position General Fund Revenue 2014/15 Budget Housing Revenue Account Budget Housing Revenue Account Capital Programme Capital Programme
27 Feb 2014	Budget Council	

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The budget process allows all parties to engage in the scrutiny of budget proposals and put forward viable alternative budget and council tax proposals to Budget Council on 27 February. Budget Council has the opportunity to debate the proposals put forward by the Committee at the same time as any viable alternative proposals.

5. COMMUNITY ENGAGEMENT AND CONSULTATION

- 5.1 The scale of the savings required for 2014/15 and future years, after taking into account anticipated cost and demand pressures, will have increasingly significant implications for services and the way they are commissioned and delivered. This is likely to carry higher risks for the impact on service delivery than in recent years and requires effective consultation and engagement on not only service changes but financial planning over the medium term. The approach to budget consultation and engagement was set out and approved by Policy & Resources Committee in July 2013.
- 5.2 The complexity of council finances and the very wide range of services provided means that consultation and engagement on the budget is inherently complex. This is because it is difficult to present the wealth of information in a concise, usable or understandable format to enable people to give their views or make informed choices. We have therefore tried different approaches in recent years to consult about spending but favour the following methods which are relatively clear and straightforward for residents to complete:
- A survey available online and on paper;
 - An online prioritisation tool.
- 5.3 The common themes emerging from these exercises are presented in appendix 8 to this report "Summary Report: Budget Consultation Exercises Autumn 2013". All the consultation and engagement feedback to date and over the coming weeks will be taken into account as the final budget proposals are developed.

Other consultation and engagement processes are as follows:

- 5.4 Key performance and comparative data covering the whole of the council's budget has been collated and reviewed by the cross-party Budget Review Group

alongside the developing budget proposals. The intention was to provide members with a more rounded, contextual and comparative view of the whole budget to help prioritise expenditure and/or options for savings. 6 sessions were held covering the key service blocks and the capital programme.

- 5.5 A number of scrutiny meetings have been set up in December and January following publication and consideration of this report. The initial scrutiny panel will focus on the link of budget strategies with the council's Corporate Plan and will then agree a small number of thematic areas to focus on. The Community & Voluntary Sector Forum (now Community Works) will be co-opted to the scrutiny panel.
- 5.6 Various other events including two meetings of the Older Peoples Council and a Youth Council event are planned and information is regularly shared with Strategic Partners and community groups to invite feedback.
- 5.7 A presentation has been made to the Economic Partnership linking the council's budget to the Economic Strategy and City Deal and this engagement was also undertaken with the City's Strategic Partnership. Formal consultation with business ratepayers and representatives of the wider business community will be scheduled in January 2014.
- 5.8 Engagement with statutory partners in the city is being undertaken on an ongoing basis through the City Management Board and a strategic finance event will be held on 17 December to further share and understand the financial position across all sectors including considering the potential cumulative impact of budget proposals across the city.
- 5.9 A number of methods to improve communication and engagement with staff have been put in place including using the monthly briefings from the Executive Leadership team and all staff roadshows. Full formal consultation with Staff and Unions will be undertaken as normal including Departmental Consultative Group (DCG) meetings in early December 2013 followed by appropriate consultation with directly affected staff under the council's Organisation Change Management Framework.
- 5.10 A further update of the feedback and results from the online budget prioritisation tool and online and paper surveys will be included in the February budget report.

6. CONCLUSION

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

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

Legal Implications:

- 7.2 Policy & Resources Committee has responsibility for formulating budget proposals for adoption by the Council. The matters set out in this report form part of the process for developing the budget framework. The process itself conforms with the council's budget and policy framework procedure rules. The legal implications in relation to any potential Council Tax Referendum, any staffing changes or other elements of the budget that are proposed to be taken forward will be considered alongside the development of the proposals and addressed as part of the final report for decision

Lawyer Consulted: Elizabeth Culbert

Date: 27/11/13

Equalities Implications:

- 7.3 In Brighton & Hove City Council a Budget Equality Impact Assessment (EIA) screening process has been used to identify the potential disproportionate impacts of proposals on groups covered by legislation (the 'protected characteristics' in the Equality Act 2010). Assessing the potential positive and negative impact of decisions on different equality groups is a key part of meeting the requirements of the Act, and demonstrating that we are doing so. EIAs are important for informing decision-making, increasing opportunities for positive benefits and reducing or removing negative impacts, specifically where they affect one or more groups disproportionately, and especially where they may be unlawful.
- 7.4 All service areas that have identified proposals with a potential equalities impact have completed an EIA, included at appendix 10, and this is cross-referenced within the savings proposals. The Communities and Equalities Team have undertaken an overarching cumulative impact assessment which is attached at appendix 9. The full documents are available on line. An overarching staffing EIA will be completed alongside the formal consultation process on staffing changes and feedback will be provided in the February report. A cumulative impact assessment on fees and charges will also be undertaken as the detailed proposals are presented to service committees.
- 7.5 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 Screening EIAs into final versions which will be available to members and scrutiny as they consider the budget proposals. They will also be published on the council website.

Sustainability Implications

- 7.6 A carbon budget has been set for 2014/15. This shows the level of spend on energy and the estimated carbon emissions across each carbon budget area and includes a planned 4% reduction in 2013/14 and again in 2014/15. This modest target will be challenging to meet on the basis of the current approach to carbon management.
- 7.7 Carbon budgets provide the organisation with a framework of accountability for reducing carbon emissions from our buildings, street lights and fleet. They were

first introduced in 2012/13 and supported by actions plans that set out how carbon budgets are to be achieved and these plans are reviewed and challenged once a year. The council spends around £7.5m each year heating and lighting its buildings, lighting our neighbourhoods and travelling around the city to deliver key services. With rising energy and fuel prices and the purchase of annual Carbon Reduction Commitment allowances, the business case for reducing carbon emissions is clear.

- 7.8 To make significant savings in carbon emissions a different approach is required and the One Planet Zero Carbon approach provides a fresh focus to carbon management. Energy efficiency scoping work is underway for a set of key corporate buildings to help identify a programme of investment. Planned maintenance programmes for corporate and school buildings each year address key energy saving initiatives including oil to gas conversions and improvements to insulation. Housing's rolling investment programme for communal lighting and lifts continues to improve the overall efficiency of buildings. In addition there will be long term investment in more energy efficient street lighting funded from Local Transport Plan resources. There will be a clear focus placed on reducing carbon emissions from buildings through the Workstyles phase 3 programmes reducing both the total number of buildings occupied by the council and also ensuring improved energy efficiency in the retained buildings.
- 7.9 The Council's 2012/13 Carbon Reduction Commitment footprint accounted for 23,452 tonnes of CO² from council buildings for which the council purchased £0.281m worth of CRC allowances at £12 per tonne. This was 275 tonnes less than in 2011/12. From 2014/15 allowances will rise to £16 per tonne.
- 7.10 Non half-hourly electricity prices increased by 15% at the beginning of April 2013, half-hourly electricity and gas prices increased by 10% and 7%, respectively, in October 2013.
- 7.11 The Council's carbon budget data update is detailed in appendix 7 and profiles the spend and CO² carbon footprint for 2012/13 across the council and sets out the targets for 2013/14 and 2014/15.

Any Other Significant Implications:

Risk and Opportunity Management Implications:

- 7.12 The budget proposals include recurrent risk provisions of £2m and one off risk provision of £1m. These will need to be reviewed again in the light the month 9 TBM position. The budget report to February Policy and Resources committee will include the Chief Finance Officer's formal assessment of the robustness of estimates in the budget and the adequacy of reserves.

SUPPORTING DOCUMENTATION

Appendices:

1. Budget Summary for 2014/15
2. Council Taxbase, Business Rates and New Homes Bonus Grant
3. Schools, Social Care & Health Integration and Welfare Reform
4. General Fund Budget Strategy
5. Budget Strategy for each main budget area and detailed savings proposals 2014/15
6. Summary Capital Investment Programme 2014/15 to 2016/17
7. Carbon Budget for 2014/15
8. Summary Report: Budget Consultation
9. Cumulative Equality Impact Assessment

Documents in Members' Rooms

1. Appendix 10 - Budget Equality Impact Assessment Screening Documents (also available online)

Background Documents

1. Budget files held within Financial Services and Strategic Finance
2. Consultation papers