Public Document Pack

COUNCIL

Wednesday, 15th February 2012
at 2.00 pm
PLEASE NOTE TIME
Council Chamber, Civic Centre

Members of the Council

The Mayor – Chair

The Sheriff – Vice-chair

Leader of the Council

Members of the Council (See overleaf)

Contacts

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The agenda and papers are available via the Council's Website

WARD	COUNCILLOR
Bargate	Bogle
	Noon
	Willacy
Bassett	Hannides
	B Harris
	L Harris
Bevois	Burke
	Barnes-Andrews
	Rayment
Bitterne	Fuller
	Letts
	Stevens
Bitterne Park	Baillie
	White
	P Williams
Coxford	Morrell
	Thomas
	Walker
Freemantle	Ball
	Moulton
	Parnell
Harefield	Daunt
	Fitzhenry
	Smith

WARD	COUNCILLOR
Millbrook	Furnell
	Thorpe
	Wells
Peartree	Drake
	Jones
	Dr Paffey
Portswood	Capozzoli
	Claisse
	Vinson
Redbridge	Holmes
	McEwing
	Pope
Shirley	Matthews
	Kaur
	Mead
Sholing	Mrs Blatchford
	Fitzgerald
	Kolker
Swaythling	Osmond
	Turner
	Vassiliou
Woolston	Cunio
	Payne
	Dr R Williams

PUBLIC INFORMATION

Role of the Council

The Council comprises all 48 Councillors. The Council normally meets six times a year including the annual meeting, at which the Mayor and the Council Leader are elected and committees and sub-committees are appointed, and the budget meeting, at which the Council Tax is set for the following year.

The Council approves the policy framework, which is a series of plans and strategies recommended by the Executive, which set out the key policies and programmes for the main services provided by the Council.

It receives a summary report of decisions made by the Executive, and reports on specific issues raised by the Overview and Scrutiny Management Committee.

The Council also considers questions and motions submitted by Council Members on matters for which the Council has a responsibility or which affect the City.

Public Involvement

Representations

At the discretion of the Mayor, members of the public may address the Council on any report included on the agenda in which they have a relevant interest.

Petitions

At a meeting of the Council any Member or member of the public may present a petition which is submitted in accordance with the Council's scheme for handling petitions.

Petitions containing more than 1,500 signatures (qualifying) will be debated at a Council meeting. Petitions with less than 1,500 signatories (non-qualifying) shall be presented to the Council meeting and be received without discussion.

Deputations

A deputation of up to three people can apply to address the Council. A deputation may include the presentation of a petition.

Questions

People who live or work in the City may ask questions of the Mayor, Chairs of Committees and Members of the Executive.

Southampton City Council's Seven Priorities

- More jobs for local people
- More local people who are well educated and skilled
- A better and safer place in which to live and invest
- Better protection for children and young people
- Support for the most vulnerable people and families
- Reducing health inequalities
- Reshaping the Council for the future

Smoking policy – The Council operates a no-smoking policy in all civic buildings.

Mobile Telephones – Please turn off your mobile telephone whilst in the meeting.

Fire Procedure – In the event of a fire or other emergency, a continuous alarm will sound and you will be advised by Council officers what action to take.

Access – Access is available for disabled people. Please contact the Council Administrator who will help to make any necessary arrangements.

Dates of Meetings

2011	2012
18 May	15 February
13 July	14 March
14 September	16 May
16 November	

CONDUCT OF MEETING

FUNCTIONS OF THE COUNCIL

The functions of the Council are set out in Article 4 of Part 2 of the Constitution

BUSINESS TO BE DISCUSSED

Only those items listed on the attached agenda may be considered at this meeting.

RULES OF PROCEDURE

The meeting is governed by the Council Procedure Rules as set out in Part 4 of the Constitution.

QUORUM

The minimum number of appointed Members required to be in attendance to hold the meeting is 16.

DISCLOSURE OF INTERESTS

Members are required to disclose, in accordance with the Members' Code of Conduct, ***both*** the existence ***and*** nature of any "personal" or "prejudicial" interests they may have in relation to matters for consideration on this Agenda.

PERSONAL INTERESTS

A Member must regard himself or herself as having a personal interest in any matter:

(i) if the matter relates to an interest in the Member's register of interests; or
(ii) if a decision upon a matter might reasonably be regarded as affecting to a greater extent than other Council Tax payers, ratepayers and inhabitants of the District, the wellbeing or financial position of himself or herself, a relative or a friend or:-

- (a) any employment or business carried on by such person;
- (b) any person who employs or has appointed such a person, any firm in which such a person is a partner, or any company of which such a person is a director;
- (c) any corporate body in which such a person has a beneficial interest in a class of securities exceeding the nominal value of £5,000; or
- (d) any body listed in Article 14(a) to (e) in which such a person holds a position of general control or management.

A Member must disclose a personal interest.

/continued.......

PREJUDICIAL INTERESTS

Having identified a personal interest, a Member must consider whether a member of the public with knowledge of the relevant facts would reasonably think that the interest was so significant and particular that it could prejudice that Member's judgement of the public interest. If that is the case, the interest must be regarded as "prejudicial" and the Member must disclose the interest and withdraw from the meeting room during discussion on the item.

It should be noted that a prejudicial interest may apply to part or the whole of an item.

Where there are a series of inter-related financial or resource matters, with a limited resource available, under consideration a prejudicial interest in one matter relating to that resource may lead to a member being excluded from considering the other matters relating to that same limited resource.

There are some limited exceptions.

<u>Note:</u> Members are encouraged to seek advice from the Monitoring Officer or his staff in Democratic Services if they have any problems or concerns in relation to the above.

PRINCIPLES OF DECISION MAKING

All decisions of the Council will be made in accordance with the following principles:-

- proportionality (i.e. the action must be proportionate to the desired outcome);
- due consultation and the taking of professional advice from officers;
- respect for human rights;
- a presumption in favour of openness, accountability and transparency;
- setting out what options have been considered;
- setting out reasons for the decision; and
- clarity of aims and desired outcomes.

In exercising discretion, the decision maker must:

- understand the law that regulates the decision making power and gives effect to it. The decision-maker must direct itself properly in law;
- take into account all relevant matters (those matters which the law requires the authority as a matter of legal obligation to take into account);
- leave out of account irrelevant considerations;
- act for a proper purpose, exercising its powers for the public good;
- not reach a decision which no authority acting reasonably could reach, (also known as the "rationality" or "taking leave of your senses" principle);
- comply with the rule that local government finance is to be conducted on an annual basis. Save to the extent authorised by Parliament, 'live now, pay later' and forward funding are unlawful; and
- act with procedural propriety in accordance with the rules of fairness.

Director of Corporate Services
M R HEATH
Civic Centre, Southampton, SO14 7LY

Tuesday, 7 February 2012

TO: ALL MEMBERS OF THE SOUTHAMPTON CITY COUNCIL

You are hereby summoned to attend a meeting of the COUNCIL to be held on WEDNESDAY, 15TH FEBRUARY, 2012 in the COUNCIL CHAMBER, CIVIC CENTRE at 2.00 pm when the following business is proposed to be transacted:-

1 APOLOGIES

To receive any apologies.

2 ANNOUNCEMENTS FROM THE MAYOR AND LEADER

Matters especially brought forward by the Mayor and the Leader.

3 DEPUTATIONS, PETITIONS AND PUBLIC QUESTIONS

To receive any requests for Deputations, Presentation of Petitions or Public Questions.

4 COUNCIL TAX SETTING AND RELATED MATTERS

a General Fund Capital Programme 2012/13 to 2014/15

Report of the Cabinet Member for Resources, Leisure and Culture setting out the latest estimated overall financial position on the General Fund Capital Budget for 2012/13 to 2014/15, attached.

b General Fund Revenue Budget 2012/13 to 2014/15

Report of the Cabinet Member for Resources, Leisure and Culture seeking to set out the latest estimated overall financial position on the General Fund Revenue Budget for 2012/13 to 2014/15 and to outline the main issues that need to be addressed in considering the Cabinet's budget and council tax proposals, attached.

5 HOUSING REVENUE ACCOUNT BUDGET REPORT AND BUSINESS PLAN

Report of the Cabinet Member for Housing setting out the: Housing Revenue Account Business Plan for the period 2012/13 to 2041/42; the detailed Capital Budget for 2011/12 to 2015/16 and the Revenue Budgets for 2011/12 and 2012/13, attached.

6 TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL LIMITS 2012/13 TO 2014/15

Report of the Head of Finance regarding the Council's treasury management strategy for the coming year in relation to the Council's cash flow, investment and borrowing, and the management of the numerous risks related to this activity, attached.

NOTE: There will be prayers by the Mayor's Chaplain, Monsignor Vincent Harvey, in the Mayor's Reception Room at 1.45 pm for Members of the Council and Officers who wish to attend.

M R HEATH
Director of Corporate Services

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DECISION-MAKER:	CABINET COUNCIL
SUBJECT:	THE GENERAL FUND CAPITAL PROGRAMME 2011/12 TO 2014/15
DATE OF DECISION:	6 FEBRUARY 2012 15 FEBRUARY 2012
REPORT OF:	CABINET MEMBER FOR RESOURCES, LEISURE AND CULTURE
STATEMENT OF CONFIDENTIALITY	
N/A	

BRIEF SUMMARY

The purpose of this report is to inform Council of any major changes in the overall General Fund Capital Programme since it was last reported on 14 September 2011. This report also outlines the way in which the revised programme has been funded, reflecting the changes in availability and usage of capital resources.

The net result of the changes in this report is that the current overall programme has increased by £9.1M. The forecast over programming stands at £751,000 and is much reduced from the level of £8.1M reported in September 2011.

RECOMMENDATIONS:

CABINET

Recommends that Full Council:

i) Approve the revised General Fund Capital Programme, which totals £168.5M (as detailed in paragraph 4) and the use of resources.

ii) Approve the forecast over programming of £751,000 as detailed in paragraph 11, which is within the previously approved tolerances and can be compared to the figure reported to Council in September of £8.1M.

iii) Note that the reduction in the funding deficit is largely down to additional or increased forecast future capital receipts where the timing and exact value is to a degree uncertain.

iv) Note the forecast funding deficit in 2011/12 as detailed in paragraph 15 that is likely to require temporary borrowing, the revenue implications of which have been reflected in the budget forecast for the General Fund.

v) Add £4,084,000 to the Environment & Transport capital programme in 2012/13 for Roads which is currently to be funded by direct revenue financing (£2,672,000), Council Resources (£1,272,000 unsupported borrowing), on-street parking surplus contributions (£90,000) and other revenue contributions (£50,000).

vi) Add £408,000 to the Environment & Transport capital programme for the Salix Energy Efficiency scheme in 2012/13 to be funded by government grants.

vii) Add £519,000 to the Leisure & Culture capital programme phased £110,000 in 2012/13, £170,000 in 2013/14 and £239,000 in 2014/15 to carry out essential works at the Guildhall to be funded by Council Resources.

viii) Add £805,000 to the Adult Social Care & Health capital programme for essential refurbishment and improvements at care homes in 2012/13 to be funded by government grant.

ix) Delegate authority to the Chief Finance Officer in consultation with the Executive Director of Environment and following consultation with the Cabinet Member for Environment & Transport and the Cabinet Member for Resources, Leisure & Culture to add Salix schemes to the capital programme up to the value of £100,000 per year, funded from a self-sustaining budget created from savings generated.

x) Note that the revised General Fund Capital Programme takes into account the Comprehensive Spending Review (CSR) for 2011/12 and future years.

COUNCIL

It is recommended that Council

i) Approve the revised General Fund Capital Programme, which totals £168.5M (as detailed in paragraph 4) and the use of resources.

ii) Approve the forecast over programming of £751,000 as detailed in paragraph 11, which is within the previously approved tolerances and can be compared to the figure reported to Council in September of £8.1M.

iii) Note that the reduction in the funding deficit is largely down to additional or increased forecast future capital receipts where the timing and exact value is to a degree uncertain.

iv) Note the forecast funding deficit in 2011/12 as detailed in paragraph 15 that is likely to require temporary borrowing, the revenue implications of which have been reflected in the budget forecast for the General Fund.

v) Add £4,084,000 to the Environment & Transport capital programme in 2012/13 for Roads which is currently to be funded by direct revenue financing (£2,672,000), Council Resources (£1,272,000 unsupported borrowing), on-street parking surplus contributions (£90,000) and other revenue contributions (£50,000).

vi) Add £408,000 to the Environment & Transport capital programme for the Salix Energy Efficiency scheme in 2012/13 to be funded by government grants.

vii) Add £519,000 to the Leisure & Culture capital programme phased £110,000 in 2012/13, £170,000 in 2013/14 and £239,000 in 2014/15 to carry out essential works at the Guildhall to be funded by Council Resources.

viii) Add £805,000 to the Adult Social Care & Health capital programme for essential refurbishment and improvements at care homes in 2012/13 to be funded by government grant.

ix) Delegate authority to the Chief Finance Officer in consultation with the Executive Director of Environment and following consultation with the Cabinet Member for Environment & Transport and the Cabinet Member for Resources, Leisure & Culture to add Salix schemes to the capital programme up to the value of £100,000 per year, funded from a self-sustaining budget created from savings generated.

x) Note that the revised General Fund Capital Programme takes into account the Comprehensive Spending Review (CSR) for 2011/12 and future years.

REASONS FOR REPORT RECOMMENDATIONS

1. The update of the Capital Programme is undertaken twice a year in accordance with Council Policy and is required to enable schemes in the programme to proceed and to approve additions and changes to the programme.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. The update of the Capital Programme is undertaken within the resource constraints imposed on it. No new schemes can be added unless specific additional resources are identified. Alternative options for new capital spending are considered as part of the budget setting process.

DETAIL (Including consultation carried out)

CONSULTATION

3. The General Fund Capital Programme update summarises additions to the capital programme since September 2011. Each addition to the capital programme has been subject to the relevant consultation process which now reflects the key role played by Capital Boards and the developing use of the Councils project management system Sharepoint. The content of this report has been subject to consultation with Finance Officers from each portfolio.

THE FORWARD CAPITAL PROGRAMME

4. The following table shows a comparison of the total planned expenditure for each year with the sums previously approved. The Latest Programme figures include additions to the programme which are subject to approval of the specific recommendations.

	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	Later Years £000's	Total £000's
Latest Programme	94,341	44,600	13,641	716	15,242	168,540
Sep 2011 Programme	103,446	31,720	9,327	0	14,931	159,424
Variance	**(9,105)**	**12,880**	**4,314**	**716**	**311**	**9,116**

5. The above table shows that the General Fund Capital Programme has increased by £9.1M. With the exception of changes requiring approval detailed in the recommendations within this report, all other changes have been previously approved by Council, Cabinet or made under delegated authority. Details of each portfolio's programme are shown in Appendix 1.

The change in individual portfolios' capital programmes is shown in the following table and a summary of the major variations, together with the source of funding and the priorities to which they contribute, is detailed in Appendix 2:

	Latest Programme £000's	**Previous Programme £000's**	**Total Change £000's**
Adult Social Care & Health	4,248	3,693	555
Children's Services & Learning	58,251	57,612	639
Environment & Transport	33,511	29,059	4,452
Housing A – Housing General Fund	8,725	5,884	2,841
Housing B - Local Services & Community Safety	1,980	1,770	210
Leader's	5,654	5,754	(100)
Leisure & Culture	35,319	34,800	519
Resources	20,852	20,852	0
Total GF Capital Programme	**168,540**	**159,424**	**9,116**

CAPITAL RESOURCES

6. The resources which can be used to fund the capital programme are as follows:

- Supported Borrowing
- Unsupported Borrowing
- Capital Receipts from the sale of HRA assets
- Capital Receipts from the sale of General Fund assets
- Contributions from third parties
- Central Government Grants
- Grants from other bodies
- Direct Revenue Financing (DRF) raised from Council Tax payers or balances

7. Capital Receipts from the sale of Right to Buy (RTB) properties are passed to the General Fund capital programme to support the Housing Association schemes within the Housing Portfolio.

CHANGES IN AVAILABLE RESOURCES

8. The additional spending within the Capital programme must be met from additional sources of finance. The following table shows the resource changes that have taken place since September 2011:

	£000's
Unsupported Borrowing	1,083
Capital Receipts	7,598
Contributions	1,976
Capital Grants	2,886
Direct Revenue Financing from Portfolios	2,943
Total Change in Available Resources	**16,486**

9. The main reasons for the resource changes are detailed in Appendix 3. It should be noted that the programme takes into account the outcome of the Comprehensive Spending Review for 2011/12 and future years. This affects areas such as the roads programme within the Environment & Transport capital programme which is heavily reliant on grant funding from government each year.

10. The largest increase in available resources relates to forecast future capital receipts. The Council has recently reviewed its property portfolio with a view to selling those assets that are surplus to requirements, thus potentially realising a significant level of capital receipts. The increased forecast for future capital receipts and the resulting reduced forecast deficit outlined in this report represents the first step in this process. It should be noted that the exact total and timing of such receipts is still very much unknown and will be subject to change.

11. The forecast of capital receipts includes a risk factor calculated by Valuation Services that reduces some receipt values to take account of the uncertainty inherent in these estimated values. This should mitigate the impact of any individual changes in receipts and also ensure that an appropriately realistic forecast is presented. Capital receipts are actively monitored throughout the year and this will continue.

OVERALL USE OF RESOURCES

12. The following table shows capital expenditure by portfolio and the use of resources to finance the General Fund Capital Programme:

	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	Later Years £000's	Total £000's
Adult Social Care & Health	2,652	1,108	488			**4,248**
Children's Services & Learning	38,765	15,237	3,748	200	301	**58,251**
Environment & Transport	20,550	12,749	212			**33,511**
Housing A - HGF	2,406	4,013	2,029	277		**8,725**
Housing B - LS & CS	1,377	603				**1,980**
Leader's	2,356	1,635	1,143		520	**5,654**
Leisure & Culture	14,458	2,460	3,741	239	14,421	**35,319**
Resources	11,777	6,795	2,280			**20,852**
Total GF Capital Programme	**94,341**	**44,600**	**13,641**	**716**	**15,242**	**168,540**

	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	Later Years £000's	Total £000's
Unsupported Borrowing	11,632	4,643	899		(2,550)	**14,624**
Capital Receipts	8,107	18,064	7,643		9,345	**43,159**
Contributions	6,773	4,774	470		2,100	**14,117**
Capital Grants	48,438	20,332	6,009	468	5,371	**80,618**
Car Parking Surplus	200					**200**
DRF from Balances	1,553	3,127	250		207	**5,137**
DRF from Portfolios	5,451	4,399	78		6	**9,934**
Total Financing	**82,154**	**55,339**	**15,349**	**468**	**14,479**	**167,789**
Surplus / (Deficit)	**(12,187)**	**10,739**	**1,708**	**(248)**	**(763)**	**(751)**

13. The table above shows that following the latest update of the capital programme there is a deficit of £751,000. This can be compared to the £8.1M deficit reported to Council in September 2011. The deficit has reduced largely due to additional forecast future capital receipts. At this stage rather than make any changes to the existing programme, it is recommended that the Council continue to “over-programme’ on the basis that in future years the position should improve as evidenced by the large reduction in the forecast deficit since September. The deficit represents 0.4% of the overall capital programme which is well within the limit of 5% set in the Medium Term Financial Strategy and approved on the 13 May 2009.

14. The overall deficit of £751,000 in the programme will be met from new resources that will become available in future years or by the use of prudential borrowing, the costs of which will have to be built into future budget forecasts.

15. The table also shows that there is deficit funding in 2011/12 of £12.2M. However, analysis of likely slippage estimates that the size of the cashflow problem should be less than £10.0M. It is proposed at this stage to manage the deficit in 2011/12 by using delegated powers to prudentially borrow until future receipts allow this to be reversed and the revenue implications of this have been considered as part of the budget forecast. There is currently no reserve of receipts to fund expenditure incurred ahead of related receipts being received.

16. The funding and cashflow position of the overall capital programme is susceptible to changes in the estimated value of future capital receipts and their timing. This has arisen due to the approval of schemes based on future estimates of receipts and the fact that the reserve of receipts has been exhausted. This situation was exacerbated by the recession but is a risk which needs to be considered in the future approach adopted for capital additions. It is intended to move to a position where schemes are only approved when receipts are received or certain and when a sufficient reserve of receipts has been built up to protect against volatility in the timing and level of uncertain future receipts.

17. Given the lack of spare resources in the programme and the lack of available capital resources over the past three years, additions to the programme are only considered in very exceptional circumstances. The proposed capital programme in this report contains a limited number of items for approval which are detailed below.

CHANGES TO THE PROGRAMME

18. A number of changes to the overall programme have been approved at Capital Boards and via separate reports.

19. A series of recommendations are included in this report to approve the addition of £4,492,000 to the Environment & Transport portfolio to reflect the addition of the financial year 2012/13 to the capital programme for Highways, Integrated Transport and Salix Energy Efficiency initiatives are also included.

20. The Council will invest £5.7M next year and £5.4M in future years in highways infrastructure to help offset the deterioration of the City's roads and highway assets. In 2012/13 it is currently planned that this will be funded by £1.3M from the Local Transport Plan settlement (government grants), £2.7M from DRF, £1.3M from unsupported borrowing, £145,000 from capital contributions and £259,000 from other revenue contributions. Of this £4.5M is being added as part of this update of the capital programme as part of an ongoing investment programme.

21. In addition, there will be an investment of £408,000 in energy efficiency initiatives funded from government grants. The Salix programme delivers capital energy efficiency works that reduce costs and carbon emissions within Southampton City Council's non housing estate. The 2012/13 Salix programme will deliver a number of energy efficiency projects to include insulation of pipe work and building fabric, improved lighting, heating and ventilation controls and CHP. The savings from this will be reinvested up to the level of £100,000 each year to create a self-sustained budget for ongoing projects which demonstrate appropriate pay back and which deliver additional savings and contribute to the sustainability agenda.

22. A recommendation is included to add a sum of £519,000 to the Leisure & Culture capital programme for works at the Guildhall. Southampton Guildhall is the iconic back drop to the new Guildhall Square which has seen many successful large scale public events following its £4.5M refurbishment in 2010. With the £15M Sea City Museum opening in April 2012, and the £21M new arts complex opening in 2015, it is essential that the Guildhall remains open to the public, contributing to the Cultural Quarter identity with a vibrant and inclusive programme of events. Extending the Guildhall contract with Live Nation puts a commitment on the Council to keep the building in a defined state of repair. The building condition definition of "Fit for Purpose" is that the Council will provide the venues in a sufficient state of repair for Live Nation to safely open the building to staff and the public in order to provide the Service.

23. A recommendation is included to add a sum of £805,000 to the Adult Social Care & Health capital programme in 2012/13 funded from government grant for the following works.

- <u>National Care Standards and H&S works (£468,000)</u> – This scheme will involve undertaking internal and external works to all of the Council's own Residential Homes. The aim is to improve the safe functioning of each home, to that end included within this scheme are a series of specific works identified as necessary to meet the H&S standards. In addition some works are being proposed that will maximise effective outcomes for users in line with standards the Council expect from private providers of residential care.

- <u>Replacement of Appliances & Equipment (£80,000)</u> – Many of the internally provided care services are building based. T o facilitate the provision of services at these buildings there is a requirement to have certain large items of equipment such as commercial catering, laundry and ancillary items. Inevitably, on occasion these items will breakdown and need repair or in some cases require replacement. It is proposed that the additional funding for this scheme will enable the replacement and repairs programme that has existed in prior years to continue at the same level into 2012/13.

- Sembal House Redevelopment (£257,000) – This scheme will involve the redevelopment and refurbishment of Sembal House. This is required to enable the relocation of the City Care First Support, (CCFS) team and the City Limits service. The relocation of City Limits is required to meet a saving on the lease costs and the current lease for premises in Shirley expires in April 2012. CCFS is expanding to meet greater numbers of clients and greater levels of need with the aim of reducing overall long term care needs for clients. This expansion will mean that the current base at Woodside Lodge is no longer sufficient in size for the number of staff. In addition there will remain a day service for severely disabled clients based at Sembal House, an element of the proposed works will maximise the facilities for this service. The complete schedule of work proposed will remodel the interior of the building to meet all of these objectives and provide for the first redecoration in six years.

NEW SPENDING PRIORITIES PUT FORWARD BY CABINET

24. Due to the current over-programming and lack of additional funding, no new initiatives, other than those outlined above as consistent with previous policy decisions are being proposed.

RESOURCE IMPLICATIONS

Capital

25. As set out in the report details.

Revenue

26. This report principally deals with capital. However, the revenue implications arising from borrowing to support the capital programme are considered as part of the annual revenue budget setting meetings. In addition any revenue consequences arising from new capital schemes are considered as part of the approval process for each individual scheme.

Property

27. There are no specific property implications arising from this report other than the schemes already referred to within the main body of the report.

Other

28. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

29. The General Fund Capital Programme update is prepared in accordance with the Local Government Acts 1972 – 2003.

Other Legal Implications:

30. None directly, but in preparing this report, the Council has had regard to the Human Rights Act 1998, the Equality Act 2010, the duty to achieve best value and statutory guidance issued associated with that, and other associated legislation.

POLICY FRAMEWORK IMPLICATIONS

31. The update of the Capital Programme forms part of the overall Budget Strategy of the Council.

AUTHOR:	Name:	Andrew Lowe	Tel:	023 8083 2049
	E-mail:	Andrew Lowe @southampton.gov.uk		

KEY DECISION? Yes/No YES

WARDS/COMMUNITIES AFFECTED:	ALL

SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	General Fund Capital Programme – Scheme Details
2.	Major Variations since September 2011 Capital Update
3.	Major Reasons for Changes in Capital Resources

Documents In Members' Rooms

1.	None

Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	~~Yes~~/No

Other Background Documents

Integrated Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s) — Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	The General Fund Capital Programme 2010/11 to 2013/14 as approved by Council on the 14 September 2011.	

Agenda Item 4a

Appendix 1

APPENDIX 1

ADULT SOCIAL CARE & HEALTH CAPITAL

Scheme No.	Description	Estimate 2011/12 £000	Estimate 2012/13 £000	Estimate 2013/14 £000	Estimate 2014/15 £000	Estimate Later Yrs £000	Total £000	Project Manager
Approved Schemes								
R9215	Modernisation Southampton Day Services - Phase 2	174	0	0	0	0	174	Harris, Susan
R9265	SDS Modernisation Woolston Comm Centre	441	162	488	0	0	1,091	Harris, Susan
R9310	Mental Health Scheme (R9310)	25	0	0	0	0	25	Binns, Carole
R9330	National Care Standards and H&S Work	443	468	0	0	0	911	Chan, Linda
R9340	Replacement of Appliances and Equipment	142	80	0	0	0	222	Chan, Linda
R9500	IT Infrastructure Grant	63	0	0	0	0	63	Limbert, Karl
R9700	Common Assessment Framework	913	141	0	0	0	1,054	Yasin, Saqib
R9710	SCRG Capital - Transforming Adult Social Care	61	0	0	0	0	61	Limbert, Karl
R9720	Residential Homes fabric furnishing CQC	390	0	0	0	0	390	Woodward, Jane
		2,652	851	488	0	0	3,991	
Unapproved Schemes								
R9730	Sembal House Refurbishment	0	257	0	0	0	257	Brentor, Jane
		0	257	0	0	0	257	
Total Programme		**2,652**	**1,108**	**488**	**0**	**0**	**4,248**	

APPENDIX 1

CHILDREN'S SERVICES & LEARNING CAPITAL

Scheme No.	Description	Estimate 2011/12 £000	Estimate 2012/13 £000	Estimate 2013/14 £000	Estimate 2014/15 £000	Estimate Later Yrs £000	Total £000	Project Manager
Approved Schemes								
E0ACA	Academies.	23,022	1,340	0	0	0	24,362	Oliver Gill
E0BPS	Bitterne Park 6th Form Parent	3,689	74	0	0	0	3,763	Richard Hards
E0CC3	Children's Centres Phase 3	83	0	0	0	0	83	Mareeen Read
E0CSL	CS & L General Other	1,302	0	0	0	0	1,302	Karl Limbert
E0ICT	ICT	302	0	0	0	0	302	Nik Taylor
E0KIT	School Kitchens	-3	0	0	0	0	-3	Colin Floyd
E0NDS	New Deals for Schools	500	0	0	0	28	528	Colin Floyd
E0OLD	Completed Schemes	31	0	0	0	0	31	Karl Limbert
E0PLA	Play Areas.	185	192	0	0	0	377	Tony Hill
E0PR2	Primary Review Phase 2.	741	2,912	2,040	200	0	5,893	Colin Floyd
E0PRH	Primary Rebuild - Harefield	600	50	0	0	99	749	Richard Hards
E0PRI	Primary School Rebuild Projects	249	3	0	0	0	252	Richard Hards
E0PRN	Primary Rebuild - Newlands	2,100	4,253	343	0	0	6,696	Richard Hards
E0PRW	Primary Review.	2,790	1,147	53	0	174	4,164	Colin Floyd
E0SAF	Safeguarding	341	0	0	0	0	341	Beatty
E0SCA	Schools Access Initiative (E0SCA)	112	136	0	0	0	248	Mareeen Read
E0SCM	School Capital Maintenance.	2,474	4,750	1,300	0	0	8,524	Oliver Gill
E0SCN	Secondary Schools Review	8	0	0	0	0	8	Richard Hards
E0SEN	Special Eduction Needs Review	179	0	0	0	0	179	Richard Hards
E0YPS	Young People & Skills	60	380	12	0	0	452	Mareeen Read
		38,765	15,237	3,748	200	301	58,251	
Total Programme		**38,765**	**15,237**	**3,748**	**200**	**301**	**58,251**	

APPENDIX 1

ENVIRONMENT & TRANSPORT CAPITAL

Scheme No.	Description	Estimate 2011/12 £000	Estimate 2012/13 £000	Estimate 2013/14 £000	Estimate 2014/15 £000	Estimate Later Yrs £000	Total £000	Project Manager
Approved Schemes								
Accessibility								
C7171	Accessibility	310	139	0	0	0	449	Beatty
Active Travel								
C7121	Walking	35	0	0	0	0	35	Beatty
C712W	Walking - Bedford Place	3	0	0	0	0	3	Beatty
C7131	Cycling	457	194	0	0	0	651	Bostock, Dale
Bridges								
C6120	Chantry Road Footbridge	24	0	0	0	0	24	Harvey, John
C7900	Itchen Bridge C7900	641	50	0	0	0	691	Harvey, John
C7911	Bridges	470	350	0	0	0	820	Harvey, John
Environment & Sustainability								
C2400	PDG Capital	73	58	0	0	0	131	Nichols, Paul
C2410	Mobile Working	20	28	0	0	0	48	Ferris, Neil
C2520	Salix Energy Efficiency Measures	7	408	0	0	0	415	Taylor, Jason
C2560	Carbon Reduction Measures	109	0	0	0	0	109	Taylor, Jason
General Environment								
C2540	Gantry Development - Energy Infrastructure	71	0	0	0	0	71	Tuck, Neil
C2680	Essential Works to Kennels	1	0	0	0	0	1	Wilson, Norman
C2690	Relocation of Town Depot	5,454	118	0	0	0	5,572	Cooper, Malcolm
C2730	Itchen Bridge Toll Automation Project	344	593	0	0	0	937	Richardson, Adrian
C2740	Crematorium Major Works	1,029	1,224	212	0	0	2,465	Wells, Philip
Highways Other								
C3910	Traffic Signals Upgrade	200	0	0	0	0	200	Wylie, Martin
C7191	LTP - Other Highways	100	175	0	0	0	275	Beatty
C8200	Highways Drainage (C8200)	163	100	0	0	0	263	Beatty
Improved Safety								
C7151	Improved Safety	162	112	0	0	0	274	Bagshaw, Carol

APPENDIX 1

ENVIRONMENT & TRANSPORT CAPITAL

Scheme No.	Description	Estimate 2011/12 £000	Estimate 2012/13 £000	Estimate 2013/14 £000	Estimate 2014/15 £000	Estimate Later Yrs £000	Total £000	Project Manager
Network Management								
C7181	ITS	322	742	0	0	0	1,064	Burns, Nicholas
Parking								
C9471	MSCP 10 Year Maint. Programme	452	0	0	0	0	452	Sahota, Jaswinder
Public Realm								
C7360	Local and District Centres Improvements	140	25	0	0	0	165	Beatty
C8900	City Centre Improvements	555	2,026	0	0	0	2,581	Beatty
Public Transport								
C7141	Public Transport	1,224	220	0	0	0	1,444	Baxter, Francis
Roads								
C7921	Various Principal	3,522	1,080	0	0	0	4,602	Armstrong, David
C8000	Classified Roads	1,167	894	0	0	0	2,061	Armstrong, David
C8100	Unclassified Roads	2,690	3,109	0	0	0	5,799	Armstrong, David
C9120	Highways Improvements (Developer)	273	145	0	0	0	418	Beatty
C9200	Highways Maintenance Risk Fund C9200	200	100	0	0	0	300	Armstrong, David
Street Furniture								
C8800	St Furniture	248	20	0	0	0	268	Beatty
Street Lighting								
C6020	Street Lighting (Developers)	8	0	0	0	0	8	Armstrong, David
Travel Planning								
C7161	Travel to School	76	219	0	0	0	295	Deane, David
		20,550	12,129	212	0	0	32,891	
Unapproved Schemes								
Public Transport								
C7141	Public Transport	0	300	0	0	0	300	Baxter, Francis

APPENDIX 1

ENVIRONMENT & TRANSPORT CAPITAL

Scheme No.	Description	Estimate 2011/12 £000	Estimate 2012/13 £000	Estimate 2013/14 £000	Estimate 2014/15 £000	Estimate Later Yrs £000	Total £000	Project Manager
Roads								
C8400	Road Improvements	0	320	0	0	0	320	
		0	620	0	0	0	620	
Total Programme		**20,550**	**12,749**	**212**	**0**	**0**	**33,511**	

APPENDIX 1

HOUSING A - HOUSING GENERAL FUND CAPITAL

Scheme No.	Description	Estimate 2011/12 £000	Estimate 2012/13 £000	Estimate 2013/14 £000	Estimate 2014/15 £000	Estimate Later Yrs £000	Total £000	Project Manager
Approved Schemes								
G4090	Disabled Facilities Grants Approved in 2010/11	569	0	0	0	0	569	Juan, Paul
G4100	Warm Home Grants Approved in 2010/11	6	0	0	0	0	6	Juan, Paul
G4110	Home Improvement Loans Approved in 2010/11	191	0	0	0	0	191	Juan, Paul
G4120	Technical Salaries 2010/11	48	0	0	0	0	48	Juan, Paul
G4130	Home Improvement Agency 2010/11	10	0	0	0	0	10	Juan, Paul
G4200	Accessible Homes Loans Approved in 2010/11	133	0	0	0	0	133	Juan, Paul
G4270	Insulation for private Sector Landlords	8	0	0	0	0	8	Juan, Paul
G4330	Support for Vulnerable DFG Customers	22	22	25	9	0	78	Juan, Paul
G4410	Disabled Facilities Grants Approved in 2011/12	1,186	262	0	0	0	1,448	Juan, Paul
G4420	Disabled Facilities Grant Support Costs 2011/12	147	0	0	0	0	147	Juan, Paul
G4490	Insulation Projects	5	95	0	0	0	100	Juan, Paul
G4620	Handyperson Service	30	100	0	0	0	130	Juan, Paul
G4630	Woolston Group Repair Scheme	0	105	0	0	0	105	Juan, Paul
G6520	Enabling Salaries 2011/12	51	0	0	0	0	51	Stanley, Sherree
		2,406	584	25	9	0	3,024	
Unapproved Schemes								
G4310	Green Projects	0	177	150	100	0	427	Juan, Paul
G4590	Disabled Facilities Grants - Future Years	0	1,314	1,482	168	0	2,964	Juan, Paul
G4600	Disables Facilities Grants Support Costs - Future Costs	0	126	89	0	0	215	Juan, Paul
G6430	Support for Estate Regeneration	0	1,715	0	0	0	1,715	Douglass, Amanda
G6540	Estate Regeneration Somerset Avenue	0	67	0	0	0	67	Douglass, Amanda
G6550	Estate Regeneration Cumbrian Way	0	30	242	0	0	272	Stanley, Sherree
G6570	Support to Support Road Radian Scheme	0	0	41	0	0	41	Stanley, Sherree
		0	3,429	2,004	268	0	5,701	
Total Programme		**2,406**	**4,013**	**2,029**	**277**	**0**	**8,725**	

APPENDIX 1

HOUSING B - LOCAL SERVICES & COMMUNITY SAFETY CAPITAL

Scheme No.	Description	Estimate 2011/12 £000	Estimate 2012/13 £000	Estimate 2013/14 £000	Estimate 2014/15 £000	Estimate Later Yrs £000	Total £000	Project Manager
Approved Schemes								
J4240	Queens Park	0	60	0	0	0	60	Yeats, Nicholas
J4250	Rollesbrook Improvements Yrs 2009-11	11	0	0	0	0	11	Brown, Clifford
J426H	Peartree Green	6	0	0	0	0	6	Yeats, Nicholas
J426L	Southampton Common	10	22	0	0	0	32	Yeats, Nicholas
J427E	Monks Brook Access Improvements Yrs 2008-11	7	0	0	0	0	7	Brown, Clifford
J427H	Freemantle Lake Park Improvments Yr 2009-11	5	13	0	0	0	18	Yeats, Nicholas
J4290	Donkey Common Biodiversity Improvements	1	0	0	0	0	1	Brown, Clifford
J4310	Deep Dene Improvements	15	2	0	0	0	17	Yeats, Nicholas
J4320	Portswood Rec Improvements - Phase 3	32	0	0	0	0	32	Brown, Clifford
J4330	Weston Shore Green Flag Improvments Yr 2010/11	2	0	0	0	0	2	Brown, Clifford
J4340	Hinkler Green Green Flag Improvements Yr 2010/11	8	22	0	0	0	30	Brown, Clifford
J4350	Mansel Park Green Flag Improvements Yr 2010/11	7	1	0	0	0	8	Brown, Clifford
J4360	Central Parks Green Flag Improvements Yr 2010/11	30	73	0	0	0	103	Brown, Clifford
J4370	Park Code for Green Space	5	23	0	0	0	28	Yeats, Nicholas
J7580	Mosque Trust	0	30	0	0	0	30	Shahani, Vanessa
J8100	Mobile Working for P & C Frontline	30	0	0	0	0	30	Horton, John
J814B	St James Park - Implementation	949	91	0	0	0	1,040	Laughton, Miranda
J8180	Preventing Illegal Access to Green Space (J8180)	6	0	0	0	0	6	Yeats, Nicholas
J8190	Daisy Dip Improvements	77	0	0	0	0	77	Yeats, Nicholas
J8200	Redbridge Wharf	0	10	0	0	0	10	Horton, John
J8230	Freemantle Common Minor Improvments Yr 2009-11	4	0	0	0	0	4	Yeats, Nicholas
J8240	Parks Safety Improvements Yrs 2009-11	7	0	0	0	0	7	Horton, John
J8250	Bitterne Manor/Clausentum Wood Improvements Yrs 2010-13	46	0	0	0	0	46	Yeats, Nicholas
J8260	Community Led Local Improvement Initiatives	100	100	0	0	0	200	Shahani, Vanessa
J8270	Guildhall Square CCTV	19	0	0	0	0	19	Stevens, Derek
		1,377	447	0	0	0	1,824	

APPENDIX 1

HOUSING B - LOCAL SERVICES & COMMUNITY SAFETY CAPITAL

Scheme No.	Description	Estimate 2011/12 £000	Estimate 2012/13 £000	Estimate 2013/14 £000	Estimate 2014/15 £000	Estimate Later Yrs £000	Total £000	Project Manager
Unapproved Schemes								
J427I	Bitterne Road Allotments.	0	10	0	0	0	10	Brown, Clifford
J427K	Access to Nature Making a Difference	0	20	0	0	0	20	Yeats, Nicholas
J4380	Bassett Wood Greenway Improvements	0	8	0	0	0	8	Brown, Clifford
J4390	Park Identity Markers	0	12	0	0	0	12	Brown, Clifford
J4410	Mayflower Park Basket Ball Court Renovation	0	36	0	0	0	36	Brown, Clifford
J4420	Thornhill (Masefield Greeen) Park Improvements	0	11	0	0	0	11	Brown, Clifford
J4430	Weston Shore Improvements Phase 2	0	59	0	0	0	59	Brown, Clifford
		0	156	0	0	0	156	
Total Programme		**1,377**	**603**	**0**	**0**	**0**	**1,980**	

APPENDIX 1

LEADER'S PORTFOLIO CAPITAL

Scheme No.	Description	Estimate 2011/12 £000	Estimate 2012/13 £000	Estimate 2013/14 £000	Estimate 2014/15 £000	Estimate Later Yrs £000	Total £000	Project Manager
Approved Schemes								
M0CSS	Civil Service Sports Ground Parent	400	0	0	0	520	920	Karl Limbert
M0DEP	Town Depot Parent	135	180	228	0	0	543	Mark Evans
M0MSF	Major Sites Feasibiltity Parent	165	75	0	0	0	240	Wendy Couch
M0NAB	Northern Above Bar Parent	983	40	0	0	0	1,023	Gillian Sheeran
M0OFF	Major Projects Officers Parent	150	0	0	0	0	150	Wendy Couch
M0QE2	QE2 Mile Parent	349	302	535	0	0	1,186	Mark Evans
M0REG	Regeneration Parent	29	0	380	0	0	409	John Connelly
M0ROY	Royal Pier Parent	75	520	0	0	0	595	Wendy Couch
M0WWQ	Watermark West Quay Parent	70	518	0	0	0	588	Wendy Couch
		2,356	1,635	1,143	0	520	5,654	
Total Programme		**2,356**	**1,635**	**1,143**	**0**	**520**	**5,654**	

APPENDIX 1

LEISURE & CULTURE CAPITAL

Scheme No.	Description	Estimate 2011/12 £000	Estimate 2012/13 £000	Estimate 2013/14 £000	Estimate 2014/15 £000	Estimate Later Yrs £000	Total £000	Project Manager
Approved Schemes								
L1440	Tudor House Museum Phase 1	13	0	0	0	0	13	Matthews, Daniel
L674E	Sports Centre Athletics Track	13	0	0	0	0	13	Greene, Nigel
L810U	Art in Public Places – Millbrook and Weston	74	0	0	0	0	74	Cooper, Malcolm
L8130	Cenotaph Memorial Wall	137	0	0	0	0	137	Smith, Elizabeth
L8200	Southampton New Arts Centre (SNAC)	759	944	3,384	0	14,421	19,508	Low, Jill
L8260	Tudor House Museum Phase 2 Implementation	1,768	65	0	0	0	1,833	Matthews, Daniel
L8270	Old Town Heritage	8	0	0	0	0	8	De wit, Victoria
L8280	Sea City Museum (l8280)	11,123	987	187	0	0	12,297	Dyer-Slade, Tina
L8310	Libraries RFID	3	0	0	0	0	3	Whale, Elizabeth
		13,898	1,996	3,571	0	14,421	33,886	
Unapproved Schemes								
L1530	Solent Sky Repairs	0	314	0	0	0	314	Shepherd, Lisa
L7000	Guildhall Refurbishment	0	110	170	239	0	519	Greene, Nigel
L8230	Potential TIC Relocation	10	40	0	0	0	50	Greene, Nigel
L8286	Sea City Public Realm Improvements	450	0	0	0	0	450	Dyer-Slade, Tina
L8360	Front of Art Gallery Public Realm Improvements	100	0	0	0	0	100	Harris, Michael
		560	464	170	239	0	1,433	
Total Programme		**14,458**	**2,460**	**3,741**	**239**	**14,421**	**35,319**	

APPENDIX 1

RESOURCES CAPITAL

Scheme No.	Description	Estimate 2011/12 £000	Estimate 2012/13 £000	Estimate 2013/14 £000	Estimate 2014/15 £000	Estimate Later Yrs £000	Total £000	Project Manager
Approved Schemes								
M9710	Accommodation Strategy Action Programme (ASAP)	10,352	6,027	1,843	0	0	18,222	Verner, Andrew
P5020	Art Gallery - Roof Repairs and AHU Replacement	1,150	200	437	0	0	1,787	Hodge, Richard
P5050	2011 Mobile Working	117	28	0	0	0	145	Dawtry, Sean
P5070	Town Depot Demolition	100	450	0	0	0	550	Elliott, Andrew
P6830	Property Review	0	12	0	0	0	12	Fox, Annabel
P6850	R & M backlog New Capital 2 million	58	30	0	0	0	88	Hodge, Richard
		11,777	6,747	2,280	0	0	20,804	
Unapproved Schemes								
P5030	Marlands House - Floor 7, Cooling Replacement	0	48	0	0	0	48	Hodge, Richard
		0	48	0	0	0	48	
Total Programme		**11,777**	**6,795**	**2,280**	**0**	**0**	**20,852**	

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APPENDIX 2

MAJOR VARIATIONS SINCE THE SEPTEMBER 2011 CAPITAL UPDATE

Portfolio	Scheme	£000's	Funding Source (*)	Council Priority
	Increases to the Programme			
Environment & Transport	Roads Programme	4,084	GG/CR	A better and safer place in which to live and invest
Housing	Disabled Facility Grants	1,400	GG/CR	Support for the most vulnerable people and families
Housing	Estate Regeneration	1,039	Cont	Support for the most vulnerable people and families
Adult Social Care & Health	Various Works (see recommendations)	805	GG	Support for the most vulnerable people and families
Leisure	Guildhall Refurbishment	519	CR	A better and safer place in which to live and invest
Various	Other various net increases	1,269	Various	Various
		9,116		
	Decreases to the Programme			
	No material decreases	0		
		0		
	Total	**9,116**		

*** Funding Source**

Cont	Contributions
CR	Corporate Resources
GG	Government Grants
Rev	Revenue

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Appendix 3

MAJOR CHANGES IN CAPITAL RESOURCES SINCE SEPTEMBER 2011 UPDATE

The main reasons for the resource changes are:

- **Unsupported Borrowing - £1.1M increase**

  - £1.3M Highways
  - (£0.2M) Cremators

- **Capital Receipts - £7.6M increase**

  - £7.6M net increase in value of assets to be sold

- **Capital Grants - £2.9M increase**

  - £0.9M Disabled Facility Grants
  - £0.9M Schools Devolved Capital
  - £0.4M Salix
  - £0.8M ASCH various works (see recommendations)
  - (£0.1M) other net decreases

- **Capital Contributions - £2.0M increase**

  - £1.4M Estate Regeneration
  - £0.6M other net increases

- **Revenue - £2.9M increase**

  - £2.7M Roads Programme from E&T portfolio
  - £0.2M other net increases from portfolios

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DECISION-MAKER:	CABINET COUNCIL
SUBJECT:	GENERAL FUND REVENUE BUDGET 2012/13 TO 2014/15
DATE OF DECISION:	6 FEBRUARY 2012 15 FEBRUARY 2012
REPORT OF:	CABINET MEMBER FOR RESOURCES, LEISURE AND CULTURE
STATEMENT OF CONFIDENTIALITY	
N/A	

BRIEF SUMMARY

The purpose of this report is to set out the latest estimated overall financial position on the General Fund Revenue Budget for 2012/13 and to outline the main issues that need to be addressed in considering the Cabinet's recommendations to Council on 15 February 2012.

RECOMMENDATIONS:

CABINET

It is recommended that Cabinet:

(a) Note the position on the estimated outturn and revised budget for 2011/12 as set out in paragraphs 9 to18.

(b) Approve that the Executive Director for Health & Adult Social Care enter into an agreement with NHS Southampton City (NHSSC) under section 256 National Health Act 2006 for a period of two years from 1 April 2011 to transfer a budget to the Council to spend on both services that benefit health and for post discharge services / re-ablement, as directed within the Local Government Finance Settlement announced on 13 December 2010. The sums to be transferred by NHSSC will be £3.8M and an estimated £4.4M in 2011/12 and 2012/13 respectively.

(c) Delegate authority to the Executive Director for Health & Adult Social Care, in consultation with the Chief Financial Officer and the Head of Legal, HR & Democratic Services, to extend, renegotiate, or enter into any further agreements with NHSSC in relation to any funding streams allocated to NHSSC, or successor body, with the specific purpose of being transferred to the Local Authority under a S256 arrangement and add any such sums to the budget.

(d) Note the position on the forecast roll forward budget for 2012/13 as set out in paragraphs 23 to 35.

(e) Note and approve the arrangements made by the Leader, in accordance with the Local Government Act 2000, for the Cabinet Member for Resources, Leisure & Culture to have responsibility for financial management and budgetary policies and strategies, and that the Cabinet Member for Resources, Leisure & Culture will in, accordance with the Budget & Policy Framework Rules as set out in the Council's Constitution, be authorised accordingly to finalise the Executive's proposals in respect of the Budget for 2012/13, in consultation with the Leader, for submission to Full Council on 15 February 2012.

(f) Recommends that Full Council

i) Notes the Consultation process that was followed as outlined in Appendix 1.

ii) Notes the Equality Impact Assessment process that was followed as outlined in Appendix 2

iii) Approves the revised estimate for 2011/12 as set out in Appendix 3.

iv) Approves the use of £563,000 of in year under spend to increase the Interest Equalisation Reserve in 2011/12 to ensure that adequate provision is made for the future increase in interest costs associated with the ongoing utilisation of variable interest rates.

v) Notes the position on the forecast roll forward budget for 2012/13 as set out in paragraphs 23 to 35.

vi) Approves the revenue bids set out in Appendix 4.

vii) Approves the efficiencies, income and service reductions as set out in Appendix 5.

viii) Approves the setting up of a Pay Reserve, as set out in paragraph 63.

ix) Approves the changes to the discretionary redundancy policy as set out in paragraphs 65 to 72.

x) Notes the position of the current negotiations with Trade Unions with respect to Terms & Conditions changes implemented on 11 July.as set out in paragraphs 55 to 64

xi) Agrees to accept the one off Council Tax freeze grant funding for 2012/13 of £2.1M

xii) Approves the General Fund Revenue Budget as set out in Appendix 6, which implements a council tax freeze.

xiii) Delegates authority to the Chief Financial Officer to action all budget changes arising from the approved pressures, bids, efficiencies, income and service reductions and incorporate any other approved amendments into the General Fund estimates.

xiv) Approves a revised minimum balance of £5.0M as recommended by the Chief Financial Officer in line with the policy guidance outlined in paragraphs 81 to 83.

xv) Notes that after taking these items into account, there is an estimated General Fund balance of £5.1M at the end of 2013/14 as detailed in paragraph 84.

xvi) Delegates authority to the Chief Financial Officer, in consultation with the Executive Director of Corporate Services, to do anything necessary to give effect to the recommendations in this report.

xvii) Sets the Council Tax Requirement for 2012/13 at £83,205,500.

xviii) Notes the estimates of precepts on the Council Tax collection fund for 2012/13 as set out in Appendix 8

xix) Notes the Medium Term Forecast as set out in Appendix 9.

xx) Authorises the Chief Executive and Chief Officers to pursue the development of the options for efficiencies, income and service reductions as set out in Appendix 5 for the financial years 2013/14 and 2014/15 and continue to develop options to close the remaining projected gaps in those years.

COUNCIL

It is recommended that Council:

i) Notes the Consultation process that was followed as outlined in Appendix 1.

ii) Notes the Equality Impact Assessment process that was followed as outlined in Appendix 2

iii) Approves the revised estimate for 2011/12 as set out in Appendix 3.

iv) Approves the use of £563,000 of in year under spend to increase the Interest Equalisation Reserve in 2011/12 to ensure that adequate provision is made for the future increase in interest costs associated with the ongoing utilisation of variable interest rates.

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xv) Notes that after taking these items into account, there is an estimated General Fund balance of £5.1M at the end of 2013/14 as detailed in paragraph 84.

xvi) Delegates authority to the Chief Financial Officer, in consultation with the Executive Director of Corporate Services, to do anything necessary to give effect to the recommendations in this report.

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xix) Notes the Medium Term Forecast as set out in Appendix 9.

xx) Authorises the Chief Executive and Chief Officers to pursue the development of the options for efficiencies, income and service reductions as set out in Appendix 5 for the financial years 2013/14 and 2014/15 and continue to develop options to close the remaining projected gaps in those years.

REASONS FOR REPORT RECOMMENDATIONS

1. The Constitution requires the Executive to recommend to Council on the 15 February 2012 its budget proposals for the forthcoming year. The recommendations contained in this report set out the various elements of the budget that need to be considered and addressed by the Cabinet in preparing the final papers that will be forwarded to Council.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. Alternative options for revenue spending form an integral part of the development of the overall Budget Strategy that will be considered at the budget setting meeting on 15 February 2012. Alternative options may be drawn up by opposition groups and presented to the same meeting.

DETAIL (Including consultation carried out)

CONSULTATION

3. The draft proposals in the report presented to Cabinet on 24 October were published on 14 October in order to help facilitate widespread consultation with a range of stakeholders, including members of the public, affected organisations, the business community, staff and Trade Unions who were all invited to submit comments on the detailed proposals. More detail is provided in Appendix 1 on the methods used to consult with staff, residents and other stakeholders.

STAFF CONSULTATION

4. The draft budget proposals were published on 14 October 2011 and this signalled the start of an extensive and ongoing consultation process with staff and Trade Unions which will continue until 6 February 2012. More detail is provided in Appendix 1 on the methods used to consult with staff and Trade Unions.

EQUALITY IMPACT ASSESSMENTS

5. The Equality Duty is a duty on public bodies which came into force on 5 April 2011 and requires the Council to show that it has 'had regard' to the impact of its decisions on its equality duties and the need to advance equality of opportunity between people who have protected characteristics and those who do not. While the Equality Duty does not impose a legal requirement to conduct an Equality Impact Assessment (EIA), it does require public bodies to show how they considered the Equality Duty and that they have been consciously thinking about the aims of the Equality Duty as part of the process of decision-making. To comply with these requirements as well as the Community Safety legislation, the Council has used its existing Impact Assessment framework so that it can ensure the use of a consistent, council wide mechanism to evidence how decision making took into account equality and safety considerations.

6. Individual EIAs have been completed by Executive Directors and Senior Managers for those proposals contained in Appendix 5 that they identified require such an assessment. That is where it is felt that proposed savings could have an adverse impact on a particular group or individuals. The individual EIAs are available in Members' Rooms. An EIA in respect of the final proposals for changes to the discretionary redundancy scheme is being prepared and will be made available to Members prior to Council on 15 February 2012.

7. The individual EIAs have been analysed to consider the cumulative impacts the Council's budget proposals may have on particular groups and the mitigating actions that could be considered. The first draft was made available after the publication of the Executive's draft budget proposals on 14 October 2011 and a summary of the key potential cumulative impacts and the mitigating actions to be considered by the Council are detailed in Appendix 2.

8. In order to give the right perspective to the budget proposals, the Cumulative Impact Assessments have to be considered in light of the available information on the City's profile, service user and non-user information and staffing profiles as well as the proportion of the council's budget that is currently spent on targeted groups or communities. Further details on the updated Cumulative Impact Assessments are available in Members' Rooms.

ESTIMATED OUTTURN AND REVISED BUDGET 2011/12

9. This report is concerned mainly with the revenue estimates for 2012/13. However, there are elements of the 2011/12 estimated outturn that will have an impact on the overall financial position. The planned draws from balances in the year have been reflected in the balances position shown in this report and take into account the overall financial position highlighted in the Corporate Monitoring report for the nine months ending December 2011.

10. The original revenue estimates for 2011/12 assumed a general addition would be made to balances of just over £1.7M. After reflecting the revised forecast position from Month 9, this addition increases by £141,000 to almost £1.9M as show in Appendix 3. The table below summarises the main changes:

	£000's
Increase in cost of Levies & Contributions	(60.7)
Decrease in Net Interest Paid	1,561.0
Contribution to Interest Equalisation Reserve	(563.0)
Exceptional Items	2,802.0
Corporate Savings	(1,786.0)
Contributions to Capital DRF Funding	(1,045.0)
Other Expenditure & Income	(767.3)
Increase in Addition to Balances	**141.0**

11. **Increase in Levies & Contributions**

Additional charges have been incurred from Hampshire County Council for the provision of the Coroner's Service and it is estimated that the full year impact of this will be an over spend of £65,000, although this will be partially offset by small under spends on other levies and contributions. The Council bears a proportion of the cost of this service based on caseload statistics and this has increased above the estimated levels for 2011/12.

12. **Decrease in Net Interest Paid**

Net interest payable is forecast to be below that originally estimated by £1.6M as a result of lower than anticipated borrowing costs. This has been as a consequence of lower borrowing levels due to slippage in the Capital Programme and also the fact that we have borrowed at lower rates than originally estimated. Lower rates have been achieved through a conscious decision to continue to utilise short term variable rate debt which remains available at lower rates than long term fixed rate debt due to the depressed market. The prediction based on all of the economic data available is that interest rates will remain lower for a sustained period of time and that this situation will therefore continue into 2012/13 and beyond.

13. **Contribution to Interest Equalisation Reserve**

In achieving interest rate savings, the Council has exposed itself to short term variable interest rate risk and whilst in the current climate of low interest rates this is obviously a sound strategy, at some point when the market starts to move the Council will need to act quickly to lock into fixed long term rates which may be at similar levels to the debt it has restructured. Furthermore, the volatility in the financial markets means that interest costs and investment income will continue to fluctuate for some time.

14. It was therefore recommended in the February 2009 Treasury Management Strategy report to Full Council that an Interest Equalisation Reserve be created from the savings arising from the switch to lower rate variable interest rate debt, and maintained at a prudent level to help to manage volatility in the future and ensure that there is minimal impact on annual budget decisions. It is recommended that an additional £0.5M is added to the Interest Equalisation Reserve in 2011/12 to ensure that adequate provision is made for the future increase in interest costs associated with the ongoing utilisation of variable interest rates.

15. However, it should be noted that the sum set aside in the Interest Equalisation Reserve is a one off sum of money to help manage the initial transitional period during which the council will convert its variable rate loan portfolio to longer term fixed rate debt. The actual ongoing recurring revenue impact of switching to fixed rate long term debt will still need to be factored in to the budget forecasts for future years. Based on the current predictions of lower for longer interest rate forecasts, it is unlikely that this pressure will emerge in the short term, but it is likely to become a reality towards the back end of the Council's current medium term forecast horizon.

16. **Exceptional Items**

As a result of the combination of two separate items a favourable variance of £2.8M has arisen which has partially been used to fund additions to the capital programme. The items are:

- Supporting People – In previous years this ring-fenced grant was not fully spent despite service plans being fully delivered and the balance was held separately for use in future years. This grant totalling £1.34M is no longer ring fenced and as such is available to use within the General Fund.
- Reduced Street Lighting PFI Payments – During the early stages of the PFI contract the Council is to receive 'service deductions' in view of the fact that the contractor will need time to undertake work to install new columns. These deductions are currently estimated to be £1.46M in 2011/12.

17. **Corporate Savings**

There has been slippage in the achievement of a number of the saving proposals to be delivered in 2011/12 resulting in an adverse forecast variance of £1.8M as follows:

- Delayed implementation of the changes to Terms & Conditions – When the budget was set in February an implementation date of 1 April was assumed on the basis that a collective agreement was still possible. The implementation date achieved was delayed as no collective agreement was reached with the Trade Unions, meaning that a notice period of three months was required. As a consequence, the changes were not implemented until 11 July resulting in a reduction in the saving to be achieved in 2011/12 of £1.3M.
- HMRC Mileage Rate – The changes to Terms & Conditions included a reduction in mileage rates to match the HMRC rate. This rate was 40p but shortly after the budget decision HMRC increased it to 45p which reduced the saving to be achieved in 2011/12 by £27,000. The full year impact of this is £107,800 and this will be reflected in the revised budget forecast position for future years.
- Management Restructure – As part of a range of measures designed to address the severe financial position facing Southampton City Council and reflect the wider significant changes to the public sector, the Chief Executive announced plans to implement a new organisation of Council services early in 2011/12. The plans are well underway and will deliver proposed savings in 2012/13 of approaching £1.0M. However, in 2011/12 the originally estimated implementation timescale has been revised resulting in an in year adverse variance of £443,000. Savings that accrue within 2011/12 will be included within Portfolio forecasts due to the fact that the changes are being managed locally taking into account service needs.

18. **Contribution to Capital DRF Funding**

Additions to the capital programme to the value of just over £1.0M were included in the in the Capital Programme Update report approved by Council on 14 September 2011to be funded from the savings set out in paragraph 16.

TRANSFER OF FUNDING

19. As part of the Local Government finance settlement in December 2010 it was announced that an additional £648M in 2011/12 and £622M in 2012/13 had been made available nationally to Primary Care Trusts (PCT's) for spending on social care services that also benefit the NHS. This funding must be transferred to Local Authorities under section 256 of the National Health Service Act 2006 to be spent on services to improve the overall health gain. NHS Southampton City, (NHSSC) have been allocated the sum of £3.1M for 2011/12 and just under £3.0M for 2012/13.

20. In addition it was announced that PCT's would also receive further funding of £150M in 2011/12 and £300M in 2012/13 for post discharge services / re-ablement. NHSSC have been allocated the sum of £703,000 for 2011/12 and an estimated £1.4M for 2012/13. This funding is to be used by PCT's in conjunction with local partners. There is not an obligation to transfer the funding to Local Authorities. However, upon agreement with NHSSC it is proposed that the entire sum of £703,000 is also included within the S256 agreement for 2011/12 and potentially £1.4M for 2012/13. In February 2011 it was requested and approved by Cabinet to enter into a S256 agreement for the sum of £3.1M. This has been brought back to Cabinet as it is now planned to add the sum of £703,000 for post discharge services / re-ablement to the agreement in 2011/12.

21. The allocation of additional funding by the Department of Health for Adult Social Care is increasingly being made through PCT's who are required to transfer the funds to Local Authorities under section 256 of the National Health Act 2006. For example, on 3 January 2012 it was announced by the Department of Health that a national allocation of £150M had been made available to PCT's for spending on social care services that also benefit the NHS during the 2011/12 winter period. NHSSC have been allocated the sum of £717,300. As required a spending plan totalling £717,300 has been agreed with colleagues within the PCT and the Executive Director for Adult Social Care & Health and is already being enacted upon to maximise the benefit to Southampton clients in 2011/12. The contractual arrangements to support the transfer will be made through the later addition of this sum to the S256 agreement for which approval is being sought.

22. For the Council to be able to respond effectively to the contractual and budgetary changes arising from any changes in, or future funding of this specific nature, it is proposed within this report that the Executive Director for Adult Social Care & Health, in consultation with Chief Financial Officer (CFO) and the Head of Legal, HR & Democratic Services, is given authority to act without any further approval by Cabinet, including adding any such sums to the budget.

FORECAST ROLL FORWARD BUDGET 2012/13

23. The report to Cabinet on 24 October 2011 identified a roll forward gap for 2012/13 of £15.2M before any further revenue developments, pressures or savings were taken into account. This figure has now been updated to reflect changes in the overall position since this date, including the outcome of the provisional Local Government Finance Settlement and changes highlighted in the Consultation Report. The revised roll forward gap is £13.8M, and the reasons which underpin this revised position are set out below.

24. **Provisional Local Government Settlement**

The provisional Local Government Finance Settlement for 2012/13 was received on 8 December 2011. The provisional settlement position after also allowing for the impact of grants transferring into formula grant improved by £0.9M compared to that previously used for planning purposes and reported in October.

25. The Comprehensive Spending Review (CSR) announcement in October 2010 and the provisional Local Government Finance Settlement in December 2011 have confirmed that spending reductions on the scale planned are necessary to meet the actual reductions in Government grant that have now been announced. The grant settlement covered the two year period 2011/12 and 2012/13 and the Council's loss of formula grant is 10.1% and 6.6% in the two years respectively.

26. Though the CSR covers the four year period to 2014/15, the Government proposes to carry out a review of grant distribution arrangements prior to 2013/14; therefore the Government grant payable to the Council in 2013/14 and 2014/15 is uncertain. For the purposes of maintaining a three year planning horizon, a medium term financial plan covering the period beyond 2013/14 has been developed based on a further year on year reduction in funding of 7%. In addition, a reduction of 7% has also been assumed in all non-ring fenced grants per annum.

27. The final Local Government Finance Settlement has not been received prior to the publication of this report, but any changes resulting from the final settlement will be taken into account in a revised budget proposal for the Council meeting on 15 February. In addition, announcements in relation to a small number of grant funding streams are also still awaited and Officers will continue to review the impact of any grant cuts with a view to passing on the reduction where the grant supports other organisations spending or reducing expenditure where the funding is used to provide City Council services. In the event that this is not possible then a contingency has been provided for in the budget of £0.4M, which is an increase of £150,000 compared to the position presented in October and which can be drawn on if deemed necessary.

28. **Council Tax Base**

The council tax base for 2012/13 has been set at 67,144 properties using delegated powers granted by Council on 17 January 2007, which has increased the tax base and leads to additional income of £0.3M over and above that previously assumed in October.

29. **Collection Fund Surplus**

The estimated Collection Fund surplus at the end of 2011/12 was set at £254,100 for the purposes of the original forecast for 2012/13. Collection rates during the year have maintained, the bad debt provision has been reduced and there has been a continued review of exemptions and eligibility for discounts. As a consequence of these factors, the latest estimate of the surplus has increased by £119,100.

30. **The Risk Fund**

The Risk Fund has been increased by £1.1M for 2012/13 which reflects provision for new risks. These relate to the provision of funding for early education places for two year olds, the timing and speed of take up of which is uncertain, and a reduction in income from schools for repairs and maintenance.

31. **Reduction in Net Interest Payable**

Since October changes have been made to a number of key variables which impact the forecast of net interest payable. These include changes as a result of the Capital Programme update which is to be presented to Council on 15 February, an updated assessment of the outlook for interest rates and an assumption that in year borrowing will be based on taking further short term variable rate debt which remains available at lower rates than long term fixed rate debt due to the depressed market

32. **Detailed Estimates Changes**

Other changes in the detailed estimates submitted by Portfolios and Trading Areas have also been reflected in the revised roll forward figures and show a favourable variance of £947,800. This favourable movement is mainly due to a contribution from the On-Street Parking Reserve towards highways capital expenditure which enables a saving to be made in the level of general fund direct revenue financing whilst maintaining the overall level of capital investment.

33. **Addition to Balances**

The forecast position currently allows for a contribution to be made to balances of £864,000 which is £57,000 more than assumed in October, and which can be used in future years.

34. The table below shows these net changes in the overall forecast position:

	£000's
Forecast Deficit in October Cabinet Papers	**15,240.1**
Net Impact of Provisional Local Government Finance Settlement	(891.1)
Increase in Contingency	150.0
Improved Council Tax Base	(309.7)
Collection Fund Surplus	(119.1)
Increased Risk Fund	1,100.0
Reduction in Net Interest Payable	(467.4)
Detailed Estimate Changes	(947.8)
Addition to Balances	57.0
Revised Forecast Deficit	**13,812.0**

35. This position shown in the table above represents the 'base' position from which all three political groups may develop their own budgets taking into account the proposals for new spending and savings options put forward by Officers. The specific proposals in this report as set out in the appendices and outlined in the following paragraphs represent the Executive's budget proposals for 2012/13.

RISK BASED CONTINGENCY FUND

36. In 2008/09 the Council established the Risk Fund as a financial planning mechanism to manage volatile risks within the budget.The Risk Fund includes a number of pressures which are volatile in nature, and which cannot be forecast accurately until data is collected during the financial year on the level of activity and costs (for example increasing numbers of older persons affecting care budgets).

37. The establishment of the Risk Fund means that not all the funding set aside to cover the estimated implications of pressures is allocated to Portfolios prior to the start of the financial year, but is retained centrally. The individual items retained within the Risk Fund are also risk adjusted, to reflect the fact that not all the volatile pressures will fully materialise during the year.

38. A sum of £6.3M is included in the budget for 2012/13, (an increase of £1.1M compared to the draft position presented to Cabinet in October 2011), to cover these pressures and will only be released during the year if evidence is provided to substantiate the additional expenditure against the specific items identified.

39. It should be noted that the issues covered by the Risk Fund represent real rather than speculative risk, and that in the current year (2011/12) there is only likely to be a small under spend against the Fund.

REVENUE PRESSURES

40. Part of the Budget process each year also looks at unavoidable pressures on services that will have a financial impact, many of which are outside of the control of the service itself. Examples of these would be contractual changes, which have a direct impact on costs (e.g. increase in service specification), legislative changes such as new functions and standards, or areas where the current budget simply does not reflect the level of activity within the service. No new pressures have been identified for 2012/13 which services have not been able to manage outside of the Risk Fund mechanism.

REVENUE DEVELOPMENTS

41. Each political group also has the opportunity to put forward new proposals for spending as part of the budget process which reflect their priorities for service provision. No new proposals have been included for 2012/13.

REVENUE BIDS

42. Services were also invited to put forward a series of bids in order to fund new spending initiatives. Unlike pressures, which are unavoidable, there is an element of choice in deciding whether to proceed or not with these items. The bids have been reviewed and the proposals for new expenditure put forward by the Executive total £30,000 in 2012/13. These are detailed in Appendix 4.

EFFICIENCIES, INCOME AND SERVICE REDUCTIONS

43. For the purposes of considering an overall budget package, it should be noted that the roll forward budget includes a 3% vacancy factor built in to all salary budgets as well as the ongoing effects of savings identified in previous budget rounds.

44. The 24 October Cabinet report set out draft budget proposals for consultation and at that point included efficiencies, income generation and service reductions to the value of just over £13.7M. This level of savings went most of the way towards bridging the revised budget gap which at that point in time was just over £15.2M. The changes set out in paragraph 34 reduced this gap to £13.8M, and this is the level of savings therefore required to balance the draft budget for 2012/13 at an assumed council tax increase of zero. This also allows for the receipt of one-off central government grant funding to 'reimburse' the Council for the loss of 2.5% of additional council tax income forgone through freezing council tax in 2012/13.

45. In arriving at this position a number of one off funding sources have been utilised which total almost £3.4M. These include contractual savings from the Street Lighting PFI project (£1.1M) and the utilisation of the New Homes Bonus for both 2011/12 and 2012/13 (£2.3M). These one off elements, whilst serving to reduce the gap in 2012/13, by their very nature do not impact on the medium term financial position.

46. In terms of closing the £13.8M shortfall and setting a balanced budget, the Executive's recommendations for efficiencies, income generation and service reductions now total over £12.8M and are set out in detail in Appendix 5. The remaining budget shortfall will be met from the proposed changes to the discretionary redundancy scheme, which are estimated to achieve a saving of £1.0M.

STAFFING IMPLICATIONS

47. The City Council employs more than 3,800 FTE of non school staff of which approaching 3,000 FTEs are funded by the General Fund, and staffing costs constitute a significant element of overall expenditure. Given that this is the case, it is inevitable that when the Council is faced with such a significant funding shortfall, that the savings proposals put forward by the Council will have an impact on staff cost and staff numbers.

48. Aware of this fact, the Council has continued to have in place a carefully planned approach to recruitment, ensuring that vacant posts have only been recruited to where absolutely necessary.

49. This proactive approach has meant that the Council has been able to hold a significant number of posts vacant which can now be deleted in order to make savings as part of the budget process. The deletion of vacant posts reduces the impact on staff in post and reduces the actual number of employees who will be made redundant.

50. Based on the savings proposals contained in this budget report 202.90 FTE posts are affected of which 103.85 are currently vacant and 99.05 are in post

and are at risk of redundancy. The FTE at risk of redundancy represents less than 3.0% of the overall FTEs employed and is 8.69 FTE lower than the figure anticipated in October.

51. Through the consultation process the Executive have been keen to explore all avenues with the Trade Unions and staff to identify wherever possible alternative options for delivering savings, in order that the level of proposed staffing reductions and redundancies can be reduced. The consultation has been extended to 6 February and any changes made after publication of this report will be highlighted to Council on 15 February 2012.

52. The Executive will also continue to ensure that impacted staff are aware of all the available options which can be used to avoid compulsory redundancies and this will include:

- Early retirement,
- Flexible retirement,
- Voluntary redundancy and
- Reduced hours.

53. In addition, the City Council has an excellent past record of using its redeployment policies to minimise any compulsory redundancies arising out of the budget proposals, and the Executive will seek to strengthen the support for employees who find themselves on the redeployment register as a result of savings implemented as part of the 2012/13 budget.

54. Moving forward, the Executive remain committed to minimising job losses within the Council, and this is reflected in the proposals to reduce redundancy costs in order to further minimise the impact on jobs in 2012/13 and beyond

TERMS AND CONDITIONS CHANGES

55. The scale of the reductions in local government funding has meant that the Council has been forced to look at radical options for reducing expenditure across services.

56. The Executive made it clear as part of the implementation of the 2011/12 budget that protecting front line services, and hence jobs, was a key priority. It was for that reason that the Executive's budget proposals for 2011/12, as implemented by Full Council, included a number of changes to staff terms and conditions, in order that employment costs could be reduced in lieu of further job losses. A commitment has been given by this Executive that no further changes to terms and conditions will be sought for the purpose of budget savings during this Administration, with the exception of changes to terms and conditions arising from non-budgetary matters, (for example to reflect legislative requirements).

57. Whilst implementation of the changes to Terms and Conditions came into effect on the 11 July 2011, this was without collective agreement with the Trade Unions, which as a consequence has led to a sustained period of industrial action.

58. Since the 11July 2011, the Executive has put forward a number of proposals to the Trade Unions to reduce the impact of the changes to terms and conditions,

with an emphasis on further protecting the lower paid from the impact of the changes.

59. However, a negotiated settlement has not been reached. A final offer was made to the Trade Unions which the Trade Unions publicly acknowledged was the best offer that could be achieved through negotiation. This final offer was put to union members via a secret ballot. The Unison union made no recommendation to its members as to whether to accept or reject the final offer, whilst the Unite union recommended that its members reject the final offer. Following the ballot process, each of the recognised Trade Unions confirmed that their members had rejected the Executive's final offer.

60. The Executive's final offer would have meant that :

- There would have been no pay reduction for any employee earning a basic equivalent pay of £22,000 or less (instead of a 2% pay reduction).
- There would have been a pay reduction of 2% for any employees on APT& C spinal column point 26 (a basic equivalent pay of £22,221) instead of 4.5%.
- Employees earning a basic equivalent pay between £22,222 and £35,000 would have received a pay reduction of 4% (instead of 4.5%).
- Employees earning a basic equivalent pay between £35,001 and £65,000 would have received a pay reduction of 4.5% (Instead of 5%).
- Employees earning in excess of a basic equivalent pay of £65,000 would have received a pay reduction of 5% (Instead of 5.5%).

The Executive's final offer was predicated on the Trade Unions withdrawing their collective employment tribunal claims, which the Trade Unions have so far refused to do. The Executive made it clear that given the Council's overall financial position, which at the time was a three year financial shortfall of £54M, that:

- There was no further funding available to improve the final offer.
- It would make no financial sense to put forward proposals to reduce the impact of the changes to terms and condition if the Trade Unions were going to proceed to employment tribunal and thus potentially put the Council's financial position at further risk in any event.
- If any award was made against the Council, then given the Council's budget shortfall, any award would almost inevitably impact on jobs, as there is no funding available to meet any award.

61. On the basis that the Executive's final offer has been rejected by the Trade Unions, and with the Trade Unions continuing to proceed with their

employment tribunal claims, the Executive have withdrawn this offer and now have no choice but to proceed with defending the claim made against the Council, and will seek to robustly defend it's position at the Tribunal. The Executive's final offer to the Trade Unions was made up of two distinct elements:

- £500,000 for market supplements for certain groups of front line social work staff.
- £670,000 to fund the reduction in the percentage pay reduction.

62. **Social Work Market Supplement**

The Executive committed to undertake a review of social workers pay, and in the interim agreed to fund a market supplement for certain groups of social workers in Children's Services. The estimated annual cost of paying market supplements for social workers in both Adult Social Care and Children's Services is £500,000. The outcome of the review is due shortly and at the present time the originally agreed market supplement remains in place. The Executive's budget proposal for next year includes an assumption that a market supplement will continue to be in place, and the proposed budget therefore includes £500,000 for this purpose.

63. **Reduction in Percentage Pay Reduction**

The cost of implementing the Executive's final offer to reduce the overall percentage pay reductions was estimated at £670,000 per annum on an ongoing basis. As the offer has been rejected and thus withdrawn, the Executive are recommending that £600,000 of this funding is now set aside in a Pay Reserve on a recurring basis to fund any costs, (including legal costs), arising from defending the Council's position at the employment tribunal.

64. Moving forward however, the Executive remains committed to reviewing Terms and Conditions in the future, if and when the Council's financial position improves.

CHANGES TO THE DISCRETIONARY REDUNDANCY SCHEME

65. The Executive has been clear that its priority is to protect jobs; however, as set out in the October report to Cabinet this position is undermined if the Authority is faced with redundancy costs which it cannot afford. Maintaining the current relatively generous scheme means that potentially more posts would have to be deleted in order to generate further savings to meet the cost of redundancies. Therefore, in order to protect jobs, the Cabinet believe that a reduced redundancy scheme which is affordable is an appropriate way of ensuring that services can be protected and consequently that the least number of posts are deleted as possible.

66. The Executive's draft budget therefore proposed that subject to consultation with the Trade Unions, the current redundancy scheme be replaced with a more affordable scheme. In reviewing options, the Executive are mindful of the need to develop a revised scheme which is fair but which does not pay excessive amounts.

67. The financial forecast represented by the 'base' position includes £5.0M in each of the next three financial years to cover the cost of redundancies and any associated pension costs based on the current scheme. The budget

proposed by the Executive reflects the impact of a revised redundancy scheme which the Executive anticipates will see costs reduced by a minimum of £1.0M per annum.

68. **Current Discretionary Severance Scheme**

The scheme at present, ignoring the in year enhancement for voluntary redundancies, is as follows:

£ Actual weekly pay

X Statutory Weeks Payable *(up to maximum of 30 weeks based on age and length of service)*

X Discretionary multiplier of 1.6

(The discretionary multiplier was enhanced to 2 for voluntary redundancies and it has been agreed to apply this to all staff whose employment with the Authority ends by 31 March 2012).

69. **Executive's Initial Proposed Discretionary Severance Scheme**:

The proposed scheme put forward for consultation with staff and the Trade Unions for both compulsory redundancy and voluntary redundancy was as follows:

£ Actual weekly pay (capped at top of Grade 13)

X Statutory Weeks Payable *(up to maximum of 30 weeks based on age and length of service)*

The proposed new scheme would have no discretionary multiplier.

70. **Trade Union's Proposed Discretionary Severance Scheme:**

The Trade Unions have put forward a revised proposal as follows for both compulsory and voluntary redundancy:

£ Actual weekly pay (capped at top of Grade 10 – SCP 46)

X Statutory Weeks Payable *(up to maximum of 30 weeks based on age and length of service)*

X Discretionary multiplier of 1.5

71. The Trade Unions alternative proposal has been modelled and does not deliver the £1.0M level of saving required as part of the 2012/13 budget. In addition, the proposal creates a differential position for individual employees on Grade 11, due to the overlap with Grade 10. This would mean that individuals undertaking the same roles would be subject to different redundancy packages. For these reasons the Executive is reluctantly unable to accept the Trade Unions' alternative proposal.

72. **Executive's Revised Proposed Discretionary Severance Scheme for Implementation from 1 April 2012:**

The Executive recognise that maintaining a differential between the compulsory and voluntary redundancy payments is more likely to encourage individuals to come forward for a voluntary severance. On that basis, the Executive is recommending that Full Council implement the following revised discretionary severance policy:

Compulsory Redundancy:

£ Actual weekly pay (capped at top of Grade 13)

X Statutory Weeks Payable *(up to maximum of 30 weeks based on age and length of service)*

Voluntary Redundancy:

£ Actual weekly pay (capped at top of Grade 13)

X Statutory Weeks Payable *(up to maximum of 30 weeks based on age and length of service)*

X ***Discretionary multiplier of 1.25***

This proposal will still ensure that the £1.0M saving target for a reduction in overall budgeted redundancy costs can be achieved.

PROPOSED BUDGET PACKAGE

73. Summarised below is the proposed budget package put forward by the Executive for consideration. The detailed analysis is reflected in the General Fund Revenue Account set out in Appendix 6 and shows the changes from the base position outlined in paragraph 34. The proposals are based on a Council Tax freeze and include a contribution from balances of £136,000.

	£M
Total GF Spending (After Draw From Balances)	**97,017.5**
Bids (Appendix 4)	30.0
Efficiencies, Income and Service Reductions (Appendix 5)	(12,842.0)
Changes to the Discretionary Redundancy Scheme	(1,000.0)
Council Tax Requirement	**83,202.5**

74. Any changes made to this proposed budget package, for example in response to the ongoing consultation with staff which has been extended to run until 6 February 2012, will be highlighted to Full Council on 15 February 2012.

COUNCIL TAX

75. The Executive are recommending a Council Tax freeze for 2012/13. The Council Tax Requirement shown in Appendix 6, which takes into account Government Grants and an assumed surplus on the collection fund at the end of 2011/12 of over £373,200, is the level of council tax required to provide a balanced budget for 2012/13. This is then divided by the council tax base set by the CFO, following consultation with the Cabinet Member for Resources, Leisure & Culture to give the basic amount of council tax for the year of £1,239.21, which is a zero percent increase. The full calculation is set out in

Appendix 7. The proposed Council Tax increase is zero, which would mean that the council tax payable per band would remain at the same level as for the current financial year if the Executive's recommendation on council tax is accepted by Fulll Council.

76. The estimates of the payments from the Collection Fund in the form of precepts for 2012/13 are set out in Appendix 8. This includes preliminary figures for the Police and Fire authorities, for whom proposed council tax increases of zero percent have been assumed. The Appendix therefore shows that when these items are added to Southampton's council tax, the overall increase remains at zero percent. These figures will not be confirmed until the budget setting day at Full Council on 15 February 2012.

77. The Executive is well aware of the impact of large Council Tax increases on households within the City. In previous years, the Conservative Group has adopted a policy of keeping proposed Council Tax as low as possible with the level last year being frozen.

78. This remains a key commitment of the Executive and the previously approved Older Persons council tax discount of 10% for households where all occupants are over 65 will be maintained, as will the 100% discount for Special Constables.

79. **Council Tax Freeze Grant**

The Government announced in October that it will fund a further Council Tax freeze in 2012/13. It has been confirmed that this funding will take the form of a one off non-recurring grant payable in 2012/13 to those Authorities who implement a zero percent increase in Council Tax for that year. The grant receivable will represent additional funding equivalent to increasing Council Tax by 2.5% in 2012/13 and for Southampton, the level of additional funding is in the order of £2.1M and this has been reflected in the revenue position presented in Appendix 6.

80. In recommending to Full Council that it accepts this grant, the Executive are cognisant of the CFO's advice that the one off nature of the grant creates a recurring budget shortfall/pressure of £2.1M for 2013/14 onwards. This impact is therefore reflected in the financial forecast and hence increases the budget gap by a further £2.1M from 2013/14.

GENERAL FUND BALANCES

81. It is important for Cabinet and Council to consider the position on balances. Balances are used either to:

- support revenue spending,
- support the capital programme, or
- provide a 'working' balance at a minimum level suggested by the CFO with any projected excess being available to fund any one-off expenditure pressures or to reduce the council tax on a one-off basis.

The latter option is not recommended by the CFO.

82. Several years ago, CIPFA issued guidance on a risk based approach to setting an appropriate level of reserves. The CFO at the time produced a calculation for the City which took into account factors such as:

- Exposure to pay and price inflation
- Volatile areas of income generation
- Demand led service expenditure
- Exposure to interest rate variations
- Contractual commitments
- Achievement of budget savings
- VAT partial exemption risk

83. This calculation is reviewed annually and updated to reflect current levels of expenditure and income and treasury management operations and also new considerations such as partnership arrangements. This level has been reviewed this year and in recognition of the risks facing the Council the CFO has recommended that the minimum level of balances is increased from £4.5M to £5.0M in line with good practice guidance.

84. The table below shows the position for balances after taking into account the outturn for 2010/11, the estimated outturn for 2011/12, the budget proposals set out in this report and the current update of the capital programme.

	2011/12	**2012/13**	**2013/14**	**2014/15 & 2015/16**
	£000's	**£000's**	**£000's**	**£000's**
Estimated Opening Balance	**17,393.9**	**14,249.7**	**5,696.6**	**5,294.7**
Net Draw from / (to) Revenue	3,145.0	(136.0)	4,000.0	8,000.0
Draw to Support Capital	(203.0)	(492.0)	(250.0)	
Draw for Strategic Schemes	(6,086.2)	(7,925.1)	(4,151.9)	(8,164.7)
Closing Balance	**14,249.7**	**5,696.6**	**5,294.7**	**5,130.0**

85. Whilst the level of balances by 2015/16 remains marginally above the minimum required amount of £5.0M, at this stage it is not intended to use this to support the revenue budget in 2012/13 but this will be available to fund future initiatives or contribute to the revenue budget in future years.

MEDIUM TERM FORECAST

86. A roll forward forecast has been estimated for 2013/14 and 2014/15 taking into account the future years effects of the proposed pressures and savings as set out in this report. The forecast is included as Appendix 9. The funding gap will be reviewed and addressed as part of the ongoing development of longer term financial planning and Members are being asked to authorise the Management Board of Directors to pursue the development of future years options highlighted in Appendix 6.

87. **Local Government Settlement**

The CSR announced in October was for a four year period but the provisional Local Government Settlement released in December was only for two years. As no figures are available beyond 2012/13 it is difficult to move any further towards a more robust rolling three year financial plan. This is exacerbated by the economic climate, uncertainty about Government spending plans in future years and possible changes to local authority funding.

88. **Local Government Resource Review**

The Government is completing a local government resource review which started in January 2011 with the aim of implementing changes from 2013. The Council has and will continue to contribute actively to the resource review. The review is likely to result in radical changes in the funding councils receive, which increases the uncertainty inherent in forecasts for 2013/14 and beyond.

89. Further work will be undertaken in the next few months to ensure that the assumptions built into the forecast for 2013/14 are robust and reflect the latest predications in relation to key variables such as inflation and interest rates. The intention is that an updated forecast will be presented to Council in the Summer if appropriate. The most significant risks to achieving financial stability are the level of Government grant beyond 2012/13 and the vulnerability of Health Funding provided by Government. Whilst a prudent assessment has been made regarding these two aspects of Government funding, there is a significant degree of uncertainty regarding the outcome of the Local Government Resource Review and the Health review and any significant changes arising from these will require the assumptions in the medium term forecast to be reviewed.

90. **Business Rate Retention**

The first stage of the resource review deals with options for providing greater financial autonomy to Local Authorities through the return of Business Rate income to a local level, but with protection for low yield authorities through a ‘tariff’ and ‘top-up’ equalisation model.

91. The Council has historically been a net contributor to the national business rate pool (it has paid in more than it has received) due to a combination of a relatively buoyant economy in the South but a low per head distribution of grant under the funding formula. This means that under the proposed new model, the Council would be required to pay a ‘tariff’ from the beginning of the scheme which would rise with inflation in future years. To benefit from the scheme therefore, business rate growth across the City would need to exceed inflation on an annual basis.

92. **Localisation of Council Tax Benefit**

The second stage of the review deals with the localisation of support for council tax. It was announced as part of the CSR in 2010 that support for council tax would be localised from 2013/14 and expenditure reduced by 10% from the same date. Localisation is part of a policy of decentralisation that the government believe will give local authorities increased financial freedoms and a greater stake in ensuring local tax payers are supported into work and deciding how resources are used to achieve that.

93. The replacement for council tax benefit will have to be carefully designed and modelled to ensure expenditure is in line with that budgeted, as any excess has to be met by the council. There are many risks around this, but one of the most obvious is that it exposes the council to possible swings in the economy which result in an increase in claims.

94. There will be difficult decisions about who should be paid and in what circumstances. The exclusion of pensioners from any reductions required to achieve the 10% saving required means the burden falls heavily on other groups. This becomes even more complex when trying to ensure there are no barriers to working. A model scheme may be developed as a guide, but local decisions will still be needed.

95. **Technical Reforms to Council Tax**

In the late autumn of 2011 the CLG also consulted on technical reforms proposed to council tax. The consultation considered options in relation to the council tax liabilities of second home owners, and of the owners of empty properties, in England. It also considered potential reforms of several details of the council tax system including modernising arrangements for payment of council tax by instalments, for delivering the information to be supplied with demand notices, and the treatment of annexes to dwellings; and some broadly administrative matters.

96. Responses to the consultation were to be submitted by 29 December 2011 and the outcome has yet to be published but may afford the Council opportunities to make changes to the current arrangements the financial impact of which will be relevant for the medium term forecast once known.

97. **Council Tax Referendum**

The effect on local taxpayers is also a critical element in making decisions on council tax levels, particularly given the legislation for Council Tax referendum contained in the Localism Act. The Localism Act abolishes Whitehall capping in England and puts local referendums in its place. If councils increase council tax above the level agreed by government, currently set at 3.5% for 2012/13, this will trigger a referendum and if people vote against the increase the local authority will have to revert to a lower council tax rise

98. **Forecast Government Grant**

The intention remains, however, to produce a high level plan containing longer term objectives that can be pursued outside of the annual budget process and the current forecasts assume a further reduction of 7% per annum in Government funding for 2013/14 and 2014/15. In addition, a reduction of 7% has also been assumed in all non-ring fenced.

99. In more general terms, the main impact upon the Council's medium term financial planning relates to the level of Government grant, grant support in respect of capital investment and government policy relating to the exercise of council tax capping powers. In particular, the outcome of the Resource Review currently underway, alongside the Government's funding on Health regarding it's impact upon Adult Services funding are likely to have a significant impact.

100. **Future Year Savings**

Appendix 9 also includes an increasing sum for future options for efficiencies, income and service reductions in later years that the Management Board of Directors need authorisation to develop and progress. Future savings have also been included in the medium term forecast of £8.1M in 2013/14 rising to £11.8M in 2013/14. These items are work in progress and will be further developed in the coming year.

RESOURCE IMPLICATIONS

Capital/Revenue

Capital

101. The revenue implications of funding the capital programme through supported and unsupported borrowing are reflected in the 2012/13 estimates presented in Appendix 6.

Revenue

102. As set out in the report

Property/Other

103. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

INTRODUCTION

104. It is important that Members are fully aware of the full legal implications of the entire budget and Council Tax making process, when they consider any aspect of setting the Council's Budget. Formal and full advice to all Members of the Council protects Members, both in their official and personal capacity, as well as the Council. If Members have received the appropriate professional legal and financial advice and act reasonably, generally the courts will not interfere in their decisions.

GENERAL POSITION

105. The first and overriding legal duty on Members is their fiduciary duty to weigh the needs of service users against the interests of local taxpayers. In planning the budget, Members are under a fiduciary duty to act prudently, responsibly, in a businesslike manner and in their view of what constitutes the best interests of the general body of local taxpayers. In deciding upon expenditure, the Council must fairly hold a balance between recipients of the benefits of services provided by the Council and its local taxpayers. Members should note that their fiduciary duty includes consideration of future local taxpayers as well as present local taxpayers.

106. There is a general requirement in administrative law that a local authority decision must be rational, authorised by law and must take account of all relevant considerations, whilst ignoring any irrelevant ones. It should also be noted that the concept of proportionality, given great emphasis in the Human Rights Act 1998, is also becoming a relevant factor for determining the reasonableness of any decision and should be borne in mind by Members.

107. An authority commits an illegal act if it acts beyond or in abuse of its statutory powers or in breach of its fiduciary duty. It will also act illegally if it fails to take relevant considerations into account or acts in outrageous defiance of reason

OBLIGATION TO MAKE A COUNCIL TAX

108. The legal significance of the Annual Budget and setting a Council Tax derives from the Council's duty under the Local Government Finance Act 1992 (the 1992 Act) to set a balanced budget and Part 5 Chapter 1 of the Localism Act 2011. This is achieved by calculating the aggregate of:

   i. the expenditure it estimates it will incur in the year in performing its functions in the year (including an allowance for contingencies),
   ii. the payments it estimates it will make in the year in defraying expenditure already incurred and
   iii. expenditure it will incur in funding costs before a transfer of funds is made from the Collection Fund and then deducting such sums as will be paid into the General Fund, (i.e. income). Calculations made under this section must be made before 11 March in the preceding financial year.

109. In order to fulfil this duty, the Council must prepare detailed estimates of its expenditure for the coming year and of the resources which will be available to meet this expenditure. Account must be taken of any deficit brought forward from a previous year and the amount needed to cover contingencies. The resources include income from rents, fees and charges and any available balances. All of these issues must be addressed in the budget report. The estimation of the detailed resource and expenditure items is the main reason for the budget process. The budget must balance, i.e. proposed expenditure must be met from proposed income from all sources, with any shortfall being the precept on the Collection Fund.

110. Failure to make a lawful Council Tax on or before 11 March could have serious financial results for the Council and make the Council vulnerable to an Order from the Courts requiring it to make a Council Tax.

111. Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for "the proper administration of their financial affairs'.

112. Information must be published and included in the Council Tax demand notice. The Secretary of State has made regulations, which require charging authorities to issue demand notices in a form and with contents prescribed by these regulations.

113. There is also a duty under Section 65 of the 1992 Act to consult persons or bodies appearing to be representative of persons subject to non-domestic rates in each area about proposals for expenditure (including capital expenditure) for each financial year.

DEFICIT BUDGETING

114. A deficit budget, one which does not cover all anticipated expenditure with resources reasonably expected to be available, is unlawful. Any Council Tax which rests on such a budget will be invalid. Councils are constrained to make a Council Tax before all the separate elements, which will constitute available resources or anticipated expenditure, have been identified and quantified fully. Best estimates have to be employed.

115. Where these best estimates include sums for unallocated savings or unidentified expectations of income, extreme care must be taken to ensure that the estimates are reasonable and realistic and do not reflect an unlawful intention to incur a deficit. It might be appropriate at budget setting time to require regular monitoring throughout the financial year of such estimated savings or income. Prompt action to reduce spending must be taken, if at any stage it seems likely that a balance between income and expenditure will not be achieved.

BORROWING

116. The rules and regulations governing a local authority's ability to borrow money were altered significantly by the introduction of the Local Government and Housing Act 1989 and subsequent regulations. This has now been abolished and replaced by the self regulating Prudential Code.

OTHER RELEVANT LEGISLATION

117. The Local Government Finance Act 1988 (the 1988 Act) created the (now repealed) Community Charge and the current National Non- Domestic Rating regime and deals with grants, funds, capital expenditure and the financial administration of a local authority.

118. Under Section 114 (2) and 114 (3) of the 1988 Act, the CFO is required to make a report, if it appears to him/her that a decision or course of action the Council or an officer has agreed or is about to make is unlawful, or that expenditure is likely to exceed resources available.

119. Members have a duty to determine whether they agree with the CFO's statutory report issued under Section 26 Local Government Act 2003. If Members were to disagree, they would need to set out cogent reasons for so doing. Unless such reasons could be set forward, Members' action in disagreeing with the CFO’s views on the basis of his/her professional judgement would be likely to be held unreasonable and constitute wilful misconduct. It should be noted that under the Members’ Code of Conduct, Members are required to take account of any advice issued by CFO (and the Monitoring Officer) acting in their statutory capacities.

120. The Localism Act 2011 contains provisions (Part 5, Chapter 1) which relate to the setting of Council Tax, including the arrangements for Council Tax Referendums.

BEST VALUE: LOCAL GOVERNMENT ACT 1999

121. The Local Government Act 1999 (the 1999 Act) introduced a duty of Best Value, which came into force on 1 April 2000. Members need to be aware of and take account of the impact on the Council of this duty.

THE CONSTITUTIONAL POSITION: LOCAL GOVERNMENT ACT 2000 (THE 2000 ACT)

122. The 2000 Act has had a fundamental effect on the governance of the Council and in particular has resulted in a change to the working arrangements of Council, with the requirement for a Constitution setting out executive (Cabinet) and scrutiny and overview arrangements. The 2000 Act also provides a power for Councils to promote the economic, social and environmental well-being of their areas and develop community strategies. In addition, the 2000 Act establishes an ethical framework.

123. Of particular importance to the Council Tax setting process and Budget Meeting of the Full Council is the Council's Budget and Policy Framework Procedure Rules set out in Part 4 of the City Council's Constitution. These provide a legal framework for the decision making process whereby the Budget of the City Council is determined, and the Council Tax is set. In addition, Members need to be aware that these Rules provide a route whereby the Leader may require the Full Council to reconsider their position if they do not accept the Executive's recommended budget without amendment.

124. In addition, the Constitution contains a range of further material relevant to the setting of the Council Tax and the Budget Setting meeting:

i. Article 12 contains guidance on decision making and the law;
ii. The Council Procedure Rules in Part 4 regulate the conduct of the Full Council meeting (although traditionally, some of the rules relating to the conduct of the debate are suspended to allow different arrangements during the budget debate);
iii. The Members' Code of Conduct must be followed by Members; and
iv. The Officer/Member Protocol contains guidance both on pre-budget discussions, but also on how officers and Members should interact with specific guidance about budget preparation issues.

PERSONAL LIABILITY AND SURCHARGE

125. The 2000 Act abolished the local government surcharge provisions and replaced them with a new statutory offence of 'misuse of public office'. This new statutory offence covers two situations, namely unlawfully incurring expenditure or incurring expenditure as a result of wilful misconduct. It also covers the exercise of a public function in a manner that involves dishonesty or oppression or malice. The Courts (rather than the District Auditor) would impose penalties. The Council could sue for losses/deficiencies sustained.

LEGAL STATUS OF POLITICAL PROMISES AND DOCUMENTS

126. It is appropriate for Members to consider their own position as some Members may have expressed support publicly for policies that are not policies of the Council.

127. Political documents do not represent a legal commitment on behalf of the Council. To treat any political document as a legal commitment by the Council would be illegal. Where there is a valid choice before Members, then, at that stage and only at that stage, Members may take political documents into account.

128. All decisions must be taken within the framework of the formal decision making process of the Authority. Members must take into account all relevant matters and disregard all irrelevant ones. Decisions taken at a political meeting, such as a political group meeting, have no status within this process. A Member, who votes in accordance with a group decision which has been reached, having regard to relevant factors and who has addressed their mind independently to those factors and to the decision itself, will be acting within the law.

129. The Courts have also advised on the balancing exercise to be undertaken by a Council when deciding whether to pursue a particular policy:

A local authority must exercise its statutory powers in the public interest and for the purpose of which those powers have been conferred. Political views, as to the weight to be attached to the various relevant considerations and as to what is appropriate in the public interest in the light of those considerations, may properly influence the exercise of a statutory discretion. A decision will not be unlawful merely because some political advantage, such as electoral popularity, is expected to flow from it, so long as the decision is made for a legitimate purpose or purposes. Because at some stage in the evolution of a policy an improper political purpose has been espoused, does not mean that the policy ultimately adopted is necessarily unlawful. However, a political purpose extraneous to the statutory purpose can taint a decision with impropriety. Where there is more than one purpose:-

a) The decision will generally be lawful provided that the permitted purpose is the true and dominant purpose behind the act. This is so even though some secondary or incidental advantage may be gained for some purpose, which is outside the authority's powers.

b) The decision will be invalid if there are two purposes one ultra vires and one intra vires and the ultra vires purpose is a (even if not the) major purpose of the decision. Accordingly a decision substantially influenced by a wish to alter the composition of the electorate would be unlawful.

c) Where there is some evidence justifying enquiry, the Court will consider whether an apparently lawful purpose e.g. home ownership is merely a colourable device to conceal an illegitimate purpose e.g. electoral advantage.

d) Even if those voting for a particular policy at a Council meeting have perfectly proper reasons in mind, the policy can be tainted by the improper motives of others who have taken part in the formulation of that policy although not actually present to vote. As a matter of law it is possible for a corrupt principal to cause a result through an innocent agent.

Other Legal Implications:

130. The financial forecasts contained in this report have been prepared and are submitted as part of the budget process set out in the Council's Constitution. As part of the review process by the MBD, the proposals contained in this report have been checked from a legal viewpoint.

131. It should be noted by both Cabinet and Full Council that the decisions they are making, in terms of 'Budget setting' are effectively preliminary decisions setting the framework for anticipated spending by the Council for 2012/13 to 2013/14. That framework and the matters set out in the budget influence and inform the strategic direction the Council will take during the budget period but specific proposals will require further implementation decisions (either at Cabinet or Officer decision levels as appropriate) in order to be given effect.

132. The Council, as the decision-maker, will take a preliminary decision in relation to its budget, fully aware that the implementation of proposed policies may have an impact on the affected users, but is not committing itself to the implementation of specific policies within the budget framework until it has carried out a full and detailed assessment of the likely impact as and where necessary. Those decisions will in turn address further equalities, consultation and practical matters without their outcome having been 'predetermined' by the approval of the budget.

133. Decision makers may also receive further representations, and/or choose to undertake further consultation on specific proposals. Decision makers will, as a result of further representations, consultation and other material considerations, be free to approve or reject implementation of specific matters proposed as part of the overall budget framework and it will, as a result, be for Council to determine how to meet any budget gap that may arise as a result of such implementation decisions.

POLICY FRAMEWORK IMPLICATIONS

134. The Medium Term Plan and the Budget are key parts of the Policy Framework of the Council and a Budget and Council Tax for 2012/13 must be proposed by the Executive (Cabinet) for consideration by the Full Council under the Constitution.

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KEY DECISION? Yes/~~No~~

WARDS/COMMUNITIES AFFECTED:	

SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	Budget Consultation Report
2	Equality Impact Assessments
3.	Revised General Fund Revenue Budget 2011/12
4.	Summary of Revenue Bids
5.	Summary of Efficiencies, Additional Income and Service Reductions
6.	2012/13 General Fund Revenue Account
7.	2012/13 Council Tax Calculation
8.	2012/13 Collection Fund Estimates
9.	Medium Term Financial Forecast
10.	Statutory Power To Undertake Proposals In The Report
11.	Chief Financial Officers View On The Budget

Documents In Members' Rooms

1.	Budget Proposals - Equality and Safety Impact Assessment

Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	Yes/~~No~~

Other Background Documents

Integrated Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s) — Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	GENERAL FUND REVENUE BUDGET 2012/13 TO 2014/15 – CABINET 24 OCTOBER 2011	

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BUDGET CONSULTATION REPORT

1. THE CONSULTATIONS

The Cabinet undertook a range of consultation with various stakeholder groups, including council staff and the Trade Unions, Southampton residents and local businesses. Consultation, which began on publication of the Cabinet's draft budget on 14 October 2011, has continued throughout this period. Feedback from these consultations has been used to inform development of the budget.

2. STAFF AND TRADE UNIONS

In order for the council to meet its obligations as a good employer and also in order to start the process of discharging its obligations under s.188 of the Trade Union and Labour Relations (Consolidation) Act 1992, a detailed consultation document was produced and released on 14 October 2011. This document included a range of information relating to the budget proposals with implications for employees. This document release represented the start of the consultation process.

The consultation document provided the following introduction and context for staff and Trade Unions:

"Further information may be given and the information updated during the consultation process to recognise that all of the information may not be fully formed at this stage as one would expect during consultation on a proposal.

"We would hope that the proposal is set out in enough detail that it is meaningful and that consultation can be embarked upon. If in any respect further information is required and or you think some more information is required then we would ask you, as our consultation partners, to explain in what way any information is inadequate so that we can address and update any further information and proceed with our consultation.

"We hope to consult during the process with a view to reaching agreement. In particular we need to consult with you about ways of avoiding the dismissal, reducing the numbers of employees to be dismissed and mitigating the consequences of those dismissals.

"The reason that we have to make these proposals is as follows:

"In the context of the continuing challenging financial climate in which all Councils will receive much less funding from central Government in each of the next three years, Southampton City Council is forecasting that it will need to save nearly £15.24M from its revenue budgets in 2012/13 rising to a cumulative saving of £54.283M by 2014/15.

"We attach projected budget figures and savings that need to be actioned. We are keen that you understand in full the predicament that the Council faces and how to address savings. At an early stage we propose meeting with you and discussing any further information you might need for meaningful and effective consultation on the reasons for the proposal. To that end, we have already scheduled fortnightly consultation meetings with the recognised Trade Unions throughout the consultation period.

"Whilst the council is committed to driving out inefficiencies and exploring new ways of working to ensure it can continue to deliver front line services and minimise the impact of a reducing budget on its staff, it is still expected that it will need to dismiss as redundant up to 147 employees in 2012/13. This is the total number of employees who may be dismissed as a

result of this proposal. In addition, it is proposed that up to 109.05 FTE vacant posts will be deleted

"The purpose of this document is to inform and consult on the proposals to deliver £7.145M of budget savings through staffing reductions, with a view to reaching agreement on ways of avoiding redundancies and/or reducing the numbers to be dismissed. This document also outlines proposed changes to the council's Discretionary severance policy to ensure that severance payments are affordable."

The document also included a detailed consultation timetable as follows:

Week:	Indicative Date:	Activity:	Responsibility:
0	14/10/2011	Collective consultation commences with trade unions	Corporate consultation team and trade unions
0	14/10/2011	Collective consultation commences with staff affected by proposals	Directors and Senior Managers
1	From 17/10/2011	Individual and service specific consultation meetings commence exploring: ▪ voluntary measures ▪ restructure proposals ▪ selection methods ▪ selection criteria	Directors and Senior Managers
2	From 24/10/2011	Staff within specific services or functions that are proposed for deletion identified as "at risk" and placed on redeployment register	Directors and Senior Managers
2	28/10/2011	Collective consultation meeting	Corporate consultation team and trade unions
4	11/11/2011	Collective consultation meeting	Corporate consultation team and trade unions
6	25/11/2011	Collective consultation meeting	Corporate consultation team and trade unions
8	09/12/2011	Collective consultation meeting	Corporate consultation team and trade unions
10	23/12/2011	Collective consultation meeting	Corporate consultation team and trade unions
12	06/01/2012	Collective consultation meeting	Corporate consultation team and trade unions
14	20/01/2012	Collective consultation meeting and End of Formal Consultation	Corporate consultation team and trade unions
15	27/01/2012	Executive Publish their Final Budget Proposals	Executive
17	06/02/12012	Cabinet Meeting to Recommend Final Budget Proposals	Executive
18	15/02/2012	Annual Budget Set at Full Council	Full Council
18	From 16/02/2012	Dismissal hearing invitations issued (10 working days notice) to staff where specific services or functions are being deleted	Directors and Senior Managers
18	From 16/02/2012	Selection process commences for staff where a reduction in posts arises from a restructure or reduction in a "pool" of similar posts.	Directors and Senior Managers

Week:	Indicative Date:	Activity:	Responsibility:
18	From 16/02/2012	Staff where a reduction in posts arises from a restructure or reduction in a “pool” of similar posts identified as “at risk” and placed on redeployment register (for a minimum 3 months).	Directors and Senior Managers
20	From 01/03/2012	Dismissal hearings. Employees given up to 3 months notice dependent on length of service as per contract of employment.	Directors and Senior Managers

The consultation was extended on 9 January 2012 to end on 6 February 2012. This extension was agreed by the Leader of the Council and the Chief Executive to allow employees the maximum time possible to give their views and ideas before the 2012/13 budget is agreed by Full Council on 15 February.

Consultation meetings with staff and Trade Unions commenced on 14 October 2011 and will continue up until 6 February 2012. Meetings have occurred at a council-wide level with Trade Unions, and at a directorate and service-level with affected staff and Trade Unions. The numbers of directorate and service meetings (up until 24 January 2012) are as follows:

- Children’s Services and Learning – 20 meetings
- Health and Adult Social Care – 17 meetings
- Environment – 44 meetings
- Economic Development – 17 meetings
- Corporate Services – 28 meetings

In addition to these face-to-face meetings, each savings proposal that has a direct impact on staff has been detailed in a consultation document and made available to employees via the intranet (and in hard copy where required).

The budget consultation pages on the council’s intranet have been regularly updated and include a frequently asked questions section. More than 50 enquiries from employees have been received and dealt with directly.

Two budget consultation meetings were also held between the Trade Unions and the Leader, Deputy Leader and Cabinet Member for Resources, Leisure & Culture to discuss the Executives draft budget proposals. The Trade Unions put forward a range of alternative savings proposals, each of which has been fully considered by the Executive in drawing up their final budget proposals. In addition, the Trade Unions also fed back an alternative proposal for changes to the Discretionary Severance Scheme and reference to this is contained in the budget report.

3. RESIDENTS

The Cabinet’s draft budget was publicised from its publication on 14 October 2011, via a range of council channels and also the news media. The proposals have been available since that time on the council’s website. The website has a feedback mechanism that allows residents to share their views.

4. LOCAL BUSINESS

A consultation meeting for local businesses was held on 26 January 2012. The meeting was facilitated by Business Solent, with other business representative bodies invited. A briefing was provided by the Leader of the Council, supported by the Chief Financial Officer.

Appendix 2

EQUALITY IMPACT ASSESSMENTS

PURPOSE OF THE REPORT

It is a statutory requirement that the Council show how it has assessed the impact that policies, decisions' and procedures might have on age, disability, gender, gender reassignment, race, religion or sexual orientation assessments – referred to as 'protected characteristics'.

The purpose of this report is to summarise the work undertaken in relation to impact assessment outlining the issues and the responses and action taken by the Council.

INTRODUCTION

1. The council commenced its consultation process on 2012/13 budget proposals on 14 October 2011 and for the first time, draft impact assessments were made available alongside the budget proposals. This included Equality Impact Assessments (EIAs), Community Safety Impact Assessment as well as the cumulative impact of budget proposals that were identified as requiring impact assessments. At that stage, it was recognised that these were not complete and comprehensive assessment due to the following reasons:
   - Some assessments were still being reviewed as further work is needed
   - Some proposals were dependent on reviews being completed or policy changes and therefore the full impact can be considered only when the recommendations are known and this is still the case for those areas where reviews have not been started or completed.
   - The cumulative impact of staffing had not been completed.
2. This year assessments have only been completed to meet statutory equality duties, community safety requirements and additionally, the impact relating to poverty. This is in recognition of the potential additional impact on people and families in low incomes of the changes nationally to Welfare Reforms and the impact of the recession. In addition, the cumulative assessments also reflect the potential impact of any relevant national changes, particularly the Welfare Reforms.

BEST VALUE GUIDANCE

3. Best Value authorities are under a general Duty of Best Value to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". Under the Duty of Best Value therefore, authorities should consider the overall value, including economic, environmental and social value, when reviewing service provision. As a concept, social value is about seeking to maximise the additional benefit that can be created by procuring or commissioning goods and services, above and beyond the benefit of merely the goods and services themselves.

4. The original deadline for the end of the consultation period (which started on 14 October 2011) was 20th January 2012. However, this deadline was extended to 6

February 2012 in order to allow as much time as possible for the unions and staff to provide feedback on their budget proposals before the budget is finally agreed at the Full Council meeting on the 15 February 2012.

LEGAL FRAMEWORK – EQUALITIES

5. The Council has a duty under the Equality Act 2010 (in force from 1 October 2010) not to discriminate against any person on the basis of a protected characteristic (such as disability). This includes discrimination by way of less favourable treatment (direct discrimination) or by introducing a rule, policy or practice that applies to everyone but particularly disadvantages people who have a protected characteristic (indirect discrimination). Direct discrimination will always be unlawful. Indirect discrimination will not be unlawful if it can be justified, (i.e. it can be shown that the rule, policy or practice was intended to meet a legitimate objective in a fair, balanced and reasonable way).
6. In considering whether or not any indirect discrimination is justified, the council must consider whether or not there is any other way to meet their objective that is not discriminatory or is less likely to disadvantage those with protected characteristics. This may well mean setting out clearly whether or not consideration has been given to other ways of achieving these savings, (such as raising charges across the board or cutting other services).

   The Council must show that it has 'had regard' to the impact of its decision on its equality duties and the need to advance equality of opportunity between people who have protected characteristics and those who do not.
7. The Equality Duty is a duty on public bodies and came into force on 5 April 2011. There have been revisions recently and further guidance is expected. The Equality Duty is a duty on public bodies and others carrying out public functions. It ensures that public bodies consider the needs of all individuals in their day to day work in shaping policy, in delivering services, and in relation to their own employees. The Equality Duty is set out in section 149 of the Act.
8. The new Equality Duty replaces the three previous public sector equality duties, for race, disability and gender. The new Equality Duty covers the following protected characteristics:

   ii) Age
   iii) Disability
   iv) Gender reassignment
   v) Pregnancy and maternity
   vi) Race – this includes ethnic or national origins, colour or nationality
   vii) Religion or Belief – this includes lack of belief
   viii) Sex
   ix) Sexual orientation
9. It also applies to marriage and civil partnership, but only in respect of the requirement to have due regard to the need to eliminate discrimination.

LEGAL FRAMEWORK – COMMUNITY SAFETY

10. Community Safety is a broad term which refers to the protection of local communities from the threat and consequence of criminal and anti-social behaviour by achieving reductions in relation to both crime and the fear of crime. Community Safety encompasses anti-social behaviour and disorder, (including behaviour adversely affecting the local environment), and the misuse of drugs, alcohol and other substances.

11. A legal responsibility, Section 17 of the Crime and Disorder Act 1998, as amended by the Police and Justice Act 2006, requires responsible authorities to consider crime and disorder (including antisocial behaviour and other behaviour adversely affecting the local environment); and the misuse of drugs, alcohol and other substances in the exercise of all their duties, activities and decision-making. This means that in all policies, strategies and service delivery there is a need to consider the likely impact on crime and disorder. This responsibility affects all employees of the council.

12. The Home Office issued guidance that describes the legal responsibility as:

    'a general duty on each local authority to take account of the community safety dimension in all of its work. All policies, strategies, plans and budgets will need to be considered from the standpoint of their potential contribution to the reduction of crime and disorder'.

INFORMED DECISION MAKING AND POLICY DEVELOPMENT

13. The new Equality Duty supports good decision-making – it encourages public bodies to understand how different people will be affected by their activities so that policies and services are appropriate and accessible to all and meet different people's needs. By understanding the effect of their activities on different people, and how inclusive public services can support and open up people's opportunities, public bodies are better placed to deliver policies and services that are efficient and effective. The Equality Duty therefore helps public bodies to deliver the Government's overall objectives for public services. The new Equality Duty is designed to reduce bureaucracy while ensuring public bodies play their part in making society fairer by tackling discrimination and providing equality of opportunity for all.

14. The Equality Duty has three aims the first of which is the requirement for public bodies to have *due regard* to the need to eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act. Having *due regard* means consciously thinking about the three aims of the Equality Duty as part of the process of decision-making. This means that consideration of equality issues must influence the decisions reached by public bodies – such as in how they act as employers; how they develop, evaluate and review policy; how they design, deliver and evaluate services, and how they commission and procure from others.

EVIDENCING DECISION MAKING

15. While the Equality Duty does not impose a legal requirement to conduct an EIA, it does require public bodies to show how they considered the Equality Duty and that they have been consciously thinking about the aims of the Equality Duty as part of the process of decision-making. That will entail understanding the potential effects of the organisation's activities on different people and a record of how decisions were reached. Producing EIA <u>after</u> a decision has been reached will not achieve compliance with the Equality Duty.

As we need to have a consistent council wide mechanism to evidence how decisions were reached and that they did take into account equality and safety considerations, the council's existing Impact Assessment framework has been used.

16. The summary of the key potential cumulative impacts and the mitigating actions to be considered by the council are available in Members' Rooms. In addition, Senior Managers have completed individual EIAs for those proposals that they identified as requiring such an assessment.

IMPACT ON EMPLOYEES

17. The main impacts on employees to be consider relate to:
    - Policy changes
    - Impact of reductions in budget that may require changes to structures and/ or individual and team responsibilities and work programmes

18. The main policy changes relate to the proposed changes to Terms and Conditions identified in the budget proposals in February 2011. An EIA was completed for this at that time and is available on request. An EIA in respect of the final proposals for changes to the discretionary redundancy scheme is being prepared and will be made available to Members prior to Council on 15 February 2012.

SUMMARY OF CUMULATIVE IMPACT ASSESSMENTS AND MITIGATING ACTIONS TO BE CONSIDERED – BUDGET PROPOSALS 2012/13

CONTEXT

1. In order to give the right perspective to the budget proposals, the draft EIAs and Cumulative Impact Assessments need to be considered in light of the available information on the City's profile, service user and non-user information and staffing profiles as well as the proportion of the council's budget that is currently spent on targeted groups or communities. The detailed Cumulative Impact Assessment and individual assessments for identified budget proposals are available on request.
2. Council Spend

Council Budget 2011/12

Portfolio	**Budget £M**	**% of Total**
Adult Social Care & Health	96.3	22
Children's Services	92.9	21
Environment & Transport	69.3	16
Housing	5.2	1
Leader's Portfolio	13.4	3
Leisure, Culture and Heritage	17.3	4
Resources and Workforce Planning	121.9	28
Local Services and Community Safety	16.7	5
Total	**433.0**	**100**
DSG – Schools	*124.7*	

3. City Profile

a) The Population Profile of the City:

- Total Population: 239,700
- Residents with an ethnic origin other than White British: 27,600 (11.5%). The most recent estimates provided by ONS (2007) indicate that Southampton's non-white population accounts for almost 12% of the population or 27,600 residents. The largest proportion of this non-white population comes from the Asian or Asian British ethnic group (5%).
- Students: 43,425 (18.1%)
- 14,900 (6.2%) of residents living in the City's top 5 priority areas (LSOAs in the IMD 2010)
- Children under 16: 38,300 (16%)
- Working age population aged 16-64: 170,200 (71%)
- People aged over 60: 41,900 (17.4%)
- People aged over 70: 22,800 (9.5%)

b) Poverty

Unemployment and Claimants

5,359 or 3.1% of Southampton's working age resident population were unemployed and claiming Job Seekers Allowance in July 2011, representing a small reduction on the previous month. Overall, just over 20,000 residents aged 16-64 are claiming key out-of-work benefits. At 12% of the total, this is notably higher than across the South East as a whole and close to the average for Great Britain.

Child Poverty

Key points on child poverty are:

- Southampton has second highest rate of child poverty in South East region - only Hastings is higher at 28.8%.
- A recent report by Save the Children estimated around 6,000 children in the city were living in severe poverty.
- Workless Households: 80% of children in poverty in the city are in households claiming Jobseekers Allowance/Income Support.
- Lone Parent Families: 73.5% of children in poverty in the city are in lone parent households.

CUMULATIVE IMPACT OF THE BUDGET PROPOSALS ON KEY GROUPS

4. Older People

a) The main impact would be a potential increase in social isolation, reduced financial flexibility due to increase in costs of services and reduced access to early intervention services. The potential increased social isolation could also have health and cost implications for the City Council, Health and other public sector organisations. The cumulative impact of these proposals needs to be considered alongside other factors that may impact on older people in Southampton. These include:

- The national reduction in winter fuel payments
- Southampton City Council budget saving proposals relating to disabled people and sex.
- National changes to the cost and provision of social care that are currently being considered.
- Budget reductions being considered by partner agencies, particularly Health & Police.
- Capacity of the voluntary sector to continue existing levels of support/services to older people.

b) Charges for Health and Adult Social Care services will continue to be individually assessed and based on ability to pay. Income maximisation support will continue to be offered as part of the financial assessment. Charging will continue to be applied equitably in line with Fair Access to Care Services guidance. Separate impact assessments will be undertaken for each specific recommendation before a change to council policy is introduced. No individual assessed as requiring a service will be refused social care support because of an inability to pay.

c) Measures to mitigate the potential impact of the budget proposals include:

- Ensure the Big Society work is focused on engaging older people in their communities.

- The move towards greater personalisation provides an opportunity for many of the social care services affected to be re-provided in other ways. This better targeting of provision may require market development support to ensure provision is available.
- Ensure older people are consulted as part of service changes and supported and signposted to alternative provision available.
- Those with complex needs who also fall into other groups, for example disabled older people, should be considered carefully as part of any service reduction.
- Health and Adult Social Care services will continue to be provided to those who are assessed with a need for services in line with Fair Access to Care Services guidance. Support will be provided to those people receiving Self Directed Support to ensure they can access the services that they require. There is a need to undertake appropriate planning to ensure there are alternative services available.

d) Following approval of the budget, mitigating measures will be considered and actions will be agreed by the relevant Senior Managers or their nominated representatives: Senior Managers for Integrated Joint Commissioning; Provider Services (Adults); Skills, Economy and Housing Renewal; Community Safety and Neighbourhood Services; Planning, Transport and Sustainability and Education and Joint Commissioning.

5. <u>Young People</u>

a) A number of proposals identified in the table impact on early years provision across the city, including he impact on support, advice offered to vulnerable families through the Children Centres. This is at a time when birth rates are increasing in the city (since 2006/07 to 2010/11 there has been an increase of 605 total live births in the city). The proposed reductions to ASB activities and Housing Development Services and bus subsidies could impact on young people and families through early preventative action on ASB and access to affordable housing. In addition, the proposal to charge event organisers in parks could reduce the number of events held. This is likely to have the greatest impact on young people and families from the most deprived areas of the city due to their greater need for accessible and affordable activities in their locality.

b) The cumulative impact of these proposals needs to be considered alongside other factors that may impact on young people in Southampton including:

- National changes to public services and welfare benefits
- Southampton City Council budget saving proposals relating to race and ethnicity, disabled people and gender.
- Budget proposals of partner organisations in Southampton. These include
- Police –a) Cuts to preventative strategies / activities and b) lack of recruitment opportunities for those who might wish to join the Police Force.
- Fire Service - a) Cuts to preventative strategies / activities
- Further Education - Impact of EMA being withdrawn may affect numbers of students staying on at college. This may affect the reductions being seen in the numbers of NEETs.
- Higher Education - The big unknown is the impact of the increased tuition fees from Sept 2012, this could lead to significant numbers of English students leaving the UK to study in Europe.

c) Measures to mitigate the potential effects of the proposals include:

- Extra commissioning and voluntary sector funding.

- Ensure Big Society work is focused on engaging younger people in their communities.
- Better targeting of provision.
- Signposting to alternative services available.
- Relative protection of funding to safeguard children and young people.

d) Following approval of the budget, mitigating measures will be considered and actions will be agreed by the relevant Senior Managers or their nominated representatives: Senior Managers for Education and Joint Commissioning; Children's Safeguarding; Community Safety and Neighbourhood Services; Planning, Transport and Sustainability; Integrated Joint Commissioning and Skills, Economy and Housing Renewal.

6. <u>Disability</u>

a) A number of the proposals identified impact on the ability of disabled people to access services and in some cases, to the standards they have received to date. This includes impact through changes to current service eligibility criteria, service reductions, less responsive to meeting the specific needs of disabled people (e.g. potential reduction in the percentage/ number of new affordable properties developed that are suitable for those with a disability), reduced attendance at activities due to reduced awareness, and an increase in demand for acute services in the longer term.

b) The costs to disabled people accessing social care is likely to increase as a result of a number of measures including the potential changes in price of contracted Day Care services, altering the charging policy for clients in residential and non residential care, and changes in the charging policy relating to day domiciliary and extra care schemes. The costs of mobility and travel are also likely to increase through increased charges through the Blue Badge Scheme.

c) When considering these proposals collectively it could represent a significant negative impact for disabled people, particularly for those who will have to face an increase in costs. It could lead to some disabled people to have reduced access to services which could be seen as early intervention or prevention and this may result in increased demand for acute services in the longer term. Disabled people could also become more isolated, having to withdraw from community involvement, engagement and activity due to access, mobility and cost issues. The financial impact on disabled people who are dependent on benefits, or are on low incomes needs further consideration when the local impact of the Welfare Reforms is better understood.

d) The savings proposals also have some potential to affect other council activities and funding. For example, the financial impact on some disabled people may result in problems with rent arrears or a reduction in their disposable income available to contribute to care packages. This may mean there could be a need to factor a percentage reduction of loss of income in to another part of the council's business. The potential increased social isolation could also have health and cost implications for the City Council and other public sector organisations.

e) The cumulative impact of these proposals needs to be considered alongside other factors, particularly poverty and age, that may impact on disabled people in Southampton. These include:

- Welfare Reforms - Introduction of the Personal Independence Payment, reform of Incapacity Benefits and Disability Living Allowance and reductions in care and mobility support will impact on disabled people.

In the City, of the 3,000 Incapacity Benefit Claimants found fit for work, it is possible that 900 may no longer be eligible for any benefits under these changes and this figure could be as high as 1,500 as a result of the combined effect of all the changes. Disability Living Allowance changes will impact on claimants' access to other means tested benefits, access to additional support, entitlement to Independent Living Fund (a vital funding stream for Independent Support Living) and potentially increased demand for Personal Budgets.

- Budget reductions being considered by Health agencies in the City.
- Capacity of the Voluntary Sector to maintain the level of support they currently provide to disabled people.

f) Measures to mitigate the potential impact of the budget proposals include:

- The move towards greater personalisation provides an opportunity for many of the social care services affected to be provided in other ways. This better targeting of provision may require market development support to ensure provision is available.
- Health and Adult Social Care services will continue to be provided to those who are assessed with a need for services in line with Fair Access to Care Services guidance. Support will be provided to those people receiving Self Directed Support to ensure they can access the services that they require. There is a need to undertake appropriate planning to ensure there are alternative services available.
- Charges for Health and Adult Social Care services will continue to be individually assessed and based on ability to pay. Income maximisation support will continue to be offered as part of the financial assessment. Charging will continue to be applied equitably in line with Fair Access to Care Services guidance. Separate impact assessments will be undertaken for each specific recommendation before a change to council policy is introduced. No individual assessed as requiring a service will be refused social care support because of an inability to pay.
- Introduction of a revamped Child Development Service as a basis for a potential 'cradle to grave' approach to support for disabled people and their families.
- Work with disabled customers to assess the potential impact on individuals and explore mitigation in light of the council's financial challenges.
- Publicity to explain the rationale behind the proposals.

g) Following approval of the budget, mitigating measures will be considered and actions will be agreed by the relevant Senior Managers or their nominated representatives: Senior Managers for Provider Services (Adults); Personalisation and Safeguarding; Integrated Joint Commissioning; Children's Safeguarding; Education and Joint Commissioning; Planning, Transport and Sustainability.

7. Race, Religion or Belief

a) The proposals do not seem to have a disproportionate direct impact on Black and Minority Ethnic groups but it is possible that the take up these services is proportionally higher from BME groups than the general population. Therefore, it is important to be satisfied with evidence that there is no indirect discrimination in the following areas:

- Deletion of Linguistic and Cultural Adviser capacity (particularly in light of the recent changes to the Community Languages Service).
- Reducing access to information for service users in the Central Children's Centre.

- The cumulative impact of these proposals needs to be considered alongside other factors outlined in the assessments, particularly poverty and age (Children and Young People) and in particular:
- Welfare Reforms
- Budget reductions being considered by other agencies in the City.

b) Measures to mitigate the potential impact of the budget proposals include:

- Deletion of Linguistic and Cultural Adviser capacity – consider training and support to others so that they can respond better to linguistic and cultural needs of a diverse population in the City.
- Work with BME customers, communities and groups to assess the potential impact on individuals and explore mitigation in light of the council's financial challenges.
- Target publicity and ensure this is done using appropriate channels and languages to explain the rationale behind the proposals.

c) Following approval of the budget, mitigating measures will be considered and actions will be agreed by the relevant Senior Managers or their nominated representatives: Senior Managers for Education and Joint Commissioning and Integrated Joint Commissioning.

8. Sex

a) There are limited direct cumulative impacts of service reduction on the women of Southampton as proposals are more individual in their nature. Possible cumulative impacts include:

- Older women: A large proportion of the proposed health cuts and increase in charges are likely to impact on the elderly population. The higher proportion of older women than men in later years is reflected by the fact that adult social care female clients over 65 significantly outnumber the number of men. Therefore, the majority of cuts and additional charges being proposed to services such as day care and residential care are likely to have a greater impact on elderly women than men. Women accessing mental health services can be particularly vulnerable in mixed settings.
- Supporting families: There are also some services that are more likely to be accessed by women than men because of their continued traditional position as primary carers for children. These include proposals relating to children's disability services and early years services that may potentially have a greater negative impact on women through their access to these services.
- Safety: The proposals to reduce discretionary spend on community safety may have a greater impact on the safety of women, and their fear of crime.

b) The cumulative impact of these proposals needs to be considered alongside other factors that may impact on women in Southampton. These include:

- National changes to Welfare Reforms – A potential adverse impact on women has been identified as a result of subsuming a wide range of benefits into Universal Credit payments. Payment will be paid in full (except in exceptional cases) to one member of a couple, including money for children and childcare costs. This may result in money being transferred from women to men.
- Any budget reduction by partner agencies.
- Capacity of the Voluntary Sector to provide continued support and service.

c) Measures to mitigate the potential impact of the budget proposals include:

- Children's Services and Learning will continue to provide services to those who are assessed with a need in line with the Eligibility criteria.
- Health and Adult Social Care services will continue to be provided to those who are assessed with a need for services in line with Fair Access to Care Services guidance. Support will be provided to those people receiving Self Directed Support to ensure they can access the services that they require. There is a need to undertake appropriate planning to ensure there are alternative services available.
- Charges for Health and Adult Social Care services will continue to be individually assessed and based on ability to pay. Income maximisation support will continue to be offered as part of the financial assessment. Charging will continue to be applied equitably in line with Fair Access to Care Services guidance. Separate impact assessments will be undertaken for each specific recommendation before a change to council policy is introduced. No individual assessed as requiring a service will be refused social care support because of an inability to pay.
- Charges are not applicable to statutory services in respect of children and young people.
- Raise key issues for women, especially later years, at Safe City Partnership, Children and Young People's Trust and Health and Well Being Board, when this has been established. The continued arrangement for an older people's champion will maintain the profile of Older People's needs.

d) Following approval of the budget, mitigating measures will be considered and actions will be agreed by the relevant Senior Managers or their nominated representatives: Senior Managers for Personalisation and Safeguarding; Integrated Joint Commissioning; Education and Joint Commissioning; Planning, Transport and Sustainability; Community Safety and Neighbourhood Services.

9. <u>Sexual Orientation, Gender Reassignment, Marriage & Civil Partnership and Pregnancy & Maternity</u>

a) It is difficult to assess at this stage whether any of the proposals will have a disproportionate negative impact on people with these personal backgrounds. Individual services will need to consider any particular effects on both users and non-users of their services by involving them directly.

b) The cumulative impact of these proposals needs to be considered alongside other factors which include:

- National changes to public services and Welfare Reforms
- Southampton City Council budget saving proposals relating to race and ethnicity, disabled people and gender.
- Budget proposals of partner organisations in Southampton. These include Hampshire Constabulary, Southampton PCT, the Probation Service, Job Centre Plus, and schools.

c) Individual Senior Managers will consider whether proposals in their service areas may have an impact on people with these personal backgrounds.

10. <u>Community Safety</u>

a) The budget proposals may impact on the following aspects related to community safety:

- The City's image
- Reduced support from the Supporting People programme for homeless people who may have high levels of alcohol and drug issues, a history of criminal behaviour and include ex-offenders.

b) Safety of individuals as a result of changes to the charging policy (reduction in Day Care services may result in an increase in adult safeguarding issues); reduced prevention services from the integrated Youth Offending service within the City Council; safety of children impact on Tier 3 safeguarding (impact on Advisory groups); a negative impact on Southampton's high levels of home accidents as a result of the proposals to reduce safety advice and home safety equipment and reduced support for vulnerable clients, especially homeless people.

c) Increase in crime incidents, especially anti-social behaviour:

- Reduced diversion activities for young people will directly impact on school attendance, and the prevention of anti-social behaviour and prevention of youth offending.
- Reduced support for vulnerable adults with longer-term support needs may result in increased offending.
- Reduction in discretionary community safety activity may increase crime levels due to reduced partnership support, reduced crime prevention operations and impact on service improvements due to reduced project development.
- Empty properties can blight neighbourhoods and be a source of ASB for neighbours and the wider community.
- Reduction in discretionary community safety activity includes less public reassurance activities and campaigns that could result in less reduction in the fear of crime and public perception of safety.

d) Proposals relating to parks maintenance and usage for events could reduce opportunities for social interaction and increase isolation. Lower levels of environmental cleanliness have been demonstrated to clearly link to heightened levels of crime and ASB (the "broken windows" theory); reduce responses to clean up graffiti.

e) Reduced community cohesion and increased hate crime could result where cleansing standards are reduced especially in city centre and priority areas identified in the Indices of Multiple Deprivation (IMD) 2010. Proposals relating to parks maintenance particularly the reduction in daily attention and proactive approach to street cleansing in areas of cultural diversity such as Newtown and Nicholstown could impact on the ability to take preventative action to reduce social tensions and assist community cohesion. A reduced frequency of service and lower levels of environmental cleanliness could work adversely with other negative social and economic trends to heighten community tensions. The loss of management capacity will reduce the ability to monitor and manage community tensions and tackle hate crime and harassment. This will be further affected by the proposed withdrawal of an equality officer, reduced community engagement work, NTE support reductions and grants to voluntary organisations which could result in reduced awareness of any tensions building.

f) The groups most affected by these proposals are likely to be y*ounger people and families and* o*lder people and the areas within the city that are likely to be impacted the most will be:*

- All priority areas as they have high levels of under 16s and children in poverty
- Priority areas of Millbrook and Redbridge, as they experience the highest crime levels especially domestic violence and ASB

- The City's housing estates as they have greater numbers of people who are either vulnerable and/or live in and have a high reliance on public services.

g) Other factors to consider include:

- Assessments for poverty, race and young people
- Reductions planned by Hampshire Constabulary who are working towards 14% cuts by closing customer contact points, reducing preventative activity and concentrating on a reactive core business.
- Southampton's strong multi-agency approach has seen the overall crime levels falling year on year although our relative comparative position to other similar areas needs further improvement.
- The Safe City Plan 2011/12 priorities are:
    - i) reducing violent crime
    - ii) reducing dwelling burglary
    - iii) increasing the involvement of individuals and communities to improve safety in their neighbourhoods and improve public perception of safety

h) Measures to mitigate the potential impact of the budget proposals include:

- Prioritising services to support people and locations at greatest risk of crime and harm.
- Targeting and signposting of services where most in need.
- Providing clear and early information and guidance especially around friends, events and groups to encourage the development of the Big Society.
- Continuing and increasing multi-agency and partnership working, particularly in prevention services.
- Policies that ensure the most vulnerable continue to receive the required level of support.

i) Following approval of the budget, mitigating measures will be considered and actions will be agreed by the relevant Senior Managers or their nominated representatives: Senior Managers for Community Safety and Neighbourhood Services, Integrated Joint Commissioning; Education and Joint Commissioning; Personalisation and Safeguarding; Customer and Business Improvement. This will be followed by discussions with key members of the Safe City Partnership to agree a way forward for the City.

11. <u>Poverty</u>

a) The main impacts to consider are:

- Increased costs to the most vulnerable people on low incomes
- Reduced standards of services and higher thresholds making it difficult for some people to access services

b) A number of the budget proposals will add service charges, increased costs or change the threshold for eligibility resulting in residents on low income with unable to pay or access services. Additional costs or loss of services will hit those receiving benefits harder at the same time as they change to universal credit which may mean their payments are reduced. As a consequence their ability to manage their money and demand for advice services will be increased.

c) Proposals for reductions in the Supporting People programme will mean there is less of a focus on education, training and employment for homeless people.

Reduced support and advice to those on mental health patients on lower incomes would see a reduction in advocacy support and signposting potentially leading to longer-term problems for individuals and increased services costs in the future.

d) There is a risk that clients may choose to reduce the level of services they purchase if the charges increase. This may result in an increase in adult safeguarding issues and increased referrals in the future when costs of providing a service may be greater. Reduced support for vulnerable clients, especially where they are homeless, could result in this vulnerable group with complex needs having increased safeguarding issues in the future.

e) Due to the needs and make up of residents and the environment, a large number of the proposals may adversely impact in the priority (IMD 2010) areas of the city. Areas of higher levels of social deprivation often need higher resource inputs to achieve the same standards across the city. Lower levels of environmental cleanliness have been demonstrated to clearly link to heightened levels of crime and ASB. Reductions to youth offending team and community safety team could further reduce prevention and cohesion work impacting on levels of reassurance and overall crime rates.

f) Reductions proposed to early years, careers advice to schools and non-statutory play and youth services may serve to negatively impact on the future job opportunities and aspirations of young people in the priority areas where employment and income levels are already low.

g) Disabled residents and their carers, and those that find it hard to get out and about may find it increasing difficult to find affordable access to public services. Reduced spend on child disability placements may add to the pressure on carers to cope both financially and mentally, especially alongside the welfare reforms already affecting them.

h) Proposals to reduce services such as housing development functions and reduction in cleanliness may have a negative impact on the perception of the city as a place to invest and live in.

12. Other factors to consider

a) This assessment needs to be considered alongside the cumulative impacts for community safety, race, disability and young people as well as the recommendations relating to a commissioning model for grants to voluntary organisations.

b) These proposals will significantly impact on the ability of the most vulnerable and lower income people and families, a high proportion of which live in the most deprived areas of the city, to access services through charges or higher thresholds of eligibility. A reduced standard of service will have a greater impact on the environment, safety and opportunities in the priority areas, where greater resources are needed to reach service delivery standards. Ultimately this may have a wider impact on the mental health and wellbeing of residents in the priority areas and add pressure on other service providers such as health and the police.

c) These proposals should also consider the longer term impacts of the welfare benefit changes. In particular, the switch to Universal Credit by 2013 will have a marked impact on disabled people, larger families, lone parents and singles under 35. The above proposals also relate to the Southampton Connect priority project, ‘Gateway to a better future’ led by Job Centre Plus which aims to assess and mitigate the impact of welfare benefit changes through a coordinated city-wide response.

Measures to mitigate the potential impact of the budget proposals include:

- Developing policies so that access to social care services is not restricted because of an inability to pay.
- Offering reduced charges for benefit claimants.
- Clearer guidance and signposting to alternative funding, providers and service.
- Developing partnership, multi-agency working and targeted services in priority (IMD 2010) areas.
- Encouraging the development of the Big Society initiatives in communities.
- Developing strategies and plans that ensure that prioritise support for the needs of the most vulnerable children, people and families with the most complex needs.

e) Following approval of the budget, mitigating measures will be considered and actions will be agreed by the relevant Senior Managers or their nominated representatives: Senior Managers for Community Safety and Neighbourhood Services, Integrated Joint Commissioning; Education and Joint Commissioning; Skills, Economy and Housing Renewal; Customer and Business Improvement. This will be followed by discussions with key members of the Southampton Connect (particularly the priority project being led by Job Centre Plus) and voluntary organisations to agree a way forward for the

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GENERAL FUND 2011/12 - REVISED BUDGET

	Working Budget £000's	Revised Budget £000's	Variance £000's
Portfolio Total	**221,973**	**221,973**	**0**
Levies & Contributions			
Southern Seas Fisheries Levy	49	46	3 F
Flood Defence Levy	45	43	1 F
Coroners Service	500	565	65 A
	593	**654**	**61 A**
Capital Asset Management			
Capital Financing Charges	13,327	11,766	1,561 F
Capital Asset Management Account	(24,541)	(24,541)	0
	(11,215)	**(12,776)**	**1,561 F**
Other Expenditure & Income			
Direct Revenue Financing of Capital	1,553	1,553	0
Net Housing Benefit Payments	(882)	(1,000)	118 F
Revenue Development Fund	1,190	1,090	100 F
Non-Specific Govt. Grants	(19,056)	(19,056)	0
Corporate Savings	(1,786)	0	1,786 A
Exceptional Items	0	(2,802)	2,802 F
Contributions to Capital DRF Funding	0	1,045	1,045 A
Contribution to Interest Equalisation Reserve	0	563	563 A
Council Tax Freeze Grant	(2,066)	(2,066)	0
Open Spaces and HRA	536	536	0
Risk Fund (Net of Portfolio Forecast Over Spend)	1,915	3,017	1,102 A
Contingencies	0	0	0
(Surplus) / Deficit on Trading Areas	(125)	(242)	117 F
	(18,720)	**(17,361)**	**1,359 A**
NET GF SPENDING	**192,631**	**192,490**	**141 F**
Draw from Balances:			
To fund the Capital Programme	(1,553)	(1,553)	0
Addition to Balances (General)	1,711	1,852	141 F
Draw from Strategic Reserve (OD Reserve))	(2,104)	(2,104)	0
	(1,946)	**(1,805)**	**141 F**
BUDGET REQUIREMENT	**190,685**	**190,685**	**0 F**

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Agenda Item 4b

Appendix 4

APPENDIX 4

SUMMARY OF REVENUE BIDS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	Recurring or One Off (R or O)	2012/13	2013/14	2014/15	Senior Manager
					£000's	£000's	£000's	
	Environment & Transport Portfolio							
E&T 1	Planning, Transport & Sustainability	Planning Enforcement Officer	Funding to provide for additional resource	R	30	30	30	Paul Nichols
		Environment & Transport Portfolio Total			**30**	**30**	**30**	
		GRAND TOTAL			**30**	**30**	**30**	

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APPENDIX 5

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE

	2012/13			
Portfolio	**Efficiencies**	**Income**	**Service Reductions**	**Total**
	£000's	**£000's**	**£000's**	**£000's**
Adult Social Care & Health	(2,030)	(300)	(920)	(3,250)
Childrens Services & Learning	(3,315)	0	0	(3,315)
Environment & Transport	(1,594)	(295)	(95)	(1,984)
Housing	(328)	(110)	(652)	(1,090)
Leader's Portfolio	(543)	(55)	(564)	(1,162)
Leisure & Culture	(432)	0	(54)	(486)
Resources	(978)	0	(577)	(1,555)
Total	**(9,220)**	**(760)**	**(2,862)**	**(12,842)**

IMPACT OF PROPOSALS ON STAFFING

Portfolio	**At Risk FTE**	**Vacant FTE**	**Total FTE**
Adult Social Care & Health	20.50	17.93	38.43
Childrens Services & Learning	27.71	29.50	57.21
Environment & Transport	26.44	16.41	42.85
Housing	4.00	16.00	20.00
Leader's Portfolio	9.50	9.50	19.00
Leisure & Culture	3.00	8.41	11.41
Resources	7.90	6.10	14.00
Total	**99.05**	**103.85**	**202.90**

APPENDIX 5b

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2012/13 £000's	2013/14 £000's	2014/15 £000's	At Risk	Vacant	Senior Manager
	Adult Social Care & Health - Efficiencies								
ASCH 1	Adult Disability Care Services	Set up a comprehensive health and social care provision, (Care Closer to Home) to provide crisis support to people who would otherwise require hospitalisation.	It is anticipated that the Care Closer to Home project will reduce the long term care needs of clients. In terms of financial achievement it is anticipated this will save between 0% and 2% after a 3 year cycle of client activity. Any saving is dependent on NHS partner organisations and the best position is that we will share savings that result.	(50)	(100)	(100)			Jane Brentor
ASCH 2	Various Care Management	Redesign and restructure of care management service	Remodelling assessment and safeguarding services to meet personalisation agenda. This involves restructuring several teams, of which some will be complete for 1/4/2012 whilst the remainder will be complete for 1/9/2012.	(160)	(240)	(240)		7.50	Carol Valentine
ASCH 3	Across Portfolio	Joint/integrated commissioning and service remodelling with Children's and Adults Social Care/SCPCT/ with other authorities	To cover efficiency savings in contracts and Community Care micro-commissioning spend. Joint Commissioning team staff efficiencies.	(180)	(180)	(180)	3.00	1.00	Stephanie Ramsey
ASCH 4	Organisational Review	Management Restructure	Savings within the Communities & Families Directorate as a consequence of the restructure affecting Management and PA's, the first phase of which was implemented in November 2011. Through bringing together two directorates efficiencies within the management structure have been identified.	(150)	(210)	(210)	1.00	2.50	Penny Furness-Smith
ASCH 5	Adult Social Care Learning and Development	Ongoing efficiencies achieved from the Adult Social Care training budget.	A review of the training budget is being conducted during 2011/12. Whilst this review is ongoing it is anticipated that the saving achieved in 2010/11 will recur in 2011/12 and beyond.	(100)	(100)	(100)			Jane Brentor
ASCH 6	Across Portfolio	Contract Efficiencies	Various minor savings relating to contracts with Health and voluntary organisations have been identified during 2011/12. In addition selected providers will be required to make a 3% efficiency within 2012/13.	(60)	(60)	(60)			Stephanie Ramsey
ASCH 7	Commissioning & Standards Voluntary Contracts	Review the price of contracted Day Care services	A review of quantity of Day Care contracted to reflect Fair Access to Care activity and increasing take up of Self Directed Support. It is anticipated this will lead to a 5% reduction in the cost of contracted Day Care.	(60)	(60)	(60)			Stephanie Ramsey

APPENDIX 5b

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2012/13 £000's	2013/14 £000's	2014/15 £000's	At Risk	Vacant	Senior Manager
ASCH 8	Care Provision	Reductions in premises costs for Care Provision and the outcome of a review of the administrative charge for Blue Badges.	The costs associated with protecting Birch Lawn and Whitehaven will reduce significantly once the buildings are demolished. In response to national changes to the scheme the necessary increase of the Blue Badge admin charge to £10 from £2 does still not cover all of the costs incurred by SCC. These costs have risen due to the requirement to purchase badge from a nationally approved provider.	(60)	(60)	(60)			Jane Brentor
ASCH 9	Administration and Business Support	Reduction in administrative staff released by the introduction of P2P.	P2P will reduce the requirement for administrative staff needed to support processes that ensure suppliers are paid for care provided.	(50)	(50)	(50)		2.93	Carol Valentine
ASCH 10	Director's Office	Releasing funding from the Personalisation project for work streams that will have ended by March 2012.	The Resource Allocation System will be finalised prior to March 2012, however the funding identified for this one off piece of work in 2011/12 is ongoing.	(60)	(60)	(60)			Penny Furness-Smith
ASCH 11	Commissioning - Supporting People	Efficiencies in Supporting People Programme	Undertake reductions in supporting people programme resulting in efficiencies. This represents a reduction of 11% in supporting people expenditure. This will be achieved through contract efficiencies	(1,100)	(1,100)	(1,100)			Stephanie Ramsey
				(2,030)	**(2,220)**	**(2,220)**	**4.00**	**13.93**	

APPENDIX 5b

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2012/13	2013/14	2014/15	At Risk	Vacant	Senior Manager
				£000's	£000's	£000's			
	Adult Social Care & Health - Income								
ASCH 12	Adult Disability Care Services	To increase income from clients in residential and non residential care through altering the charging policy and becoming more efficient with billing arrangements.	This will lead to the removal of the 5% discretionary amount from the Charging Policy and to all clients being billed from the exact date their care commences. Currently only 95% of people's disposable income is counted towards care contributions, this proposal would mean that 100% of clients disposable income is subject to charge.	(100)	(100)	(100)			Carol Valentine
ASCH 13	Client Income	Increase in income from clients due to increase in benefits.	This is not an increase in charges. This income is based on an assumed increase in benefits of 4% per year. This proportionate increase in income is achieved through the annual increase in benefits that clients receive. It does not represent a shift in the application of the charging criteria.	(100)	(200)	(300)			Penny Furness-Smith
ASCH 14	Client Income	Review of the Non Residential Care Charging policy to reflect necessary changes arising from the Personalisation agenda. This will predominantly increase in income from clients in day care and extra care schemes. In addition the full cost charged for Domiciliary care will be reviewed.	The aim of this review is to ensure that the actual cost of care is recovered from those clients that have sufficient financial resources to pay the real cost.	(100)	(150)	(150)			Carol Valentine
.			**Sub-total**	**(300)**	**(450)**	**(550)**	**0.00**	**0.00**	
	Adult Social Care & Health - Service Reductions								
ASCH 15	Care Provision	Review of clients against existing service eligibility and review of related workforce within internally provided care services.	The service will reduce to provide day care for a small number of FACS eligible clients. This will lead to a reduction in building based Day services provided directly by SCC. In addition the workforce balance across all internally provided care will be reviewed.	(800)	(800)	(800)	16.50	4.00	Jane Brentor
ASCH 16	Commissioning	Reduction in contracted advice and advocacy.	Selected contracts with voluntary organisations have ended and will not be renewed. In addition there will some reductions in other contracts by approximately 33%.	(120)	(120)	(120)			Stephanie Ramsey
			Sub-total	**(920)**	**(920)**	**(920)**	**16.50**	**4.00**	
			Adult Social Care & Health Portfolio Total	**(3,250)**	**(3,590)**	**(3,690)**	**20.50**	**17.93**	

APPENDIX 5b

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2012/13 £000's	2013/14 £000's	2014/15 £000's	At Risk	Vacant	Senior Manager
	Children's Services & Learning - Efficiencies								
CSL 1	Safeguarding Management & Family Support	Children & families in need	Staff saving from two retirements in year one.	(107)	(107)	(107)		2.00	Felicity Budgen
CSL 2	Youth Offending Team	Reintegration of Youth Offending Team	Efficiencies from integrating the Youth Offending Team service back into the City Council	(200)	(350)	(350)			Alison Alexander
CSL 3	Disability	Disability child development service	Development of an integrated disability child development service leading to efficiencies in the cost of placements. There will be no changes to eligibility criteria.	(212)	(212)	(212)			Felicity Budgen
CSL 4	Prevention & Inclusion Service	Early Years Services	Increase the effectiveness of the provision through merging management and increasing multi-agency use of sites. Removal of three vacant posts but no reduction in existing front line staff.	(498)	(498)	(498)		3.00	Alison Alexander
CSL 5	Services to Schools - Inspire	Statutory Education Services	Deletion of 4.73 FTE non statutory posts to provide a statutory minimum service with some enhancements.	(121)	(121)	(121)	1.86	2.86	Alison Alexander
CSL 6	Organisational Review	Management Restructure	Savings within the CSL Directorate as a consequence of the restructure affecting management and PAs.	(90)	(90)	(90)		1.00	Alison Alexander
CSL 7	Commissioning & Workforce Development	Commissioning, planning, performance management and safeguarding quality assurance	Efficiencies in commissioning and workforce development and removal of vacant posts	(624)	(624)	(624)		1.76	Alison Alexander
CSL 8	Business Support	Business Support	Redesign of Business Support service for overall Directorate	(319)	(519)	(519)	7.03	14.72	Alison Alexander

APPENDIX 5b

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2012/13	2013/14	2014/15	At Risk	Vacant	Senior Manager
				£000's	£000's	£000's			
CSL 9	Prevention & Inclusion Service	Prevention & Inclusion Service	Efficiencies in the Prevention & Inclusion service resulting from full year effect of savings implemented in 2011/12	(563)	(563)	(563)			Alison Alexander
CSL 10	ICT	ICT	Removal of one vacant post	(25)	(50)	(50)		1.00	Karl Limbert
CSL 11	Music Service	Music Service	Service redesigned to fully recover costs	(163)	(163)	(163)	6.00		Alison Alexander
CSL 12	Services to Schools - Inspire	Non statutory services to schools	Careers advice to schools provided by Personal Advisors no longer a responsibility of the City Council, so will need to become self financing	(177)	(347)	(347)	11.82	0.54	Alison Alexander
CSL 13	Prevention & Inclusion Service	Play and Youth Provision	Reorganisation of Play and Youth service	(216)	(216)	(216)	1.00	2.62	Alison Alexander
			Sub-total	**(3,315)**	**(3,860)**	**(3,860)**	**27.71**	**29.50**	
			Children's Services & Learning Portfolio Total	**(3,315)**	**(3,860)**	**(3,860)**	**27.71**	**29.50**	

APPENDIX 5b

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2012/13 £000's	2013/14 £000's	2014/15 £000's	At Risk	Vacant	Senior Manager
	Environment & Transport - Efficiencies								
E&T 1	Organisational Review	Management and Business Support Restructures	Savings within the Environment Directorate as a consequence of the restructure affecting Management and PA's, Phase 2 of which was implemented in November 2011	(281)	(381)	(406)	9.40	3.50	Frances Martin
E&T 2	Bereavement	Cemetery - staff reduction	Achieved by changes in the working practices in Bereavement Services and Open Spaces in relation to cemeteries.	(13)	(25)	(25)	1.00		Liz Marsh
E&T 3	Environmental Health	Review of the Pest Control service	Less responsive service and a team that would be less able to deal with seasonal variations in demand.	(50)	(50)	(50)		1.50	Liz Marsh
E&T 4	Car Parking	Team Restructure	Reduce number of posts and improve on-line management for Parking Charge Notices	(90)	(90)	(90)		2.00	Liz Marsh
E&T 5	Itchen Bridge	Toll Automation	Introduction of new technology to reduce the need for manual collection of tolls.	(25)	(100)	(100)	9.54	2.41	Liz Marsh
E&T 6	Partnership Management	Restructure	Reduced team supporting the Street Lighting PFI and Highways Service Partnership contracts following bedding in periods	(30)	(50)	(50)	1.00	1.00	Frances Martin
E&T 7	ROMANSE	Restructure and Transformation	Initial restructure of the existing ROMANSE teams followed by outcomes from the transformation review	(100)	(380)	(380)	3.50		Jon Dyer-Slade
E&T 8	Highways Strategic Partnership	Negotiation of revised contract terms and conditions	Reduced revenue costs through adjustment of key strategic indicators and transfer of costs from revenue to capital budgets	(115)	(115)	(115)			Frances Martin
E&T 9	Waste Head of Service	Reduction in overall operating costs flowing from the move to City Depot.	Efficiencies identified and delivered through more collaborative working, economies of scale, reduced use of resources.	(50)	(50)	(50)			Andrew Trayer

APPENDIX 5b

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2012/13 £000's	2013/14 £000's	2014/15 £000's	At Risk	Vacant	Senior Manager
E&T 10	Fleet Transport	Transformation savings from City Depot move plus development of a fleet partnership	Up skilling and more efficient working practices introduced; supported by partnership working	(50)	(50)	(50)			Andrew Trayer
E&T 11	Fleet Transport	Modernisation and transformation of fleet transport	More efficient use of fleet vehicles	(50)	(100)	(150)			Andrew Trayer
E&T 12	Waste Collection	Driver training for all users of council vehicles	Reduction in fuel consumption and accidents	(50)	(75)	(100)			Andrew Trayer
E&T 13	Waste Collection	Service efficiencies associated with route optimisation	Implementation of a range of changes to the waste collection service as identified in the waste service review	(50)	(125)	(125)			Andrew Trayer
E&T 14	Waste Collection	Reduction in sickness absence and divisional restructure.	Reduced reliance on agency staff due tolower absence and a reduction in support costs by combining back office functions.	(105)	(115)	(125)		2.00	Andrew Trayer
E&T 15	Waste Disposal	Reduced costs in the operation of the Household Waste Recycling Centre (HWRC)	Changes to HWRC site operations and reduced costs dealing with the disposal of mixed wood.	(60)	(60)	(60)			Andrew Trayer
E&T 16	Waste Disposal	Change to the Waste Disposal Contract	Requires the conclusion of negotiations with Hampshire County Council, Portsmouth City Council, Southampton City Council and Veolia Environmental the waste disposal contractor.	(110)	(220)	(220)			Andrew Trayer
E&T 17	Waste Disposal	Reduced costs and increased income from the Long Term Waste Disposal Contract and the Civic Amenity Operations Contract.	Introduction of changes in both contracts to reduce costs plus increasing levels of income generation from existing as well as new sources.	(80)	(80)	(80)			Andrew Trayer
E&T 18	Waste Disposal	Changes to waste legislation that will require schools to meet the cost of disposing of the waste they produce.	Working with local schools to help minimise any cost increases through increasing recycling levels and the implementation of waste reduction programmes.	(100)	(100)	(100)			Andrew Trayer

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2012/13	2013/14	2014/15	At Risk	Vacant	Senior Manager
				£000's	£000's	£000's			
E&T 19	Waste Disposal	Reduced waste disposal rebate paid to the councils trade waste service, restructuring Project Integra.	There would be a small increase in trade waste service charges. Changes to the Project Integra partnership would reduce partnership costs and improved partnership working.	(50)	(90)	(90)			Andrew Trayer
E&T 20	Planning, Transport & Sustainability	Use Central Government grant awarded for local sustainable travel programme.	Three FTE's to be grant funded over three year period of the award.	(75)	(75)	(75)			Paul Nichols
E&T 21	Environmental Health	Port Health moving from the leased Meridiens House offices to City Depot	A break clause has been negotiated within the lease agreement which would enable the Council to save £60k p.a.	(60)	(60)	(60)			Liz Marsh
			Sub-total	**(1,594)**	**(2,391)**	**(2,501)**	**24.44**	**12.41**	
	Environment & Transport - Income								
E&T 22	Car Parking	Asset Utilisation	Reassign staff from West Park Road to other City Centre car parks	(70)	(70)	(70)			Liz Marsh/ Mick Bishop
E&T 23	Car Parking	Parking charges	Introduce new £5 all day charge in the Green Zone (southern end of the city centre) to stimulate better utilisation of on street car parking bays.	(55)	(55)	(55)			Liz Marsh/ Mick Bishop
E&T 24	Car Parking	Asset Utilisation and Business Development	Management and enforcement of Housing and Leisure Parking assets and increase net income from public and private sector bodies	(80)	(80)	(80)			Liz Marsh/ Mick Bishop
E&T 25	Waste Collection	Increased value of recycled material sold from kerbside collections.	Working with partner authorities and the waste disposal contractor Veolia Environmental Services to enhance the value of materials sold to recycling markets.	(50)	(75)	(75)			Andrew Trayer
E&T 26	Planning, Transport & Sustainability	Additional income from infrastructure charges (admin fees)	New proposal reflects Community Infrastructure Levy (CIL) Guidance. Yield is uncertain and will depend on market recovery.	(40)	(100)	(150)			Paul Nichols
			Sub-total	**(295)**	**(380)**	**(430)**	**0.00**	**0.00**	

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2012/13 £000's	2013/14 £000's	2014/15 £000's	At Risk	Vacant	Senior Manager
	Environment & Transport - Service Reductions								
E&T 28	Planning, Transport & Sustainability	Restructure Historic Environment team	Some reduction in capacity for planning conservation work	(50)	(50)	(50)		1.00	Paul Nichols
E&T 29	Planning, Transport & Sustainability	Restructure Planning Policy and Sustainability teams and review scope for partnership approaches	Some phased reduction in work programmes required	(15)	(40)	(40)	2.00	1.00	Paul Nichols
E&T 30	Planning, Transport & Sustainability	Restructure Divisional business support functions	Impact will need to be managed	(30)	(75)	(75)		2.00	Paul Nichols
			Sub-total	**(95)**	**(165)**	**(165)**	**2.00**	**4.00**	
			Environment & Transport Portfolio Total	**(1,984)**	**(2,936)**	**(3,096)**	**26.44**	**16.41**	

APPENDIX 5b

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2012/13 £000's	2013/14 £000's	2014/15 £000's	At Risk	Vacant	Senior Manager
	Housing - Efficiencies								
HOU 1	Parks & Street Cleansing	Reduction in parks and street cleansing management and technical staff and resources	Staff and resources available to develop policy, promote services, carry out education and enforcement work, attract external investment, and create additional capacity by working with Friends and volunteer groups will be reducing in future years	(71)	(95)	(95)		1.00	Jon Dyer-Slade
HOU 2	Natural Environment / Trees, Allotments and Parks Development	Natural Environment, Trees and Parks Development Services to be re-aligned into one management unit.	Reduction in the overall managerial and technical support posts from the combined service structure.	(45)	(59)	(59)	1.00	0.50	Jon Dyer-Slade
HOU 3	Natural Environment	Hawthorns Wildlife Centre to operate at no cost to the council by 2013/14.	Replace Hawthorns front-desk staff with seasonally updated in-centre information and displays. Improve ecological information and advice on web-site and update more regularly. Explore options to franchise café operation, improve customer offer and extend opening times.	(73)	(88)	(88)	1.50	2.00	Jon Dyer-Slade
HOU 4	Parks & Street Cleansing	Improve efficiency of specialist sports pitch maintenance team.	Reduced costs of supervision, and Pitch & Putt, football and cricket pitch maintenance in district parks.	(21)	(21)	(21)	0.50		Jon Dyer-Slade
HOU 5	Private Sector Housing	Part of Corporate Management Restructure	Rationalising management arrangements as a result of the introduction of a Regulatory services Division and will have limited impact on the service.	(65)	(65)	(65)		1.00	Mitch Sanders
HOU 6	Communities	Delete one managerial post	No manager at a senior level to lead on compliance regarding equality duties. However this role will be covered through the current review and restructure of teams within the Economic Development Directorate.	(53)	(53)	(53)	1.00		Suki Sitaram
			Sub-total	**(328)**	**(381)**	**(381)**	**4.00**	**4.50**	

APPENDIX 5b

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2012/13	2013/14	2014/15	At Risk	Vacant	Senior Manager
				£000's	£000's	£000's			
	Housing - Income								
HOU 7	Parks & Street Cleansing	Increased income from events in parks	Implement opportunities for charging for hosted commercial events. Explore licensing commercial users of the parks.	(10)	(10)	(10)			Jon Dyer Slade
HOU 8	Parks and Street Cleansing	Review of charging for HRA grounds maintenance	The charging between the General Fund and the HRA for grounds maintenance will be reviewed to incorporate inflationary and other changes over the past 5 years.	(100)	(100)	(100)			Jon Dyer Slade
			Sub-total	**(110)**	**(110)**	**(110)**	**0.00**	**0.00**	
	Housing - Service Reductions								
HOU 9	Parks & Street Cleansing	Reduction in parks maintenance in non-HRA areas within East, West and Central District areas.	Changes to service standards will be most noticeable in the city's District and Local Parks	(119)	(119)	(119)		4.50	Jon Dyer-Slade
HOU 10	Parks & Street Cleansing	Reductions in Central District street cleansing activities	Central District cleansing to move from proactive daily cleaning to a more reactive service delivery model in line with that delivered in other parts of the city. Rationalisation of cleansing arrangements in city centre area targeted to minimise any reduction to standards in the main city centre retail areas.	(117)	(119)	(119)		2.00	Jon Dyer-Slade
HOU 11	Parks & Street Cleansing	Reduce expenditure on East and West District street cleansing activities.	Explore allocating routine maintenance tasks to area teams to enable the Ranger team to focus on specialist tasks and working with Friends and volunteers to sustain service capacity, ensuring green spaces are respected by their users and sustain or improving the city's levels of biodiversity.	(127)	(127)	(127)		3.00	Jon Dyer-Slade
HOU 12	Parks & Street Cleansing	Reduction in Central Parks maintenance expenditure	Reduce elements of the formal parks provision maintenance within the city centre parks that are least likely to impact on visitor and resident perceptions of quality of one of city's principal assets	(24)	(24)	(24)		0.50	Jon Dyer-Slade

APPENDIX 5b

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2012/13	2013/14	2014/15	At Risk	Vacant	Senior Manager
				£000's	£000's	£000's			
HOU 13	Parks & Street Cleansing	Remove 'find and fix' budget for green spaces	Less cared for appearance as only Health and Safety issues are attended to in the parks and green spaces.	(160)	(160)	(160)			Jon Dyer-Slade
HOU 14	Natural Environment	Reduced staffing costs within Natural Environment team, and associated plant and equipment expenditure.	Routine maintenance tasks undertaken by area teams to enable a team focus on working with Friends and volunteers to sustain service capacity, ensuring green spaces are respected by their users, and sustaining or improving the city's levels of biodiversity.	(32)	(32)	(32)		0.50	Jon Dyer-Slade
HOU 15	Housing Strategy and Development Functions	Management restructure and adjustment to goods and services account	New management arrangements for delivering the housing strategy and housing development function	(73)	(73)	(73)		1.00	Barbara Compton
			Sub-total	**(652)**	**(654)**	**(654)**	**0.00**	**11.50**	
			Housing Portfolio Total	**(1,090)**	**(1,145)**	**(1,145)**	**4.00**	**16.00**	

APPENDIX 5b

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2012/13	2013/14	2014/15	At Risk	Vacant	Senior Manager
				£000's	£000's	£000's			
	Leader's - Efficiencies								
LEAD 1	Organisational Review	Management Restructure	Savings within the Economic Development Directorate as a consequence of the restructure affecting management and PAs the first phase of which was implemented in November 2011.	(233)	(324)	(324)	1.00	2.00	Dawn Baxendale
LEAD 2	Policy & Performance Review	Rationalisation of Policy & Performance activity	Removal of a vacant post	(42)	(42)	(42)		1.00	Suki Sitaram
LEAD 3	Stategic management of the Council	Reduction in the Land Availability Monitoring System agreement with Hampshire County Council	Renegotiation of the agreement with HCC. A potentially reduced service may impact on Planning, Housing Strategy and Public Health service.	(10)	(10)	(10)			Suki Sitaram
LEAD 4	Boat Show	Withdraw financial support for the Boat Show and removal of small international initiatives budget	Withdrawal of financial support has been part of ongoing discussions with the organisers of the Boat Show.	(76)	(76)	(76)			Tim Levenson
LEAD 5	Across Portfolio	Additional charges to Housing Revenue Account	Charge Housing Revenue Account with costs of Economic Development Director time (15%) and one post for Estate Regeneration work within regeneration team	(60)	(60)	(60)			Barbara Compton
LEAD 6	Democratic Representation & Management	Continued integration of Democratic Services and the Mayor's office and removal of PA support to Cabinet Members	Merge of Senior Civic Officer post and Members Support Officer post with resulting loss of grade 9 post. Resultant loss of capacity will mean that tasks will need to be shared across all areas of the section with some loss of dedicated support to Members and with reduced support to the Mayor. Removal of PA posts resulting in reallocation of tasks and duties across the team.	(94)	(94)	(94)	1.00	2.00	Richard Ivory
LEAD 7	Land Charges	Removal of post from Land Charges	Changes in the IT system used to maintain register of local land charges and facilitate search requests and pull through some of the information held in other registers have meant that the processes have become more efficient. In addition the continuing slump in the housing market has meant that there has been a significant drop off in the volume of work processed by the team. If housing market picks up more resources maybe required.	(28)	(28)	(28)	1.00		Richard Ivory
			Sub-total	**(543)**	**(634)**	**(634)**	**3.00**	**5.00**	

APPENDIX 5b

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2012/13 £000's	2013/14 £000's	2014/15 £000's	At Risk	Vacant	Senior Manager
	Leader's - Income								
LEAD 8	Community Safety & Emergency Planning	Increase income generation through efficiency of Emergency Planning, ICE Bus and night time economy initiatives	Pro-actively seek to maximise opportunities to sell services or use of ICE bus and seek sponsorship or related private sector income.	(25)	(25)	(25)			Jon Dyer-Slade
LEAD 9	Economic Development	Increased income from PUSH	Increase income from PUSH for Inward Investment - by moving to a shared, proactive service at a PUSH level to reduce SCC contribution. Sustainability of funding is a future risk.	(30)	(30)	(30)			Barbara Compton
			Sub-total	**(55)**	**(55)**	**(55)**	**0.00**	**0.00**	
	Leader's - Service Reductions								
LEAD 10	Community Safety and Emergency Planning	Reduce discretionary service activities by 60% (excluding minimum requirements for Emergency planning, statutory duties, plus public protection including specialist direct advice to highest risk victims of domestic violence and ASB and ICE bus)	Restructure / reduce the non statutory Community Safety service to refocus CREWS, local public reassurance events / campaigns, low risk ASB and joint operations. Significant reductions in project / service development, performance monitoring & analysis with a reduced ability to apply for external funding bids and undertake the current range of community safety partnership working.	(90)	(90)	(90)	2.50		Jon Dyer-Slade
LEAD 11	Community Safety and Emergency Planning	CCTV service and cost reductions; income generation and potential outsourcing or private partnership	Some cost savings to be implemented irrespective of private sector developments; plus income generation and possible outsourcing to still retain 24/7 service but deliver substantial cost savings	(60)	(140)	(140)		2.00	Jon Dyer-Slade
LEAD 12	Policy, Performance, Efficiency & Business Transformation	Reduce capacity and develop alternative options within the Economic Development Directorate for delivering partnership support, equalities compliance and community engagement	The reduced capacity will be mitigated by improved collaboration between the following functions: partnership support, equalities compliance, customer insight, research and information, strategic planning and community engagement activities.	(202)	(202)	(202)	1.00		Suki Sitaram
LEAD 13	Economic Development Regeneration & Renewal	Removal of development budget	This will significantly restrict the Council's ability to initiate some new opportunities in the city	(100)	(100)	(100)			Barbara Compton

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2012/13	2013/14	2014/15	At Risk	Vacant	Senior Manager
				£000's	£000's	£000's			
LEAD 14	Regeneration & Renewal	Reductions in running costs within regeneration service	Reduce budget expenditure on activities that can be resourced from external funding and reduction in office costs. This will reduce the Council's ability to achieve resolution / initiate new work relating to regeneration	(12)	(51)	(51)			Barbara Compton
LEAD 15	Legal Services	Removal of posts from Legal Services	A significant reduction in staff will require Legal Services to stop providing some services completely, reduce all work areas and strictly prioritise work . This will necessitate an internal reorganisation and have a impact across all Council depts.	(100)	(100)	(100)	3.00	2.50	Richard Ivory
			Sub-total	**(564)**	**(683)**	**(683)**	**6.50**	**4.50**	
			Leader's Portfolio Total	**(1,162)**	**(1,372)**	**(1,372)**	**9.50**	**9.50**	

APPENDIX 5b

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2012/13 £000's	2013/14 £000's	2014/15 £000's	At Risk	Vacant	Senior Manager
	Leisure & Culture - Efficiencies								
LC 1	Arts and Heritage	Review of city museums	Efficiencies will be obtained from closing the Maritime and Archaeology museums and providing Sea City, Tudor House and the Art Gallery	(45)	(45)	(45)			Mike Harris
LC 2	Sport & Recreation	Sports development outsourcing	Efficiencies from the tendering exercise to outsource the sports development service. Staff have TUPE'd.	(50)	(50)	(50)			Mike Harris
LC 3	Arts and Heritage	Efficiencies in Arts & Heritage	Efficiencies in Arts & Heritage service following requests from staff to work fewer hours	(50)	(50)	(50)		1.50	Mike Harris
LC 4	Corporate Communications	Stop publication of In View (staff publication)	Will need to develop alternative channels for communication with staff	(18)	(18)	(18)			Suki Sitaram
LC 5	Corporate Communications	Remove temporary employment budget	Historically there has been minimal use of temporary staff	(15)	(15)	(15)			Suki Sitaram
LC 6	Libraries	Review of working practices in libraries	Range of efficiency proposals to reduce time spent on non customer facing work. Changes in methods of working will be deployed	(130)	(227)	(227)	3.00	4.91	Mike Harris
LC 7	Corporate Communications	Stop publication of resident A-Z guide	The A-Z guide is being published as part of City View	(29)	(29)	(29)			Suki Sitaram
LC 8	Sport & Recreation	Efficiencies from Sports & Recreation Partnership	Efficiencies from Sports & Recreation Partnership alternative management arrangements	(95)	(95)	(95)			Mike Harris
			Sub-total	**(432)**	**(529)**	**(529)**	**3.00**	**6.41**	

APPENDIX 5b

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2012/13	2013/14	2014/15	At Risk	Vacant	Senior Manager
				£000's	£000's	£000's			
	Leisure & Culture - Service Reductions								
LC 9	Corporate Communications	Remove one Marketing Officer post	Removal of vacant post leading to reduced capacity of team	(26)	(26)	(26)		1.00	Suki Sitaram
LC 10	Corporate Communications	Remove Internal Communications officer post	Review roles within the team to deliver agreed priorities	(28)	(28)	(28)		1.00	Suki Sitaram
			Sub-total	**(54)**	**(54)**	**(54)**	**0.00**	**2.00**	
			Leisure & Culture Portfolio Total	**(486)**	**(583)**	**(583)**	**3.00**	**8.41**	

APPENDIX 5b

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2012/13	2013/14	2014/15	At Risk	Vacant	Senior Manager
				£000's	£000's	£000's			
	Resources - Efficiencies								
RES 1	Organisational Review	Management Restructure	Savings within the Corporate Services Directorate as a consequence of the restructure affecting Management and PA's, Phase 2 of which was implemented in November 2011	(143)	(236)	(236)	2.00	1.00	Mark Heath
RES 2	Capita Partnership Costs	Reduced interest payments	Part of contract structure	(100)	(100)	(100)			John Spiers
RES 3	Finance Service	Service reductions in Finance around reduced monitoring, less input to projects, less visits to managers	Restructure implemented in September 2011 so savings already achieved.	(163)	(163)	(163)			Andy Lowe
RES 4	Admin Buildings	Review of Town Sergeants	Restructure of service to reflect general reduction in duties due to a reduced admin buildings portfolio.	(21)	(42)	(42)		2.00	John Spiers
RES 5	Admin Buildings	Review of Overtime and Working Practices	Removal of some evening/early morning/out of hours working, especially Civic Centre Reception Desk. Less resources available to deal with vagrants/itinerants out of hours within Civic Centre. Less resource to assist visitors out of hours attending public meetings. No Town Sergeant in Marland House outside public opening times.	(10)	(10)	(10)			John Spiers
RES 6	Audit	Review of resource allocation	Revision of Audit resource to target priority reviews	(26)	(26)	(26)		1.00	Andy Lowe
RES 7	Insurance	Review of resource allocation	Revision of Insurance in response to organisational requirements	(15)	(15)	(15)		0.50	Andy Lowe
RES 8	Capita Partnership Costs	Contract Efficiencies	Saings delivered in partnership with Capita	(500)	(500)	(500)			Mark Heath
			Sub-total	**(978)**	**(1,092)**	**(1,092)**	**2.00**	**4.50**	

APPENDIX 5b

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2012/13	2013/14	2014/15	At Risk	Vacant	Senior Manager
				£000's	£000's	£000's			
	Resources - Service Reductions								
RES 9	Admin Buildings	Reduction of supplies, services and maintenance budgets	A reduction in budgets maintaining Civic Buildings, where there is discretionary spend e.g. legal and policy compliance works, Fire Refuge works, toilet refurbishments (for H&S and DDA reasons), redecorations, recarpetting, wayfinding and information boards, furniture and security equipment purchase and maintenance.	(100)	(200)	(200)			John Spiers
RES 10	Central Repairs & Maintenance	Reduction of planned maintenance programme	Reduction in planned maintenance programme resulting in increased pressure on the re-active element of the budget as some issues which would have been addressed in a planned way are now being resolved on failure and at a greater cost. The risks of Health & Safety breaches and building closures is higher than currently.	(300)	(300)	(300)			John Spiers
RES 11	Central Client Teams	Reduce the team covering retained and client responsibilities for Local Tax Collection	Reduction in Client Management function and central management of the Web	(27)	(27)	(27)	1.50		Paul Medland
RES 12	Finance Service	Service Reductions in Finance around reduced monitoring to all but high risk areas, visits to managers by exception and further rationalisation of local support	Priorities for service provision to be agreed with Directors taking into account standards required by CFO.	(150)	(150)	(150)	4.40	1.60	Andy Lowe
			Sub-total	**(577)**	**(677)**	**(677)**	**5.90**	**1.60**	
			Resources Portfolio Total	**(1,555)**	**(1,769)**	**(1,769)**	**7.90**	**6.10**	
			GRAND TOTAL	**(12,842)**	**(15,255)**	**(15,515)**	**99.05**	**103.85**	

2012/13 GENERAL FUND REVENUE ACCOUNT

Portfolios	2012/13 Forecast £000's	Revenue Bids £000's	Revenue Pressures £000's	Savings & Income £000's	2012/13 Budget £000's
Adult Social Care & Health	73,438.2	0.0	0.0	(3,250.0)	70,188.2
Childrens Services & Learning	63,552.0	0.0	0.0	(3,315.0)	60,237.0
Environment & Transport	34,581.9	30.0	0.0	(1,884.0)	32,727.9
Housing	10,029.5	0.0	0.0	(990.0)	9,039.5
Leader's Portfolio	8,969.9	0.0	0.0	(1,162.0)	7,807.9
Leisure & Culture	14,146.0	0.0	0.0	(486.0)	13,660.0
Resources	17,958.2	0.0	0.0	(1,555.0)	16,403.2
Sub-total for Portfolios	**222,675.7**	**30.0**	**0.0**	**(12,642.0)**	**210,063.7**
Levies & Contributions					
Southern Seas Fisheries Levy	46.0				46.0
Flood Defence Levy	43.0				43.0
Coroners Service	560.0				560.0
	649.0	**0.0**	**0.0**	**0.0**	**649.0**
Capital Asset Management					
Capital Financing Charges	14,264.5				14,264.5
Capital Asset Management Account	(25,565.1)				(25,565.1)
	(11,300.6)	**0.0**	**0.0**	**0.0**	**(11,300.6)**
Other Expenditure & Income					
Direct Revenue Financing of Capital	492.0				492.0
Trading Areas (Surplus) / Deficit	(69.5)			(100.0)	(169.5)
Net Housing Benefit Payments	(881.9)				(881.9)
Market Supplements	500.0				500.0
Contribution to Pay Reserve	600.0				600.0
Non-Specific Government Grants (*)	(120,810.8)				(120,810.8)
Council Tax Freeze Grant	(2,070.9)				(2,070.9)
Collection Fund Surplus	(373.2)				(373.2)
Open Spaces and HRA	535.7			(100.0)	435.7
Risk Fund	6,300.0				6,300.0
Contingencies	400.0				400.0
	(115,378.6)	**0.0**	**0.0**	**(200.0)**	**(115,578.6)**
NET GF SPENDING	**96,645.5**	**30.0**	**0.0**	**(12,842.0)**	**83,833.5**
Draw from Balances:					
Addition to / (Draw From) Balances	864.0			(1,000.0)	(136.0)
To Fund the Capital Programme	(492.0)				(492.0)
	372.0	**0.0**	**0.0**	**(1,000.0)**	**(628.0)**
Net Gap in Budget	**13,812.0**	**30.0**	**0.0**	**(13,842.0)**	**(0.0)**
COUNCIL TAX REQUIREMENT	**83,205.5**	**0.0**	**0.0**	**0.0**	**83,205.5**

(* Now also includes NNDR and RSG)

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APPENDIX 7
Appendix 7

COUNCIL TAX CALCULATION - 2012/13

	2011/12 £000's	2012/13 £000's	Change £000's	Change %
Budget Requirement (a)	**190,685.2**	**183,061.9**	**(7,623.3)**	**-4.00%**
Less NDR	(80,096.8)	(97,591.4)		
Less RSG	(24,758.1)	(1,891.8)		
Aggregate External Finance	(104,854.9)	(99,483.2)	5,371.7	-5.12%
Deficit / (Surplus) on collection fund	(3,244.7)	(373.2)	2,871.5	-88.50%
Net Grant Income (b)	**(108,099.6)**	**(99,856.4)**	**8,243.2**	**-7.63%**
Council Tax Requirement (a - b)	**82,585.6**	**83,205.5**	**619.9**	**0.75%**
Tax base	66,644.0	67,144.0	500.0	0.75%
Basic amount of Council Tax (Band D)	**1,239.21**	**1,239.21**	**0.00**	**0.00%**
Last years Council Tax		1,239.21		
Increase (Cash)		0.00		
Increase (Cash per Week)		0.00		
Increase (%)		0.00%		

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Appendix 8

COLLECTION FUND ESTIMATES 2012/13

	2011/12 £000's	2012/13 £000's	Change £000's	Change %
Southampton City Council Precept	82,585.6	83,205.5	619.9	0.75%
Hampshire Police Precept	9,746.7	9,819.8	73.1	0.75%
Fire and Rescue Services Precept	4,090.6	4,121.3	30.7	0.75%
Income due from Council Tax Payers	96,422.9	97,146.6	723.7	0.75%
Tax Base for Area	66,644.0	67,144.0	500.0	0.75%
Basic Amount of Tax for Band D Property	**1,446.84**	**1,446.84**	**0.00**	**0.00%**

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Appendix 9

MEDIUM TERM FINANCIAL FORECAST

Portfolios	2012/13 Forecast £000's	Base Changes £000's	2013/14 Forecast £000's	Base Changes £000's	2014/15 Forecast £000's
Adult Social Care & Health	70,188.2		70,188.2		70,188.2
Childrens Services & Learning	60,237.0		60,237.0		60,237.0
Environment & Transport	32,727.9		32,727.9		32,727.9
Housing	9,039.5		9,039.5		9,039.5
Leader's Portfolio	7,807.9		7,807.9		7,807.9
Leisure & Culture	13,660.0		13,660.0		13,660.0
Resources	16,403.2		16,403.2		16,403.2
Base Changes & Inflation		11,012.8	11,012.8	8,100.0	19,112.8
Sub-total for Portfolios	**210,063.7**	**11,012.8**	**221,076.5**	**8,100.0**	**229,176.5**
Levies & Contributions					
Southern Seas Fisheries Levy	46.0		46.0		46.0
Flood Defence Levy	43.0		43.0		43.0
Coroners Service	560.0		560.0		560.0
	649.0	**0.0**	**649.0**	**0.0**	**649.0**
Capital Asset Management					
Capital Financing Charges	14,264.5	1,200.0	15,464.5	700.0	16,164.5
Capital Asset Management Account	(25,565.1)		(25,565.1)		(25,565.1)
	(11,300.6)	**1,200.0**	**(10,100.6)**	**700.0**	**(9,400.6)**
Other Expenditure & Income					
Direct Revenue Financing of Capital	492.0	(242.0)	250.0	(250.0)	0.0
Trading Areas (Surplus) / Deficit	(169.5)		(169.5)		(169.5)
Net Housing Benefit Payments	(881.9)		(881.9)		(881.9)
Market Supplements	500.0		500.0		500.0
Contribution to Pay Reserve	600.0		600.0		600.0
Non-Specific Government Grants	(120,810.8)	10,191.1	(110,619.7)	7,744.3	(102,875.4)
Council Tax Freeze Grant	(2,070.9)	2,070.9	0.0		0.0
Collection Fund Surplus	(373.2)	373.2	0.0		0.0
Open Spaces and HRA	435.7		435.7		435.7
Risk Fund	6,300.0	2,300.0	8,600.0		8,600.0
Contingencies	400.0		400.0		400.0
	(115,578.6)	**14,693.2**	**(100,885.4)**	**7,494.3**	**(93,391.1)**
NET GF SPENDING	**83,833.5**	**26,906.0**	**110,739.5**	**16,294.3**	**127,033.8**
Draw from Balances:					
Addition to / (Draw From) Balances	(136.0)	4,136.0	4,000.0		4,000.0
To fund the Capital Programme	(492.0)	242.0	(250.0)	250.0	0.0
NET GAP IN BUDGET	**(628.0)**	**4,378.0**	**3,750.0**	**250.0**	**4,000.0**
Council Tax Requirement	**83,205.5**	**31,284.0**	**114,489.5**	**16,544.3**	**131,033.8**
Council Tax	83,205.5	2,078.5	85,284.0	2,133.6	87,417.6
Roll Forward Gap	**(0.0)**	**29,205.5**	**29,205.5**	**14,410.7**	**43,616.2**
Add Pressures - Future Years (Unknown)		1,000.0	1,000.0	1,000.0	2,000.0
Less Savings - Future Years (Known)		(2,413.0)	(2,413.0)	(260.0)	(2,673.0)
Less Savings - Future Years (Work In Progress)		(8,073.0)	(8,073.0)	(3,712.0)	(11,785.0)
Revised Gap	**(0.0)**	**19,719.5**	**19,719.5**	**11,438.7**	**31,158.2**

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APPENDIX 10

STATUTORY POWER TO UNDERTAKE PROPOSALS IN THE REPORT

1. INTRODUCTION

It is important that Members are fully aware of the full legal implications of the entire budget and Council Tax making process, when they consider any aspect of setting the Council's Budget. Formal and full advice to all Members of the Council protects Members, both in their official and personal capacity, as well as the Council. If Members have received the appropriate professional legal and financial advice and act reasonably, generally the courts will not interfere in their decisions.

2. GENERAL POSITION

a. The first and overriding legal duty on Members is their fiduciary duty to weigh the needs of service users against the interests of local taxpayers. In planning the budget, Members are under a fiduciary duty to act prudently, responsibly, in a businesslike manner and in their view of what constitutes the best interests of the general body of local taxpayers. In deciding upon expenditure, the Council must fairly hold a balance between recipients of the benefits of services provided by the Council and its local taxpayers. Members should note that their fiduciary duty includes consideration of future local taxpayers as well as present local taxpayers.

b. There is a general requirement in administrative law that a local authority decision must be rational, authorised by law and must take account of all relevant considerations, whilst ignoring any irrelevant ones. It should also be noted that the concept of proportionality, given great emphasis in the Human Rights Act 1998, is also becoming a relevant factor for determining the reasonableness of any decision and should be borne in mind by Members.

c. An authority commits an illegal act if it acts beyond or in abuse of its statutory powers or in breach of its fiduciary duty. It will also act illegally if it fails to take relevant considerations into account or acts in outrageous defiance of reason.

3. OBLIGATION TO MAKE A COUNCIL TAX

a. The legal significance of the Annual Budget and setting a Council Tax derives from the Council's duty under the Local Government Finance Act 1992 (the 1992 Act) and Part 5 Chapter 1 of the Localism Act 2011to set a balanced budget and Part 5 Chapter 1 of the Localism Act 2011. This is achieved by calculating the aggregate of:

i. the expenditure it estimates it will incur in the year in performing its functions in the year (including an allowance for contingencies),

ii. the payments it estimates it will make in the year in defraying expenditure already incurred and

iii. expenditure it will incur in funding costs before a transfer of funds is made from the Collection Fund and then deducting such sums as will be paid into the General Fund, i.e. income. Calculations made under this section must be made before 11 March in the preceding financial year.

b. In order to fulfil this duty, the Council must prepare detailed estimates of its expenditure for the coming year and of the resources that will be available to meet this expenditure. Account must be taken of any deficit brought forward from a previous year and the amount needed to cover contingencies. The resources include income from rents, fees and charges and any available balances. All of these issues must be addressed in the budget report. The estimation of the detailed resource and expenditure items is the main reason for the budget process. The budget must balance, i.e. proposed expenditure must be met from proposed income from all sources, with any shortfall being the precept on the Collection Fund.

c. Failure to make a lawful Council Tax on or before 11 March could have serious financial results for the Council and make the Council vulnerable to an Order from the Courts requiring it to make a Council Tax.

d. Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for "the proper administration of their financial affairs'.

e. Information must be published and included in the Council Tax demand notice. The Secretary of State has made regulations, which require charging authorities to issue demand notices in a form and with contents prescribed by these regulations.

f. There is also a duty under Section 65 of the 1992 Act to consult persons or bodies appearing to be representative of persons subject to non-domestic rates in each area about proposals for expenditure (including capital expenditure) for each financial year.

4. DEFICIT BUDGETING

a. A deficit budget, one which does not cover all anticipated expenditure with resources reasonably expected to be available, is unlawful. Any Council Tax which rests on such a budget will be invalid. Councils are constrained to make a Council Tax before all the separate elements, which will constitute available resources or anticipated expenditure, have been identified and quantified fully. Best estimates have to be employed.

b. Where these best estimates include sums for unallocated savings or unidentified expectations of income, extreme care must be taken to ensure that the estimates are reasonable and realistic and do not reflect an unlawful intention to incur a deficit. It might be appropriate at budget setting time to require regular monitoring throughout the financial year of such estimated savings or income. Prompt action to reduce spending must be taken, if at any stage it seems likely that a balance between income and expenditure will not be achieved.

5. BORROWING

The rules and regulations governing a local authority's ability to borrow money were altered significantly by the introduction of the Local Government and Housing Act 1989 and subsequent regulations. This has now been abolished and replaced by the self-regulating Prudential Code.

6. OTHER RELEVANT LEGISLATION

a. The Local Government Finance Act 1988 (the 1988 Act) created the (now repealed) Community Charge and the current National Non- Domestic Rating regime and deals with grants, funds, capital expenditure and the financial administration of a local authority.

b. Under Section 114 (2) and 114 (3) of the 1988 Act, the Chief Financial Officer is required to make a report, if it appears to him/her that a decision or course of action the Council or an officer has agreed or is about to make is unlawful, or that expenditure is likely to exceed resources available.

c. Members have a duty to determine whether they agree with the Chief Financial Officer's statutory report issued under Section 26 Local Government Act 2003. If Members were to disagree, they would need to set out cogent reasons for so doing. Unless such reasons could be set forward, Members' action in disagreeing with the Chief Financial Officer's views on the basis of his/her professional judgement would be likely to be held unreasonable and constitute wilful misconduct. It should be noted that under the Members’ Code of Conduct, Members are required to take account of any advice issued by Chief Financial Officer (and the Monitoring Officer) acting in their statutory capacities.

7. BEST VALUE: LOCAL GOVERNMENT ACT 1999

The Local Government Act 1999 (the 1999 Act) introduced a duty of Best Value, which came into force on 1st April 2000. Members need to be aware of and take account of the impact on the Council of this duty.

8. THE CONSTITUTIONAL POSITION: LOCAL GOVERNMENT ACT 2000 (THE 2000 ACT)

a. The 2000 Act has had a fundamental effect on the governance of the Council and in particular has resulted in a change to the working arrangements of Council, with the requirement for a Constitution setting out executive (Cabinet) and scrutiny and overview arrangements. The 2000 Act also provides a power for Councils to promote the economic, social and environmental well being of their areas and develop community strategies. In addition, the 2000 Act establishes an ethical framework.

b. Of particular importance to the Council Tax setting process and Budget Meeting of the Full Council is the Council's Budget and Policy Framework Procedure Rules set out in Part 4 of the City Council's Constitution. These provide a legal framework for the decision making process whereby the Budget of the City Council is determined, and the Council Tax is set. In addition, Members need to be aware that these Rules provide a route whereby the Leader may require the Full Council to reconsider their position if they do not accept the Executive's recommended budget without amendment.

c. In addition, the Constitution contains a range of further material relevant to the setting of the Council Tax and the Budget Setting meeting:

   i. Article 12 contains guidance on decision making and the law.

   ii. The Council Procedure Rules in Part 4 regulate the conduct of the Full Council meeting (although traditionally, some of the rules relating to the conduct of the debate are suspended to allow different arrangements during the budget debate).

   iii. The Members' Code of Conduct must be followed by Members.

   iv. The Officer/Member Protocol contains guidance both on pre-budget discussions, but also on how officers and Members should interact with specific guidance about budget preparation issues.

9. PERSONAL LIABILITY AND SURCHARGE

The 2000 Act abolished the local government surcharge provisions and replaced them with a new statutory offence of 'misuse of public office'. This new statutory offence covers two situations, namely unlawfully incurring expenditure or incurring expenditure as a result of wilful misconduct. It also covers the exercise of a public function in a manner that involves dishonesty or oppression or malice. The Courts (rather than the District Auditor) would impose penalties. The Council could sue for losses/deficiencies sustained.

10. LEGAL STATUS OF POLITICAL PROMISES AND DOCUMENTS

a. It is appropriate for Members to consider their own position as some Members may have expressed support publicly for policies that are not policies of the Council.

b. Political documents do not represent a legal commitment on behalf of the Council. To treat any political document as a legal commitment by the Council would be illegal. Where there is a valid choice before Members, then, at that stage and only at that stage, Members may take political documents into account.

c. All decisions must be taken within the framework of the formal decision making process of the Authority. Members must take into account all relevant matters and disregard all irrelevant ones. Decisions taken at a political meeting, such as a political group meeting, have no status within this process. A Member, who votes in accordance with a group decision which has been reached, having regard to relevant factors and who has addressed their mind independently to those factors and to the decision itself, will be acting within the law.

d. The Courts have also advised on the balancing exercise to be undertaken by a Council when deciding whether to pursue a particular policy:

A local authority must exercise its statutory powers in the public interest and for the purpose of which those powers have been conferred. Political views, as to the weight to be attached to the various relevant considerations and as to what is appropriate in the public interest in the light of those considerations may properly influence the exercise of a statutory discretion. A decision will not be unlawful merely because some political advantage, such as electoral popularity, is expected to flow from it, so long as the decision is made for a legitimate purpose or purposes. Because at some stage in the evolution of a policy an improper political purpose has been espoused, does not mean that the policy ultimately adopted is necessarily unlawful. However, a political purpose extraneous to the statutory purpose can taint a decision with impropriety. Where there is more than one purpose:

a) The decision will generally be lawful provided that the permitted purpose is the true and dominant purpose behind the act. This is so even though some secondary or incidental advantage may be gained for some purpose, which is outside the authority's powers.

b) The decision will be invalid if there are two purposes one ultra vires and one intra vires and the ultra vires purpose is a (even if not the) major purpose of the decision. Accordingly a decision substantially influenced by a wish to alter the composition of the electorate would be unlawful.

c) Where there is some evidence justifying enquiry, the Court will consider whether an apparently lawful purpose e.g. home ownership is merely a colourable device to conceal an illegitimate purpose e.g. electoral advantage.

d) *Even if those voting for a particular policy at a Council meeting have perfectly proper reasons in mind, the policy can be tainted by the improper motives of others who have taken part in the formulation of that policy although not actually present to vote. As a matter of law it is possible for a corrupt principal to cause a result through an innocent agent.*

11. OTHER LEGAL IMPLICATIONS

The financial forecasts contained in this report have been prepared and are submitted as part of the budget process set out in the Council's Constitution.

APPENDIX 11

STATEMENT ON GENERAL FUND BUDGET STRATEGY BY THE CHIEF FINANCIAL OFFICER UNDER S.25 LOCAL GOVERNMENT ACT 2003

Section 25 of the Local Government Act 2003 imposes a duty on the Chief Financial Officer (CFO) to report formally to Council on the following matters:-

- The robustness of the estimates made for the purpose of the calculations (to set the Council Tax), and
- The adequacy of the proposed financial reserves.

These specific matters are dealt with below but it is important to set the whole of the 2012/13 budget process in the context of the exceptional financial circumstances that Local Government finds itself in.

Given the continuing uncertainties of the economic environment and the scale of expenditure reductions required year on year, there will inevitably be significant risks involved in delivering a balanced budget. Whilst considerable pressure exists on the Council's budget because of the severely reduced level of resources available for Local Authorities in the future, further advanced forward planning to deliver the future year's budget savings is in preparation and is absolutely essential.

Past budget processes have been difficult with the £25M gap for 2011/12 being at least double the largest gap ever faced by the Council since it became a unitary authority. For the 2012/13 financial year the budget shortfall as published in this report is £13.8M rising to a cumulative shortfall of £57M by 2014/15 and therefore presents a significant and ongoing challenge to the Authority.

Whilst therefore the basic methodology for putting the budget together at the Council has not changed, it must be recognised that the scale of the changes and some of the measures being introduced do increase the risk built into the budget for 2012/13 and beyond.

There are a number of specific risks which should be noted which either are or could adversely impact on the Authorities financial position:

i) **Council Tax Freeze Grant** – The government has announced a one off non recurring Council Tax freeze grant for 2012/13, which will fund the equivalent of the difference between a zero percent and a 2.5% council tax increase. For 2012/13, accepting the grant has a nil impact on the council's financial position, but for 2013/14 onwards the impact of not receiving the grant and having not set the council tax rise at 2.5% for 2012/13 is a £2.1M shortfall in income which will add to the overall shortfall in the Council's budget.

   My advice to all three political groups was that it was not in the Council's long term financial interest to accept the freeze grant.

   Whilst understanding the advice given, and cognisant of the impact of accepting the grant, the Executive are, at the point of preparing this report, minded to recommend to Full Council that the Council accepts the council tax freeze grant in order to lessen the burden on council tax payers and keep council tax static for 2012/13. The impact of this would however be to increase the council's budget shortfall by £2.1M from 2013/14.

ii) **Council Tax Referendum** – The introduction of a Council Tax (CT) referendum for CT increases in excess of 3.5% is likely to be a limiting factor in being able to raise council tax income in the future, as it is felt unlikely that many Authorities will wish to propose increases which trigger a referendum. If this were to be true moving forward in Southampton, then CT increases would be capped at a maximum increase of 3.5% which would limit the ability to use council tax increases in future as a way to address the ongoing funding shortfall.

iii) **Local Government Settlement** – Although the Comprehensive Spending review (CSR) announced in October last year was for the 4 year period 2011//12 – 2014/15, the government has only announced firm funding for Local Government for the two year period 2011/12 and 2012/13.

Based on the high level assumptions in the CSR, provision has been made within the current medium term forecast to manage this risk of reduced government grant with an assumption that there will a further reduction in government grant of 7% in both 2013/13 and 2014/15. There is a risk that the actual reductions in government grant will be in excess of 7% for 2013/14 and 2014/15.

iv) **Local Government Resource Review** – **I**n addition to not having firm grant figures for 2013/14 onwards, the government have recently carried out a Resource Review into the way Local Government is financed. This will alter the way Local Government is financed from April 2013 onwards, and includes a system of locally retained business rate income. At this stage, the impact on the Council's future financial position is uncertain and this adds a further element of risk to the budget position for 2013/14 onwards

v) **Localisation of Council Tax Benefit** – The move away from a nationally prescribed scheme for calculating council tax benefit, and the introduction of a local scheme based on a reduction of 10% in the overall grant available from the government adds further risk to the budget position. The risks are follows:

a) That the new scheme does not deliver the 10% saving required from April 2013; although it should be possible to mitigate this risk through careful scheme design.

b) That a shift in demographics or economic conditions will cause an increase in demand for benefit which cannot be contained within the reduced budget provision available.

c) That with Council Tax benefit being paid direct to recipients there will be an increase in council tax arrears due to non payment.

d) The time period for introducing the new localised system is very tight, with the new system due to be in place from April 2013.

The Council will seek to limit its exposure to these risks through careful consideration of the scheme design, and through working closely with its partner Capita to ensure timely implementation of the new scheme.

vi) **Interest Rate Risk** – The global financial position coupled with the current financial crisis in the Eurozone means that there is a considerable amount of interest rate risk within the overall financial system. The current position of securing low interest rate variable debt is providing a positive benefit to the General Fund budget, with borrowing costs significantly lower than they otherwise would have been through borrowing longer term through higher rate fixed term loans.

There are specific measures within the budget to provide a way of managing the risks presented by the current borrowing strategy, namely through the establishment of the Interest Equalisation Reserve (IER) and the further contribution of £563,000 to that reserve as part agreeing the 2012/13 budget.

It should be noted however that the IER would only be sufficient to provide for transitional funding at the point at which the Council begins to convert from variable rate debt to long term fixed rate debt and that there remains no recurring budget provision to fund the increased interest costs likely to be incurred. The likelihood however, is that based on the current economic conditions, interest rates are likely to stay lower for longer and also the margin between short term variable debt and long term rates is not anticipated to narrow to any significant extent. It is likely therefore that the impact of converting to fixed rate long term debt will materialise towards the end of the current medium term budget horizon, providing the Council with time to manage this potential issue in future budget rounds.

vii) **Demographic Change and increased Demand** – There remains an upward demographic pressure in social care via an increasing elderly population, and demand continues to grow for expensive interventions within Children's Services. There are specific measures within the proposed budget for 2012/13 through the inclusion of significant sums within the Risk Fund to manage these budget pressures.

viii) **Pending Employment Tribunal Litigation** – The Trade Unions are currently in dispute with the Council following the introduction of revised Terms and Conditions with effect from 11 July 2011. To date, collective agreement to end the dispute has not been reached. The Trade Unions are proceeding with a claim on based on the Council's alleged failure to consult on the dismissal and re-engagement of the workforce when the new Terms and Conditions were introduced.

Notwithstanding that the Council will rigorously defend its actions at the tribunal; there nevertheless remains a risk that a tribunal could find in favour of the Trade Unions. The maximum award that a tribunal could award against the Council is a 90 day gross pay award for each employee who was dismissed as part of the implementation of the revised Terms and Conditions and this maximum liability is estimated to be in the region of £12M, (although an award of this magnitude is considered extremely unlikely).

In order to make provision for defending the litigation and for any possible award against the council, the Executive have prudently recommended the setting aside within the 2012/13 budget of £600K on a recurring basis to fund any costs (including legal costs) which arise from defending the Council's position at the Employment Tribunal.

ix) **Economic Conditions** – The national and international economic conditions remain uncertain and volatile. The UK has been through a sustained recession, and the indications are that economic conditions will remain difficult for some time. At the local level, the recession has impacted on the Council's income streams across a range of services, and it is likely that income will be further impacted in 2012/13. Provision to cover the risk of a further reduction in income is provided for within the Risk Fund

x) **CSR 2014** – Although some way off, the indication from central government is that the CSR 2014 will be every bit as tough for Local Government as the CSR 2010. Whilst outside the current medium term planning horizon, the potential impact of this for Southampton will form part of the thinking necessary around the sustainable changes which will need to be made in the next few years to ensure the long term viability of service provision.

The Council is required to have regard to this report in approving the budget and CT. It is appropriate for this report to go first to Cabinet and then to be made available to the Council in making its final decision.

Notwithstanding the above, as required under Section 25 of the Local Government Act 2003 I would make the following formal comments on the Robustness of the Estimates and the Adequacy of Reserves:

A) <u>ROBUSTNESS OF ESTIMATES</u>

Budget setting is made up of several estimates some involving quite complex forecasting. By the very definition of the word, estimates are not factual and the degree of accuracy will not only vary but also take different periods of time to be proven to be correct or otherwise.

During the summer of 2011 the Executive, (supported by the Management Board of Directors), developed a series of detailed budget proposals which were subsequently published in October. Whilst some figures were changed and new proposals have been put forward, these have also been validated by the Management Board of

Directors prior to their inclusion in the final proposed budget. There is therefore a high degree of validation inherent within the final budget proposals.

Key elements within the budget are provisions for inflation on pay and prices, projected levels of income and achievability of savings. Details of these items are included in the reports and have already been through the validation process as set out above. However, there are a number of points to draw out:

i) Assumptions made in all of the forecasts are basically sound. A zero pay award has been incorporated into the budget for 2012/13 and for future years the budget forecast now reflects the announcement made by the Chancellor in his Autumn Statement to "set public sector pay awards at an average of 1% for each of the two years after the current pay freeze comes to an end". Employer contributions to the Hampshire Local Government Pension will remain at their current level for the three year period, 2011/12 to 2013/14, equivalent to 19.1% of pensionable pay, following the actuarial review at 31 March 2010.

ii) The scale of the reductions in local government funding has meant that the Council has been forced to look at radical options for reducing expenditure across services. One of these options approved in 2011/12 was to reduce the terms and conditions of staff to produce ongoing revenue savings. Collective agreement was not reached as hoped and the process of dismissing and re-engaging staff after a period of 90 days notice was undertaken. The impact of this has been managed in 2011/12 but the ongoing dispute has yet to be resolved, and there is a potential future liability as a result of the employment tribunal claims submitted by the Trade Unions. The estimates for 2012/13 include a recurring contribution of £600,000 to make provision to cover off this risk.

    Proposals which involve significant change to current structures, systems and processes, or which have major implications for service design inherently involve higher levels of risk than those which broadly maintain current arrangements. At the most practical level those risks begin with the possibility of slippage and disruption in the transition from old to new arrangements.

    The Executives recommendations for efficiencies, income generation and service reductions now total £13.8M, including £1.0M from changes to the discretionary redundancy scheme.

    Individual savings items have been approved by relevant Executive Directors and Senior Managers and have been subject to scrutiny by the Management Board of Directors. Responsibility for actioning any changes in the budgets will fall to me as CFO, and all savings approved will be actively monitored throughout the year although responsibility for the delivery of these savings rests with the relevant Executive Director.

iii) The Council's external auditor gave an unqualified opinion on the 2010/11 financial statements and an unqualified conclusion on the Council's arrangements for securing value for money.

    The Council has maintained a robust system of budget monitoring and control evidenced by the small unplanned variances from budget on final outturn in recent years. Where over spends or under spends have arisen, potential variances have been identified early enough to enable corrective action to have effect.

The CFO considers that the financial control arrangements remain sufficiently robust to maintain adequate and effective control of the budget in 2012/13.

iv) The current recommendation by the Cabinet retains a general contingency of £400,000 together with a risk based contingency sum of £6.3M within the Risk Fund, which should cover any estimation issues or activity changes that arise during the year.

v) The current economic climate and national issues surrounding social care and the safeguarding of children have impacted on the budget. Adequate provision to cover all of these issues has been included within the final budget proposals and will be the subject of detailed monitoring throughout the year.

vi) A prudent but realistic view of interest rates has been taken in constructing estimates for interest charges in 2012/13 budget. Whilst these estimates are considered to be adequate at this point in time the considerable turbulence within the financial markets may lead to further consideration. Interest rate trends and capital financing operations will be monitored closely throughout the year to facilitate timely action designed to optimise the Authority's position.

B) ADEQUACY OF PROPOSED FINANCIAL RESERVES

Risk Mitigation – Mindful of the overall risks within the budget, some of which are specifically highlighted in points i) to x) at the start of this report, (of which some are not quantified nor have any specific offsetting financial provision within the budget), I have re-assessed the minimum level of the Council's General Fund (GF) reserves/balances.

The current recommended minimum GF reserves/balances is £4.5M, but based on a revised risk assessment I have recommended that the minimum level of balances be increased by £0.5M to £5.0M.

Cognisant of my advice, the Executive are recommending to Full Council as part of their budget for 2012/13 that the minimum level of balances is increased to £5.0M.

It is also worth setting out that the Council does have an excellent track record of remaining within budget once it has been set, and has never been in the position of reporting an overall over spend on the General Fund despite some very difficult recent years in respect of reducing income and escalating social care costs in both children and adult services.

Issues which it is appropriate to draw specifically to the attention of Cabinet and Council are detailed below:

i) The Council holds a number of specific reserves for issues like debt write off that are assessed on an ongoing basis against the specific issues to which they relate. Review of these provisions forms part of the budget preparations covered above.

ii) The general reserves are used to support revenue, capital and strategic pressures and to provide a working balance.

Details of the use of general reserves are included in the report. The level of reserves and the projected use is forecast for three years. The minimum level of balances is recommended by the CFO taking into account issues like the proposed draw from reserves, the level of risk contained within the budget and previous experience on potential levels of net over spend.

Best practice guidance issued by CIPFA is followed in determining a level of reserves based on assessed risks, which are reviewed annually. Based on the current assessment, the CFO has recommended that the minimum level of balances should be increased from the current minimum of £4.5M to a new minimum working balance of £5.0M. There is no legal definition or Audit Commission recommendation on the absolute level of reserves that any authority should hold but the risk based approach does provide a consistent, transparent methodology that can be updated periodically.

iii) Attention is drawn to the level and use of capital resources in the General Fund Capital Programme report. This identifies that there is currently a forecast deficit in the funding of the overall capital programme based on a revised estimate of capital receipts which have been adversely affected by the current economic climate. The level of deficit is much reduced from the level reported previously but remains an area to monitor as the deficit is based on estimated forecast receipts rather than receipts received.

Slippage in capital receipts could also require a further temporary draw from balances unless accompanied by equivalent slippage in spend. Non-receipt of any planned income will require a permanent draw from balances or savings to found in capital programme. In drawing up the capital programme these risk factors are obviously taken into account but as a backstop position these potential shortfalls will continue to be reviewed over the longer term and where possible, be reduced by re-phasing schemes or bringing forward the use of prudential borrowing. Allowance has been made in the budget for additional temporary unsupported borrowing.

The Council also has key strategic property and land sites which it has been holding until market conditions improve. These have been reviewed to ensure that those held are truly strategic and as a result sites have been identified for sale which has in part served to reduce the forecast capital deficit. The categorisation and potential for sale of sites will continue to be actively monitored and sites held by the Council which are not operational provide a further source of contingency to reduce the risks outlined in the above paragraphs.

iv) Levels of borrowing and debt and associated treasury risks are fully covered in the Treasury Management Strategy and Prudential Indicators report which appears on the Council agenda. In recognition of the risk associated with the current strategy the Council is maintaining an Interest Equalisation Reserve, and as part of setting the 2012/13 I have recommended that the level of this reserve should be increased further to £2.1M, which I consider to be the prudent minimum at this time based on the current borrowing strategy.

Section 25 concentrates primarily on the uncertainty within the budget year rather than the greater uncertainties in future years. However future uncertainties also inform the need for reserves and balances in the medium term. The current financial position involving significant savings targets increases the risk of over spending, together with demand led spending pressures during a recession and potentially higher inflation than assumed. Funding beyond 2012/13 is uncertain as the Government is proposing a full review of the distribution of public sector funding. Budget plans for 2013/14 and beyond must be treated with caution at this stage.

This formal report is part of a continuum of professional advice and is the culmination of a budget process in which lots of detailed work has already taken place with Executive Directors, Senior Managers and their teams and Members.

The CFO considers that the budget proposals recommended by the Cabinet are robust and sustainable. However, there are risks associated with the achievement of efficiencies and service reductions and robust monitoring arrangements must continue to ensure savings are delivered within the required timescale. The level of general and specific reserves together with the contingency sum of £400,000 and the provisions held within the Risk Fund are sufficient to meet the known risks within the budget, taking account of the robust financial management framework which the Council has in place. Overall therefore whilst it is recognised that this budget has elements of risk not experienced before, it is felt that sufficient mitigating actions are already in place to accept and to manage those risks.

DECISION-MAKER:	CABINET COUNCIL
SUBJECT:	HOUSING REVENUE ACCOUNT BUDGET REPORT AND BUSINESS PLAN
DATE OF DECISION:	6 FEBRUARY 2012 15 FEBRUARY 2012
REPORT OF:	CABINET MEMBER FOR HOUSING
STATEMENT OF CONFIDENTIALITY	
None.	

BRIEF SUMMARY

The Reform of Council Housing Finance is nearing its conclusion with final notifications expected from DCLG by the end of January 2012. This report provides an update on the latest on the self-financing proposals since the report to Council in November 2011. The change to self-financing is a very welcome development and will significantly improve the future financial resources for the Housing Revenue Account (HRA).

The new system will definitely start from April 2012. This means that the budgets for 2012/13 have been prepared on a self-financing basis. The budget update for 2011/12 is based on the current subsidy system. There is also a requirement to prepare and publish a 30 year HRA business plan.

This report therefore sets out the HRA business plan for the period 2012/13 to 2041/42, the detailed capital budget for 2011/12 to 2015/16 and the revenue budgets for 2011/12 and 2012/13. This includes the proposed increases in rents, service charge and other charges to council tenants from April 2012.

RECOMMENDATIONS:

CABINET

(i) To consider the report and agree that the following recommendations be made to Council at the meeting on 15 February 2012.

COUNCIL

(i) To thank Tenant Association Representatives for their input to the capital and revenue budget setting process and to note their views as set out in this report.

(ii) Following the completion of the full financial assessment of the changes to target rents approved by Council on 16 November 2011 to:

- Confirm that the target rent for houses will be increased by 5%,
- Approve a further reduction in the target rent for flats of 0.06% (giving a total reduction of 2.96%) so that the overall average target rent for all dwellings remains unchanged,
- Approve the indexing of the £2.00 factor in the individual

property rent restructuring calculation by RPI plus 0.5% from 2001/02 and the phased implementation of the amended calculation in equal instalments between 2013/14 and 2015/16

- Confirm that from 2 April 2012, all new tenants will be charged the target rent for the property they move into.
- Confirm that in all other respects, rents should be set using the Governments Rent Restructuring regime.

(iii) To agree that, with effect from the 2 April 2012, the current average weekly dwelling rent figure of £69.73 should increase by 7.54%, which equates to an average increase of £5.26 per week, and to approve the following to calculate this increase:

- That the percentage increase applied to all dwelling rents should be 6.1%, equivalent to an increase of £4.25 per week; and
- That the rent restructuring component of the increase should follow the arrangements set out in recommendation (ii) above, giving an increase in average rent levels of 1.44% (£1.01 per week) and

to note that:

- The total percentage increase in individual rents will vary according to the restructured rent of their property

(iv) To approve the following weekly service charges from 2 April 2012 based on the full cost recovery approach agreed by Council in November 2011:

- Digital TV £0.42 (unchanged from 2011/12)
- Concierge £1.20 (increased by £0.08 from 2011/12)
- Tower Block Wardens £4.97 (reduced by £0.14 from 2011/12)

(v) To note that the service charges in supported accommodation will not change from 2 April 2012 but that these will be reviewed in the spring of 2012 in consultation with tenants, with any changes taking effect from October 2012,

(vi) Subject to consultation with tenants, to approve the introduction of a new cleaning charge for walk up blocks of £0.91 per week, the start date for which will be agreed with tenants

(vii) To agree that the charges for garages and parking spaces for 2012/13 should be increased by 5.6% in line with the increase in RPI used in the calculation of the increase in average rents.

(viii) To approve the increase in minimum HRA balances to £2M.

(ix) To approve the Housing Revenue Account Revenue Estimates as set out in the attached Appendix 1.

(x) To approve the revised Housing Revenue Account Capital Programme set out in Appendix 2.

(xi) To approve the 30 year capital and revenue business plans set out in appendices 4 and 5

(xii) To approve the principles underlying capital spending plans that have been included in the business plan as set out in appendix 6

(xiii) To note the HRA business planning assumptions set out in appendix 7.

(xiv) To note that rental income and service charge payments will be paid by tenants over a 48 week period.

(xv) To note the intention to develop a HRA efficiency programme during 2012/13

REASONS FOR REPORT RECOMMENDATIONS

1. The Council's Constitution sets out the process to be followed in preparing the Council's budget. This process includes a requirement for the Executive to formally submit their budget proposals for the forthcoming year to Council. The budget proposals in this report cover the HRA revenue budget and capital programme.

2. The introduction of the new self-financing regime for HRA finances from April 2012 brings with it a requirement for long term business planning. This report also sets out in financial terms the HRA business plan for the next 30 years.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. The proposals in this report follow the principles established in the report approved by Council in November 2011 and are consistent with the views of tenant representatives expressed at various meetings during the preparations for HRA self-financing. Alternative options are not therefore supported.

DETAIL (Including consultation carried out)

Background

4. The HRA records all the income and expenditure associated with the provision and management of Council owned homes in the City. This account funds a significant range of services to over 18,000 homes for Southampton tenants and leaseholders and their families. This includes housing management, repairs and improvements, welfare advice, supported housing services, neighbourhood wardens, and capital spending on Council properties.

5. This report sets out the HRA revenue budgets for 2011/12 and 2012/13, the detailed capital programme for the period 2011/12 to 2015/16 and the 30 year HRA business plan covering the period 2012/13 to 2041/42. The proposed increase in rents and other charges is an integral part of the revenue estimates for 2012/13.

6. The capital and revenue estimates for 2012/13 onwards and the 30 year business plan have been prepared using the new self-financing arrangements for the HRA. The updated budgets for 2011/12 are prepared using the current HRA subsidy system which will cease on 1 April 2012.

Reform of Council Housing Finance – Self Financing

7. A comprehensive report on the implications of self-financing was submitted to Council on 16 November. This report provides an update on the self-financing developments since that report. It does not repeat all the principles agreed in the November report.

8. Since the report in November CLG have issued formal consultation papers on the final self-financing proposals now that the Localism Act has received Royal Assent. The main change in the latest papers are:

   - The sum payable to CLG to end the subsidy system has increased from £70M to £75.5M. This is due to the Retail Price Index (RPI) being higher than expected in September 2011 and some data changes within the calculation of the self-financing expenditure allowances leading to a slightly lower than expected expenditure requirement.
   - The "borrowing headroom", which represents the increase in the level of outstanding debt that the HRA would be allowed to incur, has increased from £21.7M to £21.9M.

9. It should also be noted that at the time of writing the report, we have not received the final self-financing notifications from CLG. These are expected by the end of January and a verbal update on the position will be given at the Cabinet meeting. However, it is not expected that there will be any further changes to the self-financing arrangements when the final notifications are received. The impact on the 2012/13 budgets and 30 year business plan of the final borrowing decisions will be reported to Cabinet and Council in July 2012 as part of the Final Accounts report for 2011/12.

HRA business plan principles

10. The report to Council in November 2011 also approved the key business planning principles that were to be adopted in the preparation of the current HRA budget and business plan. This section provides information on the further work that has been undertaken on those principles and proposes some limited changes and additions.

Rents

11. It was noted in the November report that a full financial assessment was needed on the proposal to increase the target rents for houses by 5% and to reduce the target rent for flats by 2.9%. That assessment has now been concluded and the results are set out below.

12. A fundamental requirement of the change is that there must be no change in the overall average target rent for HRA as a whole. Further analysis has shown that the target rent reduction for flats should be increased by 0.06% to 2.96% and it is therefore recommended that target rents for flats are reduced by the higher amount.

13. The financial analysis then showed that there would be a substantial reduction in rent income from the proposals of approximately £4.6M over the first 9 years of the business plan.

14. Further examination of the rent increase calculation was then undertaken. The calculation of the rent level for each individual dwelling is made up of two

elements:

- A standard increase of RPI plus 0.5% plus
- A dwelling specific addition that will gradually increase the actual rent up to the target rent (often referred to as "Housing Association social rent levels").

The CLG guidance is that the dwelling specific component should not exceed £2.00 per week.

15. The £2.00 per week limit has not been increased since rent restructuring started back in 2000 and it was this element of the calculation that was identified as leading to the reduction in rent income. An alternative calculation was therefore undertaken whereby the £2.00 limit was increased by RPI plus 0.5% from 2001/02. For 2012/13, this would give a limit of £3.03. Consideration was also given to the effect of the changes on the rent increases for the next few years and also to the impact on the number of dwellings that would not reach target rent by 2015/16.

16. The results showed that:

- The move from the £2.00 fixed limit to the index linked limit should be phased over the 3 year period starting in 2013/14 and ending in 2015/16,
- This would result in a lower rent increase in April 2012 and the subsequent 2 years,
- The rent reduction would be approximately £760,000 over the 9 year period, which is affordable in the context of the business plan,
- All flats should be at their target rent by 2015/16,
- In the long term, houses would also reach their target rent more quickly and
- The proposal is closer to delivering the assumptions on this matter that were set out in the CLG debt settlement.

17. It is therefore recommended that the £2.00 factor in the individual property rent restructuring calculation should be indexed by RPI plus 0.5% from 2001/02 and the implementation of the amended calculation should be phased in equal instalments between 2013/14 and 2015/16.

<u>Service charges</u>

18. The November report approved the recalculation of all service charges to ensure that the costs were set to fully recover the costs of the service. This has been done for the charges relating to Digital TV, Tower Block Wardens and the Concierge Service. Details of the new charges are set out in paragraph 35 below, but there has not been any material change as a result of this work.

19. However, the support charges for 60plus accommodation have not been reviewed at this stage and it is proposed that this is done in the spring of 2012 with any changes to start from October 2012. Tenants will be fully consulted on the changes. For the 2012/13 budget and business plan, the current charges have been retained until this work is completed.

Garages and Parking Spaces

20. Following representation from tenants it is proposed that the basis for increasing charges for garages and parking spaces should be amended so that they are increased by RPI and not RPI plus 0.5%, with the RPI being based on the September index used in the rent calculation.

HRA business plan 2012/13 to 2041/42

21. A 30 year HRA business plan has now been prepared using the planning principles agreed in November as amended by the proposals in this report. The summary for the capital and revenue budgets is set out in appendices 4 and 5. The principles underlying the capital spending are set out in appendix 6. This emphasises the intention to use quality materials and life cycle replacements that are in many cases better than the old decent homes standard. Other key assumptions used in the plan are set out in appendix 7.

22. The main points to note are:
- All HRA debt can be repaid over the 30 year life of the plan,
- The capital spending plans include provision to maintain and improve all existing dwellings. There is also provision of £20M to support estate regeneration work and £100M set aside for Stock Replacement should it become necessary to renew any of the existing dwellings over the next 30 years.
- The revenue budget meets minimum balances of £2M over the life of the plan.
- From year 10 onwards revenue balances increase above minimum levels which demonstrates that with careful management there is a viable long term position for the HRA.
- There are no efficiency gains included in the plan.

23. It is the intention to develop an efficiency programme during 2012/13 to deliver savings from 2013/14 onwards. This will become an integral part of the annual budget setting and business planning process. It is important to note that the business planning forecasts set out in appendix 4 are made at a high level and take a prudent approach to expenditure and income forecasts based on 2011/12 budgets. When in future years detailed annual budgets are set the allowances for inflation etc are assessed at a much more detailed level. In future, the proposed budget for the forthcoming year will be compared to the detailed inflationary assessment and the efficiency programme savings, as well as the sum allowed in the business plan.

24. A sensitivity analysis has also been undertaken to see what effect there is on the business plan if different key assumptions were assumed. The sensitivities were:
1. Increase in interest cost of 1% on the payment to CLG,
2. Lower RPI than forecast
3. Higher inflation on building works related costs and
4. The impact of stock reductions of 50 dwellings per annum.

25. The results show that sensitivities 1, 2 and 4 all result in lower revenue balances by the end of the 30 years but still repay all debt and enable capital

spending plans to proceed. However, sensitivity 3 (higher inflation on building works related costs) would not enable all debt to be repaid over the 30 year period. There would be approximately £110M of debt still outstanding at this time.

26. The conclusion of this work is therefore that close attention must be given to building cost increases each year to ensure the plan remains viable.

HRA Revenue budget 2011/12 and 2012/13

27. The main issues that need to be considered in setting the revenue budget are set out below.

Responsive repairs

28. The budget for 2011/12 has been reduced by £776,000 principally due to an 11% reduction in the number of voids, coupled with a 2% reduction in the average price (£440,000) and a 4.5% reduction in the average costs of a responsive repair (£289,000).

29. The proposed budget for 2012/13 is £10.178M. This budget includes a one-off provision of £172,000 to meet the costs of a 53 week year. It will fund 53,200 responsive repair orders and works to 1,260 voids.

Programme repairs

30. The proposed budget for 2012/13 is £4.694M, which is £533,000 less than in 2011/12 because the budget for gas boiler replacement is now in the capital programme.

Supervision and Management

31. The budget for 2011/12 now includes an extra £450,000 to fund the mobile working project. This includes the budget carry-forward of £250,000 agreed by Council in July 2011 and the transfer of £200,000 from capital to revenue.

32. The proposed budget for 2012/13 is £18.767M. This includes £230,000 to fund the proposed new cleaning service to walk-up blocks, an extra provision of £290,000 for bad debts to reflect possible problems arising from the reduction in welfare benefits, a provision of £400,000 in case there is a need to make a contribution to the deficit on the heating account and a provision of £100,000 for other service developments such as tackling the health inequalities in some of our estates and enhancing skills opportunities for our tenants which includes working in partnership with local universities.

Dwelling Rent Income

33. The additional income of £312,000 in 2011/12 is principally due to a lower level of voids coupled with lower Right-To-Buy sales.

34. For 2012/13 rents have been calculated using the basis set out in recommendation (ii) to this report. This means that with effect from the 2 April 2012, the current average weekly dwelling rent figure of £69.73 should increase by 7.54%, which equates to an average increase of £5.26 per week. This is made up of a 6.1% increase for all dwellings (equivalent to an increase of £4.25 per week) and a further 1.44% (£1.01 per week) for the rent restructuring component of the increase.

Service Charges

35. The service charges for 2012/13 have been determined in accordance with the principles set out in paragraphs 18 and 19. A comparison between the current and proposed charges is shown below (based on 52 weeks):

Description	Current weekly charge	Proposed weekly charge
Tower block wardens	£5.11	£4.97
Sheltered housing management charge: • Scheme based accommodation • All other sheltered accommodation	 £4.90 £1.23	 £4.90 £1.23
Concierge monitoring charge	£1.12	£1.20
Sheltered support charge	£2.63	£2.63
Community Alarm monitoring charge	£1.25	£1.25
Digital TV	£0.42	£0.42

36. It is also proposed that a new service charge of £0.91 will be introduced in 2012/13 to pay for a new cleaning service in walk-up blocks. This proposal is subject to consultation with tenants. The total income for 2012/13 includes income from this proposed new service.

Other Charges

37. It is proposed to increase the charges for garages or parking spaces for 2012/13 in line with RPI ie 5.6%.

Level of HRA Revenue Balances and Contingency Provision

38. The revenue budget at appendix 1 currently includes a contingency provision for 2011/12 of £575,000. This has been retained to meet any redundancy costs incurred in the year and also to meet any costs arising from the closedown of the stores function at Town Depot and the creation of a store for Building Works only at Shirley Depot. It is however recommended that the contingency returns to its usual level of £100,000 for 2012/13.

39. For 2012/13, it is recommended that the minimum level of HRA balances should be increased from £1,200,000 to £2,000,000. This reflects the additional risks of operating in a self-financing environment. The budget for 2012/13 shows balances at 31 March 2013 are forecast to be £95,000 above this minimum level.

HRA Capital Budget 2011/12 to 2015/16

40. The capital programme was fully reviewed and approved in November 2011. These spending plans have been reviewed to take account of the latest estimated costs and phasing of those schemes. A comparison of the November programme with the latest proposed programme is shown below:

Programme	2011/12	2012/13	2013/14	2014/15	2015/16	Total
	£000	£000	£000	£000	£000	£000
Proposed	25,742	31,443	32,682	34,506	27,964	152,337
Current	25,164	31,781	32,105	34,506	27,964	151,520
Change	578	-338	577	0	0	817

The main changes are set out below and full details are in appendix 3.

Estate Regeneration

41. Overall budget provision has been reduced by £272,000 to reflect the transfer of spending and resources to the Housing General Fund capital programme in relation to the redevelopment of Cumbrian Way.

Safe, Wind and Weather Tight

42. The budget provision for Mobile Working of £200,000 has been transferred to the revenue budget.

Modern Facilities

43. The budget provision for Digital TV has been increased by £54,000 to address some additional costs of installing fibre optic into a number of the Tower Blocks. The final costs for the fire at Shirley Towers have now been assessed and £33,000 has been charged to the capital programme.

Well Maintained Communal Facilities

44. The main budget changes are:

- £900,000 has been added to the budget for works to Graylings supported housing scheme to reflect a significant enhancement to the specification to the scheme based on ongoing discussions with colleagues in Health and Adult Social Care. It is anticipated that this increase will be supported by significant financial contributions from Health and Adult Social Care.
- £200,000 has been added to the budget for Holyrood Improvements due to the need to integrate the proposed works with other high quality city centre schemes.
- £70,000 has been added to the budget for Millbrook Towers Improvements due to structural issues being discovered to the garages. This budget is a provisional sum to address the problem pending a full structural report being received,
- There was an increase in costs of the work to Manston Court of £35,000.

Warm and Energy Efficient

45. This section of the programme makes provision for a significant investment in the cladding of PRC houses, flats and tower blocks to improve their thermal efficiency. The Council is actively pursuing further energy efficiency measures and will utilise the borrowing headroom to provide matched funding

for money obtained through Eco-funding, FIT and other Green Deal initiatives.

Consultation

46. The budget and business planning proposals have been discussed with tenants at various meetings during the preparations for self-financing. Most recently, these matters were discussed at the Winter Conference.

47. This formed part of the “Having Your Say” approach to tenants and resident involvement. This was a well attended meeting with approximately 90 tenants and residents in attendance. There was very broad support for the proposals in particular the increased investment is tenants’ homes.

48. It is recommended that Members formally recognise the support and commitment of tenants and tenant representatives who have participated in this years capital and revenue budget setting exercise

49. There was also been consultation with various officers within the Council and with our partners and this will continue as the capital and revenue initiatives in this report are developed to support the delivery of wider city objectives.

RESOURCE IMPLICATIONS

Capital/Revenue

50. These are in the body of the report.

Property/Other

51. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

52. Housing Act legislation provides the authority to increase rent and other associated or like charges. There are no specific legal implications arising from the overall budget proposals contained in this report.

53. The provision, maintenance and improvement of social housing by local authorities is authorised by various Housing Acts and other legislation

54. The Localism Act gives the statutory basis for the HRA self-financing arrangements set out in this paper.

Other Legal Implications:

55. None

POLICY FRAMEWORK IMPLICATIONS

56. The HRA estimates form part of the Council’s budget and are therefore key elements of the council’s overall budget and policy framework

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KEY DECISION? Yes

WARDS/COMMUNITIES AFFECTED:	ALL

SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	HRA Revenue Estimates 2011/12 and 2012/13.
2.	Detailed HRA capital programme 2011/12 to 2015/16.
3.	Summary of changes to the HRA capital programme
4.	HRA Business Plan – 30 year revenue account
5	HRA Business Plan – 30 year capital spending plan and financing
6.	HRA Business Plan – Principles underlying capital spending plans
7.	HRA Business Plan – planning assumptions

Documents In Members' Rooms

1.	None

Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	Yes

Other Background Documents

Integrated Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.		
2.		

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HOUSING REVENUE ACCOUNT BUDGET REPORT

Appendix 1

REVENUE BUDGET

Original Estimate 2011/12 £'000	Revised Estimate 2011/12 £'000		Estimate 2012/13 £'000
		SUMMARY	
		EXPENDITURE	
10,546.5	9,769.6	Responsive Repairs	10,177.9
5,226.7	5,189.3	Programmed Repairs	4,693.7
15,773.2	14,958.9	Total Repairs	14,871.6
52.9	52.9	Rents Payable	55.5
52.4	52.4	Debt Management	69.8
17,566.1	17,605.6	Supervision & Management	18,767.1
2,916.0	2,997.9	Interest Repayments	7,025.4
0.0	0.0	Principal Repayments	8,648.8
13,095.6	13,095.6	Major Repairs Reserve	17,172.0
6,812.6	6,812.6	Direct Revenue Financing of Capital	1,614.7
7,553.3	7,519.1	Housing Subsidy paid to DCLG	0.0
100.0	575.2	Contingency	100.0
63,922.1	63,670.2	**TOTAL EXPENDITURE**	68,324.9
		INCOME	
60,650.4	60,962.4	Dwelling Rents	64,851.2
1,259.4	1,218.1	Other Rents	1,220.8
61,909.8	62,180.5	Total Rental Income	66,072.0
1,314.6	1,294.8	Service Charge Income	1,604.7
677.0	642.1	Leaseholder Service Charges	637.9
20.7	25.5	Interest Received	9.7
63,922.1	64,142.9	**TOTAL INCOME**	68,324.3
0.0	472.7	**SURPLUS/(DEFICIT) FOR YEAR**	-0.6
		BALANCES	
1,622.9	1,622.9	Working Balance B/Fwd	2,095.6
0.0	472.7	Surplus/(deficit) for year	-0.6
1,622.9	2,095.6	**WORKING BALANCE C/FWD**	2,095.0

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HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

Cost Centre	Share Point Ref.	Project Description	Project Status	Prior Years Spend	2011/12	2012/13	2013/14	2014/15	201516	TOTAL
				£000's	£000's	£000's	£000's	£000's	£000's	£000's
	HRA06 - Estate Regeneration									
H6360	1257	Cumbrian Way	Approved	741	444	52	21	0	0	1,258
H6370	1258	Exford Parade	Approved	2,197	943	123	29	0	0	3,292
H6380	1259	Laxton Close	Approved	625	191	109	33	0	0	958
H6390	1260	Meggeson Avenue	Approved	312	118	75	23	0	0	528
H4850	1262	Hinkler Parade	Approved	2,194	448	255	25			2,922
H6500	1600	Small Site Disposals	Approved	0	50	50	50			150
H6520	1601	Capacity Study Vacant Sites	Approved	0	45					45
H6530	1613	Weston Shopping Parade Redevelopment	Approved	1	750	1,000	204			1,955
H6540	1764	Acquisition of Property at Northam	Approved	0	450					450
H6560	1817	Estate Regeneration Framework Townhill Park	Approved	0	200					200
H6490	1514	Estate Regeneration City Wide Framework	Unapproved	0	50	450				500
H6510	1599	Estate Wide	Unapproved	0	0	2,258	2,500	2,500	2,500	9,758
	Total for Estate Regeneration			**6,070**	**3,689**	**4,372**	**2,885**	**2,500**	**2,500**	**22,016**
	HRA07 - New Build									
H6410	1265	LA New Build - Borrowdale Road	Approved	711	26	0	0	0	0	737
H6420	1266	LA New Build - Flamborough Close	Approved	449	18	0	0	0	0	467
H6430	1267	LA New Build - Chiltern Green	Approved	396	20	0	0	0	0	416
H6440	1268	LA New Build - Grately Close	Approved	1,004	39	0	0	0	0	1,043
H6450	1269	LA New Build - Orpen Road	Approved	729	61	0	0	0	0	790
H6460	1270	LA New Build - Keynsham Close	Approved	739	49	0	0	0	0	788
H6470	1403	L.A. New Build - Leaside Way	Approved	378	158	5	0	0	0	541
H6480	1404	L.A. New Build - Cumbrian Way	Approved	424	1,548	100	0	0	0	2,072
	Total for New Build			**4,830**	**1,919**	**105**	**0**	**0**	**0**	**6,854**

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

Cost Centre	Share Point Ref.	Project Description	Project Status	Prior Years Spend	2011/12	2012/13	2013/14	2014/15	201516	TOTAL
				£000's	£000's	£000's	£000's	£000's	£000's	£000's
	HRA08 - Safe Wind & Weather Tight									
H3320	1199	Roof Replacement - Townhill Park	Approved	126	4					130
H4740	1209	Door Entry - Central Estates	Approved	468	0	0	0	0	0	468
H4550	1210	Door Entry - Townhill Park	Approved	31	417	0	0	0	0	448
H4100	1408	Door Entry - Millbrook & Maybush	Approved	516	56					572
H4120	1416	Window Replacement - 2010/11 & 11/12	Approved	888	200	779				1,867
H3050	1465	Roof Replacement 11/12	Approved	0	300					300
H3500	1466	Structural Works 11/12	Approved	0	429					429
H4150	1713	Cheriton Avenue - Land Drains 11/12	Approved	20	90					110
H4170	1855	International Way Cladding	Approved	0	498	2,502				3,000
H1139	1861	Supported Housing 2 storey Walkway Repairs	Approved	0	312	722				1,034
H1115	1468	Door Entry System Replacement Programme	Unapproved	0	0	0	214	222	229	665
H1116	1469	Windows	Unapproved	0	0	978	380	424	211	1,993
H1111	1842	Electrical Riser Upgrades	Unapproved	0	0	459	964	998	0	2,421
H1112	1843	Roof Finish - Flat	Unapproved	0	30	934	1,146	1,188	1,226	4,524
H1113	1844	Structural Works.	Unapproved	0	0	414	428	444	458	1,744
H1121	1845	Roof Finish-Pitched/Structure/Gutter/Downpipes etc	Unapproved	0	0	160	1,310	610	163	2,243
H1122	1846	Wall Structure & Finish	Unapproved	0	0	155	940	1,562	289	2,946
H1123	1847	Chimney	Unapproved	0	0	50	568	230	20	868
H1124	1848	External Doors - Flats	Unapproved	0	0	0	4	123	117	244
H1125	1849	Garage Maintenance	Unapproved	0	0	0	22	22	23	67
H1150	1850	External Doors - Houses	Unapproved	0	0	0	327	202	8	537
H1170	1851	Supported Housing 2 storey Walkway Repairs	Unapproved	0	0	0	1,071	1,109	1,146	3,326
	Total for Safe Wind & Weather Tight			**2,049**	**2,336**	**7,153**	**7,374**	**7,134**	**3,890**	**29,936**

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

Cost Centre	Share Point Ref.	Project Description	Project Status	Prior Years Spend	2011/12	2012/13	2013/14	2014/15	201516	TOTAL
				£000's	£000's	£000's	£000's	£000's	£000's	£000's
	HRA09 - Modern Facilities									
H3290	1185	Decent Homes - Central	Approved	4,448	4					4,452
H3281	1186	Decent Homes - Harefield	Approved	2,413	24					2,437
H3270	1188	Decent Homes - Shirley	Approved	5,792	33					5,825
H3350	1194	Decent Homes - Voids	Approved	941	1	0	0	0	0	942
H3330	1204	Water Tank & Pump replace - Holyrood & Itchen Est	Approved	11	40					51
H0450	1211	Digital TV	Approved	1,323	1,277					2,600
H4730	1229	Supported Accommodation Studio Upgrade	Approved	389	7					396
H3301	1297	Decent Homes - Lordshill	Approved	701	0					701
H0470	1415	Adaptions for Disabled People 2010/11	Approved	2,428	154					2,582
H3120	1464	Electrical Rewires 11/12	Approved	0	300					300
H0490	1467	Adaptions for Disabled People 2011/12	Approved	0	1,468					1,468
H4470	1474	Programme management fees 11/12	Approved	0	420					420
H4460	1476	Supported Self Contained Conversions 11/12	Approved	0	100					100
H3480	1478	Decent Homes - Voids 11/12	Approved	0	240					240
H3470	1714	Decent Homes - Central 11/12	Approved	0	2,829					2,829
H3450	1715	Decent Homes - Harefield 11/12	Approved	0	121					121
H3490	1716	Decent Homes - Lordshill 11/12	Approved	0	2,003					2,003
H3460	1717	Decent Homes - Supported 11/12	Approved	0	1,076					1,076
H3530	1816	Decent Homes - Deferred Properties	Approved	0	150					150
H3510	TBA	Decent Homes - Swaythling Jan-Mar 2012	Approved	0	1,122					1,122
H118A	1864	Bathroom Refurbishment	Approved	0	0	2,196				2,196
H119A	1865	Kitchen Refurbishment	Approved	0	0	3,924				3,924
H1120	1472	Electrical System	Unapproved	0	0	155	321	333	344	1,153
H1180	1477	Bathroom Refurbishment	Unapproved	0	0	0	2,956	3,063	3,163	9,182
H1114	1836	Disabled Adaptations	Unapproved	0	0	927	964	998	1,031	3,920
H1127	1837	Central Heating Gas Boilers	Unapproved	0	0	1,350	1,783	1,847	1,905	6,885
H1128	1838	Central Heating Distribution System (Incl Elec Store Htrs)	Unapproved	0	0	133	238	3,140	0	3,511
H1129	1839	Supported Schemes Adapted Bathroom Programme	Unapproved	0	0	412	428	444	458	1,742
H1140	1840	Programme Management Fees	Unapproved	0	0	535	551	567	583	2,236
H1190	1841	Kitchen Refurbishment	Unapproved	0	0	0	5,986	6,201	6,404	18,591
	Total for Modern Facilities			**18,446**	**11,369**	**9,632**	**13,227**	**16,593**	**13,888**	**83,155**

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

Cost Centre	Share Point Ref.	Project Description	Project Status	Prior Years Spend	2011/12	2012/13	2013/14	2014/15	201516	TOTAL
				£000's	£000's	£000's	£000's	£000's	£000's	£000's
	HRA10 - Well Maintained Communal Facilities									
H4520	1215	Electronic Concierge	Approved	4,134	37	0	0	0	0	4,171
H4770	1222	Lift Refurbishment - Milner and Neptune Court	Approved	136	1,706					1,842
H4540	1223	Lift Refurbishment - Itchen View Estate	Approved	53	50	927				1,030
H476B	1233	Supported Communal Improvements - Graylings 11/12	Approved	41	149	1,300	0	0	0	1,490
H4700	1236	Supported Communal Improvements - Manston Court	Approved	1,105	65	0	0	0	0	1,170
H4750	1237	Hard & Soft Supported Landscaping	Approved	264	45					309
H6263	1239	Kingsland	Approved	106	31	0	0	0	0	137
H6260	1242	DN: Vanguard and Wavell Road Improvements	Approved	263	236	10	0	0	0	509
H6261	1243	DN: Tankerville Improvements	Approved	117	188	0	0	0	0	305
H6262	1244	DN: International Way Improvements	Approved	777	16	0	0	0	0	793
H6310	1256	DN: Millbrook Towers Improvements	Approved	71	390	10	0	0	0	471
H632B	1271	DN: Holyrood Improvements	Approved	98	114	872	28	0	0	1,112
H6312	1288	DN: Millbrook - Adizone	Approved	186	4	0	0	0	0	190
H6311	1296	Refurbishment of Maybush LHO	Approved	172	0					172
H6313	1298	DN: Millbrook Verge Parking Improvements	Approved	319	284					603
H6351	1402	Thornhill Cycleways	Approved	158	3					161
H6271	1494	DN: Northam Improvements	Approved	159	35	251	7	0	0	452
H6314	1496	DN: Millbrook Block Improvements	Approved	0	100	100	429	0	0	629
H6264	1497	DN: Thornhill (Sholing) Improvements	Approved	60	39	0	0	0	0	99
H4891	1498	DN: Estate Improvement Programme - 10/11 - East	Approved	54	11	0	0	0	0	65
H4892	1499	DN: Estate Improvement Programme - 10/11 - West	Approved	48	9	0	0	0	0	57
H4893	1500	DN: Estate Improvement Programme - 10/11 - Central	Approved	56	13	0	0	0	0	69
H6266	1503	DN: Harefield/Townhill Park	Approved	0	100	600	0	0	0	700
	1707	DN: Shirley	Approved	5	60	358	487	30	0	940
H476H	1506	Supported Comm Impr. - Bassett Green Walkway	Approved	31	213	0	0	0	0	244
H476K	1508	Supported Communal Impovements - Minor Works	Approved	38	19					57
H476F	1509	Supported Communal Improvements - Neptune Court.	Approved	256	44	0	0	0	0	300
H476J	1510	Supported Communal Improvements - Pleasant View	Approved	67	0	0	0	0	0	67
H442B	1552	Lift Refurbishment - 2005/06	Approved	158	0					158
H476L	1602	Supported Communal Improvements - Rozel Court	Approved	0	387	0	0	0	0	387
H476M	1603	Supported Communal Improvements - Sarnia Court	Approved	0	165	0	0	0	0	165
H476Q	1604	Supported Communal Improvements - Neptune Court Central Core	Approved	0	10	140	0	0	0	150
H476N	1606	Supported Communal Improvements - James Street	Approved	0	175	0	0	0	0	175
H476P	1607	Supported Communal Improvements - Milner Court Central Core	Approved	0	10	140	0	0	0	150
H6267	1708	Pathway Improvements	Approved	0	250	0	0	0	0	250
H6317	1709	DN: Estate Improvement Programme 11/12	Approved	0	200	0	0	0	0	200
H6322	1718	Old Town Humtun Street Mosaic	Approved	0	18	24	0	0	0	42

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

Cost Centre	Share Point Ref.	Project Description	Project Status	Prior Years Spend	2011/12	2012/13	2013/14	2014/15	201516	TOTAL
				£000's	£000's	£000's	£000's	£000's	£000's	£000's
H6275	1720	Holyrood Community Spaces Large Grant	Approved	97	3	0	0	0	0	100
H6316	1806	Pleasant View Car Park	Approved	0	50	0	0	0	0	50
H111A	1860	Communal Works - Ventnor Court	Approved	0	200	200	0	0	0	400
H1110	1463	Communal Areas Works	Unapproved	0	0	355	680	692	715	2,442
H1130	1473	Lift Refurbishment	Unapproved	0	0	621	554	564	0	1,739
H0330	1505	DN: Future Decent Neighbourhood Schemes	Unapproved	0	0	1,284	1,313	1,339	1,380	5,316
H1131	1833	Concierge Walkup Block Roll Out	Unapproved	0	0	0	273	277	286	836
H1132	1834	Fire doors (communal)	Unapproved	0	0	0	231	235	243	709
H1133	1835	Roads/Paths/Hard Standing	Unapproved	0	0	0	187	190	197	574
	Total for Well Maintained Communal Facilities			**9,029**	**5,429**	**7,192**	**4,189**	**3,327**	**2,821**	**31,987**
	HRA11 - Warm & Energy Efficient									
H4800	1470	Energy Saving 11/12	Approved	0	300	42				342
H4790	1471	Heating Systems Upgrade 11/12	Approved	0	500	30				530
H4160	1854	F.I.T	Approved	0	200					200
H1117	1826	Loft Insulation + Pipe Lagging	Unapproved	0	0	59	61	64	66	250
H1118	1827	Landlord Meter Conversion (1,000 properties)	Unapproved	0	0	175	182	189	195	741
H1134	1828	Cavity Wall Insulation	Unapproved	0	0	17	18	18	19	72
H1135	1829	External Cladding (Flats)	Unapproved	0	0	1,022	0	0	0	1,022
H1136	1830	External Cladding (PRC Houses)	Unapproved	0	0	612	3,017	3,125	3,227	9,981
H1137	1831	External Cladding (Tower Blocks)	Unapproved	0	0	0	1,028	1,065	1,100	3,193
H1138	1832	Electrical System (communal lighting and controls)	Unapproved	0	0	1,032	701	491	258	2,482
	Total for Warm & Energy Efficient			**0**	**1,000**	**2,989**	**5,007**	**4,952**	**4,865**	**18,813**
	GRAND TOTAL			**40,424**	**25,742**	**31,443**	**32,682**	**34,506**	**27,964**	**192,761**

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Appendix 3

SUMMARY OF CAPITAL PROGRAMME CHANGES

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	Total Spend £000	Comment
Estate Regeneration							
Report to Cabinet - October 2011	**4,317**	**4,401**	**2,500**	**2,500**	**2,500**	**16,218**	
Exford Parade	(367)	39	29			**(299)**	
Meggeson Ave	(120)	(3)	23			**(100)**	
Small site disposals	(100)	100				**0**	
Weston Shopping Parade	250	(454)	204			**0**	Budget of £272,000 transferred to Housing GF
City Wide	(60)	450				**390**	capital programme
Estate Wide		(242)				**(242)**	
Miscellaneous items	(231)	81	129			**(21)**	
Capital update - February 2012	**3,689**	**4,372**	**2,885**	**2,500**	**2,500**	**15,946**	
Safe Wind & Weather Tight							
Report to Cabinet - October 2011	**1,917**	**7,318**	**7,401**	**7,158**	**3,907**	**27,701**	
Mobile working	(199)					**(199)**	Transferred to revenue budget
Door entry	473					**473**	Transferred from Well Maintained Communal Facilities
Window replacement	(199)	199				**0**	Scheme brought forward to 2011/12
Walkway repairs	312	(317)	(4)	(4)	(4)	**(17)**	Spending brought forward
Miscellaneous items	32	(47)	(23)	(20)	(13)	**(71)**	
Capital update - February 2012	**2,336**	**7,153**	**7,374**	**7,134**	**3,890**	**27,887**	
Modern Facilities							
Report to Cabinet - October 2011	**9,960**	**10,898**	**13,174**	**16,546**	**13,845**	**64,423**	
Decent Homes - Supported Housing	138					**138**	
Decent Homes - Voids	51					**51**	Schemes brought forward to 2011/12
Decent Homes - Swaythling	1,122					**1,122**	
Digital TV	54					**54**	
Shirley Towers Fire	33					**33**	
Bathroom refurbishment		(274)	(11)	(10)	(13)	**(308)**	Budget transferred to 2011/12 Decent Homes
Kitchen refurbishment		(1,076)	(22)	(21)	(27)	**(1,146)**	schemes
PM fees		100	100	100	100	**400**	All PM fees now accounted for in one budget.
Miscellaneous items	11	(16)	(14)	(22)	(17)	**(58)**	
Capital update - February 2012	**11,369**	**9,632**	**13,227**	**16,593**	**13,888**	**64,709**	

SUMMARY OF CAPITAL PROGRAMME CHANGES

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	Total Spend £000	Comment
Well Maintained communal facilities							
Report to Cabinet - October 2011	**6,154**	**5,955**	**4,005**	**3,334**	**2,827**	**22,275**	
Door entry -all	(472)					**(472)**	Transferred to Safe, Wind & Weathertight
Lift Refurbishment Itchen View	(149)	150				**1**	
Manston court improvements	35					**35**	
Communal Improvements Graylings		900				**900**	See main report
Holyrood Improvements	(37)	232	5			**200**	See main report
Millbrook Towers improvements	70					**70**	See main report
Millbrook block improvements	(99)	(100)	199			**0**	
Neptune Central	(140)	140				**0**	
Milner Central	(140)	140				**0**	
Communal Areas works	200	(204)	(3)	(2)	(3)	**(12)**	
Miscellaneous items	7	(21)	(17)	(5)	(3)	**(39)**	
Capital update - February 2012	**5,429**	**7,192**	**4,189**	**3,327**	**2,821**	**22,958**	
Warm & energy Efficient							
Report to Cabinet - October 2011	**897**	**3,104**	**5,025**	**4,968**	**4,885**	**18,879**	
Energy Saving 2011/12	51	(51)				**0**	Spending brought forward to 2011/12
Heating Systems upgrade	51	(50)				**1**	Spending brought forward to 2011/13
Miscellaneous items	1	(14)	(18)	(16)	(20)	**(67)**	
Capital update - February 2012	**1,000**	**2,989**	**5,007**	**4,952**	**4,865**	**18,813**	
New Build Programme							
Report to Cabinet - October 2011	**1919**	**105**				**2024**	
Capital update - February 2012	**1919**	**105**				**2024**	
Report to Cabinet - October 2011	**25,164**	**31,781**	**32,105**	**34,506**	**27,964**	**151,520**	
Capital update - February 2012 programme	**25,742**	**31,443**	**32,682**	**34,506**	**27,964**	**152,337**	
Change	**578**	**(338)**	**577**	**0**	**0**	**817**	

HRA Revenue Spending Plans - 30 Year business plan

Year	Year	Income			Expenditure							Balances	
		Net rent Income £,000	Other income £,000	**Total Income £,000**	Managemen t £,000	Responsive and Programme repairs £,000	Interest charges £,000	Provision for loan repayment £,000	Contribution to capital spending £,000	Other Revenue spend £,000	**Total Expenditure £,000**	**Surplus (Deficit) for the Year £,000**	**Surplus (Deficit) c/fwd £,000**
1	2012.13	66,472	2,663	**69,134**	(19,271)	(14,859)	(7,095)	(8,649)	(18,787)	(474)	**(69,135)**	**(0)**	**2,095**
2	2013.14	70,004	2,672	**72,676**	(19,895)	(16,144)	(7,553)	(8,186)	(20,484)	(489)	**(72,751)**	**(76)**	**2,019**
3	2014.15	73,473	2,698	**76,171**	(20,483)	(16,719)	(7,774)	(5,430)	(25,040)	(504)	**(75,949)**	**222**	**2,241**
4	2015.16	76,862	2,730	**79,592**	(21,046)	(17,280)	(7,655)	(5,430)	(25,109)	(518)	**(77,038)**	**2,554**	**4,795**
5	2016.17	79,289	3,107	**82,396**	(21,562)	(17,009)	(7,470)	(5,430)	(24,338)	(531)	**(76,340)**	**6,056**	**10,851**
6	2017.18	81,596	3,356	**84,952**	(22,094)	(17,555)	(7,284)	(5,430)	(31,632)	(544)	**(84,540)**	**412**	**11,264**
7	2018.19	84,057	3,492	**87,548**	(22,643)	(18,146)	(7,099)	(5,430)	(32,631)	(558)	**(86,507)**	**1,041**	**12,305**
8	2019.20	86,540	3,582	**90,122**	(23,206)	(18,756)	(6,853)	(16,775)	(33,664)	(572)	**(99,826)**	**(9,704)**	**2,601**
9	2020.21	89,069	3,643	**92,712**	(23,783)	(19,388)	(5,921)	(8,863)	(34,763)	(586)	**(93,304)**	**(591)**	**2,010**
10	2021.22	91,677	3,612	**95,289**	(24,374)	(20,040)	(5,650)	(5,080)	(33,867)	(601)	**(89,613)**	**5,676**	**7,686**
11	2022.23	94,359	3,729	**98,088**	(24,980)	(20,715)	(5,649)	(4,865)	(34,979)	(616)	**(91,804)**	**6,284**	**13,970**
12	2023.24	97,068	3,849	**100,917**	(25,601)	(21,412)	(5,649)	(4,865)	(36,158)	(631)	**(94,316)**	**6,601**	**20,571**
13	2024.25	99,838	3,973	**103,810**	(26,237)	(22,132)	(5,649)	(4,865)	(37,376)	(647)	**(96,907)**	**6,903**	**27,474**
14	2025.26	102,686	4,099	**106,785**	(26,889)	(22,877)	(5,649)	(4,865)	(38,636)	(663)	**(99,580)**	**7,205**	**34,679**
15	2026.27	105,616	4,229	**109,845**	(27,558)	(23,647)	(5,649)	(4,865)	(39,937)	(680)	**(102,337)**	**7,508**	**42,187**
16	2027.28	108,637	4,362	**112,999**	(28,243)	(24,443)	(5,649)	(4,865)	(46,482)	(697)	**(110,378)**	**2,620**	**44,808**
17	2028.29	111,744	4,490	**116,234**	(28,945)	(25,265)	(5,647)	(11,495)	(48,054)	(714)	**(120,120)**	**(3,886)**	**40,921**
18	2029.30	114,940	4,621	**119,562**	(29,664)	(26,115)	(5,281)	(4,865)	(49,680)	(732)	**(116,338)**	**3,223**	**44,145**
19	2030.31	118,227	4,765	**122,993**	(30,401)	(26,994)	(5,281)	(4,865)	(51,361)	(750)	**(119,653)**	**3,339**	**47,484**
20	2031.32	121,608	4,907	**126,515**	(31,157)	(27,902)	(5,280)	(9,665)	(53,099)	(769)	**(127,872)**	**(1,356)**	**46,128**
21	2032.33	125,086	5,041	**130,127**	(31,931)	(28,841)	(5,043)	(13,740)	(54,895)	(788)	**(135,239)**	**(5,111)**	**41,016**
22	2033.34	128,663	5,186	**133,849**	(32,725)	(29,811)	(4,576)	(4,865)	(56,752)	(808)	**(129,537)**	**4,311**	**45,328**
23	2034.35	132,341	5,346	**137,687**	(33,538)	(30,814)	(4,576)	(4,865)	(58,672)	(828)	**(133,293)**	**4,394**	**49,722**
24	2035.36	136,125	5,507	**141,632**	(34,372)	(31,850)	(4,472)	(7,623)	(60,657)	(849)	**(139,822)**	**1,809**	**51,531**
25	2036.37	140,017	5,671	**145,688**	(35,226)	(32,921)	(4,438)	(4,865)	(62,708)	(870)	**(141,030)**	**4,659**	**56,190**
26	2037.38	144,020	5,843	**149,863**	(36,102)	(34,029)	(4,438)	(4,865)	(64,829)	(892)	**(145,155)**	**4,708**	**60,898**
27	2038.39	148,137	6,013	**154,150**	(36,999)	(35,173)	(4,276)	(9,461)	(67,022)	(914)	**(153,845)**	**306**	**61,204**
28	2039.40	152,371	6,188	**158,560**	(37,919)	(36,356)	(4,221)	(4,865)	(69,288)	(937)	**(153,586)**	**4,973**	**66,177**
29	2040.41	156,727	6,373	**163,100**	(38,861)	(37,578)	(4,221)	(4,865)	(71,631)	(960)	**(158,118)**	**4,982**	**71,158**
30	2041.42	161,198	6,562	**167,760**	(39,827)	(38,842)	(4,221)	(4,865)	(74,054)	(984)	**(162,794)**	**4,966**	**76,125**

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Appendix 5

HRA Capital Spending Plans - 30 Year business plan

		Expenditure								Financing					
Year	Year	Safe, Wind & Weather-Tight	Modern Facilities	Estate Regen	Communal Facilities	Warm & Energy Efficient	New Build Costs	Stock replacement provision	Total Expenditure	Borrowing	Other	Major Repairs Reserve	From revenue	Total Financing	Check Total ok
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	
1	2012.13	7,153	9,632	4,372	7,192	2,989	105	0	31,443	4,800	7,856	17,172	1,615	31,443	0
2	2013.14	7,374	13,227	2,885	4,189	5,007	0	0	32,682	8,875	3,323	17,388	3,096	32,682	0
3	2014.15	7,134	16,593	2,500	3,327	4,952	0	0	34,506	6,630	2,836	17,718	7,321	34,506	0
4	2015.16	3,890	13,888	2,500	2,821	4,865	0	0	27,964	0	2,855	18,067	7,043	27,964	0
5	2016.17	3,876	13,736	2,000	2,805	4,847	0	0	27,264	0	2,926	18,421	5,917	27,264	0
6	2017.18	8,301	13,350	2,000	2,895	5,215	0	0	31,761	0	130	18,783	12,849	31,761	0
7	2018.19	8,580	13,800	2,000	2,992	5,391	0	0	32,764	0	133	19,151	13,480	32,764	0
8	2019.20	8,869	14,265	2,000	3,093	5,572	0	0	33,800	0	136	19,585	14,078	33,800	0
9	2020.21	9,168	14,777	2,000	3,197	5,760	0	0	34,902	0	140	20,030	14,733	34,902	0
10	2021.22	9,477	15,274	0	3,305	5,954	0	0	34,010	0	143	20,484	13,383	34,010	0
11	2022.23	9,457	20,352	0	4,327	989	0	0	35,126	0	147	20,949	14,030	35,126	0
12	2023.24	9,775	21,037	0	4,473	1,022	0	0	36,308	0	150	21,424	14,734	36,308	0
13	2024.25	10,105	21,745	0	4,623	1,057	0	0	37,530	0	154	21,910	15,466	37,530	0
14	2025.26	10,445	22,477	0	4,779	1,092	0	0	38,793	0	158	22,407	16,228	38,793	0
15	2026.27	10,796	23,234	0	4,940	1,129	0	0	40,099	0	162	22,915	17,022	40,099	0
16	2027.28	11,160	24,015	0	5,106	1,167	0	5,199	46,648	0	166	23,435	23,047	46,648	0
17	2028.29	11,536	24,823	0	5,278	1,206	0	5,381	48,224	0	170	23,966	24,088	48,224	0
18	2029.30	11,924	25,659	0	5,456	1,247	0	5,569	49,855	0	174	24,510	25,171	49,855	0
19	2030.31	12,325	26,522	0	5,640	1,289	0	5,764	51,540	0	179	25,066	26,296	51,540	0
20	2031.32	12,740	27,414	0	5,829	1,332	0	5,966	53,282	0	183	25,634	27,465	53,282	0
21	2032.33	13,169	28,337	0	6,026	1,377	0	6,175	55,083	0	188	26,215	28,680	55,083	0
22	2033.34	13,612	29,290	0	6,228	1,424	0	6,391	56,945	0	192	26,809	29,943	56,945	0
23	2034.35	14,070	30,275	0	6,438	1,471	0	6,614	58,869	0	197	27,417	31,255	58,869	0
24	2035.36	14,544	31,294	0	6,655	1,521	0	6,846	60,859	0	202	28,038	32,618	60,859	0
25	2036.37	15,033	32,346	0	6,879	1,572	0	7,085	62,915	0	207	28,674	34,034	62,915	0
26	2037.38	15,539	33,434	0	7,110	1,625	0	7,333	65,041	0	212	29,324	35,506	65,041	0
27	2038.39	16,062	34,559	0	7,349	1,680	0	7,590	67,239	0	218	29,988	37,034	67,239	0
28	2039.40	16,602	35,721	0	7,596	1,736	0	7,856	69,511	0	223	30,667	38,621	69,511	0
29	2040.41	17,161	36,922	0	7,852	1,795	0	8,131	71,860	0	229	31,362	40,269	71,860	0
30	2041.42	17,738	38,164	0	8,116	1,855	0	8,415	74,288	0	234	32,073	41,981	74,288	0
Total		337,614	706,165	22,257	156,518	78,140	105	100,314	1,401,112	20,305	24,222	709,583	647,003	1,401,112	

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Appendix 6

Housing Revenue Account Business Plan

Principles underlying the capital spending plans

Introduction

This paper sets out the basic principles that have been adopted in compiling the 30 year capital expenditure plans. The annual spending requirements have been driven by data from the stock condition database supplemented by input from an analysis of responsive repairs and gas maintenance records. The intention is to use quality materials and life cycle replacements that are in many cases better than the old decent homes standard. The initial costs quoted relate to 2012/13 spending. The plan applies an inflationary increase each year. Costs are based on a combination of historic information, BRE figures and recent cost experience. They currently include prelims and fees where necessary. Some new headings include broad indicative budget amounts which will be refined as these programmes get underway.

The capital spending plan in the HRA business plan is divided into the following sections:

- Safe, wind and weather tight
- Warm and energy efficient
- Modern facilities in the home
- Well maintained communal facilities
- Estate Regeneration
- New Build
- Stock replacement provision

The following sections give a brief description of these items and provide information on the basis on which the capital spending plans have been assessed.

Safe, wind and weather tight

The Council is responsible for maintaining dwellings to ensure they are safe for residents to live in and the overall structural integrity is maintained. This programme ensures that roofs are replaced as needed, all properties in the city have double glazed windows, electrical systems are safe and can accommodate modern demands, door entry systems are replaced and properties are structurally sound. This programme specifically includes provision to replace walkways to supported housing schemes.

The capital spending plans are based on the following:

Expenditure Heading	Replacement Cycle	Comments
Door Entry System	As required	Rolling £200k/yr programme
Windows	35 years	£5,364.77/dwelling (BRE)

Electrical Riser Upgrades	N/A	One off programme. Future replacement responsibility of Southern Electric Contracting.
Roof Finish – Flat	33 years	£745.06/dwelling (inc flats within blocks) (BRE)
Roof Finish - Pitched / Structure / Gutter / Downpipes etc	Various	Multiple components in this category with varying life cycles and costs.
Structural Works.	N/A	£400,000 pa contingency sum based on historic spending.
Wall Structure & Finish	Various	Replacement cycle and costs vary by element.
Chimney	Various	Multiple components in this category with varying life cycles and costs.
External Doors – Flats	30 years	£187.43/dwelling
External Doors – Houses	20 years	£1,157.63/dwelling
Garage Maintenance	As required	£366 per garage
Supported Housing 2 storey Walkway Repairs	One off repairs	£50,000 per block (of 8-10 flats)

Warm and energy efficient

The Council recognises that with increasing utility bills it is vitally important to support our tenants by undertaking improvements to their homes that helps them save money on the basics of heating and lighting. A warm and comfortable home also contributes significantly to the wider health of our residents in the city. This programme provides insulation to some of our most needed properties such as tower blocks, some blocks of flats and our PRC houses. We are also developing a programme to install more energy efficient lighting and controls for our communal areas in our flats to help drive down electricity bills for tenants. This programme also specifically provides for the removal of over 5,000 tenants from the current landlord heating system to give the control and choice over heating their home back into the hands of our tenants. Energy efficiency grants (future and current) will be utilised as far as possible to supplement capital spend.

This section of the programme will also be enhanced by the use of some of the borrowing headroom in order to facilitate further energy efficiency measures, particularly those that enable the council to access matched funding through schemes such as green deal and FIT.

The capital spending plans are based on the following:

Expenditure Heading	Replacement Cycle	Comments
Loft Insulation + Pipe Lagging	To address newly identified need.	£57,000/yr provision.
Landlord Meter Conversion (1,000 properties)	One-off programme	£170 per dwelling
Cavity Wall Insulation	As required due to component failure.	£16,000/yr provision.
External Cladding (Flats)	30 Years	£5M estimated requirement over 30 years.
External Cladding (PRC Houses)	30 Years	£31M estimated requirement over 30 years.
External Cladding (Tower Blocks)	30 Years	£10M estimated requirement over 30 years.
Electrical System (communal lighting and controls)	30 Years	£5,000/block.

Modern facilities in the home

We want our tenants to be able to live in good quality modern homes with facilities that are up to modern standards. This programme supports the installation of new kitchens and bathrooms across the city based on the current assessment of need. We will also be ensuring that all homes with gas central heating have modern boilers by removing all back boilers and upgrading systems as necessary. We will also ensure that our homes can continue to meet the needs of our older residents by continuing to provide disabled adaptations as required as well as updating bathrooms in some of our supported schemes with modern shower facilities.

The capital spending plans are based on the following:

Expenditure Heading	Replacement Cycle	Comments
Electrical System	30 years	£3,000 per dwelling
Bathroom Refurbishment	35 years	£2,951 per dwelling
Kitchen Refurbishment	20 years	£6,411 per dwelling
Disabled Adaptations	N/A	£900,000 pa provision based on current demands
Central Heating Gas Boilers	30 years	£2,166 per dwelling
Central Heating Distribution System (including electric storage Heaters	30 years	£4,086 per dwelling (includes boiler replacement and full system for wet systems)
Supported Schemes Adapted Bathroom Programme	N/A	£400,000 pa provision based on estimates

Well maintained communal facilities

We will continue with our programmes for investment in the areas outside our tenants' front doors. This will include refurbishing our lifts in our tower blocks and supported schemes as needed and improving the communal hallways and common areas of our supported schemes and blocks of flats. We will specifically maintain our commitment to the ongoing programme of Decent Neighbourhoods improvements to improve the open spaces around our homes

The capital spending plans are based on the following:

Expenditure Heading	Replacement Cycle	Comments
Communal Areas Works	20 years	£1,583.19/flat
Lift Refurbishment	30 years	Estimated cost based on projected need over 30 year period.
Concierge Walk-up Block Roll Out	N/A	£250,000/yr provision.
Fire doors (communal)	As required.	£212,000/yr provision for next 8 years.
Roads/Paths/Hard Standing	As required	£170,000/yr provision based on m^2.
Future Decent Neighbourhood Schemes	N/A	Provision of £1.2M pa for future schemes

Estate Regeneration

The programme includes provision for all approved schemes, including the master planning for Townhill Park and for this to be followed up on a city wide basis. A sum of £20M is also included in the early years of the plan to contribute towards funding the enablement and early implementation of the schemes.

New Build

The programme allows for the completion of the current schemes that are on site. No further provision is made for additional schemes.

Stock replacement provision

There is no indication from the current stock condition assessment that any of the existing dwellings will need to be replaced over the 30 year period of the business plan. However, with our varied stock type and our aspirations to improve our neighbourhoods over the life of the business plan we have made provision for the ability to begin to replace some stock should it arise and a provision of £100M has been included over the latter years of the plan.

HRA Business Plan Assumptions

Section 1 - Income

Year	RPI Sept	RPI	April	Rent Increase	Garage & Parking Spaces
2012/13	2011	5.60%	2012	7.54%	5.60%
2013/14	2012	3.50%	2013	5.54%	3.50%
2014/15	2013	3.30%	2014	5.43%	3.30%
2015/16	2014	3.00%	2015	5.20%	3.00%
2016/17	2015	2.80%	2016	4.02%	2.80%
2017/18	2016	2.50%	2017	3.42%	2.50%
2018/19	2017	2.50%	2017	3.24%	2.50%
2019/20	2018	2.50%	2018	3.12%	2.50%
2020/21	2019	2.50%	2019	3.06%	2.50%
2018/19 to 2041/42	2017 to 2040	2.50%	2018 to 2041	3.00%	2.50%

Section 2 - Expenditure

Year	Base RPI	Additional Provision Management	Additional Provision Repairs	Additional Provision Major Works
2012/13		Included in Base Budgets		
2013/14	3.30%	0.00%	1.00%	1.00%
2014/15	3.00%	0.00%	1.00%	1.00%
2015/16	2.80%	0.00%	1.00%	1.00%
2016/17	2.50%	0.00%	1.00%	1.00%
2017/18	2.50%	0.00%	1.00%	1.00%
2018/19 to 2041/42	2.50%	0.00%	1.00%	1.00%

Section 3 - Stock

Year	Opening Stock 01/04/2012	Right to Buy	Estate Regeneration	Voluntary Sales	Closing Stock
2012/13	16,859	21	27	50	16,761
2013/14	16,761	21	0	50	16,690
2014/15	16,690	21	0	50	16,619
2015/16	16,619	21	0	50	16,548
2016/17	16,548	21	0	50	16,477

The above does not include the effect of further phases of the Estate Regeneration programme, or the changes to the Right To Buy policy that is currently being considered by Government. The effect of reductions in stock levels on the business plan has been considered as part of the sensitivity analysis.

Section 4 - Borrowing

Year	Self Financing Borrowing (4%)	New Loans	Average Interest Rate	Interest on Investments
2012/13	4%	4.60%	3.91%	0.25%
2013/14		5.00%	4.14%	0.25%
2014/15		5.50%	4.27%	0.25%
2015/16			4.33%	0.25%
2016/17			4.36%	0.25%
2017/18			4.40%	0.25%
2018/19			4.43%	0.25%

Section 5 - Other

Debt Cap £201,292,396
Borrowing headroom at 1/4/12 £21,926,672
Debt can be repaid over 30 years and the business plan makes provision for this.
Actual debt will be repaid over 50 years because of the treasury decisions on borrowing periods.

Provision for Voids loss 1.32% of rent income per annum
Provision for Bad Debts 0.80% of rent income per annum. This provision has been doubled from current levels and is a prudent approach to the potential impacts of welfare reform.

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DECISION-MAKER:	AUDIT COMMITTEE COUNCIL
SUBJECT:	TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL LIMITS 2012/13 to 2014/15
DATE OF DECISION:	26 JANUARY 2012 15 FEBRUARY 2012
REPORT OF:	HEAD OF FINANCE (CHIEF FINANCIAL OFFICER)
STATEMENT OF CONFIDENTIALITY	
NOT APPLICABLE	

BRIEF SUMMARY

This report explains the context within which the Council's treasury management activity operates and sets out a proposed strategy for the coming year in relation to the Council's cash flow, investment and borrowing, and the management of the numerous risks related to this activity.

The core elements of the 2012/13 strategy are :

- To continue to make use of short term variable rate debt to take advantage of the current market conditions of low interest rates.
- To constantly review longer term forecasts and to lock in to longer term rates through a variety of instruments, as appropriate during the year, in order to provide a balanced portfolio against interest rate risk.
- To secure the best short term rates for borrowing and investments consistent with maintaining flexibility and liquidity within the portfolio.
- To invest surplus funds prudently, the Council's priorities being:
    - Security of invested capital
    - Liquidity of invested capital
    - An optimum yield which is commensurate with security and liquidity.
- To approve borrowing limits that provide for debt restructuring opportunities and to pursue debt restructuring where appropriate and within the Council's risk boundaries

With overall annual expenditure in excess of £600M and an extensive capital programme, the Council is required to actively manage its cash-flows on a daily basis. The requirement to invest or to borrow monies to finance capital programmes, and to cover daily operational needs, is an integral part of daily cash and investment portfolio management. As at 31 March 2012 the Council's loan portfolio is expected to be £324M and the total value of investments is forecast at £50M. The Balance Sheet position as at 31 March 2011 showed the value of debt as £226M and the value of investments as £36M. The main reason for the increase in debt is due to the housing reform detailed below.

The Council's Capital Financing Requirement (CFR), which measures the Council's underlying need to borrow for capital purposes and represents the cumulative capital expenditure that has not yet been financed, is a key driver of borrowing strategy.

Reform of the housing subsidy system has had a major impact on the Housing Revenue Account (HRA) element of the CFR and will require the Council to take on additional debt currently estimated at £75.5M to fund a one off settlement to central government in return for abolishing the annual subsidy payment. The projected CFR for 31 March 2012 is £444M, of which £265M is attributed to the General Fund and the remaining £179M to the HRA.

The Council's current strategy is to minimise borrowing to below its CFR, the difference representing balances, reserves, provisions and working capital. This approach lowers interest costs and reduces credit risk and relieves pressure on the Council's counterparty list. Borrowing is restricted to a few highly secure sources. These include: the Public Works Loan Board (PWLB), commercial banks, the European Investment Bank, structured finance, and products associated with other local authorities. Additionally, borrowing is restricted by two limits: the Authorised Limit, a statutory limit that sets the maximum level of external borrowing on a gross basis, and the Operational Boundary, which is determined by both the estimated CFR and day to day cash flow movements. For 2012/13 the proposed Authorised Limit is £911M and proposed Operational Boundary is £869M. These are substantially higher than our actual level of debt but they allow for a full debt restructure to be undertaken if an appropriate opportunity arises.

Throughout the year, capital expenditure levels, market conditions and interest rate levels are monitored to minimise borrowing costs over the medium to longer term and to maintain stability. The differential between debt costs and investment earnings continues to be acute, resulting in the use of internal resources in lieu of borrowing often being the most cost effective means of financing capital expenditure. An additional strand of the strategy is to actively monitor opportunities arising for debt rescheduling in order to deliver savings in interest costs but with minimal risk, and to balance the ratio of fixed rate to variable rate debt within the portfolio.

In order to service the Council's day to day cash needs, the Council maintains a portfolio of short term investments. The Council's investment priorities are: the security of invested capital, the liquidity of invested capital, and the optimum yield that is commensurate with security and liquidity, in that order. The report details the Council's investment strategy, explains the institutions (counterparties) with whom the Council is permitted to invest, the limits related to the size of individual investments and the overall holding with institutions. In the annual review of this strategy several amendments to the investment options have been suggested. These include: the addition of Corporate Bonds, the addition of a new counterparty; Bank Nederlandese Gemeenten and a reduction in our minimum credit rating from A+ to A- to allow the Council to continue investing with the main UK banks that are deemed systemically important to the UK economy.

As a result of continued pressure and uncertainty within the financial markets, the security of any investment is the key consideration in decision making and a cautious approach will always be adopted. Whilst this report identifies all permitted options in investment decision making, tighter controls govern daily activity limiting the number of counterparties with whom investments will be placed and the value of the total holding with any single institution. Regular monitoring of all institutions on the counterparty list is part of daily treasury management. In any period of significant stress in the markets, the default position will be to invest with the Government's Debt Management Office (DMO).

The impact of interest rates is crucial to all treasury management activity and forecasts of interest rate movements are taken into account in developing treasury management strategy. Consequently, this strategy is kept under review and, taking market information into account, will be realigned, if required, in line with evolving market conditions and expectations for future interest rates.

In November 2011, CIPFA revised its Treasury Management Code of Practice and these amendments have been incorporated within the strategy and additionally a revised Treasury Management Policy Statement issued.

RECOMMENDATIONS:

AUDIT COMMITTEE

It is recommended that Audit Committee:

(i) Endorse the Treasury Management Strategy for 2012/13 as outlined in the report.

(ii) Note that the indicators as reported have been set on the assumption that the recommendations in the Capital Update report will be approved. Should the recommendations change, the Prudential Indicators may have to be recalculated.

(iii) Note that due to the early timing of this report, changes may still be required following the finalisation of capital and revenue budgets and therefore any significant changes to this report will be highlighted in the final version that is presented to Full Council.

COUNCIL

It is recommended that Council:

(i) Approve the Council's Treasury Management (TM) Strategy and Prudential Indicators for 2012/13, 2013/14 and 2014/15, as detailed within the report; and note and agree in particular the lowering of the minimum credit rating, as recommended by our advisors, from A+ to A- (as detailed in paragraph 32).

(ii) Approve the 2012 MRP Statement (as detailed in paragraph 47)

(iii) Approve the Annual Investment Strategy (as detailed in paragraphs 26-45)

(iv) Approve the adoption of the revised Treasury Management Code of Practice & Guidance notes and subsequent amendments (as detailed in paragraph 64)

(v) Note that at the time of writing this report the recommendations in the Capital Programme Update report, submitted to Council on the 15 February 2012, have not yet been approved. The indicators in the report are based on the assumption that they will be approved, but should the recommendations change, the Prudential Indicators may have to be recalculated

(vi) Continue to delegate authority to the Chief Financial Officer (CFO), following consultation with the Cabinet Member for Resources, Leisure and Culture, to approve any changes to the Prudential Indicators or borrowing limits that will aid good treasury management.

For example, an increase in the percentage for variable rate borrowing to take advantage of the depressed market for short term rates. Any amendments will be reported as part of quarterly financial and performance monitoring and in revisions to the TM Strategy.

(vii) Note the continued use of the Interest Equalisation Reserve, the creation of which was approved to help to manage the impact on annual budget decisions of volatility and the ultimate increase in interest rates which will be felt when the Council locks back into long term fixed rates. The Reserve will be maintained at an appropriate level and savings arising from lower than anticipated interest rates be added to the equalisation reserve to further protect the Council from future increase in debt charges where it is prudent to do so.

REASONS FOR REPORT RECOMMENDATIONS

1. In order to comply with Part 1 of the Local Government Act 2003, and the established treasury management procedures that have been adopted by the Authority, each year the Council must set certain borrowing limits and approve a treasury management strategy which includes:

- Treasury Management Strategy for 2012/13 – Borrowing; paragraphs 18-22, Debt Rescheduling; paragraphs 23-25, Investments; paragraphs 26-45.
- MRP Statement – Paragraph 47.
- Prudential Indicators – Paragraphs 53-74. (Note that the Authorised Limit is a statutory limit).
- Use of Specified and Non-Specified Investments – Paragraphs 27-34.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. Alternative options for borrowing would depend on decisions taken on the review of the capital programme, which are being taken at Full Council on 15 February 2012.

DETAIL (Including consultation carried out)

<u>CONSULTATION</u>

3. The proposed Capital Programme Update report on which this report is based has been subject to separate consultation processes.

<u>BACKGROUND</u>

4. The Local Government Act 2003 introduced a system for borrowing based largely on self-regulation by local authorities themselves. The basic principle of the new system is that local authorities will be free to borrow as long as their capital spending plans are affordable, prudent and sustainable.

5. The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services, (the "CIPFA TM Code"), and the Prudential Code require local authorities to determine a Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Annual Investment Strategy (AIS), as required under the Investment Guidance issued by the Department for Communities and Local Government's (CLG).

6. Treasury Management is about the management of risk. The Authority is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk is the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council. The main risks to the Council's treasury activities are:

   - Liquidity Risk (Inadequate cash resources)
   - Market or Interest Rate Risk (Fluctuations in interest rate levels and thereby in the value of investments).
   - Inflation Risks (Exposure to inflation)
   - Credit and Counterparty Risk (Security of Investments)
   - Refinancing Risks (Impact of debt maturing in future years).

   Legal & Regulatory Risk (i.e. non-compliance with statutory and regulatory requirements, risk of fraud).

7. The purpose of this TMSS is to allow Council to approve:

   - Treasury Management Strategy for 2012/13
   - Prudential Indicators for 2012/13, 2013/14 and 2014/15
   - 2012 MRP Statement
   - Annual Investment Strategy 2012/13
   - Adoption of the revised Treasury Management Code of Practice & Guidance notes and subsequent amendments

8. The strategy takes into account the impact of the Council's Revenue Budget and Capital Programme on the Balance Sheet position, the Prudential Indicators and the current and projected Treasury position (Appendix 1). The outlook for interest rates (Appendix 2) has also been taken into account in developing this strategy

9. The Council acknowledges that effective TM will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in TM, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management. To aid the Council in carrying out its TM function, it has appointed TM Advisors (Arlingclose), who advise the Council on strategy and provide market information to aid decision making. However it should be noted that the decisions are taken independently by the CFO taking into account this advice and other internal and external factors.

10. The CIPFA TM Code was revised in November 2011 and as per requirements of the Prudential Code and Council are asked to approve the adoption of the revised code.

11. All treasury activity will comply with relevant statue, guidance and accounting standards.

BALANCE SHEET AND TREASURY POSITION

12. The underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) together with Balances and Reserves are the core drivers of Treasury Management Activity.

13. The Authority's current level of debt and investments is set out at Appendix 1.

14. The Authority is able to borrow funds in excess of the current level of its CFR up to the projected level in 2014/15. The Authority is likely to only borrow in advance of need if it felt the benefits of borrowing at interest rates now compared to where they are expected to be in the future, outweighs the current cost and risks associated with investing the proceeds until the borrowing was actually required.

15. The forecasted movement in the CFR in coming years is one of the Prudential Indicators (PIs). The movement in actual external debt and usable reserves combine to identify the Authority's borrowing requirement and potential investment strategy in the current and future years. This shows that the capital expenditure plans of the Authority cannot be funded entirely from sources other than external borrowing.

	2011/12 Estimate £M	2012/13 Estimate £M	2013/14 Estimate £M	2014/15 Estimate £M
General Fund CFR	**265**	**265**	**264**	**264**
Housing CFR**	**179**	**176**	**176**	**177**
Total CFR	**444**	**441**	**440**	**441**
Less: Existing Profile of Borrowing and Other Long Term Liabilities	393	416	409	404
Cumulative Maximum External Borrowing Requirement	**51**	**25**	**31**	**37**
Balances & Reserves	36	21	17	15
Cumulative Net Borrowing Requirement / (Investments)	**15**	**4**	**14**	**22**

***This figure reflects the increase resulting from Housing Reform*

The existing profile of borrowing and other long term liabilities does not include potential LOBO (Lender's Option Borrower's Option) loan maturities which may or may not occur. All of the LOBO loans are currently in their call state

REFORM TO THE COUNCIL HOUSING SUBSIDY SYSTEM

16. The Council housing self-financing reforms involve the removal of the housing subsidy system by transferring a one-off allocation of national housing debt in return for the retention in the future of all rental income that is currently pooled under the subsidy regime. Settlement date is 28 March 2012 and will result in the Council increasing it's debt by the sum of £75.5M to fund the currently estimated settlement figure of £75.5M in return for the cessation of the annual subsidy payment to central government that currently amounts to £6.5M per annum.

The Council has the option of borrowing externally from the PWLB or the market and, in conjunction with treasury advisors, considered a mix of financial instruments to spread Treasury risks. In a departure from current Treasury practice this portfolio will be entirely ring-fenced to the HRA and hence eliminate any potential liability on the General Fund through complex statutory recharging methodologies.

On the 20 September 2011, HM Treasury announced the PWLB rates offered to local authorities would be temporarily reduced to allow councils to borrow at lower levels for their one-off HRA reform settlement payment. This will enable the Council to borrow at around 0.13% above the equivalent gilt yield (current borrowing rates are 1% above the gilt yield) to fund the HRA transaction. These lower rates will be available on 26 March 2012 only. Although various sources of borrowing will be considered, it is likely that due to the temporary reduction, all HRA reform financing will be sourced from the PWLB, utilising fixed rate loans with varying maturities. The current forecast interest rate for this borrowing is 4% and this has been built into the HRA business plan.

In order to monitor how the HRA is managing its debt portfolio a new prudential indicators (paragraph 74) has been introduced which shows how the actual and estimated debt compares to the Indicative Debt Cap which is a limit set as part of the housing determination. This limit of HRA indebtedness has been set at £201M for 2012/13 and the following two years.

OUTLOOK FOR INTEREST RATES

17. The economic interest rate outlook provided by the Council's treasury advisor, Arlingclose, is attached at Appendix 2, and indicates that rates are likely to remain lower for longer. The Council also monitors other sources of market information and will reappraise its strategy from time to time and, if required, realign it with evolving market conditions and expectations for future interest rates.

BORROWING STRATEGY

18. Treasury management and borrowing strategies in particular, continue to be influenced not only by the absolute level of borrowing rates but also the relationship between short and long term interest rates. The interest rate forecast provided in Appendix 2 indicates that an acute difference between short and longer term interest rates is expected to continue.

This difference creates a “cost of carry” for any new longer term borrowing where the proceeds are temporarily held as investments because of the difference between what is paid on the borrowing and what is earned on the investment. Whilst the cost of carry can be assumed to be a reasonably short-term issue since borrowing is often for longer dated periods (anything up to 50 years) it cannot be ignored against a backdrop of uncertainty and affordability constraints in the Authority’s wider financial position

As indicated in the table in paragraph 15, the Authority has a gross and net borrowing requirement and will be required to borrow up to £25M in 2012/13. The Authority will adopt a flexible approach to this borrowing in consultation with its treasury management advisers. The following issues will be considered prior to undertaking any external borrowing:

- Affordability;
- Maturity profile of existing debt;
- Interest rate and refinancing risk;
- Borrowing source.

<u>Sources of Borrowing and Portfolio implications</u>

19. In conjunction with advice from its treasury advisor, the Authority will keep under review the following borrowing sources:

- PWLB
- Local authorities
- Commercial banks
- European Investment Bank
- Money markets
- Capital markets (stock issues, commercial paper and bills)
- Structured finance
- Leasing

20. The cost of carry has resulted in an increased reliance upon shorter dated and variable rate borrowing. This type of borrowing injects volatility into the debt portfolio in terms of interest rate risk but is counterbalanced by its affordability and alignment of borrowing costs with investment returns. The Authority’s exposure to shorter dated and variable rate borrowing is kept under regular review by reference to the difference or spread between variable rate and longer term borrowing costs. A narrowing in the spread by 0.5% between the variable rate and the 30 year fixed maturity will result in an immediate and formal review of the borrowing strategy to determine whether the exposure to shorter dated and variable rates is maintained or altered.

21. The Council has exposed itself to interest rate risk by taking out variable debt. This was and continues to be very financially favourable in current markets but does mean that the Council must monitor markets to ensure it is not caught out. During 2012/13 the Council will continue to review and take action as necessary to lessen this risk through a balanced combination of :-

- longer term fixed maturity loans,
- medium term Equal Instalment of Principle (EIP) loans which are currently cheaper than longer term fixed,
- longer term PWLB variable loans which have the option to be fixed at very short notice for a small fee and
- variable rate investments to take advantage of increasing interest rates, mainly through the use of money market funds (MMF).

In order to mitigate these risks further, the Council approved the creation of an Interest Equalisation Reserve in 2009. At that point a major debt restructuring exercise was undertaken in order to take advantage of market conditions and produce net revenue savings. In achieving this, the Council has exposed itself to short term variable interest rate risk and whilst in the current climate of low interest rates this remains a sound strategy, at some point when the market starts to move, the Council will need to act quickly to lock into fixed long term rates which may be at similar levels to the debt it restructured. Furthermore, the volatility in the financial markets means that interest costs and investment income will continue to fluctuate for some time.

It was therefore recommended that an Interest Equalisation Reserve be created to help to manage volatility in the future and ensure that there was minimal impact on annual budget decisions or council tax in any single year. The Reserve will be maintained at an appropriate level and savings arising from lower than anticipated interest rates be added to the equalisation reserve to further protect the Council from future increase in debt charges where it is prudent to do so.

22. The Authority has £9M exposure to LOBO loans all of which can be "called" within 2012/13. A LOBO is called when the Lender exercises their right to amend the interest rate on the loan at which point the Borrower can accept the revised terms or reject them and repay the loan. LOBO loans present a potential refinancing risk to the Authority since the decision to call a LOBO is entirely at the lender's discretion.

Any LOBOs called will be discussed with the treasury advisers prior to acceptance of any revised terms. The default position will be the repayment of the LOBO without penalty i.e. the revised terms will not be accepted.

DEBT RESCHEDULING

23. The Authority's debt portfolio can be restructured by prematurely repaying loans and refinancing them on similar or different terms to achieve a reduction in risk and/or savings in interest costs.

24. The lower interest rate environment and changes in the rules regarding the premature repayment of PWLB loans has adversely affected the scope to undertaken meaningful debt restructuring although occasional opportunities arise. The rationale for undertaking any debt rescheduling would be one or more of the following:

- Savings in risk adjusted interest costs
- Rebalancing the interest rate structure of the debt portfolio
- Changing the maturity profile of the debt portfolio

25. Borrowing and rescheduling activity will be reported to the Audit Committee in the Annual Treasury Management Report and a mid year update. Regular treasury management reports will also be presented as part of quarterly monitoring to Cabinet.

INVESTMENT POLICY AND STRATEGY

26. Guidance from CLG on Local Government Investments in England requires that an Annual Investment Strategy (AIS) be set. The Council's investment priorities are:

- Security of the invested capital;
- Liquidity of the invested capital;
- An optimum yield which is commensurate with security and liquidity

27. Investments are categorised as 'Specified' or 'Non Specified' investments based on the criteria in the CLG Guidance. Specified investments are sterling denominated investments with a maximum maturity of one year. They also meet the "high credit quality" as determined by the Authority and are not deemed capital expenditure investments under Statute. Non specified investments are, effectively, everything else.

Potential instruments for the Council's use within its investment strategy are detailed below.

Investment	Specified	Non-Specified
Term deposits with banks and building societies	✓	✓
Term deposits with other UK local authorities	✓	✓
Certificates of deposit with banks and building societies	✓	✓
Gilts	✓	✓
Treasury Bills (T-Bills)	✓	×
Bonds issued by Multilateral Development Banks	✓	✓
Local Authority Bills	✓	×
Commercial Paper	✓	×
Corporate Bonds	✓	✓
AAA rated Money Market Funds	✓	×
Other Money Market and Collective Investment Schemes	✓	✓
Debt Management Account Deposit Facility	✓	×

28. The (CFO), under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Decisions taken on the core investment portfolio will be reported quarterly to Cabinet.

29. Credit markets remain in a state of distress as a result of the excessive and poor performing debt within the financial markets. In a number of countries the extent and implications of the debt they have built up has led to a sovereign debt crisis resulting in Standard & Poor's rating agency, lowering the long-term ratings on nine Eurozone Sovereigns. It is against this backdrop of uncertainty that the Authority's investment strategy is framed.

30. A number of changes have been implemented to the investment strategy for 2012/13 in response to changes in the CLG Guidance and evolving conditions in financial markets. This results in the inclusion of corporate bonds which the CLG have indicated will become an eligible non-capital investment from 1 April 2012. However, the principal amendments are in relation to the individual institutions with which the Authority is prepared to lend its funds.

31. The Authority and its advisors, Arlingclose Ltd, select countries and financial institutions after analysis and ongoing monitoring of:

- Published credit ratings for financial institutions (minimum long term rating of A- or equivalent for counterparties; AA+ or equivalent for non-UK sovereigns)
- Credit Default Swaps (where quoted)
- Economic fundamentals (for example Net Debt as a percentage of GDP)
- Sovereign support mechanisms
- Share Prices
- Corporate developments, news, articles, markets sentiment and momentum
- Subjective overlay – or, put more simply, common sense.

Any institution can be suspended or removed should any of the factors identified above give rise to concern.

32. As reported in the Quarter 2 monitoring report to Cabinet, the rating agencies undertook a systematic review of UK Banking Institutes which was completed in October 2011 and resulted in a downgrading of long-term ratings of a number of counterparties on the Council's lending list. The downgrades did not represent deterioration in the financial strength of the UK government or the banking system but reflected the fact that the Government is now more likely to allow smaller institutions to fail if they get into financial difficulty. As a result the Council now only has two counterparties which meet our current criteria of A+ who are actively in the market to take local authority investments.

33. In order to provide a pragmatic framework to allow flexibility throughout the financial year and to allow the Council to continue investing with the main UK banks that are deemed systemically important to the UK economy, our advisors have recommended that the minimum credit rating should be reduced to A-.

Although there is no absolute guarantee there remains an implied level of Government support for these banks as a number are deemed Globally Systemically Important Financial Institutions (G-SIFI). The countries and institutions that will meet the revised criteria for term deposits, Certificates of Deposit (CDs) and call accounts are included in Appendix 3.

34. It remains the Authority's policy to make exceptions to counterparty policy established around credit ratings, but this is conditional and directional. What this means is that an institution that meets criteria may be suspended, but institutions not meeting criteria will not be added.

35. The Authority banks with the Co-Operative Bank which at the current time does not meet the revised minimum credit criteria of A- (or equivalent) long term. The Co-Operative Bank current rating sits one notch below the revised criteria and has a stable outlook. However, few of the banks which meet our criteria are actively in the tendering process for local authority banking and it is a costly and complicated process. With this in mind, despite the credit rating being below the Authority's minimum criteria, it will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

Investment Strategy

36. With short term interest rates forecast to be low for even longer, an investment strategy will typically result in a lengthening of investment periods, where cash flow permits, in order to lock in higher rates of acceptable risk adjusted returns. The problem in the current environment is finding an investment counterparty providing acceptable levels of counterparty risk.

37. In order to diversify an investment portfolio largely invested in cash, investments will be placed with a range of approved investment counterparties in order to achieve a diversified portfolio of prudent counterparties, investment periods and rates of return. Maximum investment levels with each counterparty will be set to ensure prudent diversification is achieved.

38. Money market funds (MMFs) will be utilised, but good treasury management practice prevails and whilst MMFs provide good diversification the Authority will also seek to diversify any exposure by utilising more than one MMF. The Authority will also restrict its exposure to MMFs with lower levels of funds under management and will not exceed 0.5% of the net asset value of the MMF. Where MMF's participate, the Council utilises the facilities of a MMF portal to make subscriptions and redemptions. The portal procedure involves the use of a clearing agent however the Council's funds are ring fenced throughout the process.

39. The Council's current level of investments is presented at Appendix 1.

40. The Council's in-house investments are made with reference to the outlook for the UK Bank Rate and money market rates.

41. In any period of significant stress in the markets, the default position is for investments to be made with the DMO or in UK Treasury Bills. Rates of interest available are below equivalent money market rates, but the returns are an acceptable trade-off for the guaranteed security of the Council's capital.

42. The UK Bank Rate has been maintained at 0.5% since March 2009, and is anticipated to remain at low levels throughout 2012/13. Short term money market rates are likely to remain at very low levels for an extended period, which will have a significant impact on investment income and which has been reflected in the budget forecast.

Collective Investment Schemes (Pooled Funds)

43. The Council has evaluated the use of Pooled Funds and determined the appropriateness of their use within the investment portfolio. Pooled funds enable the Council to diversify the assets and the underlying risk in the investment portfolio and provide the potential for enhanced returns. Any investment in pooled funds will be regularly monitored for both performance and to ensure their continued suitability in meeting the Council's investment objectives.

The Use of Financial Instruments for the Management of Risks

44. Investments which constitute capital expenditure: Investments meeting the definition of capital expenditure can be financed from capital or revenue resources. They are also subject to the CLG's Guidance on "non-specified investments". Placing of such investments has accounting, financing and budgetary implications. Whilst it is permissible to fund capital investments by increasing the underlying need to borrow, it should be noted that under the CLG's Minimum Revenue Provision (MRP) Guidance, MRP should be applied over a 20 year period. The Council has determined that it is not currently prudent to make investments which constitute capital expenditure. These would presently need to be sourced from revenue and therefore the requirement for MRP would make the investment not viable.

45. The use of financial instruments for the management of risks: Currently, Local Authorities' legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Act is not sufficiently explicit. Consequently, the authority does not intend to use derivatives. Should this position change, the Council may seek to develop a detailed and robust risk management framework governing the use of derivatives, but this change in strategy will require full Council approval.

BALANCED BUDGET REQUIREMENT

46. The Council complies with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.

2012/13 MRP STATEMENT

47. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on local authorities to make a prudent provision for debt redemption.

Guidance on MRP has been issued by the Secretary of State. Local authorities are required to “have regard” to such Guidance under section 21(1A) of the Local Government Act 2003.

The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

NB *This does not preclude other prudent methods to provide for the repayment of debt principal.*

MRP in 2012/13: Option 1 and 2 will be used for the majority of General Fund historic debt particularly that deemed to be supported through the Revenue Support Grant. For major projects where capital expenditure is funded from prudential borrowing Option 3 will be used to provide MRP over the life of the asset to which the borrowing was applied.

Following the HRA self-financing settlement, HRA debt will increase from £104M to £179M with a borrowing cap of £201M. It is proposed that the HRA will make provision within its business plan to show that it can pay down this debt over the life of the 30 year business plan.

MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement would be put to Full Council at that time.

MONITORING AND REPORTING ON THE ANNUAL TREASURY OUTTURN AND PRUDENTIAL INDICATORS

48. The Chief Financial Officer will report to the Audit Committee on treasury management activity / performance as follows:

    (a) A mid year review against the strategy approved for the year.

    (b) An outturn report on its treasury activity, no later than 30 September after the financial year end.

49. In addition, a quarterly update will be presented to Cabinet as part of Quarterly Revenue Financial Monitoring.

REVISION TO THE CIPFA TREASURY MANAGEMENT CODE OF PRACTICE AND GUIDANCE NOTES

50. CIPFA revised the TM Code and associated Guidance Notes in November 2011. This revision is an update to the TM Code and Guidance Notes last published in November 2009 and approved by Council in February 2010. The TM Code has been reviewed and updated following recent developments and the regulatory changes relating to the Localism Act 2011, including housing finance reform and the introduction of the General Power of Competence.

Below are the principle changes to the code:

- The Council must explicitly state in their TMSS whether they plan to use derivative instruments to manage risks, and ensure they have the legal power to do so. (Paragraph 45).
- The Council will need to make reference to their high level approach to borrowing and investment in their Treasury Management Policy Statement. (See Appendix 4 for the revised Treasury Management Policy Statement)
- Less focus has been placed on the 'minimum credit limits' for investment counterparties, with more focus on the 'minimum acceptable credit quality. (Paragraphs 31-32).
- New treasury indicator: Upper limits on the proportion of net debt to gross debt; to highlight where an authority may be borrowing in advance of its cash requirement. (Paragraph 65).
- The Council may wish to create a new treasury indicator which considers credit risk. (Paragraph 69-72).
- Expansion of the risk management chapter (paragraphs 69 -72).
- New Section in the TM Code Guidance Notes on the 'Treasury Management Implications of the Housing Self-Financing Reform. (Paragraph 16).

<u>TRAINING</u>

51. CIPFA's revised Code requires the CFO to ensure that all Members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. Member training was last undertaken on the 12 January 2012 and it is the intention to rerun this later in the year. The Council adopts a continuous performance and development programme to ensure staff is regularly appraised and any training needs addressed. Treasury staff also attend regular training sessions, seminars and workshops which ensure their knowledge is up to date and relevant. Details of training received are maintained as part of the performance and development process.

<u>INVESTMENT CONSULTANTS</u>

52. The CLG's Guidance on local government investments recommend that the Investment Strategy should state:

- Whether and, if so, how the Authority uses external contractors offering information, advice or assistance relating to investment and
- How the quality of any such service is controlled.

The Council has a contract in place with Arlingclose to provide a treasury advisory service, which details the agreed schedule of services. Performance is measured against the schedule of services to ensure the services being provided are in line with the agreement.

However it should be noted that the decisions are taken independently by the CFO taking into account this advice and other internal and external factors.

PRUDENTIAL INDICATORS

Background

53. There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

Net Borrowing and the Capital Financing Requirement

54. This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that the net external borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional increases to the CFR for the current and next two financial years.

The CFO reports that the Authority had no difficulty meeting this requirement in 2011/12, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

There is a significant difference between the gross external borrowing requirement and the net external borrowing requirement represented by the Council's level of balances, reserves, provisions and working capital. The Council's current strategy is only to borrow to the level of its net borrowing requirement. The reasons for this are to reduce credit risk, take pressure off the Council's lending list and also to avoid the cost of carry existing in the current interest rate environment

Estimates of Capital Expenditure

55. It is a requirement of the Prudential Code to ensure that capital expenditure remains within sustainable limits and, in particular, to consider the impact on council tax and in the case of the HRA, housing rent levels.

Capital Expenditure	**2011/12 Approved £000's**	**2011/12 Revised £000's**	**2012/13 Estimate £000's**	**2013/14 Estimate £000's**	**2014/15 Estimate £000's**
General Fund	69,426	81,678	54,334	15,349	468
HRA	25,892	25,742	31,493	32,632	34,506
Total	**95,318**	**107,420**	**85,827**	**47,981**	**34,974**

Capital expenditure is expected to be financed as follows:

Capital Financing	2011/12 Approved £000's	2011/12 Revised £000's	2012/13 Estimate £000's	2013/14 Estimate £000's	2014/15 Estimate £000's
Capital receipts	11,676	8,107	21,187	10,852	2,720
Government Grants	36,998	52,110	19,950	6,009	468
Revenue contributions	7,371	6,928	4,774	584	117
Major Repairs Allowance	13,096	13,096	17,172	17,388	17,718
Revenue	15,579	12,015	13,301	3,374	7,321
Total Financing	**84,720**	**92,256**	**76,384**	**38,207**	**28,344**
Supported borrowing	0	0	0	0	0
Unsupported borrowing	10,598	15,164	9,443	9,774	6,630
Total Funding	**10,598**	**15,164**	**9,443**	**9,774**	**6,630**
Total Financing & Funding	**95,318**	**107,420**	**85,827**	**47,981**	**34,974**

Ratio of Financing Costs to Net Revenue Stream

56. This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The ratio is based on costs net of investment income. The upper limit for this ratio is currently set at 10% to allow for known borrowing decision in the next two years and to allow for additional borrowing affecting major schemes. The table below shows the likely position based on the proposed capital programme. The table indicates that the HRA will go above this as a result of the HRA debt buyout but these costs have been built into their 30 year business plan. The overall indicator is within the 10% limit. Please note that these figures have been updated since the report submitted to Audit Committee.

Ratio of Financing Costs to Net Revenue Stream	2011/12 Approved %	2011/12 Revised %	2012/13 Estimate %	2013/14 Estimate %	2014/15 Estimate %
General Fund	7.09%	6.17%	6.84%	7.42%	7.17%
HRA	5.75%	5.52%	10.92%	11.05%	10.84%
Total	7.49%	7.24%	8.84%	9.36%	8.93%

Capital Financing Requirement (CFR)

57. The CFR measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and its' financing.

Capital Financing Requirement	2011/12 Approved £M	2011/12 Revised £M	2012/13 Estimate £M	2013/14 Estimate £M	2014/15 Estimate £M
General Fund	255	265	265	264	264
HRA	106	179	176	176	177
Total CFR	**361**	**444**	**441**	**440**	**441**

The year–on-year change in the CFR is due to the following:

Capital Financing Requirement	2011/12 Approved £M	2011/12 Forecast £M	2012/13 Estimate £M	2013/14 Estimate £M	2014/15 Estimate £M
Balance B/F	**360**	**361**	**444**	**441**	**440**
Capital expenditure financed from borrowing	11	19	15	18	15
HRA debt buyout & principal repayments		75	(8)	(8)	(6)
Revenue provision for debt Redemption.	(8)	(7)	(8)	(7)	(6)
Movement in Other Long Term Liabilities	(2)	(4)	(2)	(4)	(2)
Cumulative Maximum External Borrowing Requirement	**361**	**444**	**441**	**440**	**441**

Actual External Debt

58. This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2011	£ £000's
Borrowing	225,803
Other Long-term Liabilities	71,722
Total	**297,525**

Incremental Impact of Capital Investment Decisions

59. This indicator is intended to estimate the impact of capital investment decisions on the council tax and rent levels in future years. It compares what the capital financing costs are expected to be with the current approved capital programmes (i.e. the programmes approved in September 2011) with what the capital financing costs are estimated to be if the capital reports proposed elsewhere on the agenda are approved. It is intended to show how the decision to approve the new programme will impact in future years i.e. what the effect of any new borrowing will be on council tax and housing rents. (Much of the increase over the 3 years is as a result of adding the 2013/14 schemes to the capital programme and additional unsupported borrowing).

60. For the HRA, the reality is that the rent levels are set under the Government's rent restructuring formula, which is independent of the level of capital investment and borrowing. The calculation of the indicator ignores this factor. The incremental impact of capital investments decisions are estimated to be:

Incremental Impact of Capital Investment Decisions	2011/12 Approved £	2012/13 Estimate £	2013/14 Estimate £	2014/15 Estimate £
Increase in Band D Council Tax	6.76	2.94	3.29	4.34
Increase in Average Weekly Housing	17.03	(2.41)	2.53	(12.71)

Authorised Limit and Operational Boundary for External Debt

61. The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

62. The ***Authorised Limit*** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements, for example a complete debt restructure which requires monies to be borrowed in advance of repayment of existing debt. The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

Authorised Limit for External Debt	2011/12 Approved £000's	2011/12 Revised £000's	2012/13 Estimate £000's	2013/14 Estimate £000's	2014/15 Estimate £000's
Borrowing	486	696	832	852	840
Other Long-term Liabilities	77	79	79	81	86
Total	**563**	**775**	**911**	**933**	**926**

The limit from 2012/13 have been increased to accommodate the increased debt taken on as a result of Housing Subsidy Reform; there was no need to revise the existing limit as there is sufficient headroom to accommodate the additional £75.5m.

63. The ***Operational Boundary*** is linked directly to the Council's estimates of the CFR and estimates of other day to day cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

Operational Boundary for External Debt	2011/12 Approved £000's	2011/12 Revised £000's	2012/13 Estimate £000's	2013/14 Estimate £000's	2014/15 Estimate £000's
Borrowing	471	665	794	813	802
Other Long-term Liabilities	71	75	75	78	82
Total	**542**	**740**	**869**	**891**	**884**

The CFO has delegated authority, within the above limits for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Council will be notified of any use of this delegated authority

Adoption of the CIPFA Treasury Management Code

64. This indicator demonstrates that the Council has adopted the principles of best practice and all subsequent updates as detailed in paragraph 50.

The Council approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 19th February 2003.

The Council has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.

Gross and Net Debt

65. This is a new indicator which was intended to highlight a situation where the Council is planning to borrow in advance of need. However in its current format it does not work as intended and our advisors have been in contact with CIPFA who have just confirmed that until further formal guidance is issued, local authorities should still include this indicator within their Treasury Strategies but state on what basis it has been drawn up. We have completed the indicator on the expected position at year end and have included internal borrowing in the gross debt figure.

Gross and Net Debt	**2011/12 Estimate £M**	**2012/13 Estimate £M**	**2013/14 Estimate £M**	**2014/15 Estimate £M**
Outstanding Borrowing (at nominal Value) inc of internal borrowing	409	439	423	416
Other Long-term Liabilities (at nominal value)	79	79	81	86
Gross Debt	**488**	**518**	**504**	**502**
Less Investments	**50**	**33**	**33**	**33**
Net Debt	**438**	**485**	**471**	**469**

Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

66. The following Prudential Indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises, which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short term rates on investments.

	Existing level at 31/12/2011 %	2011/12 Approved %	2012/13 Estimate %	2013/14 Estimate %	2014/15 Estimate %
Upper Limit for Fixed Interest Rate Exposure	100	100	100	100	100
Upper Limit for Variable Interest Rate Exposure	50	50	50	50	50

The Council will also limit and monitor large concentrations of fixed rate debt needing to be replaced. The limits provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's TM strategy. As all LOBO are now in their call options they have been included as under 12 months within this indicator.

Maturity Structure of Fixed Rate borrowing

67. This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

68. It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

	Lower Limit %	Upper Limit %	Actual Fixed Debt as at 31/12/2011 £000's	Average Fixed Rate as at 31/12/2011 %	Fixed Rate as at 31/12/2011 %	Compliance with set Limits?
Under 12 months	0	45	15,504	1.03	7.69	Yes
12 months and within 24 months	0	45	5,000	4.08	2.48	Yes
24 months and within 5 years	0	50	9,000	2.78	4.47	Yes
5 years and within 10 years	0	75	106,981	3.23	53.10	Yes
10 years and within 20 years	0	75	0	0.00	0.00	Yes
20 years and within 30 years	0	75	10,000	4.68	4.96	Yes
30 years and within 40 years	0	75	30,000	4.62	14.89	Yes
40 years and within 50 years	0	75	25,000	3.89	12.41	Yes
50 years and above	0	100	0	0.00	0.00	Yes
			201,484	**3.45%**	**100.00**	

Credit Risk

69. The Council considers security, liquidity and yield, in that order, when making investment decisions.

70. Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

71. The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

72. The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms. Our advisors collate quarterly investment information across their client base, (approximately 93 Local Government clients) and present in a graphical format how we compare with regards to counterparty credit quality and maturity of investments, this will be presented as part of quarterly monitoring to demonstrate our relative performance.

Upper Limit for total principal sums invested over 364 days

73. The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 364 days	2011/12 Approved £M	2011/12 Revised £M	2012/13 Estimate £M	2013/14 Estimate £M	2014/15 Estimate £M
	50	50	50	50	50

HRA Limit on Indebtedness

74. Local authorities are required to report the level of the HRA CFR compared to the level of debt which is imposed (or subsequently amended) by the DCLG at the time of implementation of self – financing.

HRA Limit on Indebtedness	2011/12 Revised £m	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m
HRA Debt Cap (as prescribed by CLG) *	201.3	201.3	201.3	201.3
HRA CFR	179.3	175.5	176.2	177.4
Difference	**22.0**	**25.8**	**25.1**	**23.9**

**N.B. This may change following the final determinations due out at the end of January 2012.*

RESOURCE IMPLICATIONS

Capital

75. The Capital implications are considered as part of the General Fund Capital Programme report and HRA Capital Programme report elsewhere on the Council agenda.

Revenue

76. The Revenue implications are considered as part of the General Fund Revenue Budget report and HRA Revenue Budget report elsewhere on the Council agenda.

Property/Other

77. None

LEGAL IMPLICATIONS

Statutory Power to undertake the proposals in the report:

78. Local Authority borrowing is regulated by Part 1, of the Local Government Act 2003, which introduced the new Prudential Capital Finance System. From 1 April 2004, investments are dealt with, not in secondary legislation, but through guidance. Similarly, there is guidance on prudent investment practice, issued by the Secretary of State under Section 15(1)(a) of the 2003 Act. A local authority has the power to invest for "any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs". The reference to the "prudent management of its financial affairs" is included to cover investments, which are not directly linked to identifiable statutory functions but are simply made in the course of treasury management. This also allows the temporary investment of funds borrowed for the purpose of expenditure in the reasonably near future; however, the speculative procedure of borrowing purely in order to invest and make a return remains unlawful.

Other Legal Implications:

79. None

POLICY FRAMEWORK IMPLICATIONS

80. This report has been prepared in accordance with CIPFA’s Code of Practice on Treasury Management

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SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	Existing Portfolio Projected forward
2.	Economic and Interest Outlook
3.	Recommended Sovereign and Counterpart List
4.	Treasury Management Policy Statement
5.	Glossary of Treasury Terms

Documents In Members' Rooms

1.	None

Integrated Impact Assessment

Do the implications/subject/recommendations in the report require an Integrated Impact Assessment to be carried out.	No

Other Background Documents

Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	ANNUAL TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL LIMITS 2011/12 TO 2013/14 – Council 16 February 2011	

Integrated Impact Assessment and Other Background documents available for inspection at:

WARDS/COMMUNITIES AFFECTED:	All

APPENDIX 1

TREASURY MANAGEMENT STRATEGY STATEMENT
&
INVESTMENT STRATEGY 2012/13 to 2014/15

EXISTING PORTFOLIO PROJECTED FORWARD

	Current Portfolio £M		31-Mar-12 Estimate £M	31-Mar-13 Estimate £M	31-Mar-14 Estimate £M	31-Mar-15 Estimate £M
External Borrowing:						
Fixed Rate – PWLB	186		258	254	250	245
Fixed Rate – Market	16		20	25	25	25
Variable Rate – PWLB	35		35	60	60	60
Variable Rate – Market	11		11	11	11	11
Total Loan Portfolio	248		324	350	346	341
Other long-term liabilities:						
HCC Transferred Debt	19		18	18	17	17
- PFI	50		49	47	46	46
- Operating Leases	4		2	1	0	0
Total Gross External Debt	**321**		**393**	**416**	**409**	**404**
Investments:						
Deposits and monies on call and Money Market Funds	90		44	30	30	30
Supranational bonds	6		6	3	3	3
Total Investments	96		50	33	33	33
Net Borrowing Position	**225**		**343**	**383**	**376**	**371**

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ECONOMIC AND INTEREST OUTLOOK

The economic interest rate outlook provided by the Council's treasury advisor, Arlingclose Ltd, for December 2011 is detailed below. The Council will reappraise its strategy from time to time and, if needs be, realign it with evolving market conditions and expectations for future interest rates.

	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Official Bank Rate													
Upside risk						0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk													
1-yr LIBID													
Upside risk	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	1.75	1.75	1.75	1.75	1.75	1.80	1.85	1.95	2.00	2.10	2.20	2.30	2.40
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
5-yr gilt													
Upside risk	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	1.25	1.30	1.35	1.40	1.50	1.60	1.70	1.80	2.00	2.10	2.30	2.40	2.50
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
10-yr gilt													
Upside risk	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	2.20	2.30	2.40	2.45	2.50	2.55	2.60	2.70	2.75	2.80	2.85	2.90	3.00
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
20-yr gilt													
Upside risk	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	3.00	3.05	3.05	3.10	3.20	3.25	3.30	3.35	3.40	3.45	3.50	3.60	3.75
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
50-yr gilt													
Upside risk	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	3.25	3.40	3.50	3.60	3.70	3.80	3.90	4.00	4.00	4.00	4.10	4.20	4.25
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

Key Issues

- Momentum in economic growth is scarce.
- Conventional monetary policy has become largely redundant; the Bank of England and the US Federal Reserve have signalled their respective official interest rates will be on hold through to the end of 2012. We think that it could be 2016 before official interest rates rise.
- The Bank of England's Monetary Policy Committee (MPC) has returned to unconventional monetary policy and embarked on a further round of Quantitative Easing (QE). There will be more to come.

Underlying Assumptions:

- Against a backdrop of turmoil within the Eurozone and the unwillingness of its politicians to acknowledge and issue a credible plan to resolve it the result is that financial markets continue to see saw between risk "on" and risk "off" daily patterns. The reality is that the risk "off" days outnumber the risk "on" days with the implication that the growth outlook is an increasing cause for concern.

- Despite the efforts of the politicians at the Brussels summit, the initial optimism of markets has been punctured, as once again, the lack of credible detail on the delivery of action as opposed to aspirations becomes worryingly clear. The detail appears to amount to the news that President Sarkozy will head to China to secure funds for the extended EFSF.
- The MPC's decision to embark on a further £75 billion of QE, (which the Minutes showed was unanimously supported), demonstrated the strength of the economic headwinds that are blowing against the nascent UK economic recovery. For growth to occur you need somebody to spend.
- Inflation increased more than predicted to 5.2% in September. Energy prices continued to be the primary cause although the markets are now less interested in inflation given the economic growth focus. The Bank's Inflation Forecasts still point to a sharp downturn in CPI into 2012 as the index effects of VAT and earlier energy price shocks subside.
- Business confidence has yet to recover sufficiently for commitment to new capital investment and employment. Taken together the levels of unemployment remain very high and are a significant drag on consumption despite reasonably robust retail sales data.
- Quarter 3 GDP is expected to be weak but positive.
- Public Finances remain just about on track to meet the Coalition’s target. With the risk of lower growth, there is very little scope for tax giveaways to boost business and consumer spending.

RECOMMENDED SOVEREIGN AND COUNTERPARTY LIST

***Group Limits** - For institutions within a banking group, a limit of 1.5 times the individual limit of a single bank within that group.*

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit % / £M	Maximum Group Limit (if applicable) % / £M	Current Credit Rating	Meet A+ Limit / Notes (Institutions Which Are Now Available Due to Change in Criteria are Highlighted)
Term Deposits/Call Accounts	UK	Santander UK Plc (Banco Santander Group)	£10 Million		A+	Yes but overnight only
Term Deposits/Call Accounts	UK	Bank of Scotland (Lloyds Banking Group)	£10Million	£7.5 Million	A	No
Term Deposits/Call Accounts	UK	Lloyds TSB (Lloyds Banking Group)	£10Million	£7.5 Million	A	No
Term Deposits/Call Accounts	UK	Barclays Bank Plc	£10Million		A+	Yes
Term Deposits/Call Accounts	UK	Clydesdale Bank (National Australia Bank Group)	£10 Million			Currently Suspended
Term Deposits/Call Accounts	UK	HSBC Bank Plc	£10 Million		AA-	Yes but not readily accessible
Term Deposits/Call Accounts	UK	Nationwide Building Society	£10 Million		A	No
Term Deposits/Call Accounts	UK	NatWest (RBS Group)	£10Million	£7.5 Million	A	No
Term Deposits/Call Accounts	UK	Royal Bank of Scotland (RBS Group)	£10 Million	£7.5 Million	A	No
Term Deposits/Call Accounts	UK	Standard Chartered Bank	£10 Million		A+	Yes but not readily accessible
Term Deposits/Call Accounts	Australia	Australia and NZ Banking Group	£1Million		AA-	Not readily accessible
Term Deposits/Call Accounts	Australia	Commonwealth Bank of Australia	£1Million		AA-	Not readily accessible
Term Deposits/Call Accounts	Australia	National Australia Bank Ltd (National Australia Bank Group)	£1Million		AA-	Not readily accessible
Term Deposits/Call Accounts	Australia	Westpac Banking Corp	£1Million		AA-	Not readily accessible

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit % / £M	Maximum Group Limit (if applicable) % / £M	Current Credit Rating	Meet A+ Limit / Notes (Institutions Which Are Now Available Due to Change in Criteria are Highlighted)
Term Deposits/Call Accounts	Canada	Bank of Nova Scotia	£1Million		AA-	Not readily accessible
Term Deposits/Call Accounts	Canada	Canadian Imperial Bank of Commerce	£1Million		A+	Not readily accessible
Term Deposits/Call Accounts	Canada	Royal Bank of Canada	£1Million		AA-	Not readily accessible
Term Deposits/Call Accounts	Canada	Toronto-Dominion Bank	£1Million		AA-	Not readily accessible
Term Deposits/Call Accounts	Finland	Nordea Bank Finland	£1Million			Currently Suspended
Term Deposits/Call Accounts	France	BNP Paribas	£1Million			Currently Suspended
Term Deposits/Call Accounts	France	Credit Agricole CIB (Credit Agricole Group)	£1Million			Currently Suspended
Term Deposits/Call Accounts	France	Credit Agricole SA (Credit Agricole Group)	£1Million			Currently Suspended
Term Deposits/Call Accounts	France	Société Générale	£1Million			Currently Suspended
Term Deposits/Call Accounts	Germany	Deutsche Bank AG	£1Million			Currently Suspended
Term Deposits/Call Accounts	Netherlands	ING Bank NV	£1Million			Currently Suspended
Term Deposits/Call Accounts	Netherlands	Rabobank	£1Million			Currently Suspended
Term Deposits/Call Accounts	Netherlands	Bank Nederlandse Gemeenten	£1Million			Currently Suspended
Term Deposits/Call Accounts	Sweden	Svenska Handelsbanken	£1Million			Currently Suspended
Term Deposits/Call Accounts	Switzerland	Credit Suisse	£1Million			Currently Suspended
Term Deposits/Call Accounts	US	JP Morgan	£1Million		A+	Not readily accessible

***Please note this list could change if, for example, a counterparty/country is upgraded, and meets our other creditworthiness tools. Alternatively if a counterparty is downgraded, this list may be shortened*.

Appendix 4

TREASURY MANAGEMENT POLICY STATEMENT

1. INTRODUCTION AND BACKGROUND

1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.

1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
- Suitable Treasury Management Practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.3 The Council (i.e. full Council) will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

1.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Audit Committee and for the execution and administration of treasury management decisions to Chief Financial Officer, who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

1.5 The Council nominates audit committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2. POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

2.1 The Council defines its treasury management activities as:

"*The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.*"

2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management."

2.4 The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

2.5 The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

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GLOSSARY OF TREASURY TERMS

Authorised Limit: A statutory limit that sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities).
Balances and Reserves: Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.
Bank Rate: The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate". This rate is also referred to as the 'repo rate'.
Bond: A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.
Capital Expenditure: Expenditure on the acquisition, creation or enhancement of capital assets.
CFR: **Capital Financing Requirement.** The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.
CD's: Certificates of Deposits with banks and building societies.
Cost of carry: The "cost of carry" is the difference between what is paid to borrow compared to the interest which could be earned. For example, if one takes out borrowing at 5% and invests the money at 1.5%, there is a cost of carry of 3.5%.
CPI : Consumer Price Index – the UK's main measure of inflation.
Credit Rating: Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.

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Corporate Bonds: Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
Counterparty: List of approved financial institutions which the Council can place investments with.
Diversification /diversified exposure: The spreading of investments among different types of assets or between markets in order to reduce risk.
DMO: **Debt Management Office.** The DMO is an Executive Agency of Her Majesty's Treasury and provides direct access for local authorities into a government deposit facility known as the **DMADF**. All deposits are guaranteed by HM Government and therefore have the equivalent of a sovereign triple-A credit rating.
Federal Reserve The US central bank. (Often referred to as “the Fed”).
General Fund: This includes most of the day-to-day spending and income.
Gilts: Gilts are bonds issued by the UK Government. They take their name from ‘gilt-edged’: being issued by the UK government, they are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.
Housing Revenue Account (HRA): The HRA reflects the statutory requirement to account for local authority housing. It sets out the major elements of housing revenue expenditure and capital financing charges and how these are met by rents, other income and working balances. The account has to be self – financing and there is a legal prohibition on cross subsidising to or from the Council Tax payer.
LOBO: Stands for Lender Option Borrower Option. The underlying loan facility is typically very long-term - for example 40 to 60 years - and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at pre-determined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the ‘option’ to either accept the new imposed fixed rate or repay the loan facility. The upshot of this is that on the option exercise date, the lender could propose an extreme fixed rate, say 20 per cent, which would effectively force the repayment of the underlying facility. The borrower’s so called ‘option’ is only the inalienable right to accept or refuse a new deal such as a fixed rate of 20 per cent.

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Maturity: The date when an investment or borrowing is repaid.

Maturity Structure / Profile: A table or graph showing the amount (or percentage) of debt or investments maturing over a time period. The amount or percent maturing could be shown on a year-by-year or quarter-by quarter or month-by-month basis.
Money Market Funds: Pooled funds which invest in a range of short term assets (MMF) providing high credit quality and high liquidity.
MRP: Minimum Revenue Provision**.** An annual provision that the Council is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets.
Multilateral Development Banks: See Supranational Bonds below.
Non Specified Investment: Investments which fall outside the CLG Guidance for **Specified investments** (detailed below).
Operational Boundary: This linked directly to the Council's estimates of the CFR and estimates of other day to day cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.
Premiums and Discounts: In the context of local authority borrowing, (a) the premium is the penalty arising when a loan is redeemed prior to its maturity date and (b) the discount is the gain arising when a loan is redeemed prior to its maturity date. If on a £1 million loan, it is calculated that a £150,000 premium is payable on premature redemption, then the amount paid by the borrower to redeem the loan is £1,150,000 plus accrued interest. If on a £1 million loan, it is calculated* that a £50,000 discount receivable on premature redemption, then the amount paid by the borrower to redeem the loan is £950,000 plus accrued interest. PWLB premium/discount rates are calculated according to the length of time to maturity, current market rates (plus a margin), and the existing loan rate which then produces a premium/discount dependent on whether the discount rate is lower/higher than the coupon rate.

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*The calculation of the total amount payable to redeem a loan borrowed from the Public Works Loans Board (PWLB) is the present value of the remaining payments of principal and interest due in respect of the loan being repaid prematurely, calculated on normal actuarial principles. More details are contained in the PWLB's lending arrangements circular.
Prudential Code: Developed by CIPFA and introduced on 01/4/2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.
Prudential Indicators: Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators
PWLB: Public Works Loans Board is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.
Quantitative Easing (QE): In relation to the UK, it is the process used by the Bank of England to directly increase the quantity of money in the economy. It "does not involve printing more banknotes. Instead, the Bank buys assets from private sector institutions – that could be insurance companies, pension funds, banks or non-financial firms – and credits the seller's bank account. So the seller has more money in their bank account, while their bank holds a corresponding claim against the Bank of England (known as reserves). The end result is more money out in the wider economy". Source: Bank of England.
Revenue Expenditure: Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges.
RPI : Retail Prices Index is a monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent. Pensions and index-linked gilts are uprated using the RPI index.
(Short) Term Deposits: Deposits of cash with terms attached relating to maturity and rate of return (Interest).
Specified Investments: Term used in the CLG Guidance and Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no

more than 1 year. UK government, local authorities and bodies that have a high credit rating.
Supported Borrowing: Borrowing for which the costs are supported by the government or third party.
Supranational Bonds: Instruments issued by supranational organisations created by governments through international treaties (often called **multilateral development banks**). The bonds carry a AAA rating in their own right. Examples of supranational organisations are the European Investment Bank, the International Bank for Reconstruction and Development.
T-Bills: Treasury Bills are short term Government debt instruments and, just like temporary loans used by local authorities, are a means to manage cash flow. Treasury Bills (T-Bills) are issued by the Debt Management Office and are an eligible sovereign instrument, meaning that they have a AAA-rating.
Treasury Management Code: CIPFA's Code of Practice for Treasury Management in the Public Services, initially brought in 2003, subsequently updated in 2009 and 2011.
TMP: **Treasury Management Practices** set out the manner in which the Council will seek to achieve its policies and objectives and prescribe how it will manage and control these activities.
Temporary Borrowing: Borrowing to cover peaks and troughs of cash flow, not to fund capital spending.
Unsupported Borrowing: Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.
Yield: The measure of the return on an investment instrument

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