

# COUNCIL

Wednesday, 12th February,  
2014

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

<b>WARD</b>	<b>COUNCILLOR</b>	<b>WARD</b>	<b>COUNCILLOR</b>
<b>Bargate</b>	Bogle Noon Tucker	<b>Millbrook</b>	Furnell Laming Thorpe
<b>Bassett</b>	Hannides B Harris L Harris	<b>Peartree</b>	Keogh Lewzey Dr Paffey
<b>Bevois</b>	Barnes-Andrews Burke Rayment	<b>Portswood</b>	Claisse Norris Vinson
<b>Bitterne</b>	Letts Lloyd Stevens	<b>Redbridge</b>	McEwing Pope Whitbread
<b>Bitterne Park</b>	White Baillie Inglis	<b>Shirley</b>	Chaloner Kaur Mead
<b>Coxford</b>	Morrell Spicer Thomas	<b>Sholing</b>	Mrs Blatchford Jeffery Kolker
<b>Freemantle</b>	Moulton Parnell Shields	<b>Swaythling</b>	Mintoff Turner Vassiliou
<b>Harefield</b>	Daunt Fitzhenry Smith	<b>Woolston</b>	Cunio Hammond Payne

# **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.

### **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 Priorities:**

- **Economic:** Promoting Southampton and attracting investment; raising ambitions and improving outcomes for children and young people.
- **Social:** Improving health and keeping people safe; helping individuals and communities to work together and help themselves.
- **Environmental:** Encouraging new house building and improving existing homes; making the city more attractive and sustainable.
- **One Council:** Developing an engaged, skilled and motivated workforce; implementing better ways of working to manage reduced budgets and increased demand.

**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(Municipal Year 2013/14)**

<b>2013</b>	<b>2014</b>
15 May	12 February (Budget)
17 July	19 March
18 September	4 June
20 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 "Disclosable Personal Interest" or "Other Interest" they may have in relation to matters for consideration on this Agenda.

### DISCLOSABLE PERSONAL INTERESTS

A Member must regard himself or herself as having a Disclosable Pecuniary Interest in any matter that they or their spouse, partner, a person they are living with as husband or wife, or a person with whom they are living as if they were a civil partner in relation to:

(i) Any employment, office, trade, profession or vocation carried on for profit or gain.

(ii) Sponsorship:

Any payment or provision of any other financial benefit (other than from Southampton City Council) made or provided within the relevant period in respect of any expense incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

(iii) Any contract which is made between you / your spouse etc (or a body in which the you / your spouse etc has a beneficial interest) and Southampton City Council under which goods or services are to be provided or works are to be executed, and which has not been fully discharged.

(iv) Any beneficial interest in land which is within the area of Southampton.

(v) Any license (held alone or jointly with others) to occupy land in the area of Southampton for a month or longer.

(vi) Any tenancy where (to your knowledge) the landlord is Southampton City Council and the tenant is a body in which you / your spouse etc has a beneficial interests.

(vii) Any beneficial interest in securities of a body where that body (to your knowledge) has a place of business or land in the area of Southampton, and either:

- a) the total nominal value for the securities exceeds £25,000 or one hundredth of the total issued share capital of that body, or
- b) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you / your spouse etc has a beneficial interest that exceeds one hundredth of the total issued share capital of that class.

## **Other Interests**

A Member must regard himself or herself as having a, 'Other Interest' in any membership of, or occupation of a position of general control or management in:

Any body to which they have been appointed or nominated by Southampton City Council

Any public authority or body exercising functions of a public nature

Any body directed to charitable purposes

Any body whose principal purpose includes the influence of public opinion or policy

## **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, 4 February 2014

**TO: ALL MEMBERS OF THE SOUTHAMPTON CITY COUNCIL**

You are hereby summoned to attend a meeting of the COUNCIL to be held on WEDNESDAY, 12TH FEBRUARY, 2014 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 The General Fund Capital Programme 2013/14 to 2016/17**

Report of the Cabinet Member for Resources seeking to set out the latest estimated overall financial position on the General Fund Capital Programme for 2013/14 to 2016/17, attached.

**b General Fund Revenue Budget 2014/15 to 2016/17**

Report of the Cabinet Member for Resources, seeking to set out the latest estimated overall financial position on the General Fund Revenue Budget for 2014/15 to 2016/17 and to outline the main issues that need to be addressed in considering the Cabinet's budget and council tax proposals to Council on 12 February 2014, attached.

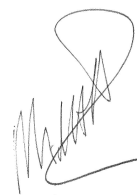
**5 HOUSING REVENUE ACCOUNT BUDGET REPORT AND BUSINESS PLAN**

Report of the Cabinet Member for Housing and Sustainability seeking approval for the Housing Revenue Account budget proposals and long term business plan to be recommended to the budget setting Council meeting on 12 February 2014, attached.

**6 TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL LIMITS 2014/15 TO 2016/17**

Report of the Chief Financial Officer regarding the Council's proposed 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 Christian prayers from Reverend Doctor Julian Davies in the Mayor's Reception Room at 1.45 pm for Members of the Council and Officers who wish to attend.

A handwritten signature in black ink, appearing to read 'M R HEATH', with a large, stylized flourish at the end.

**M R HEATH**  
Director of Corporate Services

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# Agenda Item 4a

<b>DECISION-MAKER:</b>	CABINET COUNCIL		
<b>SUBJECT:</b>	THE GENERAL FUND CAPITAL PROGRAMME 2013/14 TO 2016/17		
<b>DATE OF DECISION:</b>	4 FEBRUARY 2014 12 FEBRUARY 2014		
<b>REPORT OF:</b>	CABINET MEMBER FOR RESOURCES		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	Andrew Lowe	<b>Tel:</b> 023 8083 2049
	<b>E-mail:</b>	<a href="mailto:Andrew.Lowe@southampton.gov.uk">Andrew.Lowe@southampton.gov.uk</a>	
<b>Director</b>	<b>Name:</b>	Mark Heath	<b>Tel:</b> 023 8083 2371
	<b>E-mail:</b>	<a href="mailto:Mark.Heath@southampton.gov.uk">Mark.Heath@southampton.gov.uk</a>	
<b>STATEMENT OF CONFIDENTIALITY</b>			
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 18 September 2013. 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 £20.1M. The capital programme is fully funded based on the latest forecast of available resources although the forecast can be subject to change; most notably with regard to the value and timing of anticipated capital receipts.

In addition to the forecast capital receipts that are assumed as a key element of funding the capital programme presented for approval, there may be additional receipts which will flow from the sale of assets. It was anticipated that towards the end of 2013/14 it would be possible to better estimate the amount and timing of any forecast additional receipts but this cannot be completed until the disposal programme which is currently under review is finalised.

## RECOMMENDATIONS:

### CABINET

#### Recommends that Full Council

- i) Approve the revised General Fund Capital Programme, which totals £132.5M (as detailed in paragraph 4) and the associated use of resources.
- ii) Note the changes to the programme as summarised in Appendix 2 and described in detail in Appendix 3.

- iii) Note the slippage and re-phasing as described in detail in Appendix 3.
- iv) Add £2,652,000 to the Environment & Transport Capital Programme in 2014/15 for the Roads Programme, funded by direct revenue financing.
- v) Add £350,000 to the Environment & Transport Capital Programme in 2014/15 for the purchase of compact sweepers, funded by Council Resources.
- vi) Note that the revised General Fund Capital Programme is based on prudent assumptions of future Government Grants to be received, and that announcements made as part of the Comprehensive Spending Review for 2015/16 and the provisional local government finance settlement have been appropriately reflected in the proposed programme presented for approval.
- vii) Note that additional temporary borrowing taken out in 2010/11 and 2011/12 due to cash flow issues, now totalling £9.4M, is expected to be repaid by the end of 2014/15 when anticipated capital receipts are finally forecast to be received.
- viii) Note that in addition to the forecast capital receipts that are assumed as a key element of funding the capital programme presented for approval, there may be additional receipts which will flow from the sale of assets. It was anticipated that towards the end of 2013/14 it would be possible to better estimate the amount and timing of any forecast additional receipts but this cannot be completed until the disposal programme which is currently under review is finalised.
- ix) Note the financial and project issues which are set out in paragraphs 29 to 34 and detailed in Appendix 3 for each Portfolio.

## **COUNCIL**

### **It is recommended that Council:**

- i) Approve the revised General Fund Capital Programme, which totals £132.5M (as detailed in paragraph 4) and the associated use of resources.
- ii) Note the changes to the programme as summarised in Appendix 2 and described in detail in Appendix 3.
- iii) Note the slippage and re-phasing as described in detail in Appendix 3.
- iv) Add, £2,652,000 to the Environment & Transport Capital Programme in 2014/15 for the Roads Programme, funded by direct revenue financing.
- v) Add £350,000 to the Environment & Transport Capital Programme in 2014/15 for the purchase of compact sweepers, funded by Council Resources.
- vi) Note that the revised General Fund Capital Programme is based on prudent assumptions of future Government Grants to be received, and that announcements made as part of the Comprehensive Spending Review for 2015/16 and the provisional local government finance settlement have been appropriately reflected in the proposed programme presented for approval.

- vii) Note that additional temporary borrowing taken out in 2010/11 and 2011/12 due to cash flow issues, now totalling £9.4M, is expected to be repaid by the end of 2014/15 when anticipated capital receipts are finally forecast to be received.
- viii) Note that in addition to the forecast capital receipts that are assumed as a key element of funding the capital programme presented for approval, there may be additional receipts which will flow from the sale of assets.  
It was anticipated that towards the end of 2013/14 it would be possible to better estimate the amount and timing of any forecast additional receipts but this cannot be completed until the disposal programme which is currently under review is finalised.
- ix) Note the financial and project issues which are set out in paragraphs 29 to 34 and detailed in Appendix 3 for each Portfolio.

## **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 in the light of the funding available and the overall financial position.

## **DETAIL (Including consultation carried out)**

### **CONSULTATION**

3. The General Fund Capital Programme update summarises additions to the capital programme since September 2013. Each addition to the capital programme has been subject to the relevant consultation process which now reflects the role played by Capital Boards and the 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:

	2013/14	2014/15	2015/16	2016/17	Later Years	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Latest Programme	55,151	56,491	20,308	568		132,518
Sep 2013 Programme	67,658	29,280	14,957		557	112,452
<b>Variance</b>	<b>(12,507)</b>	<b>27,211</b>	<b>5,351</b>	<b>568</b>	<b>(557)</b>	<b>20,066</b>

5. The above table shows that the General Fund Capital Programme has increased by £20.1M. 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.
6. 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	Previous Programme	Total Change
	£000's	£000's	£000's
Children's Services	31,517	31,194	323
Economic Development & Leisure			
- Economic Development	28,144	21,144	7,000
- Leisure	3,931	3,510	421
Environment & Transport			
- A E&T	43,443	39,985	3,458
- B City Services	3,656	3,285	371
Health & Adult Social Care	1,627	1,627	
Housing & Sustainability	14,193	5,700	8,493
Resources	6,007	6,007	
<b>Total GF Capital Programme</b>	<b>132,518</b>	<b>112,452</b>	<b>20,066</b>

7. Further detail of the changes to each portfolio capital programme is contained in Appendix 3 which sets out both additions and slippage and re-phasing for schemes.

## CAPITAL RESOURCES

8. The resources which can be used to fund the capital programme are as follows:
  - 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 and from other bodies
  - Direct Revenue Financing (DRF)
9. 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**

10. 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 2013:

	<b>£000's</b>
Capital Receipts	2,680
Contributions	7,046
Capital Grants	7,613
Direct Revenue Financing	2,727
<b>Total Change in Available Resources</b>	<b>20,066</b>

11. The main reasons for the resource changes are detailed in Appendix 4. It should be noted that the revised General Fund Capital Programme is based on prudent assumptions of future Government Grants to be received, and that announcements made as part of the Comprehensive Spending Review for 2015/16 and the provisional local government finance settlement have been appropriately reflected in the proposed programme presented for approval. This affects areas such as the schools programme within the Children's Services Capital Programme which is heavily reliant on grant funding from government each year.
12. The largest increases in available resources relate to Government capital grants and contributions. These are largely for expenditure on schemes within the Economic Development Capital Programme and the Housing & Sustainability Capital Programme respectively.

### **OVERALL USE OF RESOURCES**

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

	2013/14	2014/15	2015/16	2016/17	Total
	£000's	£000's	£000's	£000's	£000's
Children's Services	21,584	5,169	4,764		<b>31,517</b>
Economic Development & Leisure					
- Economic Development	5,451	9,573	12,796	324	<b>28,144</b>
- Leisure	984	2,686	144	117	<b>3,931</b>
Environment & Transport					
- A E&T	18,919	23,897	627		<b>43,443</b>
- B City Services	2,541	1088	27		<b>3,656</b>
Health & Adult Social Care	859	768			<b>1,627</b>
Housing & Sustainability	2,051	10,615	1,400	127	<b>14,193</b>
Resources	2,762	2,695	550		<b>6,007</b>
<b>Total GF Capital Programme</b>	<b>55,151</b>	<b>56,491</b>	<b>20,308</b>	<b>568</b>	<b>132,518</b>

	2013/14	2014/15	2015/16	2016/17	Total
	£000's	£000's	£000's	£000's	£000's
Unsupported Borrowing	3,417	430	550		<b>4,397</b>
Capital Receipts	4,218	7,666	8,394	117	<b>20,395</b>
Contributions	3,704	12,777	395	0	<b>16,876</b>
Capital Grants	37,158	32,038	10,131	127	<b>79,454</b>
DRF from Balances	2,159	717	6	113	<b>2,995</b>
DRF from Portfolios	4,495	2,863	832	211	<b>8,401</b>
<b>Total Financing</b>	<b>55,151</b>	<b>56,491</b>	<b>20,308</b>	<b>568</b>	<b>132,518</b>

14. The table above shows that following the latest update, the capital programme continues to be fully funded based on the latest forecast of available resources although the forecast can be subject to change as it was in September 2013.
15. Funding for the capital programme is heavily reliant on capital receipts from the sale of Council properties. These receipts have always had a degree of uncertainty regarding their amount and timing, but the changes in the economic climate have increased the Council's risk in this area.
16. This was recognised in 2008 and in the event therefore that there was a temporary deficit in the funding of the capital programme due to delays in receiving capital receipts, delegated authority was given by Council to the Chief Financial Officer, following consultation with the Cabinet Member for Resources, to undertake additional borrowing in order to provide cover for any delays in the timing of capital receipts.

17. Due to anticipated delays in the receipt of funding from the sale of capital assets an additional £9.2M had to be borrowed to fund the programme in 2011/12 and £2.8M in 2010/11, which was in line with delegated powers approved in September 2008. A repayment of £2.6M was made during 2012/13 leaving the outstanding balance at £9.4M. The additional revenue costs associated with undertaking this prudential borrowing have been built into future budget forecasts.
18. Despite the ongoing economic difficulties, which have reduced and delayed capital receipts from the sale of land and property, the Council's capital programme is fully funded and based on the latest forecast of capital receipts the outstanding balance of temporary borrowing undertaken to date of £9.4M will be repaid by the end of 2014/15. The figures shown in the table above do not reflect this planned repayment and only relate to the financing of the current programme rather than adjustments anticipated to the financing of prior years.
19. 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.
20. 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.
21. The Council has 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. It should be noted that the exact total and timing of such receipts is still very much unknown and will be subject to change both as the disposal programme is reassessed and in light of market conditions, however, it should allow the Council to build up a reserve of receipts in future years. The use to which any additional receipts are put will be considered in the light of the Council's priorities.

## **CHANGES TO THE PROGRAMME**

22. Given the lack of spare resources in the programme and the lack of available capital resources over the past three to four years, additions to the programme are only considered in very exceptional circumstances.
23. A number of changes to the overall programme have been approved at Capital Boards and via separate reports and a series of recommendations are included in this report to approve a number of additions to the programme.

24. A recommendation is included to add a sum of £2,652,000 to the Environment & Transport Capital Programme (A E&T) in 2014/15 for the Roads Programme funded from direct revenue financing. The Roads Programme (Principal, Classified and Unclassified) continues to reflect the need to maintain the structural integrity of the city wide highways network. The programme is designed in line with the Transport Asset Management Plan (TAMP) principles.
25. A recommendation is included in this report to add a sum of £350,000 to the Environment & Transport Capital Programme (B City Services) in 2014/15 for the purchase of compact sweepers funded from Council Resources (capital receipts). This will re-equip Southampton City Council's mechanised street sweeping fleet for 2014/15, and ensure the continued provision of an effective and economic street cleansing service for the city that meets citizen, business and visitor expectations.

### **NEW SPENDING PRIORITIES PUT FORWARD BY CABINET**

26. Given the lack of spare resources in the programme and the lack of available capital resources over the past three to four years, additions to the programme are only considered in very exceptional circumstances.
27. Due to the current lack of additional funding, no new initiatives, other than those outlined above are being proposed.

### **FINANCIAL & PROJECT ISSUES**

28. In the past, there have been issues with regard to delivery of schemes in the light of which a review of project management within the Council was undertaken and a project management system, (Sharepoint), developed and implemented. Following a period to establish the efficient and effective use of Sharepoint across the Council this report includes an assessment of all facets affecting the delivery of the Capital Programme.
29. Within Sharepoint, projects are allocated a RAG status based on the following broad criteria:
  - **RED – Significant Concern** - Low level of confidence that the project can be delivered to the originally agreed Time, Cost and / or Quality specified at Gateway 3 (project initiation). Any significant risks or issues should be noted under 'Highlighted Risks and Issues' on the Highlight Report and a Red RAG status selected where the Project Manager believes that the risk and/or issue may lead to significant slippage or impact cost and / or quality.
  - **AMBER – Some Concern** - Medium level of confidence that the project can be delivered to the originally agreed Time, Cost and / or Quality specified at Gateway 3. Any medium risks or issues should be noted under 'Highlighted Risks and Issues' on the Highlight Report and an Amber RAG status selected where the Project Manager believes that the risk and/or issue may lead to some slippage or impact cost and / or quality.



- **GREEN – On Track** - High level of confidence that the project can be delivered to the originally agreed Time, Cost and / or Quality specified at Gateway 3. Any minor risks or issues can be noted under 'Highlighted Risks and Issues' on the Highlight Report. The RAG status would remain 'Green' unless the risk and/or issue is likely to lead to some or significant slippage or impact cost and / or quality.
30. It is timely to review the use of Sharepoint now that it has been in use for some time to ensure that it is being used consistently and to best effect. Work is underway to establish a Programme Management Office (PMO) with an agreed project management framework, a pool of project managers and ongoing training for relevant staff. This compliments work to review the use of Sharepoint which will be progressed once the PMO is further developed.
  31. Appendix 3 contains detail about financial and project issues within each Portfolio Capital Programme which need to be brought to the attention of Cabinet and Council.
  32. Four schemes have been highlighted with corporate financial issues and these are shown in the table below.

#### **Key Adverse Financial Variances**

<b>Portfolio</b>	<b>Scheme</b>	<b>Adverse Forecast £000's</b>	<b>Appendix 3 See Reference</b>
Children's Services	Newlands Primary Rebuild	229	CS 6
Children's Services	Pupil Referral Unit	470	CS 7
Economic Development & Leisure	Sea City Phase 2	358	LEIS 4

33. The current forecast over spend in relation to SeaCity Phase 2 is largely down to costs relating to asbestos in respect of the associated additional work and delays that this caused. Every effort is being made to identify whether it is possible to still deliver the scheme on budget and this will be finalised in the coming months. Provision was approved by Council in July 2012 for additional DRF funding of up to £300,000 as a prudent response to this likely pressure.

#### **Key Favourable Financial Variances**

<b>Portfolio</b>	<b>Scheme</b>	<b>Favourable Forecast £000's</b>	<b>Appendix 3 See Reference</b>
Resources	Office Accommodation	500	RES 4

34. There is one scheme where there is a corporate project issue to report at this stage as shown in the table below.

<b>Portfolio</b>	<b>Scheme</b>	<b>Appendix 3 See Reference</b>
Children's Services	Bitterne 6 <sup>th</sup> Form	CS 8

## **RESOURCE IMPLICATIONS**

### **Capital**

35. As set out in the report details.

### **Revenue**

36. 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**

37. 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**

38. None

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

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

### **Other Legal Implications:**

40. 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**

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

**KEY DECISION?** Yes

<b>WARDS/COMMUNITIES AFFECTED:</b>	All
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**SUPPORTING DOCUMENTATION**

**Appendices**

1.	General Fund Capital Programme – Scheme Details
2.	Major Variations Since the September 2013 Capital Update
3.	Key Issues – February 2014 Programme Update
4.	Major Changes in Capital Resources Since the September 2013 Update

**Documents In Members’ Rooms**

1.	None
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**Equality Impact Assessment**

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No
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**Other Background Documents**

**Equality 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 2012/13 to 2015/16 as approved by Council on the 18 September 2013.	
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## CHILDRENS SERVICES

Scheme No.	Description	Estimate	Estimate	Estimate	Estimate	Estimate	Total	Project Manager
		2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	Later Yrs £000	£000	
<b>Approved Schemes</b>								
E0ACA	Academies.	898	0	0	0	0	898	Gill, Oliver
E0BPS	Bitterne Park 6th Form Parent	336	0	0	0	0	336	Hards, Richard
E0CSL	CS & L General Other	1,543	429	0	0	0	1,972	Gill, Oliver
E0EYP	Early Years Expansion Programme.	491	850	0	0	0	1,341	Gill, Oliver
E0ICT	ICT	263	0	0	0	0	263	Taylor, Nicholas
E0OLD	Completed Schemes	20	0	0	0	0	20	Gill, Oliver
E0PR2	Primary Review Phase 2.	9,129	1,488	4,386	0	0	15,003	Floyd, Colin
E0PRH	Primary Rebuild - Harefield	66	0	0	0	0	66	Hards, Richard
E0PRW	Primary Review.	781	0	0	0	0	781	Floyd, Colin
E0SAF	Safeguarding	387	30	0	0	0	417	Floyd, Oliver
E0SCM	School Capital Maintenance.	4,493	2,115	378	0	0	6,986	Gill, Oliver
E0SEN	Special Education Needs Review	29	0	0	0	0	29	Hards, Richard
E0SSM	Secondary School Maintenance	3,136	229	0	0	0	3,365	Hards, Richard
E0YPS	Young People & Skills	12	28	0	0	0	40	Read, Maureen
		21,584	5,169	4,764	0	0	31,517	
<b>Total Programme</b>		<b>21,584</b>	<b>5,169</b>	<b>4,764</b>	<b>0</b>	<b>0</b>	<b>31,517</b>	

## ECONOMIC DEVELOPMENT &amp; LEISURE - ECONOMIC DEVELOPMENT

Scheme No.	Description	Estimate	Estimate	Estimate	Estimate	Estimate	Total	Project Manager
		2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	Later Yrs £000	£000	
<b>Approved Schemes</b>								
M0CQR	Cultural Quarter Parent	5,034	6,040	7,368	0	0	18,442	Low, Jill
M0HOC	Heart of the City Parent	85	3,133	5,167	145	0	8,530	Bennett, Wendy
M0HQP	Hollyood and Queens Park Parent	5	10	5	0	0	20	Dobson, Alastair
M0IRF	Itchen Riverfront Parent	35	42	42	0	0	119	Dobson, Alastair
M0OTH	Other Areas Parent	20	59	0	0	0	79	Bennett, Wendy
M0RPW	Royal Pier Waterfront Parent	204	175	100	66	0	545	Meredith, Emma
M0SQR	Station Quarter Parent	68	114	114	113	0	409	Dobson, Alastair
		5,451	9,573	12,796	324	0	28,144	
<b>Total Programme</b>		<b>5,451</b>	<b>9,573</b>	<b>12,796</b>	<b>324</b>	<b>0</b>	<b>28,144</b>	

## ECONOMIC DEVELOPMENT &amp; LEISURE - LEISURE

Scheme No.	Description	Estimate 2013/14		Estimate 2014/15		Estimate 2015/16		Estimate 2016/17		Estimate Later Yrs		Total £000	Project Manager
		£000		£000		£000		£000		£000			
<b>Approved Schemes</b>													
L1000	Oaklands Swimming Pool Feasibility	242	1,423	5	0	0	0	0	0	0	0	1,670	Dyer-Slade, Tina
L1440	Tudor House Museum Phase 1	5	0	0	0	0	0	0	0	0	0	5	Matthews, Daniel
L6790	Sections 106 Playing Field Improvement	35	80	0	0	0	0	0	0	0	0	115	Dyer-Slade, Tina
L6791	Lordshill Playing Field Drainage	10	175	0	0	0	0	0	0	0	0	185	Dyer-Slade, Tina
L7000	Guildhall Refurbishment	120	180	100	117	0	0	0	0	0	0	517	Greene, Nigel
L810U	Art in Public Places – Millbrook and Weston	2	17	0	0	0	0	0	0	0	0	19	Harris, Michael
L8230	Potential TIC Relocation	15	15	20	0	0	0	0	0	0	0	50	Greene, Nigel
L8260	Tudor House Museum Phase 2 Implementation	71	0	0	0	0	0	0	0	0	0	71	Matthews, Daniel
L8285	SeaCity Phase 2	293	0	0	0	0	0	0	0	0	0	293	Dyer-Slade, Tina
L8286	SeaCity Public Realm Improvements	43	0	0	0	0	0	0	0	0	0	43	Dyer-Slade, Tina
L8370	Woolston Library	148	796	19	0	0	0	0	0	0	0	963	Baldwin, David
		984	2,686	144	117	0	0	0	0	0	0	3,931	
<b>Total Programme</b>		<b>984</b>	<b>2,686</b>	<b>144</b>	<b>117</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,931</b>	

## ENVIRONMENT &amp; TRANSPORT - A (E&amp;T)

Scheme No.	Description	Estimate				Estimate Later Yrs £000	Total £000	Project Manager
		2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000			
<b>Approved Schemes</b>								
<u>Accessibility</u>								
C7171	Accessibility	308	266	0	0	0	574	Walker, Paul
<u>Active Travel</u>								
C7131	Cycling	1,290	697	0	0	0	1,987	Walker, Paul
<u>Bridges</u>								
C7911	Bridges	221	0	0	0	0	221	Harvey, John
<u>Environment &amp; Sustainability</u>								
C2400	Planning	97	0	0	0	0	97	Nichols, Paul
C2410	Mobile Working	48	0	0	0	0	48	Ferris, Neil
<u>General Environment</u>								
C2690	Relocation of Town Depot	32	0	0	0	0	32	Cooper, Malcolm
C2730	Itchen Bridge Toll Automation Project	213	40	0	0	0	253	Richardson, Adrian
C2740	Crematorium Major Works	232	42	0	0	0	274	Wells, Philip
<u>Highways Other</u>								
C7191	LTP - Other Highways	201	0	0	0	0	201	Beatty
C8200	Highways Drainage (C8200)	235	0	0	0	0	235	Beatty
<u>Improved Safety</u>								
C7151	Improved Safety	255	210	0	0	0	465	Walker, Paul
<u>Network Management</u>								
C7181	ITS	274	954	0	0	0	1,228	Walker, Paul
<u>No block</u>								
C2300	Digital Radio Service Procurement	132	0	0	0	0	132	Baxter, Francis
C7770	B2P Bridge Scheme	760	3,020	410	0	0	4,190	Harvey, John
C7922	Redbridge Roundabout Scheme	1,400	0	0	0	0	1,400	Beatty
C8911	Platform for Prosperity	4,939	5,926	217	0	0	11,082	Walker, Paul
C8922	Centenary Quay.	94	1,234	0	0	0	1,328	Walker, Paul
C8933	North of Station	725	1,563	0	0	0	2,288	Walker, Paul



APPENDIX 1

Scheme No.	Description	Estimate 2013/14	Estimate 2014/15	Estimate 2015/16	Estimate 2016/17	Estimate Later Yrs	Total	Project Manager
		£000	£000	£000	£000	£000	£000	
<u>Parking</u>								
C9471	MSCP 10 Year Maint. Programme	210	0	0	0	0	210	Sahota, Jaswinder
<u>Public Realm</u>								
C7360	Local and District Centres Improvements	3	0	0	0	0	3	Beatty
C8900	City Centre Improvements	261	219	0	0	0	480	Walker, Paul
<u>Public Transport</u>								
C7141	Public Transport	1,859	4,078	0	0	0	5,937	Walker, Paul
<u>Roads</u>								
C7921	Various Principal	713	0	0	0	0	713	Armstrong, David
C8000	Classified Roads	1,089	113	0	0	0	1,202	Armstrong, David
C8100	Unclassified Roads	2,012	200	0	0	0	2,212	Armstrong, David
C8400	Road Improvements	141	0	0	0	0	141	Beatty
C9120	Highways Improvements (Developer)	394	0	0	0	0	394	Beatty
<u>Street Furniture</u>								
C8800	St Furniture	89	0	0	0	0	89	Beatty
<u>Street Lighting</u>								
C8300	St Lighting	82	0	0	0	0	82	Adams, Michael
<u>Travel Planning</u>								
C7161	Travel to School	257	242	0	0	0	499	Walker, Paul
		18,566	18,804	627	0	0	37,997	

APPENDIX 1

Scheme No.	Description	Estimate	Estimate	Estimate	Estimate	Estimate	Total	Project Manager
		2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	Later Yrs £000	£000	
<b>Unapproved Schemes</b>								
<u>Accessibility</u>								
C7171	Accessibility	100	0	0	0	0	100	Walker, Paul
<u>Active Travel</u>								
C7131	Cycling	0	120	0	0	0	120	Walker, Paul
<u>Improved Safety</u>								
C7151	Improved Safety	0	185	0	0	0	185	Walker, Paul
<u>Network Management</u>								
C7181	ITS	20	155	0	0	0	175	Walker, Paul
<u>No block</u>								
C7111	LTP City Centres	0	276	0	0	0	276	Walker, Paul
<u>Public Transport</u>								
C7141	Public Transport	4	344	0	0	0	348	Walker, Paul
<u>Roads</u>								
C7921	Various Principal	0	1,200	0	0	0	1,200	Armstrong, David
C8000	Classified Roads	0	921	0	0	0	921	Armstrong, David
C8100	Unclassified Roads	0	1,567	0	0	0	1,567	Armstrong, David
C9200	Highways Maintenance Risk Fund C9200	229	325	0	0	0	554	Armstrong, David
		353	5,093	0	0	0	5,446	
<b>Total Programme</b>		<b>18,919</b>	<b>23,897</b>	<b>627</b>	<b>0</b>	<b>0</b>	<b>43,443</b>	

## ENVIRONMENT &amp; TRANSPORT - B (CITY SERVICES)

Scheme No.	Description	Estimate				Estimate Later Yrs	Total	Project Manager
		2013/14	2014/15	2015/16	2016/17			
		£000	£000	£000	£000	£000		
<b>Approved Schemes</b>								
C2921	Weekly Collection Support Scheme	1,765	310	0	0	0	2,075 Thomas, Michael	
E3001	Houndwell Park Play Area	162	4	0	0	0	166 Seward, Helen	
E3007	Freemantle Common Play Area	0	13	0	0	0	13 Hill, Tony	
E3009	Portsmouth RG Play Area	27	0	0	0	0	27 Hill, Tony	
E3011	Deep Dene Play Area	0	25	0	0	0	25 Hill, Tony	
E3012	Leaside Way Play Area	28	0	0	0	0	28 Hill, Tony	
E3013	The Common Play Area	0	18	0	0	0	18 Hill, Tony	
E3014	Bugle Street Play Area	38	0	0	0	0	38 Hill, Tony	
E3015	Golden Grove Play Area	59	0	0	0	0	59 Hill, Tony	
E3016	Bentley Green Play Area	49	0	0	0	0	49 Hill, Tony	
E3017	Lawn Road Play Area	60	0	0	0	0	60 Hill, Tony	
E3018	Ivy Dene Play Area	23	0	0	0	0	23 Hill, Tony	
E3019	Butts Road Play Area	8	0	0	0	0	8 Hill, Tony	
E3020	Sullivan Road Play Area	32	0	0	0	0	32 Hill, Tony	
J426H	Peartree Green	5	0	0	0	0	5 Brown, Clifford	
J426L	Southampton Common	16	0	0	0	0	16 Yeats, Nicholas	
J427H	Freemantle Lake Park Improvements Yr 2009-11	14	0	0	0	0	14 Brown, Clifford	
J4310	Deep Dene Improvements	14	0	0	0	0	14 Brown, Clifford	
J4320	Portsmouth Rec Improvements - Phase 3	11	0	0	0	0	11 Brown, Clifford	
J4340	Hinkler Green Green Flag Improvements Yr 2010/11	8	0	0	0	0	8 Brown, Clifford	
J4360	Central Parks Green Flag Improvements Yr 2010/11	49	0	0	0	0	49 Brown, Clifford	
J4370	Park Code for Green Space	8	15	0	0	0	23 Yeats, Nicholas	
J4380	Bassett Wood Greenway Improvements	3	0	0	0	0	3 Brown, Clifford	
J4410	Mayflower Park Basket Ball Court Renovation	0	0	27	0	0	27 Brown, Clifford	
J4420	Thornhill (Masfield Green) Park Improvements	1	0	0	0	0	1 Brown, Clifford	
J4430	Weston Shore Improvements Phase 2	9	50	0	0	0	59 Brown, Clifford	
J4440	Sports Centre Water Supply Upgrade	0	30	0	0	0	30 Brown, Clifford	
J4450	Riverside Park Pitch & Putt Irrigation System Upgrade	0	50	0	0	0	50 Brown, Clifford	
J4460	Cedar Lodge Open Space	0	17	0	0	0	17 Brown, Clifford	
J4470	Freshfield Road Open Space	2	0	0	0	0	2 Brown, Clifford	
J4480	Green Park	5	0	0	0	0	5 Brown, Clifford	
J4490	Hum Hole	0	8	0	0	0	8 Brown, Clifford	

APPENDIX 1

Scheme No.	Description	Estimate				Estimate 2016/17	Estimate Later Yrs	Total	Project Manager
		2013/14	2014/15	2015/16	2016/17				
		£000	£000	£000	£000	£000	£000		
J4500	Lordsdale Greenway	14	0	0	0	0	0	14 Brown, Clifford	
J4510	Mansbridge Open Space	12	0	0	0	0	0	12 Brown, Clifford	
J4520	Riverside Park	6	35	0	0	0	0	41 Brown, Clifford	
J4530	St James Church Yard	2	0	0	0	0	0	2 Brown, Clifford	
J4540	Sullivan Recreation Ground	4	0	0	0	0	0	4 Brown, Clifford	
J4550	Veracity Recreation Ground	3	0	0	0	0	0	3 Brown, Clifford	
J4560	Westwood Greenway	3	0	0	0	0	0	3 Brown, Clifford	
J8100	Mobile Working for P & C Frontline	7	0	0	0	0	0	7 Horton, John	
J814B	St James Park - Implementation	57	10	0	0	0	0	67 Seward, Helen	
J8190	Daisy Dip Improvements	7	0	0	0	0	0	7 Brown, Clifford	
J8200	Redbridge Wharf	9	0	0	0	0	0	9 Horton, John	
J8240	Parks Safety Improvements Yrs 2009-11	2	0	0	0	0	0	2 Horton, John	
J8250	Bitterne Manor/Clausentum Wood Improvements Yrs 2010-13	7	0	0	0	0	0	7 Brown, Clifford	
J8260	Community Led Local Improvement Initiatives	12	13	0	0	0	0	25 Shahani, Vanessa	
		2,541	598	27	0	0	0	3,166	
<b>Unapproved Schemes</b>									
J8260	Community Led Local Improvement Initiatives	0	140	0	0	0	0	140 Shahani, Vanessa	
	Compact Sweepers	0	350	0	0	0	0	350 Horton, John	
		0	490	0	0	0	0	490	
<b>Total Programme</b>		<b>2,541</b>	<b>1,088</b>	<b>27</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,656</b>	

**HEALTH & ADULT SOCIAL CARE CAPITAL**

Scheme No.	Description	Estimate					Estimate Later Yrs £000	Total £000	Project Manager
		2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2016/17 £000			
<b>Approved Schemes</b>									
R9265	SDS Modernisation Woolston Comm Centre	55	95	0	0	0	0	150	Ellynn, Mark
R9330	National Care Standards and H&S Work	221	286	0	0	0	0	507	Ellynn, Mark
R9340	Replacement of Appliances and Equipment	53	68	0	0	0	0	121	Ellynn, Mark
R9700	Common Assessment Framework	70	307	0	0	0	0	377	Yasin, Saqib
R9720	Residential Homes fabric furnishing CQC	125	0	0	0	0	0	125	Woodward, Jane
R9730	Semal House Refurbishment	335	12	0	0	0	0	347	Ellynn, Mark
		859	768	0	0	0	0	1,627	
<b>Total Programme</b>		<b>859</b>	<b>768</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,627</b>	

**HOUSING & SUSTAINABILITY**

Scheme No.	Description	Estimate				Estimate 2016/17	Estimate Later Yrs	Total	Project Manager
		2013/14	2014/15	2015/16	2016/17				
		£000	£000	£000	£000	£000	£000		
<b>Approved Schemes</b>									
C242A	National Flood Forum	26	26	0	0	0	0	52	Maguire, Bernadine
C242B	Understanding Flood Risk	40	0	0	0	0	0	40	Maguire, Bernadine
C242C	Awareness Raising/Developing Community Resilience	5	13	0	0	0	0	18	Maguire, Bernadine
C242D	Property Level Surveys	4	8	0	0	0	0	12	Maguire, Bernadine
C242E	Implementation of Property Level Measures	0	293	0	0	0	0	293	Maguire, Bernadine
C242F	Understanding The Risk Reduction Measures	0	20	0	0	0	0	20	Maguire, Bernadine
C242G	Project Management	19	18	0	0	0	0	37	Maguire, Bernadine
C2520	Salix Energy Efficiency Measures	0	54	0	0	0	0	54	Taylor, Jason
C257A	Woodside Lodge Salix Works	5	0	0	0	0	0	5	Taylor, Jason
C257B	Glen Lee Salix Works	5	0	0	0	0	0	5	Taylor, Jason
C257C	Brownhill Salix Works	5	6	0	0	0	0	11	Taylor, Jason
C257D	Holcroft House Salix Works	37	0	0	0	0	0	37	Taylor, Jason
C257E	Library's Salix Works	0	4	0	0	0	0	4	Taylor, Jason
C257F	Civic Centre IT server room	50	0	0	0	0	0	50	Taylor, Jason
C257G	Lighting Upgrades Salix Works	5	40	0	0	0	0	45	Taylor, Jason
C257H	Civic Centre North Block	20	0	0	0	0	0	20	Taylor, Jason
C257I	Insulation Salix Works	29	0	0	0	0	0	29	Taylor, Jason
C257J	Car Parks Salix Works	53	0	0	0	0	0	53	Taylor, Jason
C257K	Wyndham Court Offices Salix Works	7	0	0	0	0	0	7	Taylor, Jason
C257L	Civic Centre Salix Works	28	0	0	0	0	0	28	Taylor, Jason
G4110	Home Improvement Loans Approved in 2010/11	2	0	0	0	0	0	2	Hawkins, Janet
G4330	Support for Vulnerable DFG Customers	22	22	22	0	0	0	66	Hawkins, Janet
G4490	Insulation and Fuel Poverty Initiatives	43	50	0	0	0	0	93	Hawkins, Janet
G4620	Handyperson Service	40	40	0	0	0	0	80	Hawkins, Janet
G4630	Woolston Group Repair Scheme	98	0	0	0	0	0	98	Hawkins, Janet
G4640	Disabled Facilities Grants Approved in 2012/13	437	0	0	0	0	0	437	Hawkins, Janet
G4650	Disabled Facilities Grants approved in 2013/14	900	300	0	0	0	0	1,200	Hawkins, Janet
G4660	Disabled Facilities Grants support costs 2013/14	141	0	0	0	0	0	141	Hawkins, Janet
G6550	Estate Regeneration Cumbrian Way	16	88	0	0	0	0	104	Windebank, Jane
G6580	Registered Provider Grants	0	800	828	0	0	0	1,628	Stanley conroy, Sherree
G6590	Estate Parking Improvements	14	186	100	0	0	0	300	Cooper, Aidan
G6590	Thornhill District Energy Scheme	0	6,712	0	0	0	0	6,712	Rowland, Colin

APPENDIX 1

Scheme No.	Description	Estimate 2013/14	Estimate 2014/15	Estimate 2015/16	Estimate 2016/17	Estimate Later Yrs	Total	Project Manager
		£000	£000	£000	£000	£000	£000	
2,051		8,680	950	0	0	0	11,681	
<b>Unapproved Schemes</b>								
G4310	Green Projects	0	100	150	127	0	377	Hawkins, Janet
G4590	Disabled Facilities Grants - Future Years	0	900	300	0	0	1,200	Hawkins, Janet
G4610	Disabled Facilities Grants Support Costs – Future Years	0	146	0	0	0	146	Hawkins, Janet
G6430	Support for Estate Regeneration	0	789	0	0	0	789	Stanley conroy, Sherree
0		1,935	450	127	0	0	2,512	
<b>2,051</b>	<b>Total Programme</b>	<b>10,615</b>	<b>1,400</b>	<b>127</b>	<b>0</b>	<b>0</b>	<b>14,193</b>	

**RESOURCES**

Scheme No.	Description	Estimate	Estimate	Estimate	Estimate	Estimate	Total	Project Manager
		2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	Later Yrs £000	£000	
<b>Approved Schemes</b>								
M9710	Accommodation Strategy Action Programme (ASAP)	2,122	1,600	0	0	0	3,722	Verner, Andrew
P5020	Art Gallery - Roof Repairs and AHU Replacement	13	0	550	0	0	563	Hodge, Richard
P5050	2011 Mobile Working	42	0	0	0	0	42	Dawtry, Sean
P5080	Oaklands School Site - Demolition	480	0	0	0	0	480	Elliott, Andrew
P5090	Works to Enable Marland House Vacation	105	1,095	0	0	0	1,200	Fox, Annabel
		<b>2,762</b>	<b>2,695</b>	<b>550</b>	<b>0</b>	<b>0</b>	<b>6,007</b>	
<b>Total Programme</b>		<b>2,762</b>	<b>2,695</b>	<b>550</b>	<b>0</b>	<b>0</b>	<b>6,007</b>	



## MAJOR VARIATIONS SINCE THE SEPTEMBER 2013 CAPITAL UPDATE

Portfolio	Scheme	£000's	Funding Source (*)	Council Priority
<b>Increases to the Programme</b>				
Children's Services	315 Coxford Road Refurbishment	247	CR	Raising ambitions & improving outcomes for children & young people
Economic Development & Leisure	Watermark WestQuay	7,000	GG	Promoting Southampton and attracting investment
Economic Development & Leisure	Oaklands Pool Feasibility	412	CR	Helping individuals & communities to work together & help themselves
Environment & Transport	Highways Programme	2,652	DRF	Making the city more attractive and sustainable
Environment & Transport	Integrated Transport (Cleaner Bus Transport	633	GG	Making the city more attractive and sustainable
Environment & Transport	Compact Sweepers	350	CR	Making the city more attractive and sustainable
Housing & Sustainability	Thornhill District Energy Scheme	6,412	Cont	Making the city more attractive and sustainable
Housing & Sustainability	Estate Parking Improvements	300	Cont	Making the city more attractive and sustainable
Housing & Sustainability	Registered Provider Grants	1,628	CR	Encouraging new house building & improving existing homes
Various	Other various net increases	432	Various	Various
		<b>20,066</b>		
<b>Decreases to the Programme</b>				
No material decreases		0		
		<b>0</b>		
<b>Total</b>		<b>20,066</b>		

**\* Funding Source**

Cont	Contributions
CR	Council Resources
GG	Government Grants
DRF	Direct Revenue Financing

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## KEY ISSUES – FEBRUARY 2014 PROGRAMME UPDATE

### CHILDREN'S SERVICES PORTFOLIO

The proposed February programme update totals **£31,517,000**. This can be compared to the previous September update total of **£31,194,000** resulting in an increase of **£323,000**, which represents a percentage increase of **10.4%**.

The changes to the programme are shown in the following summarised table:

	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	Later £000's	Total £000's
Proposed	21,584	5,169	4,764	0	0	31,517
Previous	22,336	5,024	3,834	0	0	31,194
Variance	(752)	145	930	0	0	323

### PROGRAMME CHANGES:

#### CS 1 – Refurbishment of 315 Coxford Road (Total budget change £247,000 increase)

Gold Scheme – £247,000 Scheme Budget

Overall RAG Status **GREEN**

Schedule RAG Status **GREEN**

Budget RAG Status **GREEN**

**Refurbishment of office accommodation**

Council approved this scheme to refurbish 315 Coxford Road the 20 November 2013 in order to amalgamate and co-locate three services to provide a range of direct support, assessment and supervised contact to children, young people and their families.

### MAJOR ITEMS OF SLIPPAGE/RE-PHASING:

#### CS 2 – Primary Review Phase 2 (Slippage of £1,727,000 from 2013/14 to 2014/15 (£797,000) and to 2015/16 (£940,000))

Various – £28,356,000 Scheme Budget

Overall RAG Status **GREEN**

Schedule RAG Status **GREEN**

Budget RAG Status **GREEN**

**Expansion of St John's Primary and Nursery school.**

The main project subject to slippage within this programme of works is the expansion of St John's Primary and Nursery School. Work on this project is currently on programme; however, at this stage expenditure is only on design fees which have been incurred at a slower rate than anticipated.

### **CS 3 – Primary Review (Re-phasing of £571,000 from 2014/15 to 2013/14)**

**Various – £4,315,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

#### **Expansion of St Mary's Primary School**

The expansion of St Mary's Primary school has been delivered in several phases. It has been determined that best value for money can be secured by delivering the current (and final) phase of the project via the Diocese. The intention is therefore to transfer the remainder of the budget to the Diocese within this financial year, with a view to them delivering the additional classroom space by September 2014.

### **CS 4 – School Capital Maintenance (Slippage of £271,000 between 2013/14 and 2014/15)**

**Gold Scheme – £10,426,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

#### **Delays in maintenance works until summer 2014**

Delays in securing approvals resulted in missing the optimum window for much of the programmed work over the 2013 summer holidays. As a result, some projects have been delayed until summer 2014.

### **CS 5 – Early Years Expansion Programme (Re-phasing of £444,000 from 2014/15 to 2013/14)**

**Gold Scheme – £1,341,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

#### **Expansion of nursery places for two year olds is progressing quicker than anticipated.**

The programme to expand the number of two year old nursery places across the city is progressing at a quicker rate than originally anticipated. This is due to the front-loading of later elements of the programme, with a view to delivering value for money via economies of scale.

## **CORPORATE FINANCIAL & PROJECT ISSUES:**

The corporate **FINANCIAL ISSUES** for the Portfolio relating to significant over or under spends are:

### **CS 6 – Newlands Primary Rebuild Project (Forecast £229,000 Adverse Scheme Variance)**

**Gold Scheme – £7,521,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        AMBER**

**Budget RAG Status          RED**

**Additional costs for approved extension of time.**

The Quantity Surveyor for the scheme is predicting an over spend of £250,000 due to an approved extension of time claim arising from the discovery of a buried electricity main under the old school building by the demolition contractor. This has resulted in an elongation of the project, as well as additional works, both of which have contributed to the anticipated over spend.

### **CS 7 – Pupil Referral Unit (Forecast £470,000 Adverse Scheme Variance)**

**Gold Scheme – £2,650,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        GREEN**

**Budget RAG Status          RED**

**Additional costs on scheme.**

The anticipated cost overrun is due to the emergence of significant unforeseen issues on this project, which resulted in the contingency allowance being exceeded. These issues included the discovery of additional asbestos that had not been picked-up in previous surveys, as well as the effective disintegration of the concrete slab in certain areas, necessitating the laying of new flooring and an extension of the contract period.

The corporate **PROJECT ISSUES** for the Portfolio are:

### **CS 8 – Bitterne Park 6<sup>th</sup> Form (Forecast £0 Scheme Variance)**

**Gold Scheme – £6,108,000 Scheme Budget**

**Overall RAG Status            RED**

**Schedule RAG Status        GREEN**

**Budget RAG Status          RED**

**Dispute on final account.**

The contractor has submitted a final account which included a claim for extension of time which if accepted in full would have resulted in an over spend of approximately £1M. This is still being disputed. The Council issued the final account in December 2012 and is awaiting the contractor's response as to whether it is likely to go to adjudication. Under the Memorandum of Understanding agreed with Bitterne Park School, the responsibility for any over spend rests with the school.

## ECONOMIC DEVELOPMENT & LEISURE PORTFOLIO

### ECONOMIC DEVELOPMENT

The proposed February programme update totals **£28,144,000**. This can be compared to the previous September update total of **£21,144,000** resulting in an increase of **£7,000,000**, which represents a percentage increase of **33.1%**.

The changes to the programme are shown in the following summarised table:

	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	Later £000's	Total £000's
Proposed	5,451	9,573	12,796	324	0	28,144
Previous	5,491	7,512	8,030	0	111	21,144
Variance	(40)	2,061	4,766	324	(111)	7,000

### PROGRAMME CHANGES:

#### EDEV 1 – Watermark West Quay (Total budget change £7,000,000 increase)

**Gold Scheme – £7,000,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

#### **Regeneration of Watermark West Quay**

Council approved this £7M scheme on 20 November 2013, funded from Regional Growth Fund grant, for WestQuay public realm and infrastructure works to enhance the setting of the historic walls and to improve physical pedestrian links and permeability around the City Centre.

### MAJOR ITEMS OF SLIPPAGE/RE-PHASING:

#### EDEV 2 – Southampton New Arts Centre (SNAC) (Rephasing of £300,000 from 2014/15 (£15,000) and 2015/16 (£285,000) into 2013/14)

**Gold Scheme – £20,850,000 Scheme Budget**

Overall RAG Status **AMBER**

Schedule RAG Status **GREEN**

Budget RAG Status **AMBER**

#### Finalisation of Developer's Programme

The final agreement with developers Grosvenor was signed on the 21 October 2013. The project programme has now been confirmed and the budget has been re-phased accordingly.

#### CORPORATE FINANCIAL & PROJECT ISSUES:

There are no corporate FINANCIAL ISSUES for the Portfolio relating to significant over or under spends.

There are no corporate PROJECT ISSUES for the Portfolio.

#### LEISURE

The proposed February programme update totals **£3,931,000**. This can be compared to the previous September update total of **£3,510,000** resulting in an increase of **£421,000**, which represents a percentage increase of **12.0%**.

The changes to the programme are shown in the following summarised table:

	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	Later £000's	Total £000's
Proposed	984	2,686	144	117	0	3,931
Previous	1,204	1,670	617	0	19	3,510
Variance	(220)	1,016	(473)	117	(19)	421

#### PROGRAMME CHANGES:

##### LEIS 1 – Oaklands Swimming Pool (Total budget change £412,000 increase)

Gold Scheme – £1,670,000 Scheme Budget

Overall RAG Status **GREEN**

Schedule RAG Status **GREEN**

Budget RAG Status **GREEN**

Refurbishment of Oaklands Swimming Pool.

Council added £412,000 on 20 November 2013 to the budget to refurbish Oaklands swimming pool. This followed the results of a feasibility study which finalised the costs associated with the refurbishment of the pool to enable works to be completed by October 2014.

### **MAJOR ITEMS OF SLIPPAGE/RE-PHASING:**

#### **LEIS 2 – Guildhall Refurbishment (Slippage of £217,000 between 2013/14 and 2014/15 to 2015/16 and 2016/17)**

**Gold Scheme – £519,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**Delays in programme of work**

The project start date has been reprogrammed to a later date as has stonework re-instatement to avoid clashing with the Guildhall's busiest period.

#### **LEIS 3 – Woolston Library (Rephasing of £388,000 from 2015/16 to 2014/15)**

**Silver Scheme – £974,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**Earlier start of works at new Woolston library.**

Tenders have now been issued allowing a more accurate forecast of spend which also reflects the anticipation of work starting earlier than previously programmed.

### **CORPORATE FINANCIAL & PROJECT ISSUES:**

The corporate **FINANCIAL ISSUES** for the Portfolio relating to significant over or under spends are:

#### **LEIS 4 – SeaCity Phase 2 (Forecast £358,000 Adverse Scheme Variance)**

**Gold Scheme – £16,759,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        AMBER**

**Difficulties finalising contractor accounts.**



The Council is currently in negotiations with the contractor to settle any claims on the final account for the construction of the museum. The current forecast over spend is largely down to additional work required with regards to asbestos and the associated additional work and delays that this caused. Every effort is being made to identify whether it is still possible to deliver the scheme on budget and it is anticipated that after much delay this will be finalised in the coming months. Council approved provision in July 2012 for additional DRF funding of up to £300,000 as a prudent response to this likely pressure.

**There are no corporate PROJECT ISSUES for the Portfolio.**

## **ENVIRONMENT AND TRANSPORT PORTFOLIO**

### **E&T A (ENVIRONMENT & TRANSPORT)**

The proposed February programme update totals **£43,443,000**. This can be compared to the previous September update total of **£39,985,000** resulting in an increase of **£3,458,000**, which represents a percentage increase of **8.6%**.

The changes to the programme are shown in the following summarised table:

	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	Later £000's	Total £000's
Proposed	18,919	23,897	627	0	0	43,443
Previous	26,986	11,995	1,004	0	0	39,985
Variance	(8,067)	11,902	(377)	0	0	3,458

### **PROGRAMME CHANGES:**

#### **E&T 1 – Roads Programme (Total budget change £2,544,000 increase)**

**Various Sharepoint Schemes – £10,304,000 Scheme Budget**

**Overall RAG Status        N/A**

**Schedule RAG Status     N/A**

**Budget RAG Status        N/A**

**Investment has been added for the Roads Programme in 2014/15.**

Council approval is sought to add £2,652,000 of DRF for Roads to the unapproved section of the capital programme in 2014/15. The Roads Programme (Principal, Classified & Unclassified) continues to reflect the need to maintain the structural integrity of the city wide highways network. The programme is designed in line with the Transport Asset Management Plan (TAMP) principles.

There is a reduction of £108,000 in the contribution from the On-Street Car Parking Account as the forecast income from new initiatives is lower than anticipated in 2013/14.

### **E&T 2 – Clean Bus Technology Fund (Total budget change £633,000 increase)**

**Not a Sharepoint Scheme – £703,000 Scheme Budget**

**Overall RAG Status            N/A**

**Schedule RAG Status        N/A**

**Budget RAG Status           N/A**

**Government Grant has been awarded for Clean Bus Technology.**

The Department for Transport (DfT) have awarded £633,000 from the Clean Bus Technology Fund towards reducing oxides of nitrogen (NOx) emissions from local buses. This scheme, which is also funded by £70,000 from the Local Transport Plan (LTP) government grant allocation, was added to the Capital Programme by Cabinet in September 2013. The Council will work with local bus operators who will bid for funding for innovative solutions to deal with air quality issues. One potential innovative solution is that of a flywheel hybrid solution.

### **E&T 3 – Digital Radio Service (Total budget change £132,000 increase)**

**Not a Sharepoint Scheme – £132,000 Scheme Budget**

**Overall RAG Status            N/A**

**Schedule RAG Status        N/A**

**Budget RAG Status           N/A**

**Funding has been added for a new Digital Radio Service.**

A joint procurement has been undertaken with Eastleigh for a new radio system. The current analogue system has poor reception quality and is outdated. There is a need to replace it with a digital system, with a number of booster aerials, as there have been health and safety issues for frontline staff, due to the unreliability of the current system. This scheme was added to the capital programme by the Chief Officer in September 2013.

### **E&T 4 – Platform for Prosperity (Total budget change £124,000 increase)**

**Gold Sharepoint Scheme – £11,082,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        AMBER**

**Budget RAG Status            GREEN**

**Developer Contributions have been added for Queens Park.**

Scheme specific Section 106 Developer Contribution funding for Queen's Park from Parks and Open Spaces was added to the scheme by the Chief Officer in November 2013. This will enable improvements to the park to be designed and undertaken by the Highways Partner, as part of the wider scheme at Platform Road.

## **MAJOR ITEMS OF SLIPPAGE/RE-PHASING**

### **E&T 5 – Platform for Prosperity (Slippage of £2,202,000 between 2013/14 and 2014/15)**

**Gold Sharepoint Scheme – £11,082,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     AMBER**

**Budget RAG Status        GREEN**

**There is slippage on this scheme due to drainage issues.**

Some work at Platform Road has slipped into 2014/15, due to drainage issues which have required additional design work.

### **E&T 6 – LSTF Smart Ticketing (Slippage of £2,039,000 between 2013/14 and 2014/15)**

**Gold Sharepoint Scheme – £4,968,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**There is slippage on this scheme due to a number of key factors.**

The Transport for South Hampshire & Isle of Wight smart ticketing project has continued to progress throughout 2013/14. However, a number of key factors have resulted in the slippage of expenditure to 2014/15. These include:

- The procurement of the back-office systems came in under budget. As a result the chosen supplier solution represents better value for money for the authorities involved.
- It has taken longer than anticipated to develop and identify a suitable supplier for the smart ticketing equipment to create a 'smart enabled region'.

### **E&T 7 – Public Transport (Slippage of £186,000 between 2013/14 and 2014/15)**

**Not a Sharepoint Scheme – £348,000 Scheme Budget**

**Overall RAG Status        N/A**

**Schedule RAG Status     N/A**

**Budget RAG Status        N/A**

**The Public Transport contingency budget has been re-phased.**

The Public Transport contingency budget is not totally required in 2013/14 and has been re-phased into 2014/15.

### **E&T 8 – Legible Bus Network (Slippage of £170,000 between 2013/14 and 2014/15)**

**Bronze Scheme – £184,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status**      **GREEN**

**Budget RAG Status**      **GREEN**

**There is slippage on this scheme due to bus network changes**

The Legible Bus Network budget has been split into two phases, due to changes to the bus network that have been confirmed for early part of next year. Phase 1 is now close to completion and Phase 2 will be carried out next year once all changes have taken place.

**E&T 9 – Bridges to Prosperity (Slippage of £1,200,000 between 2013/14 and 2014/15)**

**Silver Sharepoint Scheme – £4,190,000 Scheme Budget**

**Overall RAG Status**      **AMBER**

**Schedule RAG Status**      **RED**

**Budget RAG Status**      **GREEN**

**This scheme has been rescheduled to avoid conflicting with other planned works.**

The Central Bridge project has been re-phased into 2014/15 to take place between the completion of the Saltmarsh Lane junction works in March 2014 and the commencement of the Northam Bridge project in July 2014. The revised schedule will ensure that all Bridge to Prosperity projects are completed before the DfT deadline of March 2015.

**E&T 10 – Clean Bus Technology Fund (Slippage of £703,000 between 2013/14 and 2014/15)**

**Not a Sharepoint Scheme – £703,000 Scheme Budget**

**Overall RAG Status**      **N/A**

**Schedule RAG Status**      **N/A**

**Budget RAG Status**      **N/A**

**There is slippage on this scheme due to third party delays.**

The Clean Bus Technology Fund scheme has been re-phased into 2014/15, due to delays in receiving comprehensive information from third parties. The DfT have confirmed that grant funding will still be available for the scheme next year.

**E&T 11 – Centenary Quay (Slippage of £286,000 between 2013/14 and 2014/15)**

**Silver Sharepoint Scheme – £1,328,000 Scheme Budget**

**Overall RAG Status**      **GREEN**

**Schedule RAG Status**      **GREEN**

**Budget RAG Status**      **AMBER**

**There is slippage on this scheme due to additional feasibility work and design consultation.**

There is slippage on this scheme due to two factors:

- An additional feasibility study was undertaken for the conversion of an existing lorry park to off-set the potential loss of off street parking.

- The preliminary designs completed by the Highways Partner will be used for a further round of consultation before detailed design work is commenced.

**E&T 12 – North of Station (Slippage of £843,000 between 2013/14 and 2014/15)**

**Not a Sharepoint Scheme – £2,288,000 Scheme Budget**

**Overall RAG Status        N/A**

**Schedule RAG Status     N/A**

**Budget RAG Status        N/A**

**The delivery programme for this scheme has been revised.**

Expenditure has been slipped into 2014/15 to reflect revisions to the delivery programme, which is now due to start on site in January 2014. Preliminary works have discovered a more complex network of cables than had been anticipated by earlier electronic surveys and it has therefore been necessary to commission more detailed investigatory works. However, a number of materials have been procured in advance, including the bespoke black granite ‘canal shore’ feature, to compensate for the delay. The delivery programme has now been compressed to 40 weeks.

**E&T 13 – Roads Programme (Slippage of £313,000 between 2013/14 and 2014/15)**

**Various Sharepoint Scheme – £10,304,000 Scheme Budget**

**Overall RAG Status        N/A**

**Schedule RAG Status     N/A**

**Budget RAG Status        N/A**

**Two projects within the programme have been slipped into 2014/15.**

There is slippage of £200,000 on the Pedestrian Enhancements project, due to delays in agreeing the final works to be carried out in conjunction with the Health Service. In addition, there is slippage of £133,000 as the Portswood Road scheme has been rescheduled following notice that work on utilities is due to be undertaken on this site. The carriageway will now be surfaced after these works are completed.

**E&T 14 – Civic Centre Place (Slippage of £197,000 between 2013/14 and 2014/15)**

**Bronze Scheme – £394,000 Scheme Budget**

**Overall RAG Status        AMBER**

**Schedule RAG Status     AMBER**

**Budget RAG Status        GREEN**

**There is slippage on this scheme due to design issues.**

Expenditure has been slipped into 2014/15 to reflect the revised programme. This has been influenced by the need to modify the designs to take into account Network Rail’s Long Term Planning Process, which may require an additional platform at Southampton Central, and to prioritise associated design work in support of potential regeneration sites around Central Station.

## CORPORATE FINANCIAL & PROJECT ISSUES:

There are no corporate FINANCIAL ISSUES for the Portfolio relating to significant over or under spends.

There are no corporate PROJECT ISSUES for the Portfolio.

### E&T B (CITY SERVICES)

The proposed February 2014 programme update totals **£3,656,000**. This can be compared to the previous September update total of **£3,285,000** resulting in an increase of **£371,000** which represents a percentage increase of **11.1%**.

The changes to the programme are shown in the following summarised table:

	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	Later £000's	Total £000's
Proposed	2,541	1,088	27	0	0	3,656
Previous	2,864	421	0	0	0	3,285
Variance	(323)	667	27	0	0	371

## PROGRAMME CHANGES:

### ECS 1 – Golden Grove Play Scheme (Total budget change £25,000 increase)

**Bronze Scheme – £59,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**An additional £25,000 has been added to the Golden Grove Play Scheme.**

An additional £25,000 contribution from the Housing Revenue Account was approved to be added to the City Services Capital Programme for improvements to the Golden Grove Play Area by the Chief Officer in November 2013.

### ECS 2 – Compact Sweepers (Total budget change £350,000 increase)

**Not a Sharepoint Scheme – £350,000 Scheme Budget**

**Overall RAG Status        N/A**

**Schedule RAG Status     N/A**

**Budget RAG Status        N/A**

**Re-equip Southampton City Council's mechanised street sweeping fleet.**

A recommendation is included within this report to re-equip Southampton City Council's mechanised street sweeping fleet for 2014/15 to ensure the continued provision of an effective and economic street cleansing service for the city that meets citizen, business and visitor expectations. It is recommended that this scheme is to be funded by Council Resources.

### **MAJOR ITEMS OF SLIPPAGE/RE-PHASING:**

#### **ECS 3 – Weston Shore Improvements (Slippage of £50,000 between 2013/14 and 2014/15)**

**Bronze Scheme – £59,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        GREEN**

**Budget RAG Status            GREEN**

**There is slippage due to the need for wider consultation with various groups.**

More time is required to work up project plans with local Friends groups and this may require additional funding bids.

#### **ECS 4 – Mayflower Basketball Court Renovation (Slippage of £27,000 between 2013/14 and 2015/16)**

**Bronze Scheme – £65,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        GREEN**

**Budget RAG Status            GREEN**

**There is slippage due to the impending redevelopment of Mayflower Park.**

Due to the impending redevelopment of Mayflower Park, new proposals are being worked up in conjunction with a Heritage Lottery Fund bid by Friends groups.

#### **ECS 5 – Minor Parks Development Works (Slippage of £155,000 between 2013/14 and 2014/15)**

**Bronze Schemes – £176,000 Schemes Budgets**

**Overall RAG Status            GREEN**

**Schedule RAG Status        GREEN**

**Budget RAG Status            GREEN**

**More time has been allocated to work up proposals.**

There is slippage across various Minor Parks Development Works schemes, funded from Section 106 Developer Contributions, due to ongoing works with Friends groups to agree appropriate improvements and match funding bids to progress projects.

**ECS 6 – Community Led Local Improvement Initiatives (Slippage of £73,000 between 2013/14 and 2014/15)**

**Bronze Scheme – £200,000 Scheme Budget**

**Overall RAG Status**           **GREEN**

**Schedule RAG Status**       **GREEN**

**Budget RAG Status**         **GREEN**

**There is slippage due to slow uptake of funding from local community groups.**

There has been slow uptake of grant applications from local community groups, due to difficulties in finding match funding. It has therefore been decided to put this project on hold until a decision is made on how best to take it forward.

**CORPORATE FINANCIAL & PROJECT ISSUES:**

There are no corporate **FINANCIAL ISSUES** for the Portfolio relating to significant over or under spends.

There are no corporate **PROJECT ISSUES** for the Portfolio.

**HEALTH & ADULT SOCIAL CARE PORTFOLIO**

The proposed February programme update totals **£1,627,000**. This can be compared to the previous September update total of **£1,627,000** resulting in no change for the total value of the programme.

The changes within the programme are shown in the following summarised table:

	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	Later £000's	Total £000's
Proposed	859	768	0	0	0	1,627
Previous	1,627	0	0	0	0	1,627
Variance	(768)	768	0	0	0	0

**PROGRAMME CHANGES:**

There are no programme changes for the Portfolio.



## **MAJOR ITEMS OF SLIPPAGE/RE-PHASING:**

### **H&ASC 1 – SDS Modernisation Woolston Comm Centre (Slippage of £95,000 between 2013/14 and 2014/15)**

**Silver Scheme – £1,179,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**Scheme now complete, slippage required to fund retention payments.**

Work is now complete, but retention payments will not be made until 2014/15, slippage is therefore required to ensure sufficient funds available.

### **H&ASC 2 – National Care Standards (Slippage of £286,000 between 2013/14 and 2014/15)**

**Silver Scheme – £1,491,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**Delays in work and overall reassessment of requirements**

Delays in work programmed at Kentish Road and a reassessment of the level of work required within the residential establishments going forward has resulting in slippage. It should be noted that the budget for this scheme may not be fully utilised, however, at this stage there are no specific levels of under spend to report. Work is ongoing to provide this clarity.

### **H&ASC 3 – Replacement of Appliances & Equipment (Slippage of £68,000 between 2013/14 and 2014/15)**

**Bronze Scheme – £450,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**Funding held for equipment repair/replacement at short notice not fully allocated in 2013/14**

Due to the uncertainty of equipment needing repair or replacement especially at short notice, it can be difficult to forecast the level of expenditure to be incurred during the year; however, provision has been made for the anticipated costs during the remainder of 2013/14, with the balance to be taken into 2014/15.

**H&ASC 4 – Common Assessment Framework (Slippage of £307,000 between 2013/14 and 2014/15)**

**Silver Scheme – £1,278,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**Final elements of the scheme to be completed in 2014/15**

The extension of two fixed term contracts within the PARIS team for a six month period from 1 April 2014 to complete the scheme has required the slippage of funding to 2014/15. In addition, as a result of the removal of Electronic Documents Records Managements System (EDRMS) from the Common Assessment Framework project, alternative work is currently being identified that will qualify under this scheme in the new financial year.

**CORPORATE FINANCIAL & PROJECT ISSUES:**

There are no corporate **FINANCIAL ISSUES** for the Portfolio relating to significant over or under spends.

There are no corporate **PROJECT ISSUES** for the Portfolio.

**HOUSING & SUSTAINABILITY PORTFOLIO**

The proposed February programme update totals **£14,193,000**. This can be compared to the previous September update total of **£5,700,000** resulting in an increase of **£8,493,000**, which represents a percentage increase of **149.0%**.

The changes to the programme are shown in the following summarised table:

	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	Later £000's	Total £000's
Proposed	2,051	10,615	1,400	127	0	14,193
Previous	2,243	2,758	572	0	127	5,700
Variance	(192)	7,857	828	127	(127)	8,493

**PROGRAMME CHANGES:**

**H&S 1 – Thornhill District Energy (Total budget change £6,712,000 increase)**

**Gold Scheme – £6,712,000 Scheme Budget**

**Overall RAG Status        N/A**

**Schedule RAG Status     N/A**

**Budget RAG Status            N/A**

**Addition of District Energy scheme to the capital programme**

On 20 November 2013 Council approved the addition of a Thornhill District Energy scheme to the General Fund Capital Programme, funded from Energy Company Obligation (ECO) grant, and gave approval for capital spending, in accordance with Financial Procedure Rules.

**H&S 2 – Support for Estate Regeneration (Total budget change £91,000 increase)**

**Unapproved Scheme – £789,000 Scheme Budget**

**Overall RAG Status            N/A**

**Schedule RAG Status        N/A**

**Budget RAG Status            N/A**

**Addition of Section 106 Funding for Affordable Housing**

An increase in the capital programme reflects the additional Section 106 Developer Contributions for Affordable Housing received. Approval to spend will be sought when an appropriate project plan has been formulated.

**H&S 3 – Registered Provider Grants (Total Budget change £1,628,000 increase)**

**Gold Scheme – £1,628,000 Scheme Budget**

**Overall RAG Status            N/A**

**Schedule RAG Status        N/A**

**Budget RAG Status            N/A**

**There has been an addition to the programme to utilise available Right to Buy (RTB) receipts.**

On 21 January 2014, Cabinet approved the use of £1,628,000 of available RTB receipts to grant-fund registered providers for the provision of affordable housing. Full details of the scheme are in the Cabinet report.

**MAJOR ITEMS OF SLIPPAGE/RE-PHASING**

**H&S 4 – Salix Energy Efficiency scheme (Slippage of £104,000 from 2013/14 to 2014/15)**

**Bronze Scheme – £508,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        GREEN**

**Budget RAG Status            GREEN**

**Three individual Salix projects have had implementation delays.**

Implementation delays have led to slippage in three individual projects, most notably lighting upgrades in the Civic Centre (£40,000). In addition, the unallocated part of the approved budget (£54,000) has also been slipped into 2014/15.

**H&S 5 – Estate Parking Improvements (Slippage of £86,000 from 2013/14 to 2014/15)**

**Not a Sharepoint Scheme – £300,000 Scheme Budget**

**Overall RAG Status**            **N/A**

**Schedule RAG Status**        **N/A**

**Budget RAG Status**          **N/A**

**Owner/occupier consultation has delayed the project start**

The Estate Parking Improvements scheme covers several areas of the city, two of which were to be implemented in 2013/14. Implementation of the scheme requires all owner/occupiers to agree to pay 50% of costs. Delays in achieving this agreement, due in part to difficulty in contacting non-resident owners, have led to a delay in starting these projects.

**CORPORATE FINANCIAL & PROJECT ISSUES:**

There are no corporate **FINANCIAL ISSUES** for the Portfolio relating to significant over or under spends.

There are no corporate **PROJECT ISSUES** for the Portfolio.

**RESOURCES PORTFOLIO**

The proposed February programme update totals **£6,007,000**. This can be compared to the previous September update total of **£6,007,000** resulting in no change for the total value of the programme.

The changes within the programme are shown in the following summarised table:

	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	Later £000's	Total £000's
Proposed	2,762	2,695	550	0	0	6,007
Previous	5,807	200	0	0	0	6,007
Variance	(3,045)	2,495	550	0	0	0

**PROGRAMME CHANGES:**

There are no programme changes for the Portfolio.

## **MAJOR ITEMS OF SLIPPAGE/RE-PHASING:**

### **RES 1 – Works to Enable Marland House Vacation (Slippage of £895,000 between 13/14 and 14/15)**

**Gold Scheme – £1,200,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

#### **Slippage to reflect scheduling of works**

Approval for the scheme was given on the understanding that flexible working will be applied to facilitate the vacation of Marland House and that conversion works will only be done if absolutely necessary. Limited but essential electrical works have recently been approved to facilitate a greater density of desks / flexible working facilities within the Civic Centre North Block. The remaining budget in the current financial year will be slipped into 2014/15.

### **RES 2 – Art Gallery Roof Repairs and AHU Replacement (Slippage of £550,000 between 13/14 and 15/16)**

**Gold Scheme – £1,936,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        AMBER**

Completion of the project was initially delayed due to re-tendering of the work for Phase 2. Tenders have now been received and after a detailed review, a decision has been taken that the works will not proceed at this stage. The scheme is therefore on hold whilst further work is undertaken to explore alternative funding sources to enable completion of the works. Until this is concluded, any urgent reactive repairs will need to be addressed and managed as part of the existing Centralised Repair and Maintenance budgets. The remaining budget of £550,000 has therefore been slipped into 2015/16 at which time is anticipated that the funding review will have concluded.

### **RES 3 – Office Accommodation (Slippage of £1,600,000 between 13/14 and 14/15)**

**Gold Scheme– £24,500,000 Scheme Budget**

**Overall RAG Status        AMBER**

**Schedule RAG Status     GREEN**

**Budget RAG Status        AMBER**

#### **Slippage to reflect scheduling of works**

The detailed plans to complete this project and facilitate the re-occupation of the Civic Centre North Block are expected to be agreed shortly and the planned works to the building to enable this to take place have commenced. However due to the volume and complexity of the work together with the need for listed building consent, it is now anticipated that some of the work will slip into the early part of the next financial year. These works will include IT, toilet facilities, supervision space, storage facilities and provision of a back-up generator for the IT suite and it is essential that these are completed within the timescales necessary to enable the vacation of Marland House. In addition to this, a £0.5M under spend is forecast on the overall project as set out in RES 4 below and this sum has been slipped into 2014/15.

### **CORPORATE FINANCIAL & PROJECT ISSUES:**

The corporate **FINANCIAL ISSUES** for the Portfolio relating to significant over or under spends are:

#### **RES 4 – Office Accommodation (Forecast £500,000 Favourable Scheme Variance)**

Gold Scheme– £24,500,000 Scheme Budget

Overall RAG Status       **AMBER**

Schedule RAG Status     **GREEN**

Budget RAG Status       **AMBER**

#### **Review of final spend subject to completion of works and agreement of Phase 3 final account**

The favourable variance reflects latest forecasts for final spend against the overall project. However, these figures will be subject to a detailed review once the North Block works are complete and the final accounts for Phase 3 in relation to works and associated fees are agreed with the contractor.

There are no corporate **PROJECT ISSUES** for the Portfolio.

## **MAJOR CHANGES IN CAPITAL RESOURCES SINCE THE SEPTEMBER 2013 UPDATE**

The main reasons for the resource changes are:

- **Capital Receipts – £2.7M Increase**

- £1.6M Registered Provider Grants (RTB)
- £0.2M 315 Coxford Rd Refurbishment
- £0.4M Oaklands Swimming Pool
- £0.4M Compact Sweepers
- £0.1M Other net increase in capital receipts

- **Capital Contributions – £7.0M increase**

- £6.4M Thornhill District Energy Scheme
- £0.3M Estate Parking Improvements
- £0.3M Net increase in other contributions

- **Capital Grants – £7.6M increase**

- £7.0M Watermark WestQuay
- £0.6M Integrated Transport (Cleaner Bus Transport)

- **Revenue from Portfolios - £2.7M increase**

- £2.7M Highways Programme

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# Agenda Item 4b

<b>DECISION-MAKER:</b>	CABINET COUNCIL		
<b>SUBJECT:</b>	GENERAL FUND REVENUE BUDGET 2014/15 TO 2016/17		
<b>DATE OF DECISION:</b>	4 FEBRUARY 2014 12 FEBRUARY 2014		
<b>REPORT OF:</b>	CABINET MEMBER FOR RESOURCES		
<b><u>CONTACT DETAILS</u></b>			
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## 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 2014/15 and to outline the main issues that need to be addressed in considering the Cabinet's recommendations to Council on 12 February 2014.

## RECOMMENDATIONS:

### CABINET

#### It is recommended that Cabinet:

- a) Note the position on the estimated outturn and revised budget for 2013/14 as set out in paragraphs 28 to 43.
- b) Note the position on the forecast roll forward budget for 2014/15 as set out in paragraphs 44 to 72.
- c) Note and approve the arrangements made by the Leader, in accordance with the Local Government Act 2000, for the Cabinet Member for Resources to have responsibility for financial management and budgetary policies and strategies, and that the Cabinet Member for Resources will, in accordance with the Budget & Policy Framework Rules as set out in the Council's Constitution, be authorised to finalise the Executive's proposals in respect of the Budget for 2014/15, in consultation with the Leader, for submission to Full Council on 12 February 2014.

- d) Recommends that Full Council:
- i) Notes the budget consultation process that was followed as outlined in Appendix 1 and notes that this year's process took into consideration feedback from last year on how to improve the process.
  - ii) Notes that the consultation feedback has been taken into consideration by the Cabinet and has informed their final budget proposals.
  - iii) Notes the Equality and Safety Impact Assessment process that was followed as set out in paragraphs 25 to 27 and the details contained in Appendix 2 which reflect the feedback received through the consultation process.
  - iv) Approves the revised estimate for 2013/14 as set out in Appendix 3.
  - v) Accepts grants which total £3.6M (£3.35M from the Cabinet Office and £250,000 from the Department for Work & Pensions) to support unemployed adults and young people into employment as part of the City Deal and approves in accordance with financial procedure rules revenue expenditure for the delivery of the programme over a period of three years.
  - vi) Approves the Council to act as Lead Accountable Body for the administration of the grant funding which totals £3.6M across the Solent LEP area.
  - vii) Delegates authority to the Assistant Chief Executive to undertake such actions necessary to enable the successful delivery of the programme.
  - viii) Notes the position on the forecast roll forward budget for 2014/15 as set out in paragraphs 44 to 72.
  - ix) Approves the revenue pressures and bids as set out in set out in Appendix 4 and 5 respectively.
  - x) Approves the efficiencies, income and service reductions as set out in Appendix 6.
  - xi) Approves the General Fund Revenue Budget as set out in Appendix 7, which assumes a council tax increase of 2.0%.
  - xii) 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.
  - xiii) Approves the allocation of up to £500,000 from the Organisational Development Fund which is part of the Strategic Reserve to fund the resourcing requirements to complete the Pay & Allowances Review.
  - xiv) Notes that after taking these items into account, there is an estimated General Fund balance of £6.5M at the end of 2017/18 as detailed in paragraph 106.
  - xv) Delegates authority to the Chief Financial Officer, in consultation with the Director of Corporate Services, to do anything necessary to give effect to the recommendations in this report.

- xvi) Sets the Council Tax Requirement for 2014/15 at £73,472,200.
- xvii) Notes the estimates of precepts on the Council Tax collection fund for 2014/15 as set out in Appendix 9
- xviii) Delegates authority to the Chief Financial Officer to implement any variation to the overall level of Council Tax arising from the final notification of the Hampshire Fire and Rescue Authority precept and the Police and Crime Commissioner for Hampshire precept.
- xix) Notes the Medium Term Forecast as set out in Appendix 10.
- 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 6 for the financial years 2015/16 and 2016/17 and continue to develop options to close the remaining projected gaps in those years.

## **COUNCIL**

### **It is recommended that Council:**

- i) Notes the budget consultation process that was followed as outlined in Appendix 1 and notes that this year's process took into consideration feedback from last year on how to improve the process.
- ii) Notes that the consultation feedback has been taken into consideration by the Cabinet and has informed their final budget proposals.
- iii) Notes the Equality and Safety Impact Assessment process that was followed as set out in paragraphs 25 to 27 and the details contained in Appendix 2 which reflect the feedback received through the consultation process.
- iv) Approves the revised estimate for 2013/14 as set out in Appendix 3.
- v) Accepts grants which total £3.6M (£3.35M from the Cabinet Office and £250,000 from the Department for Work & Pensions) to support unemployed adults and young people into employment as part of the City Deal and approves in accordance with financial procedure rules revenue expenditure for the delivery of the programme over a period of three years.
- vi) Approves the Council to act as Lead Accountable Body for the administration of the grant funding which totals £3.6M across the Solent LEP area.
- vii) Delegates authority to the Assistant Chief Executive to undertake such actions necessary to enable the successful delivery of the programme.
- viii) Notes the position on the forecast roll forward budget for 2014/15 as set out in paragraphs 44 to 72.
- ix) Approves the revenue pressures and bids as set out in Appendix 4 and 5 respectively.
- x) Approves the efficiencies, income and service reductions as set out in Appendix 6.

- xi) Approves the General Fund Revenue Budget as set out in Appendix 7, which assumes a council tax increase of 2.0%.
- xii) 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.
- xiii) Approves the allocation of up to £500,000 from the Organisational Development Fund which is part of the Strategic Reserve to fund the resourcing requirements to complete the Pay & Allowances Review.
- xiv) Notes that after taking these items into account, there is an estimated General Fund balance of £6.5M at the end of 2017/18 as detailed in paragraph 106.
- xv) Delegates authority to the Chief Financial Officer, in consultation with the Director of Corporate Services, to do anything necessary to give effect to the recommendations in this report.
- xvi) Sets the Council Tax Requirement for 2014/15 at £73,472,200.
- xvii) Notes the estimates of precepts on the Council Tax collection fund for 2014/15 as set out in Appendix 9
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- xix) Notes the Medium Term Forecast as set out in Appendix 10.
- 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 6 for the financial years 2015/16 and 2016/17 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 its budget proposals for the forthcoming year to Full Council. 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 12 February 2014. Alternative options may be drawn up by opposition groups and presented to the same meeting.

## **DETAIL (Including consultation carried out)**

### **CONSULTATION**

#### **Introduction**

3. Southampton City Council's Cabinet published their draft budget proposals for 2014/15 for public consultation on 11 November 2013. The scale of the challenges faced by the Council meant that while the Cabinet wanted to encourage genuine ideas for achievable savings by consulting as widely as possible, they were keen to manage expectations. This is because decisions to protect one service will inevitably have an impact on another service. The Cabinet's approach in the long term is to raise awareness so that consultation is not just about saving a service but about prioritising within ever decreasing resources.
4. The draft budget for 2014/15 was used as the basis for extensive consultation with a range of stakeholders from 11 November 2013. The results of the consultation exercise were reported to the Leader and Cabinet Member for Resources prior to agreement of the Executive's final budget proposals which are now presented to Cabinet and Council.

#### **Consultation Process**

5. When planning for this year's budget consultation process the Council took into consideration the feedback received last year. The key points which related to accessibility of the budget information, engagement with stakeholders and improving the way in which we can better inform decision making, have been taken into consideration in planning for this year's budget consultation process.
6. Southampton City Council conducted a pre-budget survey of its priorities from 3 to 18 October 2013. The survey was Part 1 of the Council's budget consultation process and was undertaken to identify views on priorities so that the feedback could be considered in developing draft budget proposals.
7. Part 2 of the Council's budget consultation process commenced on 11 November 2013 and employed a variety of methods to assist a wide range of people to give their views to inform the final budget which is due to be agreed by Full Council on 12 February 2014. This included a second survey which was published on 19 November 2013. Consultation was split into two broad categories – internal and external. This included residents, service users, employees, Trade Unions, partners, businesses, community and voluntary sector organisations and other stakeholders. This is in addition to the Council's decision making processes which include feedback from the Overview and Scrutiny Management Committee (OSMC). Whilst consultation will continue until the 12 February, the Executive encouraged as much feedback from the consultation as possible to be made by the 10 January 2014, to allow the Executive to take account of the feedback prior to the publication of their final budget proposals.
8. Part 2 of the consultation process was undertaken to give residents and stakeholders an opportunity to comment on the proposals, identify any potential impacts and provide alternative suggestions. The consultation process was centred on an online survey which was made available to residents, businesses, partners and all council staff.

It was promoted in various ways including using the Council's website, Stay Connected (the Council's email alert system) and through a network of partners and community groups. Paper copies of the tick box and open ended question survey were also placed in the city's libraries, GP surgeries, and in local housing offices and Gateway, the Council's customer contact centre.

9. In addition to the online and paper survey, four area-based budget consultation meetings were held between 18 and 30 November 2013, to which nearly 500 community organisations, based in the west, east and central parts of the city, as well as city-wide organisations were invited. The Council also worked closely with partners and directly affected organisations ensuring they were aware of the proposals, had the opportunity to voice concerns and suggest alternatives.
10. The Leader and Cabinet Member for Resources led the consultation on the budget proposals supported by other Cabinet Members, the Council's Management Team (CMT), Heads of Service and staff in the Transformation and Performance division. This was complemented by service led consultation in areas where the managers considered this to be appropriate and necessary and details are attached at Appendix 1.
11. Comprehensive staff consultation was also undertaken by service managers, led by Human Resources. Guidance was issued to managers so that they had the necessary information to ensure full, meaningful and appropriate external consultation on specific budget proposals in their service areas. Separate guidance for internal staff consultation on specific budget proposals was also provided by Human Resources.
12. Given that the Council cannot afford to continue to do everything that it currently does, the consultation process was designed for Cabinet and senior managers to hear views about:
  - The Council's approach to delivering savings
  - Suggestions for making savings and generating income that we have not yet considered.
  - Potential impacts and action we could take to reduce impacts that we have not already identified or explored.
  - Different ways the Council could deliver services such as working with others, including partner organisations and local communities.

### **Consultation Feedback**

13. The Cabinet agreed that despite having limited resources to undertake consultation every effort would be made to ensure the consultation was inclusive, informative, understandable, appropriate, meaningful and reported.
14. To date, for the 2014/15 budget consultation more than 3,600 responses have been received and this includes a number of responses which have been made on behalf of individual organisations and their members and service users.
15. This compares with 478 responses for the 2012/13 budget proposals and 2,783 responses for the 2013/14 budget proposals of which around 1,800 were specifically about proposals relating to libraries. This year's greater response, compared to previous years, reflects the result of the 2 stage consultation process and more accessible information deployed.

16. The Cabinet have considered and reviewed proposals in response to the consultation feedback. The Council received its draft funding settlement from the Government for 2014/15 and 2015/16 just before Christmas 2013. Initial analysis of this and the anticipated impact of income levels from Business Rates confirm that the future financial forecast position continues to be extremely challenging. Changes to proposals have been considered in this context with a view to mitigating the greatest impacts whilst considering how best longer term and more sustainable solutions can be delivered.

### **Issues Raised**

17. The Cabinet's approach in developing the budget proposals was:
- Protecting frontline services, priority areas and vulnerable people.
  - Increasing our income and attracting investment.
  - Being as efficient as possible.
  - Focusing service reductions on services which are lower priority where possible.
  - Deleting vacancies and protecting jobs.
  - Transforming the way we work to provide better outcomes and services at lower cost.

Overall, this approach was supported, recognising the financial difficulties faced. However, there was a consensus that it remains important to maintain a balance between investment in prevention and managing current demand. The Cabinet have considered and reviewed proposals in response to the consultation.

18. Analysis of the feedback received has identified the following as the most frequently raised priorities, suggestions, responses to specific proposals and issues. In finalising their budget proposals, the Leader and Cabinet Member for Resources have taken into consideration the following areas of concern in relation to the budget proposals:
- The removal of the subsidy for the City Link bus and the affect on its sustainability. The subsidy paid by the Council is the only subsidy that will be removed and the Council has been working with partners (Red Funnel, Hammersons and South West Trains) to ensure the sustainability of the service.
  - Increases in parking charges as a source of revenue. In response to level of concerns expressed by residents and the business community, the Leader has confirmed that parking charges in Southampton will not rise for the next three years.
  - The impact of increasing charges for the museums and galleries education service and the reduction of staff in the Museums and Galleries Education Team. An alternative proposal from staff has been accepted and therefore, the original proposal has now been revised. At this stage it is not anticipated that charges will be substantially increased, however this will be kept under review. We will continue to explore external sources of funding to support free and subsidised sessions.

- The need for a Mayor's car. Contrary to perception, the renegotiation has resulted in an agreement at no cost to the Council. The car will be loaned from Southampton's local Jaguar dealership, HA Fox, free of charge which this year will save the council £6,000 on transportation costs for the Mayor.
- The impact on safety and health of reductions in community safety, enforcement and environmental health, particularly when taken together and in the context of other proposals. This will be considered with the Safe City Partnership, after we have received the recommendations of the Local Government Peer Review, to be conducted at the end of February 2014.
- Reduction in overtime for Town Sergeants. Both staff and respondents to the public consultation were concerned about this proposal and the consequent changes to Civic Centre public opening times. As a result of a proposal put forward by the Town Sergeants, this has now been revised to incorporate the deletion of a vacant post and consequently there will be no impact on the Civic Centre public opening hours.

19. In addition, the Council has progressed the following issues which were raised:

- **Late Night Levy** – In Part 1 of the consultation (priorities survey), 91% of all respondents were in favour of imposing the levy on licensed premises so that they contribute towards the cost of dealing with crime and anti-social behaviour in the night time economy. As a direct result of this feedback, a motion was agreed by Council to begin the process of statutory consultation required prior to Council deciding whether to bring in a Late Night Levy. Consultation on the levy will be undertaken during 2014/15.
- **Number of Councillors** – One of the most popular alternative suggestions for making savings put during both stages of the consultation, related to reducing the number of Councillors representing wards in the City, and the frequency of elections. The Leader has been working with the opposition groups and is establishing a cross party group to review both issues. To implement any changes to wards and or the number of Councillors the Local Government Boundary Commission for England (LGBCE) must conduct a review. The LGBCE is an independent and impartial advisory non-departmental public body. The Council will consider its electoral cycle prior to any boundary review. The LGBCE will be invited to examine the number of wards, ward boundaries and number of Councillors in the City. It is anticipated that the LGBCE review will be completed and make its recommendations towards the end of 2015 with a view to implementing any agreed ward changes as well as any electoral cycle changes through all out elections in 2016. These dates are currently provisional as the timeframe depends upon the LGBCE's workload.

20. Another key suggestion for saving money from residents was to move to a fortnightly waste collection. The Council is currently in receipt of a ring-fenced grant from the government to maintain weekly household waste collections until 2017.



The Council will undertake a review to consider the frequency of household waste and recycling collection that should be in place from 2017.

21. The Overview and Scrutiny Management Committee (OSMC) discussed the budget proposals at their meetings on 14 November 2013 and 12 December 2013. The December meeting focussed on the Health & Adult Social Care Portfolio proposals and members of the Health Overview and Scrutiny Panel (HOSP) were invited to attend for this discussion.
22. The actions recommended by the OSMC at their November 2013 meeting, and the Executive's response are as follows:
  - A. That the Cabinet consider supporting subsidising the Council Tax Reduction scheme (CTRS) for two additional years to delay the impact of the proposed 25% reduction on some of Southampton's residents.
    - *Response from the Cabinet Member for Resources:*  
*As agreed at Council, consideration will be given to this recommendation when all the relevant information has been received from the Government and in particular if specific additional grant is made available for CTRS. (Following the receipt of the provisional Government settlement this recommendation was rejected by the Executive as no transitional arrangements or additional grant were to be continued in 2014/15 with funding from Central Government).*
  - B. That the Cabinet give consideration to commencing the commissioning of additional services now so that the benefits can be realised in the short to medium term.
    - *Response from the Cabinet Member for Resources:*  
*This is part of ongoing work on commissioning.*
  - C. That the OSMC receives updates and reviews on the Transformation Programme at appropriate intervals.
    - *Response from the Cabinet Member for Resources:*  
*Accepted – Updates will be provided on a quarterly basis, commencing January 2014.*

23. The actions recommended by the OSMC at their December 2013 meeting, and the Executive's response are as follows:
  - A. That the Cabinet Member considers inviting members of the HOSP to the Integration for Transformation Workshop.
    - *Response from the Cabinet Member for Health & Adult Social Care:*  
*HOSP members have been invited to the workshop on 17<sup>th</sup> January 2014.*

An additional outcome from the December 2013 meeting was a commitment from the Chair of the HOSP to scrutinise the impacts and outcomes of the Health & Adult Social Care Portfolio budget proposals as part of the 2014/15 HOSP work programme

24. The consultation feedback included information on proposals which have impacts that had not previously been identified. This information is reflected in the Equality and Safety Impact Assessments and in the Cumulative Impact Assessment which are published alongside this report.

## **EQUALITY AND SAFETY IMPACT ASSESSMENTS**

25. 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.
26. Individual Equality and Safety Impact Assessments (ESIAs) have been completed by Heads of Service for those proposals contained in Appendix 6 where it is felt that proposed savings could have an adverse impact on a particular group or individuals. The first draft of the Cumulative Impact Assessment was completed by a central team of officers within the council, based on the initial ESIAs completed by service managers. This was published alongside the Executive's draft budget proposals on 11 November 2013 and the impact assessments detailed in Appendix 2 reflect the feedback received to date.
27. The feedback from residents, partners, community groups and council employees on the potential impact on equalities groups and mitigating actions has been reviewed. As a result, the following ESIAs have been amended and Heads of Service will be responsible for considering mitigating actions for these:
- Remove funding for City Centre Shuttle Bus:
    - Elderly and disabled customers need transport to get up the steep hill from the station.
    - Poverty impacts of additional costs to users.
    - Potential environmental impacts if current users revert to using their car if charges or lack of an integrated bus service are prohibitive.
  - Reduction in Museum and Gallery Education Team:
    - The budget proposal has been changed to provide more in-house delivery and diminishing use of freelancers. The scope and scale of the programme may reduce slightly, with less capacity to secure external funding. Charges are not expected to increase substantially although this will be kept under review.
    - EIA amended to reflect provision of sensory services.
  - Review above standard cost Residential and Nursing Packages:
    - Highlighted potential impact on other health providers and health services in the city as more patients return to the city for care.
  - Review of accommodation placements for acquired Brain Injury and Learning Disability:

- Highlighted potential impact on other health providers and health services in the city as more patients return to the city for care.
- Review day service provision for older people / Community Options to support reablement:
  - Highlighted how the service supports social isolation and vulnerable people.
  - Quality of care will be monitored.
  - Use of direct payments will give people alternatives.
  - Carer supported through carer assessments

#### **REVISED BUDGET 2013/14**

28. This report is concerned mainly with the revenue estimates for 2014/15. However, there are elements of the 2013/14 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 2013 as far as it is prudent to do so.
29. The revenue budget for 2013/14 currently assumes a general draw will be made from balances to support revenue of almost £1.0M. After reflecting elements of the forecast position from Month 9, the revised budget for 2013/14 which will be approved by Council on 12 February assumes that the net contribution to be made from revenue to balances will increase by £3.0M. The table below summarises the main changes:

	<b>£000's</b>
Levies & Contributions	(40.0)
Net Decrease in Capital Asset Management	1,200.0
Additional Non-Specific Government Grants	1,538.4
Reduction in Risk Fund Provision	301.6
<b>Movement in Contribution (to) / from Revenue</b>	<b><u>3,000.0</u></b>

30. It has been assumed that an element of this may be required to fund potential carry forwards of £0.5M, of which £0.3M have been highlighted as at Month 9, and so the net movement in balances will be £2.5M. Once approved these changes will be reflected in future monitoring information.

#### **Capital Financing Charges**

31. The favourable variance of £1.2M is due to forecast net interest payable being below that originally estimated, because of lower than anticipated borrowing costs, and forecast interest receivable being above that originally anticipated.

32. Investment income for the year is currently forecast to be £0.3M higher than originally estimated. Fixed term deposits to date have achieved an average return of 0.80%, which exceeds the performance indicator of the average 7-day LIBID rate (0.42%), mainly due to the rolling programme of yearly investments restarted in November 2012 which ran for 12 months until October 2013.

### **Non Specific Government Grants**

33. Additional non-specific Government grant income is anticipated resulting in a forecast favourable variance of more than £1.5M. There are three main elements that contribute to this variance:
34. Firstly, the Government has reviewed the deductions made from local authority formula grant allocations for 2012/13 in respect of the funding top sliced for Academies, in order to attempt to better reflect the pattern of Academy provision across the country. As a consequence of this review, a “refund” of £391,400 has been paid to the Council as the amount top sliced from formula grant has been assessed as being bigger than it would have been had the deduction been based on the number of Academies during 2012/13.
35. Secondly, the Youth Justice Board has transferred responsibility to fund the costs of remand to Local Authorities from 1 April 2013 and grant income has been received totalling £137,800 to contribute towards these costs.
36. Finally, the Education Services Grant (ESG – formerly known as Local Authority Central Spend Equivalent Grant - LACSEG) is from 2013/14 allocated between the Council and Academies based largely on pupil numbers and is reviewed on a quarterly basis. This introduces an additional element of volatility and risk as schools transfer to Academy status and this will be exacerbated if the Council is not able to reduce its costs in line with reductions in funding. Therefore, when setting the budget for 2013/14 an extremely prudent view was taken. At this stage, we are forecasting additional net income of £1.0M in the light of experience to date and the known scale of Academy transfers now planned for the year.
37. In addition to this, there have been a small number of grant notifications, which have differed slightly from the initial assumed level of funding.

### **Risk Fund Provision**

38. Potential pressures that may arise during 2013/14 relating to volatile areas of both expenditure and income are being managed through the Risk Fund. A balance of £4.7M remains in the budget, following the allocation of £1.0M to portfolios, to cover these pressures and is taken into account during the year as evidence is provided to substantiate the additional expenditure against the specific items identified.
39. At Month 9, it is estimated that pressures within Portfolios will require the allocation of £3.9M from the Risk Fund. It has been assumed that a further draw of £458,200 may be required in 2013/14 which will result in an overall forecast favourable variance on the Risk Fund of £301,600. The provision made within the Risk Fund has been reviewed as part of the development of the budget for 2014/15 to ensure that a sufficient allocation is included for such pressures in the future.

## **CITY DEAL – ACCEPTANCE OF GRANT FUNDING**

40. In November 2013, Southampton and Portsmouth successfully negotiated a City Deal with Government. The Deal includes a range of measures to support local economic growth, skills and jobs through funding from a number of sources to the local authorities and wider agencies.
41. The Deal included specific funding to deliver programmes to support unemployed adults and young people in Southampton, Portsmouth and the wider Solent area under the lead accountability of Southampton City Council. Grants which total £3.6M (£3.35M from the Cabinet Office and £250,000 from the Department for Work & Pensions) along with up to £3.6M of European funding to support unemployed adults and young people into employment will be received by the Council, subject to acceptance as requested in the recommendations to this report. The detailed delivery plan and spend profile is currently under development, in consultation with local partners and government departments. Funds will be spent on the delivery of pre-employment support for unemployed people, the costs of paid work placements and on-going in-work support once the individuals move into sustained employment. Of the £3.6M of funding recommended for acceptance, £2.9M is for adults and the remainder for youth support.
42. it was agreed that Southampton City Council would be the Lead Accountable Body for this element of the City Deal. This involves receiving the funds, developing and overseeing the delivery of the programme to meet the specified outcomes and quality requirements, and financial administration. The grant is intended to test local approaches, and there is no risk to Southampton City Council of claw-back of funds against contract under performance.
43. Delegation of authority to the Assistant Chief Executive is required to ensure that the programme is effectively developed and managed to meet agreed outcomes, whilst remaining responsive to changing economic, social and policy contexts over a three year period.

## **FORECAST ROLL FORWARD BUDGET 2014/15**

44. The report to Cabinet on 19 November 2013 identified a roll forward gap for 2014/15 of approaching £16.2M after taking account of pressures but before any further initiatives 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 £14.4M, and the reasons which underpin this revised position are set out below.

### **Provisional Local Government Settlement**

45. The Autumn Statement made by the Chancellor early in December contained a number of key announcements and whilst the impact on the Council's medium term financial position appeared to be limited, experience has shown that the devil is in the detail. The provisional Local Government Settlement was received on 18 December 2013 and provided clarity on the financial impact for 2014/15. The Department for Communities and Local Government (DCLG) also announced an illustrative settlement for 2015/16.

The closing date for responses to DCLG was 15 January 2014 and the final settlement is anticipated in early to mid February.

46. Having now analysed the provisional settlement the key issues are:

- The provisional settlement confirms that councils will continue to face significant spending reductions up to 2016. Central government grant to run local services will fall by 8.5% over the next two years, when including NHS support for social care according to the Local Government Association. However, without including NHS support for social care the reduction is 15.9%.
- As a result of the Autumn Statement there will not be an additional reduction in 2014/15.
- The reduction of the money held back from councils for initiatives such as the New Homes Bonus reverses the position announced in the summer technical consultation on local government finance.
- New Homes Bonus for 2014/15 has been provisionally announced and for the Council is lower than anticipated. However, this is offset by an increase in the amount of Revenue Support Grant due to the decision by the DCLG to lower the amounts held back. The funding forecast for future years New Homes Bonus (2015/16 onwards) has been updated to reflect this but at this stage has not been built into the Council's forecast position due to uncertainty about any possible policy changes in respect of the use of this funding.
- The Government will reimburse local authorities for the cost of the proposed changes to Business Rates set out in the Autumn Statement. The impact of the decision to cap the rise in 2014/15 will be made up for through the payment of a section 31 grant in 2014/15 and future years. The value of this grant to the Council is estimated to be just under £0.5M. Other changes announced that impact the Business Rate income received by local authorities will also be compensated for through a grant payment made under section 31. This will feed through to the overall position on Business Rates which is addressed separately in paragraphs 53 to 64.
- Referendum limits have yet to be announced but based on the "mood music" it is possible that the increase in council tax which is allowable without holding a referendum will be reduced from 2% per annum. The impact of this on decisions about Council Tax is set out in paragraphs 97 to 98 and also in Appendix 12.
- The NHS funding to support social care in 2014/15 is in line with our assumptions. In order to receive our allocation of the additional £200 million of funding announced, which is £924,000, we need to ensure that we have jointly agreed and signed off two year plans for the Better Care Fund, (formerly the 'Integration Transformation Fund'), with our health partners. For 2015/16 the provisional settlement confirms the composition of the Better Care Fund and detail has been set out of the basis of the payment for the performance element of the fund and the capital allocations.

More detail will follow but at this stage we have made no assumptions about additional revenue funding but there is an expectation that the current level of funding transferred (Social Care Transfer funding) is maintained.

- The revenue impact of changes to school and children's services funding have been assessed as neutral, however, confirmation of the level of Education Services Grant (ESG) along with up to date information about anticipated Academy transfers has enabled us to update our estimates for 2014/15 resulting in an increase in anticipated grant of £0.4M.

47. The overall impact on the forecast revenue position is shown in the Table below:

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Settlement Change in Grant Funding	37.5	(725.3)	(679.5)
Change in Forecast ESG	(400.0)		
<b>Net Impact of Grant Changes</b>	<b>(362.5)</b>	<b>(725.3)</b>	<b>(679.5)</b>

48. 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 if necessary in a revised budget proposal for the Council meeting on 12 February.

#### **Council Tax Base**

49. The council tax base for 2014/15 has been set at 57,044.0 properties using delegated powers granted by Council on 17 January 2007. This is an improvement on the position assumed in November and reflects growth in the tax base and the required adjustments in respect of the Local Council Tax Reduction Scheme for 2014/15. The increased tax base leads to forecast additional income of £639,500.

50. Central Government transferred the responsibility for providing Council Tax Benefits to Local Authorities as from 1 April 2013. Previously Central Government set the criteria for Council Tax Benefits and funded 100% of the cost. Under the new arrangements, Councils set their own local Council Tax Reduction Scheme offering reduced Council Tax for those eligible for support. However, the Council received 10% less from central government to fund the new scheme in 2013/14 and there are additional costs in collecting the tax. On 16 January 2013 Council approved a long term scheme which comes into place from April 2014 and which reduces the support given to working age people by 25%.

#### **Collection Fund Surplus / Deficit**

51. No assumption was made about the estimated Collection Fund position at the end of 2013/14 for the purposes of the original forecast for 2014/15.

For Council Tax, collection rates during the year have been maintained, the bad debt provision has been reduced and there has been a continued review of exemptions and eligibility for discounts. In addition, the Council made changes to a number of discounts and exemptions offered in respect of Council Tax with effect from 1 April 2013; as allowed by new regulations contained in the Local Government Finance Act 2012. Prudent assumptions were made about the impact of these changes and when compared to the original forecast additional income is now anticipated. Due to these factors, the estimate of the surplus to be included is approaching £1.8M and goes some way to offsetting the seriously detrimental impact that the latest forecast in respect of Business Rates has had on the Council's financial position.

52. This is the first year of the new Business Rates Retention Scheme and the estimated position for the year is a deficit of £17.6M of which the Council's share is 49% or £8.6M. However, in January 2013 the Government announced its intention to make regulations allowing the liability for prior year appeals (which are a major factor in the deficit position) to be spread over five years from 2013/14 to 2017/18 – at the point of writing this report these regulations are still awaited. The forecast total provision relating to appeals and refunds relating to prior years (i.e. pre 2013/14) is almost £13.7M. Assuming the regulations allow this funding to be spread and that this is required to be an even profile then the impact to be taken into account when setting the Council Tax for 2014/15 is £4.6M and then £1.3M in future years as follows:

	£000's	£000's
Southampton City Council (49%)		8,647.0
Total Pre 2013/14 Refunds and Provision	13,681.6	
SCC Share (49%)	6,704.0	
Deferral to future years 3/5ths		<u>4,022.4</u>
2013/14 Deficit		<u>4,624.6</u>
Future Years		<u>1,340.8</u>

### **Business Rates**

53. The Business Rate Retention (BRR) Scheme was introduced in April 2013 and represented a major change in the way in which local government is funded. It is seen by the government as providing a direct link between business rates growth and the amount of money local authorities have available to spend on local services. However, the reality is more complex and the new system introduces a high level of risk into the financial position for local authorities without the level of control the government suggests is possible
54. When estimating the income for 2013/14, the NNDR1 (which has been returned for many years) was completed following the accompanying guidance issued by the DCLG. We were mindful of the importance of this return as under the new funding arrangements the estimated level of NNDR income for the coming year had the potential to impact on the Council's budget position.



Going forward Councils will be able to retain a proportion of their growth in business rates and will also be taking the risk for reductions in business rates, although there are 'safety net' arrangements in place to protect against very large reductions

55. The estimate took into account the estimated rateable value of businesses within the City, adjusted for reliefs, transitional relief, appeals and a reduction in rateable value due to the impact of for example the closure of Fords. No assumption was made of any growth.
56. Estimating business rate income is complex, as there are many factors which can significantly affect the overall figure, including entitlement to reliefs and properties coming on to, or being taken off the rating list. The biggest uncertainty concerns revaluations arising from appeals against the Valuation Office (VO) determinations. These are very common and can lead to large refunds being backdated several years
57. The amount to be retained, and the amounts to be paid to central government and major precepting authorities are fixed at the start of the financial year on the basis of the billing authority's estimate of its business rate income for the year. Any variation is recognised as part of the end of year accounting process for the Collection Fund and any surplus can be utilised in the budget whilst any deficit must be made good.
58. Since the NNDR1 was submitted and the budget set for 2013/14 it has become apparent that there are two key issues that will impact our business rate income in 2013/14 which were not fully reflected in the original estimate.
59. The first of these is the provision for appeals which it is now clear needs to be sufficient not just to cover those appeals paid in year but all appeals which might be successful and reduce the rateable value of the local list whether the appeal decisions are in 2013/14 or later years. In addition, a significant allowance needed to be made for appeals prior to 2013/14 even though this related to the period prior to the introduction of the BRR Scheme.
60. The gross level of appeals provided for as part of the original estimate of business rates income was £5.8M and our latest forecast is that this provision needs to be increased by £15.6M primarily due to the need to account for prior years appeals but also due to a review of the likely level of appeals relating to 2013/14 and yet to be decided.
61. The second impact is that the level of appeals and other changes to the ratings list in fact lead to a reduction in the rateable value which far exceeds any realistic level of growth and which impacts not just 2013/14 but future years. The gross rate yield for Southampton has so far fallen by approaching £7.0M from £108.8M when the NNDR1 was submitted in January 2013 to £102.0M by the end of December 2013. These figures will continue to change.
62. In the light of this experience the forecast income from Business Rates for 2014/15 has been reduced by £3.7M after allowing for the receipt of section 31 grants which are to be paid to compensate Local Authorities for the measures set out in the Autumn Statement.

63. The anticipated level of grant the Council will receive under section 31 in respect of the decision to cap the increase in business rates at 2% is £487,000 and the value of the grant to compensate for the other measures announced is forecast to be £1,474,600.
64. The NNDR1 has to be submitted to the DCLG by 31 January each year and, while it is not anticipated, there may be late changes to the form and to the accompanying guidance that will lead to changes to the figures set out in this report. In addition, any changes as a consequence of the laying of regulations associated with the BRR Scheme, including the calculation of safety net payments, may impact the position presented. Any changes will be taken into account if necessary in a revised budget proposal for the Council meeting on 12 February.

#### **Actuarial Assumptions**

65. Employer contributions to the Hampshire Local Government Pension have been reviewed as part of the triennial revaluation process. The outcome of the review undertaken by the Actuary has resulted in rates for both past and future service being set which are lower than previously anticipated for the three year period, 2014/15 to 2015/17. This has had a favourable impact on the forecast for 2014/15 of £752,100.

#### **Detailed Estimates Changes and Net Interest Payable**

66. Other changes in the detailed estimates submitted by Portfolios and Trading Areas have also been reflected in the figures and show a small adverse variance however, this is more than offset by the favourable impact of reduced interest payable. Since November 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 12 February, an updated assessment of the outlook for interest rates and an assumption that in year borrowing will be delayed.
67. In addition, review of the planned programme funded by the Weekly Collection Support Scheme (WCSS) bid awarded to the Council by the DCLG last year has resulted in the re-profiling of spend with a corresponding increase in the allocation of funding in 2014/15 of £0.7M.

#### **Increased Draw From Balances**

68. In the light of the financial challenge facing the Council in future years the position presented in November 2014/15 assumed an addition to balances of £3.2M. This was in recognition of the fact that change takes time and investment to deliver and provided the Council with one off resources to allow for this.
69. Since that time the changes set out above, and most notably the impact of business rates, have meant that an additional draw of £5.9M is required to support the revenue position in 2014/15, compared with the balances position resulting from the November draft budget. This in conjunction with the re-profiled spending associated with the WCSS bid means that it is now planned to draw approaching £3.4M from balances (rather than add £3.2M to balances) which is an increase of £6.6M compared to the position reported in the November report.

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

	<b>£000's</b>
<b>Forecast Deficit in November Cabinet Papers</b>	<b>16,243.2</b>
Net Impact of Provisional Local Government Finance Settlement	(362.5)
Council Tax Base	(639.5)
Collection Fund – Council Tax Surplus	(1,781.9)
– Business Rates Deficit	4,624.6
Reduced Business Rate Forecast	3,662.1
Actuarial Assumptions	(752.1)
Detailed Estimate Changes and Net Interest Payable	(6.5)
Increased Draw from Balances	(6,586.4)
<b>Revised Forecast Deficit</b>	<b>14,401.0</b>

71. In arriving at this 'base' position a number of one off funding sources have been utilised which total almost £6.9M. These include contractual savings from the Street Lighting PFI project (£0.2M), the utilisation of the New Homes Bonus for 2014/15 (£3.3M) and a draw from balances (£3.4M). These one off elements, whilst serving to reduce the gap in 2014/15, by their very nature do not positively impact on the medium term financial position.

72. This position shown in the table above represents the 'base' position from which all four 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 2014/15.

### **RISK BASED CONTINGENCY FUND**

73. 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).

74. 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 instead 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.

75. A sum of £4.4M is included in the budget for 2014/15, (unchanged from the draft position presented to Cabinet in November 2013), 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.

### **REVENUE PRESSURES**

76. 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.
77. Pressures which services are required to address outside of the Risk Fund mechanism totalling £3,624,000 are being recommended for 2014/15 and are detailed in Appendix 4.

### **REVENUE BIDS**

78. Services are normally 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 £50,000 in 2014/15. These are detailed in Appendix 5

### **EFFICIENCIES, INCOME AND SERVICE REDUCTIONS**

79. 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.
80. In arriving at the 'base' position presented in November it was recognised that a number of one off funding sources had been utilised which totalled almost £4.2M. Since that time the level of one off funding has been increased by £2.7M to almost £6.9M and is now effectively contributing approximately a third of the savings required to close the gap and balance the budget position in 2014/15.
81. The November Cabinet report set out draft budget proposals for consultation and at that point included efficiencies, income generation and service reductions to the value of more than £14.8M. This level of savings went most of the way towards bridging the draft budget gap which at that point in time was more than £16.2M. The changes summarised in paragraph 70 reduce this gap to £14.4M, and this is the level of savings therefore required to balance the draft budget for 2014/15 before any bids or initiatives, assuming a council tax increase of 2%.
82. In terms of closing the budget gap and setting a balanced budget, the Executive's recommendations for efficiencies, income generation and service reductions now total almost £14.5M and are set out in detail in Appendix 6.

These savings include £1.5M from the renegotiation of the Strategic Services Partnership contract with Capita which included changes to the contract and an extension of the contract for five years. They also include savings of £920,000 to be delivered through the programme of work to transform the People Directorate.

## **STAFFING IMPLICATIONS**

83. The City Council employs more than 3,900 FTE of non school staff of which approximately 3,050 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.
84. 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.
85. 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.
86. Based on the savings proposals contained in this budget report 48.75 FTE posts are affected of which 23.10 FTE are currently vacant and 25.65 FTE are in post and are at risk of redundancy, (up to 33 individuals).
87. In addition to this, the proposed reductions set out in the report approved on 18 September 2013 to progress the People Directorate Transformation have now been refined. Previously work was underway to understand the staffing implications of these proposals as at the time some of these posts were filled by agency staff or held as vacancies,. The savings proposals brought forward for consultation anticipated a maximum reduction of 38.51 FTE (of which 20.64 FTE were vacant) within Adult Services. Within Children's Services staffing reductions proposed in the same report were anticipated to equate to a reduction of up to 5.0 FTE. Following consultation it has now been confirmed that 32.58 FTE posts are affected of which 24.28 FTE are currently vacant and 8.30 FTE are in post and at risk of redundancy, (up to 10 individuals).
88. The overall FTE at risk of redundancy is therefore 33.95 and represents less than 1% of the overall FTEs employed.
89. 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 12 February and any changes made after publication of this report will be highlighted to Council on 12 February 2014.
90. 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.

91. 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 maintain the support for employees who find themselves on the redeployment register as a result of savings implemented as part of the 2014/15 budget.

### PROPOSED BUDGET PACKAGE

92. 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 7. The proposals are based on a Council Tax increase of 2% and include a draw from balances of £3.4M.

	<b>£M</b>
<b>Total GF Spending (After Addition to Balances &amp; Pressures)</b>	<b>87,873.2</b>
Bids (Appendix 5)	50.0
Efficiencies, Income and Service Reductions (Appendix 6)	(14,451.0)
<b>Council Tax Requirement</b>	<b>73,472.2</b>

93. Any changes made to this proposed budget package, for example in response to the ongoing consultation with staff which will run until 12 February 2014, or in the light of changes to the proposed referendum limits in respect of council tax increases and regulations relating to business rates, will be highlighted to Full Council on 12 February 2014.

### COUNCIL TAX

94. The Executive are recommending a Council Tax increase of 2.0% for 2014/15. The Council Tax Requirement shown in Appendix 7, which takes into account Government Grants and an assumed deficit on the collection fund at the end of 2013/14 of more than £2.8M is the level of council tax required to provide a balanced budget for 2014/15. This is then divided by the council tax base set by the CFO, following consultation with the Cabinet Member for Resources, to give the basic amount of council tax for the year of £1,287.99, which is a 2% increase. The full calculation is set out in Appendix 8.

95. The estimates of the payments from the Collection Fund in the form of precepts for 2014/15 are set out in Appendix 9.

This includes preliminary figures for the Police & Crime Commissioner (PCC) and the Fire Authority, for whom proposed council tax increases of zero for a Band D property have been assumed at this stage. The Appendix therefore shows that when these items are added to Southampton's council tax, the overall percentage change falls from 2.0% to 1.71%.

96. The figures for both the PCC and the Fire Authority will not be approved until after the 12 February and therefore this report requests a delegation of authority to the Chief Financial Officer to implement any variation to the overall level of Council Tax arising from the final notification of the Hampshire Fire and Rescue Authority precept and the Police and Crime Commissioner for Hampshire precept.
97. At the time of writing this report the Government have yet to announce the Council Tax Referendum threshold for the 2014/15 budget year. The current referendum level is set at 2%, but the government have indicated that they are minded to consider representations for a lowering of the present threshold. There is therefore a distinct possibility that the referendum threshold will be lowered, and if this was the case the Administration would have to decide whether to proceed with the current proposed Council Tax increase of 2%, which would trigger a referendum, or to consider a lower Council Tax increase taking account of any revised referendum limit.
98. The government have said that any decision to change the Council Tax threshold will be made no later than the 12 February 2014, which is the date on which Full Council meet to set the budget. It is therefore possible that the referendum limit may not be known until budget day.

## **PAY & ALLOWANCES**

99. As set out in the report to Cabinet in November, a consultation process was launched across the Council on 11 November 2013 in respect of pay and allowances and corporate change proposals. It is proposed to introduce changes under the following headings:
  - Any modern organisation should have one consistent unitary pay scheme where appropriate based on the same objective system of evaluation throughout the organisation. There is a commitment to the Living Wage for those who are least well paid.
  - The system of allowances should be fair, transparent and consistent throughout the Council.
  - Payroll simplification - There are multiple payrolls paying at multiple dates on different systems. As part of the process of making payroll management efficient it is proposed that the dates and periods of payment are harmonised.
  - Policies should be efficient, fit for purpose, and capable of being changed to confront changing situations whilst still delivering fairness to employees.
100. Pay & Allowance proposals will be subject to a meaningful and detailed consultation and counter proposals will need full consideration.

The intention is to reach a collective agreement which by its definition will cover a wide range of issues. This is the aim, and to take that forward requires proposals (and counter proposals) to be fully assessed and costed. However, whilst the aim is to reach collective agreement this may not be achievable and a process of dismissal and re engagement may be required to achieve the Councils overall objectives of equity fairness affordability and modernisation. Eventual implementation (current aim October 2014) will be a significant undertaking including amending systems and processes and associated comprehensive communications.

101. Based on the latest plan for this review, the required funding to undertake and implement the project is £0.5M and this sum has been allowed for in the Organisational Development reserve and is reflected in the position set out for balances.

### **GENERAL FUND BALANCES**

102. 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.

103. 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

104. 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 was reviewed last year and in recognition of the significant new risks facing the Council (in particular the introduction of the BRR Scheme and a local Council Tax Reduction Scheme) the CFO recommended that the minimum level of balances be increased from £5.0M to £5.5M in line with good practice guidance. Further consideration has been given this year as to whether the minimum level of balances should be increased further.



Whilst given the Council's financial position, the level of financial risk and the forecast budget shortfall for 2015/16 onwards it would be prudent to do so, the practicalities of the financial position mean that it has not been possible to provide for an increase in the minimum level of reserves. This is further set out in Appendix 12 – Statement on General Fund Budget Strategy by the CFO.

105. In light of experience during 2013/14 whilst provision for the BRR Scheme has been made within balances it is planned to review how best to manage the risk that this now presents to the Council. Consideration will be given to the use of a Business Rate & Revenue Equalisation Reserve as part of the development of the Medium Term Strategy for future years which could help to manage the impact of economic shocks and unanticipated decisions in respect of appeals, refunds and the composition of the rating list.
106. The table below shows the position for balances after taking into account the estimated outturn for 2013/14, the budget proposals set out in this report and the current update of the capital programme.

	2013/14	2014/15	2015/16	2016/17 & 2017/18
	£000's	£000's	£000's	£000's
<b>Opening Balance</b>	<b>29,923.5</b>	<b>25,673.4</b>	<b>16,970.5</b>	<b>10,908.2</b>
Draw to Support Capital	(401.0)	(100.0)	0.0	0.0
(Draw to Support) / Contribution from Revenue	3,419.9	(3,362.0)	(1,632.2)	4,332.0
Contributions (to) / from Other Reserves	(1,400.0)	0.0	0.0	0.0
Draw for Strategic Schemes	(5,869.0)	(5,240.9)	(4,430.1)	(8,740.2)
<b>Closing Balance</b>	<b>25,673.4</b>	<b>16,970.5</b>	<b>10,908.2</b>	<b>6,500.0</b>

107. The current level of balances reflects the budget proposals set out in this report to be approved by Council on 12 February. These proposals include the use of £3.4M of balances in 2014/15 and £1.6M in 2015/16 to support the revenue budget. The above projection includes an addition to the Organisational Development Reserve of £3.0M in 2014/15, £2.0M in 2016/17 and £4.0M in 2017/18 in order to ensure that adequate ongoing provision is made for the costs associated with the implementation of staff related savings and change.
108. In view of the financial challenge facing the Authority the Council must not lose sight of the need to ensure that work is ongoing to develop sustainable savings proposals for future years and must be mindful of the need to carefully consider the extent to which one off funding is utilised in order to deliver a balanced budget in any one year.
109. The minimum level of balances is currently set at £5.5M. The above prediction indicates that the new level of minimum balances will be maintained in the medium term.

Presently, approaching £1.0M is forecast to be available within balances as a consequence of the position set out in this report. Given the fact that this is a forecast position it would not be prudent to utilise this amount at this stage of the year. However, any ultimate amount which is available within balances may be used to fund future initiatives, cover future liabilities or contribute to the revenue budget in future years.

## **MEDIUM TERM FORECAST**

110. A roll forward forecast has been estimated for 2015/16 and 2016/17 taking into account the future years effects of the proposed pressures and savings as set out in this report.
111. It should be noted that there remain significant budget shortfalls in the medium term, with a forecast gap currently of £32.7M in 2015/16 rising to a cumulative gap of almost £54.7M in 2016/17. The medium term financial position is shown in Appendix 10 and illustrates the scale of the financial challenge facing the Council in the coming years. 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 CMT to pursue the development of future years options highlighted in Appendix 6.
112. Whilst the budget for future years does not need to represent a balanced position by the time that Full Council set the 2014/15 budget on 12 February 2014, Members should not lose sight of the need to ensure that work is ongoing to develop savings proposals for future years. Significant further work is required to ensure that savings can be delivered to balance the budget for these future years. It is imperative that plans are put in place as soon as possible in order that the Council can address the significant budget shortfall for 2015/16 onwards and this will include acceleration of the Council's Transformation Programme as set out in paragraphs 116 to 118.
113. The next CSR period starts in 2015 and is likely to contain another round of significant cuts to Local Authority funding. Various professional bodies and associations quote the potential loss of grant funding between 25% and 40%. The exact timings of these further reductions are unknown at present. 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.
114. For planning purposes, provision has been made within the current medium term forecast for reduced government grant with an assumption that there will be a further reduction in central government grant of 12% in 2016/17. This reflects a continuation of the deficit reduction programme as announced by the Chancellor in the Autumn Statement and reiterated since. There is a risk that the actual reductions in government grant will be in excess of 12% for 2016/17.
115. 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 2.0% for 2013/14, 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

## **TRANSFORMATION PROGRAMME AND SERVICE REVIEWS**

116. The draft budget report published in November 2013 highlighted the work that was being done to develop the Council's medium term Transformation Programme incorporating a number of strategic reviews. Following the recommendations of the Local Government Association (LGA) Peer Review, work undertaken to understand and learn from the transformation programmes in other councils shows that there is no "magic bullet" or formula to achieve the level of transformation that is needed. What the council has to do is to inject pace and investment for strands of work identified and started over the last two to three years. The Council's transformation work, led by the Assistant Chief Executive, will need to ensure that the Transformation Programme develops to support the delivery of the Council Plan and makes an identified contribution to future financial pressures, within agreed timescales.
117. Several respondents to the budget consultation process highlighted that there is scope to improve the way the Council communicates and interacts with residents electronically including increasing the number of services that can be accessed and transactions undertaken online. Work is underway to improve the Council's website, increase and make easy transactions that can be undertaken electronically and to improve business processes to ensure channel shift is effective. As not all residents have the skills or access to be able to transact with the council on-line, comprehensive impact assessments will be completed by the Head of Transformation to better understand their needs and views in relation to 'channel shift' and to ensure alternative processes for those who need them.
118. Progress since November includes:
- Work is underway to develop current transformation projects into a coordinated "One Council" Transformation Programme, including culture change, which is effectively programme managed.
  - Project Managers are working on the two inter linked reviews for Business Support and Policy & Performance, reporting to a single Project Board. It has been agreed that the delivery models for the new centralised functions will be "hub and spoke" and approval has been given to establish the high-level structures. Consultation with affected staff is expected to begin in February 2014 as soon as the list of staff in scope has been finalised.
  - The transformation programme within the People Directorate includes establishment of the joint Integrated Commissioning Unit with health to help reduce costs in the future; leaning of processes for assessments and billing within Adult Social Care; establishing integrated education and social care teams and a Multi Agency Safeguarding Hub (MASH) and assessing how IT can support the new roles and ways of working, including mobile and flexible working.

- Officers have been making contact with service managers across the council and with library managers in other councils as part of the preparatory work for the Library Service Review. The aim is to ensure that the library service meets the needs and priorities of the residents of Southampton into the future, delivering the required outcomes in a financially sustainable way.
- CMT have agreed HR transformation priorities and priority projects to build organisational resilience and achieve the level of HR transformation that is urgently required. The agreed HR projects will underpin front line service delivery and include simplification of HR policies and processes, implementing a resilient HR operating model, mechanisms to ensure establishment control and integrating individual performance management into the council's performance management framework for 2014/15.
- Work is also underway to establish a Programme Management Office (PMO) with an agreed project management framework, a pool of project managers and ongoing training for relevant staff.

## **RESOURCE IMPLICATIONS**

### **Capital**

119. The revenue implications of financing the General Fund Capital Programme are reflected in the 2014/15 estimates presented in Appendix 7.

### **Revenue**

120. As set out in the report.

### **Property/Other**

121. None.

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

#### **INTRODUCTION**

122. 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**

123. 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.
124. 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.
125. 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**

126. 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.
127. 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.
128. 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.

129. 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'.
130. 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.
131. 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.
132. 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.

### **DEFICIT BUDGETING**

133. 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.
134. 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**

135. 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**

136. 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.
137. 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.
138. 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.
139. 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**

140. 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)**

141. 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.
142. 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.

143. 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
- 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**

144. 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**

145. 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.
146. 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.
147. 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.
148. 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.*

*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:**

149. 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 Council's Management Team (CMT), the proposals contained in this report have been checked from a legal viewpoint.
150. 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 2014/15 to 2016/17. 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.
151. 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.

152. 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**

153. The Medium Term Plan and the Budget are key parts of the Policy Framework of the Council and a Budget and Council Tax for 2014/15 must be proposed by the Executive (Cabinet) for consideration by the Full Council under the Constitution.

**KEY DECISION?** Yes/No

<b>WARDS/COMMUNITIES AFFECTED:</b>	ALL
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## **SUPPORTING DOCUMENTATION**

### **Appendices**

1.	Budget Consultation Report
2.	Equality and Safety Impact Assessment
3.	Revised General Fund Revenue Budget 2013/14
4.	Summary of Revenue Pressures
5.	Summary of Revenue Bids
6.	Summary of Efficiencies, Additional Income and Service Reductions
7.	2014/15 General Fund Revenue Account
8.	2014/15 Council Tax Calculation
9.	2014/15 Collection Fund Estimates
10.	Medium Term Financial Forecast
11.	Statutory Power To Undertake Proposals In The Report
12.	Chief Financial Officers View On The Budget

### **Documents In Members' Rooms**

1.	Budget Proposals - Equality and Safety Impact Assessment

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**Equality Impact Assessment**

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	Yes/ <del>No</del>
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**Other Background Documents****Equality 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 2014/15 TO 2016/17 – APPROVED BY CABINET ON 19 NOVEMBER 2013	
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**2014/2015 BUDGET PROPOSALS**  
**CONSULTATION FEEDBACK AND ANALYSIS**

**INTRODUCTION**

1. Southampton City Council's Cabinet published their draft budget proposals for 2014/15 for public consultation on 11 November 2013. Over the last four years the council has made savings of £57 million. In 2014/15 the Council again faces a significant decrease in the funding from central government. Costs are increasing and demand is rising for many of our services. The challenge faced by the council is to achieve an overall reduction of more than £60 million in the next three years.
2. The Council has difficult decisions to make which will impact on the city and has made a commitment to engage and consult before, during and after decisions are made. Reflecting previous feedback received the Cabinet was keen to consult more extensively than we have done previously and a two stage approach was implemented this year. The first stage was focused on resident priorities and helped inform the budget proposals. The second stage was on the proposals themselves.
3. This appendix provides details of the consultation undertaken on both the priorities for the budget and the draft budget proposals, the feedback received and how the feedback has been acted upon.

**THE CABINET'S APPROACH**

4. In this difficult financial climate the Cabinet want to protect front line services as much as possible, become fit for the future and deliver a balanced budget. In doing so, the Cabinet recognise that they have to take tough decisions about council services and future spending. They are determined to protect vital services and minimise the impact on residents, businesses, service users and employees by doing things differently. As such the approach the Cabinet took taken to developing the budget proposals was to ensure that we are:
  - Protecting frontline services, priority areas and vulnerable people;
  - Increasing our income and attracting investment
  - Being as efficient as possible
  - Focusing service reductions on services which are lower priority where possible
  - Deleting vacancies and protecting jobs
  - Transforming the way we work to provide better outcomes and services at lower cost.
5. The scale of the challenges faced by the council has meant that while the Cabinet wanted to encourage genuine ideas for achievable savings from everyone, they were keen to manage expectations. This is because decisions to protect one service will inevitably have an impact on another service. The Cabinet's approach in the long term is to raise awareness so that consultation is not just about saving a service but about prioritising within ever decreasing resources.
6. A variety of methods were used to assist a wide range of people to give their views to inform the final budget which is due to be agreed by Full Council on 12 February 2014. This included residents, service users, employees, partners, businesses, community and voluntary sector organisations and other stakeholders. This is in addition to the council's decision making processes which include feedback from the Overview and Scrutiny Management Committee and Health Overview and Scrutiny Panel (Annex 1).

7. The Leader and Cabinet Member for Resources led the consultation on the budget proposals supported by other Cabinet members, the Council's Management Team (CMT), Heads of Service and staff in the Transformation and Performance Division. This was complemented by service led consultation in areas where the managers considered this to be appropriate and necessary. Cabinet Members and managers also attended meetings with residents, employees and other stakeholders.

### **CONSULTATION PRINCIPLES**

8. Despite having limited resources to undertake consultation, every effort was made to ensure it was:
  - **Inclusive:** so that all sections of the city's local communities had the opportunity to express their views
  - **Informative:** so that people had adequate information about the proposals, what different options mean, and a balanced and fair explanation of the potential impacts, particularly the equality and safety impacts
  - **Understandable:** by ensuring that the language we used to communicate is simple and clear and that efforts are made to reach all stakeholders, for example people who are non English speakers or disabled people
  - **Appropriate:** by targeting people who are more likely to be affected and using a more tailored approach to get their feedback, complemented by a general approach to all residents, staff, businesses and partners.
  - **Meaningful:** by ensuring decision makers had the full consultation feedback information so that they can make informed decisions.
  - **Reported:** by letting consultees know what we did with their feedback.

### **CONSULTATION METHODOLOGY**

9. Last year the Council received feedback on how the consultation documentation and process could be improved. Key points relating to accessibility of the budget information, engagement with stakeholders and improving the way in which we can better inform decision making were taken into consideration in this year's budget consultation process. As a result, in addition to the budget tables, covering paper and equalities impact assessments that are produced every year, a more comprehensive range of budget materials were developed and made available on the council website and used at consultation meetings. The additional materials included:
  - A pre budget survey on residents priorities
  - A summary on the background to the budget position
  - A summary document outlining the budget proposals
  - A video clip from the Cabinet Member for Resources
  - Summary sheets by theme with more detail of each of the proposals
  - A more detailed survey on the proposals
10. Given that the Council cannot afford to continue to do everything that it currently does, the consultation process was designed for Cabinet and senior managers to hear views about:
  - The council's approach to delivering savings.
  - Suggestions for making savings and generating income that we have not yet considered.
  - Potential impacts, and action we could take to reduce impacts, that we have not already identified or explored.

- Different ways the council could deliver services such as working with others, including partner organisations and local communities.
11. The consultation aimed to explain what the challenges were and why the council was in this financial position, influence the budget proposal and seek feedback on the proposals once they were published.
  12. The first stage of the consultation was a pre-budget survey of priorities which ran from 3 – 18 October 2013. The survey was undertaken to identify views on priorities so that the feedback could be considered in developing draft budget proposals. In total 2,617 people responded to the survey, of which 28% were Southampton City Council employees. This exceeded the number of responses the council received for last year’s budget consultation process. The results from the survey were considered by the Cabinet when developing the draft budget proposals published in November 2013.
  13. The second stage of the consultation was on the draft budget proposals and ran for 9 weeks from 11 November 2013 – 12 January 2014. This was undertaken to give residents and stakeholders an opportunity to comment on the proposals, identify any potential impacts and provide alternative suggestions.
  14. The draft budget proposals survey was conducted using a tick box and open ended question survey, which was available online and paper copies were placed in the city’s libraries, GP surgeries, local housing offices and in Gateway, the council’s customer contact centre. The online survey was promoted in various ways including using the council website, Stay Connected (the council’s email alert system) and through a network of partners and community groups. The survey was also made available to all council staff.
  15. Four area-based budget consultation meetings were held between 18 and 30 November 2013, with nearly 500 community organisations, based in the west, east and central parts of the city as well as city-wide organisations, invited. The meetings were attended by 32 people, representing 25 groups and organisations, alongside the Leader and other Cabinet Members. Discussions at the meetings centred on priorities for communities, the overall budget approach, the budget proposals and further ideas for savings and improvement.
  16. The Council also worked closely with partners and organisations directly affected by the proposals ensuring they were aware and had the opportunity to voice concerns and suggest alternatives.
  17. Comprehensive staff consultation was also undertaken by service managers, led by Human Resources. Guidance for internal staff consultation on specific budget proposals was provided by Human Resources.
  18. A full list of consultation activities is outlined in the table below:

**Table 1**

<b>Consultees</b>	<b>Methods</b>
Members	Various
Scrutiny	Two committee meetings
Staff and unions	Ongoing and co-ordinated dialogue with Trade Unions on the budget process
	Regular meetings on service specific proposals
	Meetings with individual members of staff to consult them on proposals that affect them

<b>Consultees</b>	<b>Methods</b>
Residents and all stakeholders	Survey available on the council's website, paper copies in local housing offices GP surgeries and libraries. The survey was also available for all staff.
	Area based meetings
Partners	Ongoing discussions with partners on proposals that have an impact on jointly provided services or where they serve a common population
Partners and external organisations	Letters to partners and meetings at request
	Briefing for Southampton Connect
	Letters to relevant organisations who may be affected in specific ways and ongoing regular meetings
Commercial partners and provider organisations	Letters, meetings, discussions
Service users	Meetings using a variety of existing forums and user groups for relevant proposals

Further details regarding these activities is available in the annexes to this report.

**RESPONDENTS**

19. In the 2013/14 budget the council's consultation process resulted in approximately 2,785 responses from residents with around 1,800 of these specifically about proposals relating to libraries. In the 2014/5 budget consultation more than 3,600 responses have been received and this includes a number of responses which were made on behalf of individual organisations and their members and service users.
20. This is a greater response than in previous years, reflecting a wide range of methods deployed this year and the council's commitment to consultation.
21. The following table shows the number of responses received so far via particular consultation methods.

**Table 2**

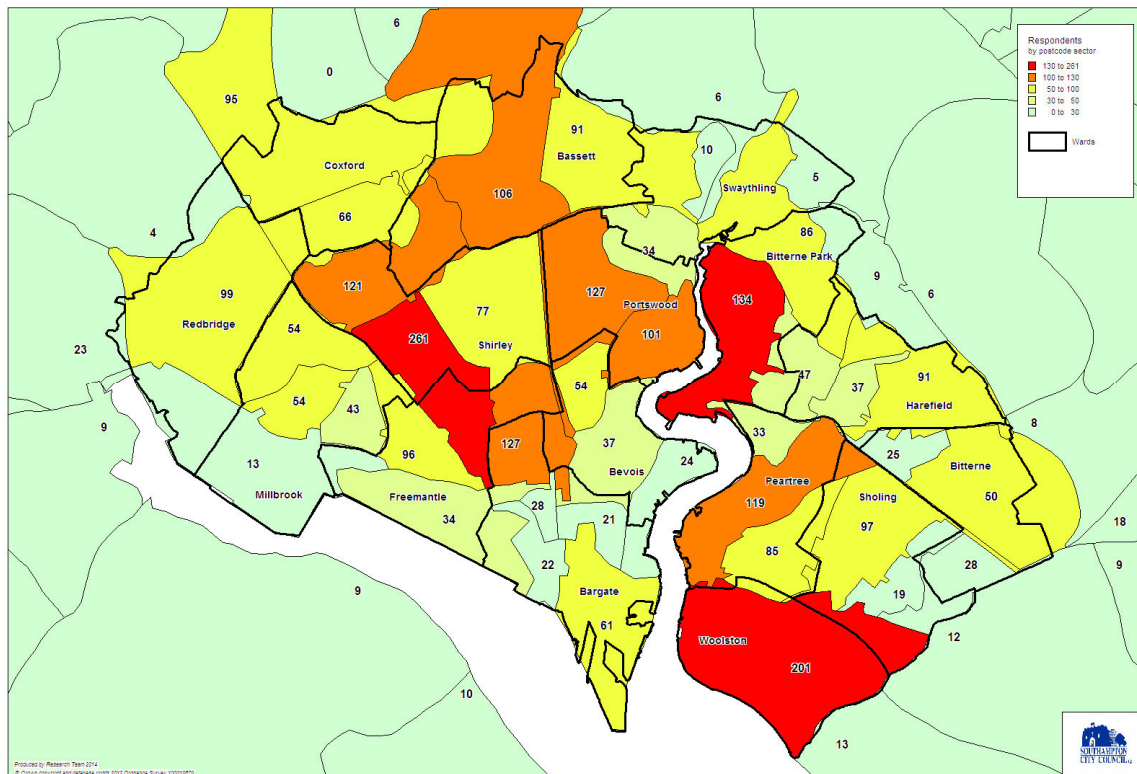
<b>Interest groups</b>	<b>Approximate Number</b>
Priorities survey	2,617
Draft budget proposal survey	940
Area based meetings: Representatives of groups/ organisations working in local areas who attended meetings in: Shirley, Weston, Mount Pleasant and the city centre.	32
Correspondence from residents and stakeholders	25
<b>Total</b>	<b>3,614</b>

**DEMOGRAPHIC DETAILS**



22. Of the 3,557 people who responded to the two surveys, at least 2,772 were Southampton city residents. Figure 1 below shows a map of respondents to the second part the budget consultation.

**Figure 1**



23. For the total responses to both surveys, the age distribution of respondents was as follows:

Age of respondents	%
11 – 21 years	3
22 – 29 years	9
30 – 49 years	39
50 – 69 years	42
Over 70 years	7

The gender split for respondents was 56% female to 44% male. In total 28% of responses were from Southampton City Council staff.

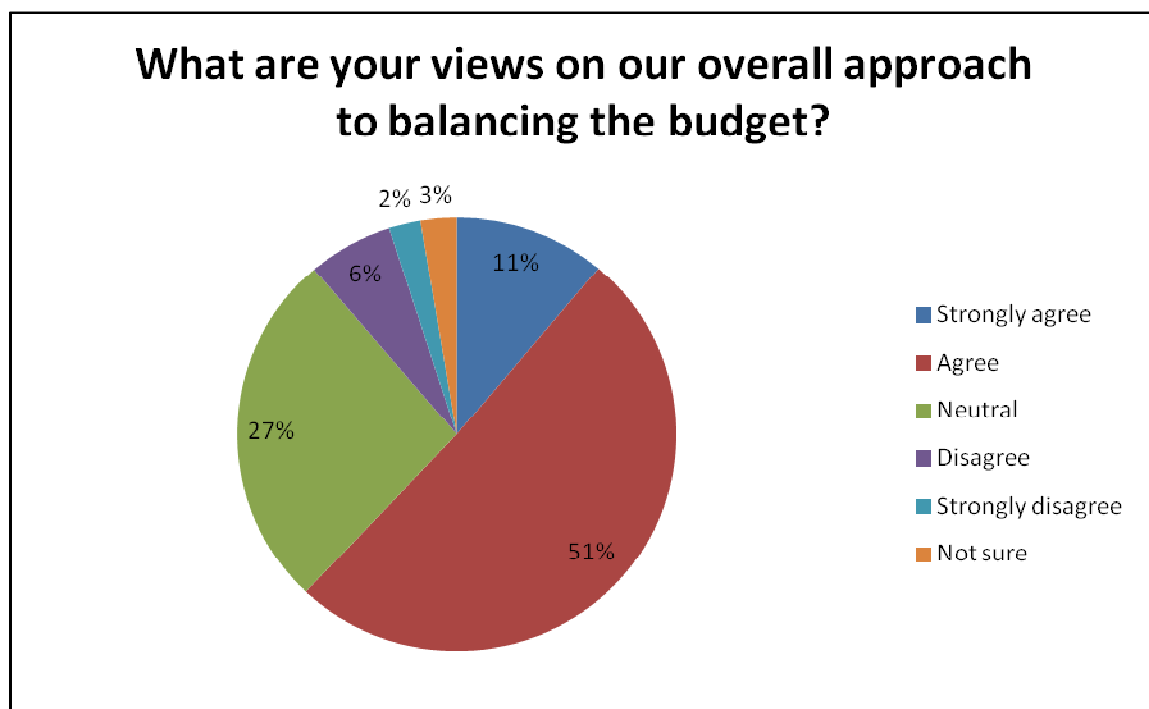
**CONSULTATION RESULTS**

- 24. Overall, the Council’s budget approach was supported and there was recognition of the financial difficulties faced by the council. However, concerns were raised about several issues.
- 25. In Part 1 the priorities survey asked respondents to rank in order of importance to them, five top level priorities identified by the council. Protecting People and Education, Skills and Jobs,

were clearly identified as the two most important priorities for respondents. The survey also asked respondents to look at a list of service areas within each of the five priorities and select their three most and three least important service areas from the list. A full report on the results of the survey was published with the 2014/15 draft budget proposals and is available <http://www.southampton.gov.uk/modernGov/documents/s19240/Appendices.pdf>.

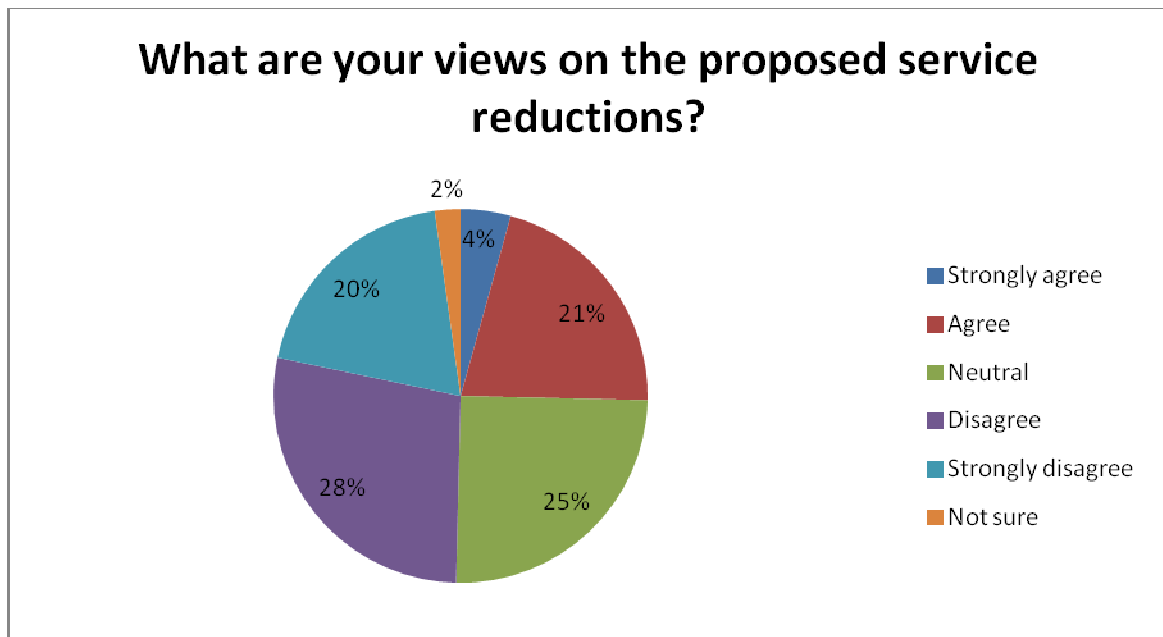
26. In Part 2 the survey on the budget proposals was split into seven sections. Each section asked the extent to which the various proposals were supported and also gave the opportunity to comment on why respondents disagreed with the proposals (if relevant) and to comment on the impacts of the proposals. There was also a further opportunity to provide comments at the end.
27. The first section asked about the Cabinet’s overall approach to balancing the budget. Overall 62% of respondents agreed with the approach with 8% disagreeing. The detailed responses are shown below in Figure 2.

**Figure 2**



28. The survey then asked about the budget proposals for the top two priorities in the City, there were 56% of respondents agreed or strongly agreed with the approach taken to protecting people; with 68% agreeing or strongly agreeing with the approach taken to education, skills and jobs.
29. In relation to the proposals to balance the budget using efficiency savings and income generation there was general support with 56% and 55% agreeing or strongly agreeing, and 12% and 14% disagreeing and strongly disagreeing respectively. There was more support for the proposals relating to internal savings with 63% giving a positive response.
30. The category in which the proposals received the least support from the public was in relation to service reductions. In this section 25% of people supported the proposals 48% were neutral about them or did not know and 27% disagreed or strongly disagreed. This is shown below in Figure 3.

**Figure 3**



31. Key highlighted areas of concern in relation to the proposals in the written comments in the survey were :

- The impact of increasing charges for museums and galleries education service;
- the removal of the subsidy for the city Link bus and effect on its sustainability;
- the effect on safety and health of reductions in community safety, enforcement and environmental health, particularly when taken together and in the context of other proposals;
- increasing charges for bulky waste collection and the potential impact in relation to fly tipping;
- streetlight diming including where and at what times this would take place;
- the need for a mayor's car and
- reductions in trading standards.

32. A summary of the comments received, including alternative suggestions in each section of the survey are at Annex 2.

33. The main feedback from the area based meetings was also supportive of the approach. However, there was a consensus that it remains important to maintain a balance between investment in prevention and managing current demand. The top priorities of those who attended were:

- Maintaining roads
- The need for continued community support and involvement
- Protecting older and vulnerable adults through day services and reablement
- Supporting young people through early intervention and prevention
- Reducing youth unemployment
- For the council to be more transformational and innovative in its approach

Key suggestions for improvements were

- To include the third sector and community groups as part of the future solution

- Rebuild relationships and enhance cohesion work in areas of tension

A full summary of the feedback from the area based meeting including details of attendees is at Annex 3.

34. Very little correspondence, around 25 items, was received in relation to the budget proposals this year, however key feedback was received from the NHS and Police. Hampshire Constabulary highlighted the importance of working together to ensure statutory requirements are met and the most vulnerable are protected. They requested more detail on the noise service reductions, support the proposal on street lighting and City Patrol but have some concerns around reductions to the community safety team.
35. The NHS, Southampton City CCG, Southern Health and Solent NHS Trusts, were broadly welcoming of the proposals. They were supportive of the need to protect areas with a focus on early help and support to keep vulnerable children safe. There was also support for the vision to put reablement at the centre of care and integrated commissioning.
36. Concerns about the impact if care packages are reduced and out of areas placements are returned to the City as this could lead to an increase in pressure on health services. More details have been requested about changes to public health services.
37. A summary of the correspondence received is at Annex 4.

#### **HOW THE CONSULTATION FEEDBACK WAS USED**

38. The Cabinet have considered and reviewed proposals in response to the consultation feedback. The Council received its draft funding settlement from the Government for 2014/15 and 2015/16 just before Christmas 2013. Initial analysis of this and the anticipated impact of income levels from Business Rates confirm that the future financial forecast position continues to be challenging.
39. The following paragraphs detail changes that have been made to the budget proposals as a result of the feedback and how suggestions for future savings have been acted upon.
40. **Museums and galleries education team** - Key issue of concern raised as part of the consultation on the budget proposals was the reduction of staff in the Museums and Galleries Education Team. The Staff have suggested an alternative proposal and the original proposal has now been revised. The staff reductions have now been removed from this proposal and instead there will be an increased level of direct delivery by the team and sessions delivered by freelancers will be reduced. At this stage it is not anticipated that charges will be substantially increased, however this will be kept under review. We will continue to explore external sources of funding to support free and subsidised sessions.
41. **City Link bus** - Withdrawal of the subsidy for the City Link bus was a key issue of concern raised during the consultation. The Bus subsidy paid by the Council is the only subsidy that will be removed and the Council have been working with partners to ensure the sustainability of the service. Red Funnel, Hammersons (the owners of West Quay) and South West Trains (SWT) have all been engaged in this proposal and intend to retender a service. Their intention is to retain a cheap service for their users and initial discussions have ventured to suggest a 50p or £1 a trip ticket. Existing Red Funnel or SWT commuters are likely to be protected from the introduction of a charge if they currently purchase a season ticket. Elderly and disabled customers with concessionary passes will still be entitled to free travel on any future service.

42. **Civic Centre opening hours** - Concerns were raised during the consultation from both staff and the public about the reductions in overtime for the Town Sergeants and the resultant changes to Civic Centre public opening times. A proposal put forward as part of the staff consultation by the Town Sergeants has been accepted and the proposal has been revised to incorporate the deletion of a vacant post and there will be no impact on the Civic Centre opening hours as a result of this proposal.
43. **Councillors / Elections** - One of the most popular alternative suggestions for making savings revived during both stages of the consultation, concerned the number of councillors representing wards in the City, and the frequency of elections. The Leader is pleased to announce that he has been working with the opposition parties and is establishing a cross party group to review both issues. To implement any changes to wards and numbers of councillors the Local Government Boundary Commission for England (LGBCE) must conduct a review. The LGBCE is an independent and impartial advisory non-departmental public body. The Council will consider its electoral cycle prior to any boundary review. The LGBCE will be invited to examine the number of wards, ward boundaries and number of Councillors in the City. It is anticipated that the LGBCE review will be completed and make its recommendations towards the end of 2015 with a view to implementing any agreed ward changes as well as any electoral cycle changes through all out elections in 2016. These dates are currently provisional as the timeframe depends upon the LGBCE's workload.
44. **Late night Levy** - The Council has the power to introduce a late night levy to raise a financial contribution from late opening alcohol suppliers towards policing the night time economy. Money raised would be split between the council and the police, who would receive at least 70%, and must be used for tackling alcohol related crime and disorder. In the priorities survey respondents were asked if they agreed that night time venues such as pubs and clubs should contribute more towards the cost of dealing with crime and anti-social behaviour in the night time economy. This question resulted in the highest level of overall agreement, with 91% of all respondents in favour of imposing the levy on licensed premises. As a direct result of this feedback, a motion has been agreed by the council to begin the process of statutory consultation required prior to Full Council deciding whether to bring in a Late Night Levy. This levy, should it be brought in, would be used to contribute towards the costs of keeping those using the night time economy safe. Consultation on the levy will be undertaken during 2014/15.
45. **Parking Charges** - Opposition to any further increases in parking charges as a source of revenue was an issue raised in both parts of the consultation. The Leader has confirmed his intention to freeze or reduce parking charges in Southampton for the next three years. A review will take place at the end of this period to see if any change is appropriate. A commitment has also been given to look into publishing an annual car parking account, which contains information on income and spending in relation to car parking.
46. **Mayor's car** - Several respondents to the budget proposals survey highlight concern with the renegotiation of the lease for the Mayor's car. We can confirm that the renegotiation has resulted in an agreement which will not cost the council any money. Southampton's local Jaguar dealership, HA Fox, has kindly loaned the Mayor of Southampton a Jaguar XF Luxury D (163) free of charge which this year will save the council £6,000 on transportation costs for the Mayor. The car is being sponsored by HA Fox for a period of 12 months (from 20 December 2013), after which the agreement will be reviewed.
47. **Fortnightly waste** collection - Another key suggestion for saving money from residents was to move to a fortnightly waste collection. The council is currently in receipt of a ring-fenced grant from the government to maintain weekly household waste collections until 2017. The Council will undertake a review to consider the frequency of household waste and recycling collection that should be in place from 2017.
48. **Working with the voluntary sector** - As a result of the discussion with the voluntary sector regarding the draft budget it has been agreed that there are three areas that we can work

together better on to help achieve better outcomes for the city in the long term. In relation to commissioning a longer lead in time for changes will be put in place by the Integrated Commissioning Unit (which is a joint unit with Southampton City Clinical Commissioning Group) which will follow the process of including the voluntary sector and other stakeholders in strategic reviews and this and only after this, will the procurement process start. As a result the voluntary sector is unlikely to have the kind of experience they had in the last round of budget cuts. In relation to procurement the council will work with Southampton Voluntary Service to improve the tendering processes for large contracts to enable the voluntary sector to work more closely with big contractors for elements of contracts. Given the voluntary sector are struggling to recruit people of the right calibre and experience and the council is making redundancies we will explore linking our redeployment and bumped redundancy processes with the wider public and voluntary sector.

49. **Improving on-line services** - Several respondents highlighted that there is scope to improve the way the Council communicates and interacts with residents electronically including increasing the number of services that can be accessed and transactions undertaken online. As part of the Council Transformation Programme a project is in place to improve the Council's website and increase transactions that can be undertaken electronically. However, it is acknowledged that not all residents have the skills or access to transact with the council on-line and we will be working with residents to better understand their needs and views in relation to 'channel shift' and ensure alternative processes for those who need them.
50. The consultation feedback also included information on the impact of some proposals that had not previously been identified. This information has been reflected in the Equality and Safety Impact Assessments and in the Cumulative Impact Assessment published with the council budget papers.

### **FEEDBACK ON THE CONSULTATION PROCESS**

51. In addition to feedback on the budget proposals themselves, comments were also received on the consultation documentation and process. Overall the feedback was welcoming of the approach but highlighted that there is still room for improvement.
52. The consultation process for the 2014/15 budget was more extensive than budget consultations carried out previously. The addition of the pre budget survey on priorities was welcomed by residents and feedback reflected a desire by residents to become more involved in council decision making.
53. There was also positive feedback on the additional supporting documentation published with the budget tables this year. The background presentation was welcomed and it was felt that it provided a comprehensive whilst easy to understand description of the issues faced. However, there was also criticism that further detailed information was needed on some of the proposals.
54. The budget survey generated more responses about the draft budget proposals and approach than have been received in the past. However, there were mixed views with some residents supporting the easy to understand presentation and others feeling there was not enough details or questions needed to be more specific. In most cases the detail requested was available in the supporting documentation but was not included in the survey itself. There were also requests for alternative proposals to be presented so that residents could choose between options.
55. There was also general support from partners that the process had been more inclusive with greater engagement and consultation with them prior to the publication of the draft budget.
56. The Council will consider these issues for next year's consultation process with a view to improving it.

**CONCLUSION**

57. The 2014/15 budget consultation exercise, and particularly the inclusion of the pre budget priorities consultation, generated significant interest compared to previous years.
58. Given the level of budget reductions and the difficulty of competing service priorities much of the feedback outlines potential impacts of proposals that the council was aware of. However, the consultation process and feedback has enabled the wider impacts of proposals to be identified, helpful suggestions to be put forward, and the level of feeling on specific proposals to be better understood.
59. The response to the consultation has been instrumental in enabling the Cabinet to better understand resident and stakeholder views on priorities and develop draft budget proposals in line with these, to consider the draft proposals with a view to mitigating impacts on the most vulnerable and consider saving proposals for the future.

**ANNEX 1 - FEEDBACK FROM SCRUTINY**

The Overview and Scrutiny Management Committee (OSMC) discussed the budget proposals at their meetings on 14 November 2013 and 12 December 2013. The December meeting focussed on the Health and Adult Social Care portfolio proposals and members of the Health Overview and Scrutiny Panel (HOSP) were invited to attend for this discussion.

The actions recommended by the OSMC at their November 2013 meeting, and the Executive's response are as follows:

- A. That the Cabinet consider supporting subsidising Council Tax Benefits for two additional years to delay the impact of the imposed 10% reduction on some of Southampton's residents.
  - *Response from the Cabinet Member for Resources:*  
*As agreed at Council, consideration will be given to this recommendation when all the relevant information has been received from the Government. (Following the receipt of the provisional Government settlement this recommendation was rejected by the Executive as no transitional arrangements were to be continued in 2014/15 with funding from Central Government).*
- B. That the Cabinet give consideration to commencing the commissioning of additional services now so that the benefits can be realised in the short to medium term.
  - *Response from the Cabinet Member for Resources:*  
*This is part of ongoing work on commissioning.*
- C. That the OSMC receives updates and reviews on the Transformation Programme at appropriate intervals.
  - *Response from the Cabinet Member for Resources:*  
*Accepted – Updates will be provided on a quarterly basis, commencing January 2014.*

The actions recommended by the OSMC at their December 2013 meeting, and the Executive's response are as follows:

- A. That the Cabinet Member considers inviting members of the HOSP to the Integration for Transformation Workshop.
  - *Response from the Cabinet Member for Health and Adult Social Care:*  
*HOSP members have been invited to the workshop on 17<sup>th</sup> January 2014.*

An additional outcome from the December 2013 meeting was a commitment from the Chair of the HOSP to scrutinise the impacts and outcomes of the Health and Adult Social Care portfolio budget proposals as part of the 2014/15 HOSP work programme.



**ANNEX 2: SUMMARY THE BUDGET PROPOSALS SURVEY**

Question	Key themes	Alternative suggestions
<p><b>What are your views on our overall approach to balancing the budget?</b>                      Strongly agree = 11%, Agree = 51%, Neutral =27%, Disagree = 6%, Strongly disagree = 2%, Not sure = 3%</p>		
<p><b>Why do you disagree with the overall approach to balancing the budget?</b></p>	<ul style="list-style-type: none"> <li>• Several respondents are concerned about the reductions to environmental services and the museums and galleries education teams</li> <li>• Concern that continued staff cuts and the deletion of vacant posts are unsustainable</li> <li>• Concern that frontline staff are being affected more than managers</li> <li>• Concern that vulnerable adults are not being protected and should not face reductions</li> <li>• Dissatisfaction with increased parking charges which may have reduced income in the City</li> <li>• Disagreement with increasing income from residents</li> <li>• Not ground breaking. More salami slicing.</li> </ul>	<ul style="list-style-type: none"> <li>• The Council should (alone or with others) fight the reductions in council funding</li> <li>• Reduce the number of, and allowances for, councillors.</li> <li>• Reduce staff wages and staff and manager numbers.</li> </ul>
<p><b>What are your views on our approach to Protecting People?</b>                      Strongly agree = 8%, Agree = 48%, Neutral = 33%, Disagree= 6%, Strongly disagree = 2%, Not sure = 3%</p>		
<p><b>Why do you disagree with the proposals for protecting people?</b></p>	<ul style="list-style-type: none"> <li>• The biggest area of concern highlighted was in relation to day care/centres</li> <li>• Concerns about retendering which could reduce the quality of services leading to increased costs and poor care in the long term</li> <li>• Why only protecting children’s safeguarding for 1 year rather than long term</li> <li>• Care/social services already over stretched</li> <li>• Cost of service redesign may outweigh any benefits</li> <li>• More detail on the proposals needed</li> <li>• Need investment in mental health services</li> <li>• Concern about money transferred from health</li> </ul>	<ul style="list-style-type: none"> <li>• Need more focus on self/family reliance</li> <li>• Need more focus on early help and prevention</li> <li>• Parents to take more responsibility for their children</li> <li>• Social care need to be provided on a wider scale – i.e. jointly with the County and/or NHS</li> <li>• Need to manage expectations and ensure residents are realistic about what they are entitled to</li> </ul>

Question	Key themes	Alternative suggestions
<b>Impacts</b>	<ul style="list-style-type: none"> <li>• Concern day centre closure will increase loneliness, the costs to vulnerable[people (i.e. heating at home), reduce quality of life, and have a knock on effect to other services (i.e. NHS, residential care)</li> <li>• Concerns about increasing the burden on carers</li> <li>• Concerns about a reduction in the quality of care</li> <li>• People with mental health issues who have been affected by reductions in the past need protection</li> <li>• Impact on staff delivering the services who are already under strain</li> <li>• Concerns about 15 minute slots in domiciliary care</li> <li>• Contracted/outsourced staff need to be paid the living wage</li> <li>• Those who choose must have access to more 'traditional' models of care</li> </ul>	
<p><b>What are your views on our approach to Education, Skills and Jobs?</b>            Strongly agree = 12%, Agree = 56%, Neutral = 24%, Disagree = 5%, Strongly disagree = 2%, Not sure = 1%</p>		
<b>Why do you disagree with the proposals for education skills and jobs?</b>	<ul style="list-style-type: none"> <li>• Concern there is too much focus on support for young unemployed – nothing for older /long term unemployed people in an aging society</li> <li>• Lots of comments regarding apprenticeships in grounds maintenance and street cleansing – need to focus on high demand professions not low skilled occupations.</li> <li>• Concern about legal entry level position, not a priority, an area where jobs are being cut, needs to be open to older people, don't 'dumb down' the profession</li> <li>• Concerns regarding creation of seasonal gardener position. No chance of leading to full time work and will create benefits issues. Costs of training</li> <li>• Creating jobs in the council while also making people redundant</li> <li>• Concern that education is poor and needs investment</li> <li>• More focus on inward investment and job creation needed</li> </ul>	<ul style="list-style-type: none"> <li>• Use people on community service/payback for environmental jobs i.e. street cleaning</li> <li>• Need more radical approach to inward investment</li> <li>• Maximise potential for young people in the hospitality (cruise ships) and marine industries</li> <li>• Improve skills, training and staff numbers for funding applications</li> <li>• More support for adult education</li> <li>• Encourage entrepreneurship and provide more support for SMES/small businesses</li> <li>• More council apprenticeships for higher skilled jobs</li> <li>• Let empty council property as studio or small business space.</li> <li>• Force companies to let unoccupied property at 100 per month to enable small business to grow (Winchester/Brighton)</li> </ul>
<b>Impacts</b>	<ul style="list-style-type: none"> <li>• Misuse of apprenticeships. Do not exploit young people – jobs need to be paid</li> <li>• Age discrimination towards older people</li> <li>• Impact on older, more expensive workers as a result of increased apprentices</li> <li>• Impact of reducing posts in ED in relation to city deal and attracting investment</li> </ul>	
<p><b>What are your views on our approach to saving money through efficiencies?</b>            Strongly agree = 10%, Agree = 46%, Neutral = 29%, Disagree= 8%, Strongly disagree = 4%, Not sure = 3%</p>		
<b>Why do you disagree</b>	<ul style="list-style-type: none"> <li>• Because a post is vacant does not mean it is not needed</li> </ul>	<ul style="list-style-type: none"> <li>• Move to fortnightly waste collections</li> </ul>

Question	Key themes	Alternative suggestions
<b>with our efficiency proposals?</b>	<ul style="list-style-type: none"> <li>• Concerns about the impact of changes to environmental health and bereavement services</li> <li>• Opposition to post deletion at a time when people are already struggling</li> <li>• Concerns about increased fly tipping and pest issues</li> <li>• HRA needs to be used for housing</li> <li>• More details required – what are the 22 vacant posts? What level?</li> <li>• Why haven't these efficiencies been made previously?</li> <li>• Cheapest is not always the best value for money</li> <li>• Lot of comments that the same level of service cannot be provided for less</li> <li>• Concern the frontline is being targeted</li> <li>• Need to have a process to measure effects of efficiencies to ensure service levels are maintained</li> <li>• Need to keep staff more informed via corporate emails about what is happening</li> <li>• Concern about the effects of bereavement service changes</li> </ul>	<ul style="list-style-type: none"> <li>• Need to encourage behaviour change in relation to littering/enviro crime etc</li> <li>• Save energy on council offices and residential properties i.e. solar panels/insulation</li> <li>• Develop a volunteer programme to help people back into work and maintain services</li> <li>• The internal recharging system is inefficient</li> <li>• Privatise pest and kennel services</li> <li>• Need to explore more shared services – Hampshire Council, Fire and Rescue and Constabulary</li> <li>• New ways of working need to be shared across the council</li> <li>• Modernise procurement to make it easier to bid for contracts</li> <li>• Reduce inefficiency in on-line reporting systems</li> <li>• Ask staff about efficiencies. I.e. staff having to pay for and claim back the cost of parking in council owned car parks when they could have a pass reducing time spent on admin.</li> <li>• Use voluntary services for Substance Misuse</li> </ul>
<b>Impacts</b>	<ul style="list-style-type: none"> <li>• Lots of comments (both from staff and non staff) on the effects on remaining staff – stress, morale, quality and safety of services, increase costs from staff illness. More likelihood of errors being made.</li> <li>• More difficult for the public to contact council staff</li> <li>• Increasing unemployment in the city and demand for services</li> <li>• Reduction in substance misuse services could increase in crime and pressure on NHS/ social care, impact on vulnerable children lead to higher costs. Particular concern for those who also have mental health issues.</li> <li>• Rise in fraud, consumer cases and maladministration claims against the council</li> <li>• Safety impacts in reducing enforcement – i.e. blocked roads and pavements (disabled, elderly, parents with prams) from fly tipping and increased vermin.</li> <li>• Good staff will leave the council as a result of less promotion opportunities.</li> <li>• Managers having to do own admin as a result of less staff. False economy</li> </ul>	
<p><b>What are your views on the proposed income increases?</b>            Strongly agree = 10%, Agree = 45%, Neutral = 28%, Disagree= 11%, Strongly disagree = 3%, Not sure = 3%</p>		
<b>Why do you disagree</b>	<ul style="list-style-type: none"> <li>• The majority of comments in this section relate to either bulky waste collection or museums and galleries education service</li> </ul>	<ul style="list-style-type: none"> <li>• Attract income via tourists – i.e. cruise ships</li> <li>• Negotiate a city wide insurance policy for groups to</li> </ul>

Question	Key themes	Alternative suggestions
<p><b>with the proposals for increasing income?</b></p>	<ul style="list-style-type: none"> <li>• Many residents cannot afford to pay more for services</li> <li>• More details required</li> <li>• Charges should be means tested</li> <li>• Should not charge for educational services</li> <li>• Target benefit fraud</li> </ul>	<ul style="list-style-type: none"> <li>• encourage volunteers and generate some income</li> <li>• Charges should be more flexible for small business to encourage investment</li> <li>• Offer a repairs service to non council tenants or offer tenants a chargeable service for non essential jobs.</li> <li>• Better signage to museums and galleries needed.</li> <li>• Increase bottle banks rather than collecting glass</li> </ul>
<p><b>Impact?</b></p>	<ul style="list-style-type: none"> <li>• Charging for museums and galleries education:               <ul style="list-style-type: none"> <li>○ will only allow access to those who can afford it</li> <li>○ schools will no longer use the education service</li> <li>○ demand will disappear completely</li> <li>○ affect those on low incomes</li> <li>○ even less culture in the city</li> <li>○ fewer people visiting the city</li> <li>○ children with learning disabilities affected</li> <li>○ impact on the blind who have no alternatives – i.e. touch tours</li> </ul> </li> <li>• Fly tipping, fires and safety issues as a result of bulky waste charges</li> <li>• Partners may purchase services elsewhere/op out</li> <li>• Charging more to partners may affect costs to residents, service levels and employment</li> <li>• Less people accessing services will be counter productive</li> <li>• People will access services in neighbouring authorities</li> </ul>	
<p><b>What are your views on the proposed service reductions?</b>            Strongly agree = 4%, Agree = 21%, Neutral = 25%, Disagree = 28%, Strongly disagree = 20%, Not sure = 2%</p>		
<p><b>Why do you disagree with the proposals for service reductions?</b></p>	<ul style="list-style-type: none"> <li>• Most highlighted areas of concern               <ul style="list-style-type: none"> <li>○ City Link bus</li> <li>○ Street lighting</li> <li>○ Enforcement</li> <li>○ Community safety</li> <li>○ Environmental health</li> <li>○ Trading standards</li> </ul> </li> <li>• General opposition to any service reductions</li> <li>• Public safety and security is considered very important. Need more enforcement and community safety not less</li> <li>• City patrol considered a visible deterrent to anti social behaviour particularly in council estates</li> </ul>	<ul style="list-style-type: none"> <li>• Use volunteers and work with communities to replace service being reduced (several offers)</li> <li>• Archives should be scanned and made available on line. Use volunteers to this or partnership with organisations such as 'ancestry'. Hold paid workshops at the archives on palaeography</li> <li>• Work with the cruise liners to promote the museums in the city – e.g. establish history tours</li> <li>• Introduce a small charge for the city link bus or seek or increase subsidies from other businesses (Red Funnel, West Quay)</li> <li>• Close office at Wyndham court</li> </ul>

Question	Key themes	Alternative suggestions
	<ul style="list-style-type: none"> <li>• City link is a popular and well used service, encourages people from out of the city to visit and spend money, supports green transport and has a good reputation.</li> <li>• Archives and community development have already been reduced</li> <li>• Community Development supports people to take responsibility and ownership for their areas</li> <li>• Reducing cultural service when trying to become a city of culture, developing the cultural quarter and invest in culture elsewhere (sea city etc).</li> <li>• Some concern about reducing both community and day centres</li> <li>• Concerns about the time of street light dimming.</li> <li>• Need to maintain a preventative approach – i.e. trading standards</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce traffic lights at night</li> <li>• Dim lighting in council buildings</li> <li>• Improve advertising of cultural events. Advertise the city in other Hampshire areas</li> <li>• Increase cycle lanes</li> <li>• Collaborate with others on registrars service</li> <li>• Re open the coffee shop in the art gallery to attract more people</li> <li>• Pool all admin staff in a central office</li> <li>• Increase/enforce penalties to make services self sustaining</li> <li>• Community development should be run by the community not the council</li> <li>• Provide training for other frontline staff in Council Development</li> <li>• Fit movement sensors to street lights</li> </ul>
<p><b>Impacts</b></p>	<ul style="list-style-type: none"> <li>• Concerns that taken together (community safety, enforcement, trading standards, environmental health, street lighting) many of these proposals will impact on the safety and cleanliness of the City. Could create public health issues and also decrease the attractiveness of the city and reduce inward investment and tourism</li> <li>• Could lead to increased costs and pressure elsewhere – i.e. police and health</li> <li>• Increased fear of crime especially for the elderly and vulnerable</li> <li>• Greater impact on more deprived areas of the city including a disproportionate effect of city patrol removal on council estates</li> <li>• Increased risk from reduction in trading standards of dangerous and counter fit goods given that we are a port city</li> <li>• City Link Bus               <ul style="list-style-type: none"> <li>○ removal could lead to increased traffic and environmental pollution,</li> <li>○ impact on commuters who already pay high prices,</li> <li>○ elderly and disabled use the bus particularly to get up the hill from the train station,</li> <li>○ will put more pressure on cyclists as a results of increased traffic,</li> <li>○ provides integrated travel for the less able bodied.</li> <li>○ encourages people from outside the area to visit and spend money</li> <li>○ removal will isolate the town quay area and shops at that end of town.</li> </ul> </li> <li>• Impacts on vulnerable people from community development and centres. Increase isolation and loneliness.</li> <li>• Removal of community services could undermine community cohesion</li> <li>• More trips and falls as a result of street light dimming given the poor condition of roads and pavements (walkers and cyclists). Increase in traffic accidents. Could increase costs</li> </ul>	

Question	Key themes	Alternative suggestions
	<ul style="list-style-type: none"> <li>• Reductions in staff lead to increased reliance on the internet which elderly are less able to cope with.</li> <li>• Reducing hours at Tudor House and the Archives will reduce the number of users and the ability of people who work use these facilities.</li> <li>• Increased pressure on remaining staff in the council. Less responsive services</li> </ul>	
<p><b>What are your views on the proposed changes to the way the organisation works?</b>            Strongly agree = 15%, Agree = 48%, Neutral = 26%, Disagree = 6%, Strongly disagree = 3%, Not sure = 2%</p>		
<p><b>Why do you disagree with internal savings proposals?</b></p>	<ul style="list-style-type: none"> <li>• The most opposition centred on the renegotiation of the Mayors Car lease. It was felt that he should either use a bike, bus, taxi, city patrols electric vehicle, walk or his own car. This was felt to be a luxury</li> <li>• Concern about reduction in opening hours and out of hours services in relation to access to the council for those that are in employment and in eth context of living more in a 24 hour culture.</li> <li>• Lots of concern about reductions to building maintenance costing more in the long run, causing accidents, false economy</li> <li>• Concern that restructures are expensive and do not achieve savings</li> <li>• Need to protect communication</li> <li>• Use empty council buildings for income rather than sell them.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce the CE pay</li> <li>• Share a CE with a neighbouring authority</li> <li>• Reduce staff pay</li> <li>• Reduce the number of councillors</li> <li>• Reduce councillor pay/allowances</li> <li>• Reduce frequency of elections</li> <li>• Reduce the number of mangers as the no of services/responsibilities reduce</li> <li>• Reduce charging and charging staff for council service whilst doing their jobs – i.e. parking and bridge tolls</li> <li>• Stop overtime except in exceptional circumstances. Reduce agency spend.</li> <li>• Improve internet access to services</li> </ul>
<p><b>Impact</b></p>	<ul style="list-style-type: none"> <li>• Reduction in the maintenance budget will leader to poor quality buildings and greater costs in the future</li> <li>• Reduction communications could lead to less well informed residents</li> <li>• Restructures disrupt staff and reduce service quality</li> <li>• Reduced opening hours could led to lack of access to the council for working people and communities</li> <li>• Reduction in council buildings may mean vulnerable people having to travel further to access services</li> <li>• Reduce response time to queries</li> </ul>	
<p><b>Any further comments on the approach or suggestions for balancing the budget?</b></p>	<ul style="list-style-type: none"> <li>• The council has a very difficult task. Good luck!</li> <li>• General opposition to the increased parking charges</li> <li>• Celebrate success more</li> <li>• Need to be more innovative/radical. Take the difficult decisions</li> <li>• Continue to protect the vulnerable</li> <li>• Don't cut libraries</li> <li>• Ensure all the relevant departments are involved in service reduction decisions. Decision are being made which are</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce staff salaries, numbers and managers</li> <li>• Reduce councillor allowances, numbers and election frequency</li> <li>• Improve and simplify recycling. Fortnightly bin collections</li> <li>• All non essential spending should be stopped</li> <li>• Maximise tourism income including cruise ships</li> <li>• Open source some or all of the budget in future so residents can input more</li> </ul>

Question	Key themes	Alternative suggestions
	<p>impacting elsewhere in terms of costs/workability</p> <ul style="list-style-type: none"> <li>• Ensure strategies are not conflicting – selling off artwork and reducing museum opening hours while bidding to be city of culture and developing the cultural quarter</li> <li>• Please protect the good things. Make the most of what we have.</li> <li>• Don't just focus on cutting 'nice to have' and 'feel good' services. These are important too.</li> <li>• Preventative services reduce costs in the longer term.</li> <li>• Need to better inform residents</li> <li>• Establish a clean street award</li> <li>• Do not replace goods and property that does not need replacing – i.e. benches, fences, road signs, paths</li> <li>• Mixed response to the approach – easier to understand, welcomed the engagement, but more detail needed in place</li> <li>• Too many proposals grouped together – what are the alternatives?</li> <li>• Willingness to be involved but concern just a paper exercise – feedback won't be listened to.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase strictness of council sickness policy</li> <li>• Seek and listen to staff ideas for money saving activity. Reward ideas that are used</li> <li>• More partnership working</li> <li>• Better use of the community, voluntary and faith sectors</li> <li>• Use the community as 'consultants'</li> <li>• Seek more income/support from ABP</li> <li>• Make better use of vacant space</li> <li>• Review workflows. Use lean approach</li> <li>• Increase geothermal energy production</li> <li>• Reduce internal bureaucracy</li> <li>• Empower residents to run community services</li> <li>• Seek more external and EU funding</li> <li>• Look for efficiencies in ring fenced budgets</li> <li>• Offer hedge cutting service to households. Sell bedding plants and shrubs from the cities nurseries.</li> <li>• Enforce fines for illegal activity parking/use of bus lanes/littering/ etc</li> <li>• Invest in IT. Improve on line services</li> </ul>

**ANNEX 3: SUMMARY OF COMMENTS FROM AREA BASED MEETINGS**

**West consultation meeting – 18<sup>th</sup> November, Shirley Baptist Church**

**ATTENDEES:**

Cllr Letts (Leader); Cllr Barnes-Andrews; Cllr Payne; Cllr Shields  
Shirley Quitters; Warren Close Residents Association; Redbridge Residents Association;  
Southampton Club for the Blind; Polish Catholic Mission

**PRIORITIES**

- Protect grants related to older and vulnerable people
- Road and highways improvements
- Community support and involvement crucial

**ISSUES RAISED ON BUDGET PROPOSALS**

- Increasing apprentices important
- Supported the overall budget approach

**SAVINGS & IMPROVEMENTS PROPOSED**

- Review councillor numbers
- Engage communities on changes to voluntary sector grants.
- Increase community group engagement in community payback programme.

**East consultation meeting – 19<sup>th</sup> November, Weston Court**

**ATTENDEES:**

Cllr Letts (Leader); Cllr Barnes-Andrews; Cllr Payne  
Western Lighthouse Project; Communicare in Southampton; Cllr Hammond;

**PRIORITIES**

- Community support and solutions
- Tackling youth unemployment
- Rebuild community relationships
- Ensuring a safe environment

**ISSUES RAISED ON BUDGET PROPOSALS** City Deal supported

- Meeting shortfall from reserves supported
- Protection of day care supported although should ensure flexibility and accountability in approach

**SAVINGS & IMPROVEMENTS PROPOSED**

- Consider how to improve networks between the community and council services as part of the community development review



**Central consultation meeting – 26<sup>th</sup> November, Mount Pleasant School****ATTENDEES:**

Cllr Letts (Leader); Cllr Barnes-Andrews;  
 Afghani Association; Age Uk; Clear; Herbert Collins Residents Association; St Mary's  
 Residents Association; Newtown Residents Association; Southampton Mencap;  
 Southampton Children's Play Assoc; Sonus; Stepacross;

**PRIORITIES**

- Community support is vital to groups
- Roads and highways
- Day services crucial to reduce social isolation
- Expand on participatory budgeting approach
- Be less risk averse
- Need a strategy to empower and work more effectively with third sector
- Training and support for young people and their parents
- Prevention and early intervention crucial

**ISSUES RAISED ON BUDGET PROPOSALS**

- Community support should be protected and increased
- Community groups should be consulted on what support they want/value

**SAVINGS & IMPROVEMENTS PROPOSED**

- Engage communities and voluntary sector in solutions and issues that affect them
- Improve voluntary sector access to bid for contracts
- Improve website to provide more user-friendly and simpler information
- Use community buildings as flexible working spaces

**City-wide meeting – 30<sup>th</sup> November, Civic Centre, Civic Centre****ATTENDEES:**

Cllr Barnes-Andrews; Cllr Matt Tucker; Cllr Kaur  
 East Bassett Residents Association; Residents Action; Southampton Voluntary Services;  
 West Itchen Community Trust' Community Organiser; Friends of Weston Shore;  
 Neighbourhood Watch; Southampton Women's Aid; Cllr Turner;

**PRIORITIES**

- Jobs and skills, especially training for young people
- Early intervention and protecting children and vulnerable adults
- Community support must be maintained
- Balance between meeting needs and early intervention
- Support to front line services essential
- Use voluntary sector and communities in future solutions

**ISSUES RAISED ON BUDGET PROPOSALS**

- Concerns raised on the impact that reduction of city patrol on fly-tipping. Already a problem in some areas
- Difficult to say what the impact of years of public sector cuts will be– the cumulative affect on the community will be felt and at that point the community will respond
- Support keeping people in their home through reablement as long as possible

**SAVINGS & IMPROVEMENTS PROPOSED**

- City Link Bus subsidy – ensure West Quay involvement in they way forward
- Ensure that Commissioning supports smaller, simpler procurement packages enable voluntary sector solutions

**ANNEX 4: SUMMARY OF CORRESPONDENCE**

**Summary of correspondence received regarding the draft budget**

1. This annex provides a summary of the letters and comments received in relation to the budget proposals. Approximately 25 pieces of correspondence were received from partners, including Southern Health NHS Trust, Southampton City Clinical Commissioning Group, Solent Health NHS Trust and the Hampshire Constabulary and residents. The key themes are summarised below.

**Hampshire Constabulary**

2. The response from the police to the budget proposals made the following key points:
  - The importance of working together to ensure statutory requirements are met and the most vulnerable are protected
  - Require more detail on the noise service reductions. There may be scope to undertake more joint work on this issue. The importance of an out of hours service on the weekend.
  - The police work closely with trading standards who provide a values resource. Reduction in assets will have an impact on service delivery and joint initiatives.
  - Support the decisions around street lighting which will have little impact, with the provision that lighting is increased if crime /ASB increases. Maintaining lighting in the night time economy is essential.
  - The disbanding of City Patrol will have a limited impact.
  - Emergency planning is a statutory responsibility. Concern reduction in funding will impact on provision.
  - The biggest area of concern is around reductions to the community safety team. If the ability to provide advice is reduced it will affect both strategic and tactical delivery.

**NHS**

3. In addition to discussion held with NHS partners regarding the budget, written responses were received from Southampton City Clinical Commissioning Group, Southern Health, and Solent NHS Trusts. The key points raised were:
  - The creative approach to ensuring wide consultation and the attempt to gain wide involvement of residents, staff and partners in the prioritisation and decision making process was acknowledged.

**Children's services**

- There is an unresolved matter relating to funding to commission health visitors and school nursing which will need agreement between the CCG, SCC and Solent.
- The CCG support the need to protect areas with a focus on early help and support to keep vulnerable children safe.
- Improving safeguarding arrangements is supported as a high priority (by the CCG) and clinicians wish to emphasise the importance of improving communication efficiency.
- The CCG raised concerns in relation to any changes within Children's Services Transformation and the refocusing of investment within Public health (H&ASC11).

**Adult Health and Social Care**

- Solent and have concerns about the impacts of staff reductions on independence of those in care and potential hospital admissions.
- Solent and the CCG support the vision to put reablement at the centre of care.
- Solent health support the stated goals of H&ASC 1 and 2 and wish to remain closely engaged in developing these plans.
- Solent Health support the work on more integrated commissioning of Adult Health and Social Care and savings from more productive working.
- Southern Health have concerns about H&ASC9 if the reduction in funding relates to out of area placements, as this may also impact on the health service if more patients could return to the city
- Southern health also have concerns about the impact if care packages are reduced as this could lead to an increase in referrals. However it is acknowledged that this is difficult to predict.
- Southern Health does not foresee any significant impacts from changes to Adult Mental Health or Learning Disabilities services.
- The CCG whilst supportive of the approach to move clients with a Learning Disability (LD) back into the city (H&ASC 6) feel there needs to be recognition of the potential impact on other organisations, such as specialist LD health providers.

**Public Health**

- Solent Health urgently need to understand the review of money transferred between SCC and public health
- Solent Health support the plans for school nurses
- The CCG support a review of sexual health provision but ask the council to consider the need to continue the approaches that have contributed to a reduction in teenage pregnancies.

**Other**

4. The CCG raised the Better Care Fund work, which is being led by the Health and Wellbeing Board, has a key focus on developing community assets and working with the voluntary sector. They suggested it would be beneficial if the review of community development activities across the council (COMM 1) could be undertaken with other partners to look at alternative ways of building capacity and help develop the power of strong inclusive communities who can become part of the solution.
5. The majority of the remaining responses concerned either the museums and galleries education team or the archives. The comments were consistent with responses to the survey and the key points included:

**Museums and galleries education team**

- Impacts on schools access to the museums and art gallery
- Impacts on services on offer for people with visual impairments and learning disabilities

**Archives**

- Small amount of money for the potential impacts

- Service was reduced last year
- Loss of staff expertise
- Concern that the reduction of service will make it difficult for research activity to take place.
- Suggestions to explore a joint service with Hampshire Council
- The National Archives expressed a willingness to work with the council on the sustainability of the service and stated that within the next 4 years an accreditation scheme for archives will be introduced. They stated they would be concerned if the proposed reduction in staffing levels made it difficult to sustain the full range of core activities, including collection development, cataloguing, Freedom of Information requests and other remote enquiries.

6. Another key issue was the City Link bus. Again the comments echoed those in the survey responses but also included reference to the Hythe ferry.

### **City Link Bus**

- None of the alternative bus services go to the pier so it is difficult for those travelling with luggage
- Will impact on commuters
- Lack of a joined up service will be people will spend money elsewhere
- Will make it difficult for the Hythe ferry to survive

7. Other issues raised relate to:

### **Street lighting**

- These reductions are a good decision as there are potential environmental benefits

### **Health and safety**

- The HSE recommends that SCC use the LA National Enforcement Code to ensure that services are provided in line with the statutory responsibilities

### **Trading standards**

- The Office of Fair Trading has commented on the budget proposal stating their continued support for the local Trading Standards team, but asking that the long term implications of a reductions are considered

### **Waste**

- Southampton is lagging behind other authorities (no tetra pak recycling)
- Opposition to charging for green waste is creating more fly tipping / inappropriate use of green bins

### **General comments**

- The importance of supporting the art and design sectors
- Comments regarding national policies that the council does not have control over

**ANNEX 5: TEMPLATE FOR LETTERS TO PARTNERS**

Southampton City Council  
Civic Centre  
Southampton, SO14 7LY



Direct dial: 023 8083

Email:

Please ask for:

Fax: 023 8083 3232

Our ref:

Date:

Dear

I am writing to you as a key partner of Southampton City Council. Southampton City Council's Cabinet published their draft budget for next year (financial year 2014/15) on 11 November 2013 for consultation until 10 January 2014. We want to ensure that we understand the views of our residents, service users, partners, businesses, community and voluntary sector organisations and other stakeholders, as well as our employees, before we agree our final budget in February 2014.

Like most public sector organisations, we face unprecedented financial challenges. In our case, the council's funding from central Government, which is one of our main sources of funding, has been significantly reduced in recent years, and will be significantly reduced again for next year (2014/15) and for the foreseeable future. One other major source of funding is council tax but the maximum increase which the Council is able to propose by law (without the need for a referendum) is 2%, and so the ability to raise additional income from Council Tax is limited. This leaves us with a major shortfall adding to the pressures of increasing demand for some core services and rising costs. Based on the current position, we predict that demand for services will continue to grow and funding available continue to reduce. This will lead to an increasing funding gap in the coming years.

In this context we need to transform the way we deliver services and make difficult decisions about the services we continue to provide. We are working hard to change the way that we deliver services to become more customer focused, efficient and business-like. An example of this is the establishment earlier this year of the People Directorate. The People directorate will provide the foundation for delivering more customer focused, better value people services in the city, by creating closer working between Adult Services, Children's Services, Housing Services and Public Health.

As many of the people who use our services are also clients of your services, we are keen to continue to work closely with you to develop and deliver new ways of delivering services that

would reduce costs for both organisations and in some cases, improve outcomes for our service users. However, we know that transformational change takes time to deliver.

In the meanwhile we have to agree a balanced budget in February 2014 (for 2014/15) and consider how to make significant reductions of around £60 million in budgets we can influence over the next three years. For next year alone we need to find savings of £20 million. This is in addition to the £57 million saved since 2010.

Before making any proposals for service reductions, we have made efforts to identify ways of generating more income and making more efficiencies. We have also consulted with residents, staff and partners about their priorities. However, we simply cannot afford to do everything that we currently do and therefore will have to make some service reductions. As these may impact on your work and plans, we want to ensure you are fully aware of what we propose.

Details of our proposed budget can be accessed at [www.southampton.gov.uk](http://www.southampton.gov.uk). We would like to work with you to develop a city-wide approach to delivering public services. We must work smarter with you and we will be expecting suppliers and contractors to play their part too. However, unless alternative solutions can be found it is the Cabinet's intention to submit these proposals to Full Council for implementation next year.

[You may be particularly interested in the following specific proposals:.....]

We want to understand your views on our proposals and get your feedback on how the budget proposals may affect your organisation and its members and any actions we can take with our partners to reduce the impact. We would be grateful for your feedback either by email or if you would like to meet, [please contact ....](#)

Yours sincerely

**ANNEX 6: TEMPLATE FOR LETTERS TO ORGANISATIONS WHO MAY BE IMPACTED IN SPECIFIC WAYS**



Southampton City Council  
Civic Centre  
Southampton, SO14 7LY

Direct dial: 023 8083

Fax: 023 8083 3232

Email:

Our ref:

Please ask for:

Date:

Dear

I am writing to you regarding [your contract with/support from] the council.

The Cabinet published their draft budget proposals on 11 November 2013. It is important to note that at this stage they are proposals, not decisions. These proposals may be subject to changes when the final decisions are made at the annual budget setting meeting of the council on 12 February 2014. However, unless alternative solutions can be found, it is the Cabinet's intention to submit these proposals for agreement by council.

Like most public sector organisations, we face unprecedented financial challenges. In our case, the council's funding from central Government, which is one of our main sources of funding, has been significantly reduced in recent years, and will be significantly reduced again for next year (2014/15) and for the the foreseeable future. This leaves us with a major shortfall adding to the pressures of increasing demand for some core services and rising costs. Based on the current position, we predict that demand for services will continue to grow and funding available continue to reduce. This will lead to an increasing funding gap in the coming years.

In the meanwhile we have to agree a balanced budget in February 2014 and consider how to make significant reductions of around £60 million in budgets we can influence over the next three years. For next year alone we need to find savings of £20 million This is in addition to the £57 million saved since 2010.

This means that choices will be limited, but it does not reduce the council's commitment to engage and consult before, during and after decisions are made. We have consulted with residents, staff and partners about their priorities and the valuable feedback received has helped shape the budget proposals.

The draft budget includes a proposal/s to [add]. Full details of our proposed budget are be available on the council's website at [www.southampton.gov.uk](http://www.southampton.gov.uk).

We want to understand your views on our proposals and get your feedback on how the budget proposals may affect your organisation and its members and any actions we can take with our

partners to reduce the impact. We would be grateful for your feedback either by email or if you would like to meet, please contact ....

Should you wish to make any specific enquiries or to address Councillors in person at a Council or Cabinet meeting, please email [democratic.services@southampton.gov.uk](mailto:democratic.services@southampton.gov.uk).

Please bear in mind that our budget consultation has now started and that the final decision on our 2014/15 budget will be made by Full Council on 12 February 2014. We will consider each and every representation up to and including 10 January 2014. However, you may wish to make representations earlier in the process.

If you would like this or future correspondence sent to you in Braille, Large Print, on Tape or translated into another language please contact the number at the top of the page.

Yours sincerely



**ANNEX 7: LIST OF PARTNER ORGANISATIONS CONTACTED DIRECTLY**

**Partners Directly Connected Regarding the Budget Proposals**

- Solent Local Enterprise Partnership
- Partnership for Urban South Hampshire
- Southampton Connect
- Safe City Partnership
- Health and Wellbeing Board
- Business South
- Hampshire Chamber of Commerce
- Hampshire Constabulary
- Hampshire Fire & Rescue Service
- Hampshire Probation Trust
- Southampton Solent University  
University of Southampton
- Jobcentre Plus
- Southampton City Clinical  
Commissioning Group
- Skills Funding Agency
- Southern Health NHS Foundation  
Trust
- Solent NHS Trust
- Southampton University Hospitals  
NHS Trust
- Southampton Voluntary Services
- City College
- Itchen Sixth Form College
- Richard Taunton's Sixth Form  
College
- City Schools
- Safe City Partnership
- Transport for South Hampshire
- Housing Associations
- Road Safety Partnership
- Business in the Community
- Children's Trust
- Local Safeguarding Children's Board
- Southampton Care Association
- Age Concern
- Southern Market Traders  
management consultations limited
- Go South Coast
- Red Funnel
- First Hampshire &  
Dorset
- Black Velvet Travel
- Sustrans
- South West Trains

**ANNEX 8: DETAILS OF STAFF CONSULTATION**

1. The council takes its obligations under section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992 to provide our employees and their union representatives with information on budget proposals very seriously. 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 staff and union consultation document launched the statutory consultation process for the budget proposals published 11<sup>th</sup> November 2013, for implementation in April 2014.
2. 22 individual consultation documents with an overarching s188 cover notice included a range of information relating to the budget proposals with implications for employees. Detailed guidance on consultation was issued to managers and updated regularly. It is important to the council, that all employees and union representatives take the opportunity available in a minimum 45 days consultation period to discuss the proposals, including offering a wide range of alternative options to achieve the same budgetary reduction.
3. The council also takes its responsibilities under the Equality Act 2010 very seriously and therefore employees were advised to speak to their manager, HR Pay or their trade union representative at the earliest opportunity if they consider themselves disabled under the Act and required any reasonable adjustments to the consultation and/or the selection process
4. Employees and union representatives were made aware that during the consultation period further information would be given or updated. This reflected the fact that, by the very nature of consultation, not all of the proposals will be fully formed at the point of consultation and it is important that every opportunity is given to contributing to shaping the final proposals.
5. Views and comments from affected employees and trade union representatives were invited throughout the consultation process through a series of team and individual meetings.
6. A detailed consultation timeline was included in all consultation documents –

<b>Indicative date</b>	<b>Activity</b>	<b>Responsibility</b>
11 <sup>th</sup> November 2013	Collective consultation commences with trade union representatives	Corporate consultation team and trade unions
11 <sup>th</sup> November 2013	Collective consultation commences with employees affected by proposals	Directors and Senior Managers
	Individual and service specific consultation meetings begin exploring:  voluntary solutions restructure proposals selection methods selection criteria All meetings to have a written record	Directors and Senior Managers

<b>Indicative date</b>	<b>Activity</b>	<b>Responsibility</b>
	Employees within specific services or functions that are proposed for deletion identified as 'at risk' and placed on the redeployment register	Directors and Senior Managers
18 <sup>th</sup> November 2013	Collective consultation meeting	Corporate consultation team and trade unions
17 <sup>th</sup> December 2013	Collective consultation meeting	Corporate consultation team and trade unions
10 <sup>th</sup> January 2014	End of statutory 45 day minimum consultation	
20 <sup>th</sup> January 2014	Collective consultation meeting	Corporate consultation team and trade unions
4 <sup>th</sup> February 2014	Cabinet meet to recommend final budget proposals	Executive
12 <sup>th</sup> February 2014	Annual budget set at Full Council and decisions communicated to workforce	Full Council
	Selection process commences where a reduction in post arises from a restructure or reduction in a 'pool' of similar posts. Employees are selected for redundancy will be placed on the Redeployment register for a period of 4 months.	Directors and Senior Managers
	Dismissal meetings. Employees given 4 months notice for CR (in line with period on redeployment register) and contractual notice for VR.	Directors and Senior Managers

7. Meetings with unions have occurred at a council-wide level with Trade Union representatives and at a directorate and service-level with affected staff during a 45 day consultation period.

**Environment and Economy (Place) Consultation**

8. The majority of consultations within the Directorate have been concluded according to schedule and without any issues. However there are a small number where the consultations have been extended for a short period to allow consideration of further proposals where these have changed. These are within the Leisure and Culture, and Regulatory Services Divisions. The detail is:

9. Tudor House – a reduction of opening hours. This has resulted in a new staff rota where staff working hours may be reduced. Consultation is still ongoing as to a rota that will suit the needs of most staff and minimise the impact of loss of pay. The unions on this basis object to the reduction of opening hours at Tudor House and have raised this as part of the public consultation.
10. Out of Hours in Regulatory Services – as a result of feedback an alternative scheme has been proposed which staff are being consulted on.
11. Kennels – a proposal to delete a vacant Kennel Assistant post. Another idea has emerged during the consultation which could save the division more money through an VR application and the deletion of another post which is currently being considered.
12. Education Team, Arts and Heritage – a counter proposal to reduce spend on freelancers and supplies as an alternative to making redundancies has been accepted.
13. Environmental Health – applications for VR may result in further savings than those already proposed. These are currently being considered by the Head of Service and Director.

**People Consultation**

14. Budget related employee consultations have concluded with no issues or changes proposed.

**Corporate Services Consultation**

15. Finance: The consultation has concluded with no further changes to the original proposals.
16. Legal & Democratic Services: The consultation has concluded with no further changes to the original proposals.
17. Civic Buildings: A proposal was received during the consultation process for an alternative way to meet the proposed reduction in the overtime budget for the Town Sergeants. There was no change to the overall saving of £40,000, but instead of the saving being achieved through a reduction in the overtime budget it was suggested that a vacant Town Sergeant post (cost £21,000) be deleted with the overtime budget reduced by £19,000. The amendment was accepted with no other changes to the budget savings proposed in this area.
18. Property & Procurements: The consultation has concluded with no further changes to the original proposals

**ANNEX 9: BUDGET QUESTIONNAIRE**



**Consultation on draft budget 2014-2015**

**PART 2**

In the first part of the budget consultation we asked you about your priorities. The feedback you gave helped us shape the draft budget proposals. This survey is your opportunity to give your views on the budget proposals, suggest other areas for savings and tell us about the impact you think these proposals may have on the city.

This budget consultation survey contains a summary of the proposals in the draft budget, we would encourage you to look at the more detailed information available at [www.southampton.gov.uk/budget14-15](http://www.southampton.gov.uk/budget14-15) or at a library/housing office before you complete the survey. This will help you fully understand the budget proposals before giving your views.

**Please take a few moments to give us some feedback on the budget proposals**

You can also fill this survey in online at [www.southampton.gov.uk/budget14-15](http://www.southampton.gov.uk/budget14-15)

**Our approach to balancing the budget**

The budget proposals have been developed to ensure that we are:

- Protecting frontline services, priority areas and vulnerable people
- Increasing our income and attracting investment priority where possible
- Being as efficient as possible
- Focusing service reductions on services which are lower
- Deleting vacancies and protecting jobs
- Transforming the way we work to provide better outcomes and services at lower cost

**Strongly agree    Agree    Neutral    Disagree\*    Strongly\* disagree    Not sure**

What are your views on our overall approach to the balancing budget?

\*If you disagree or strongly disagree with the proposals please tell us why or tell us if you have any alternative suggestions?

**What were residents' top priorities?**

The priorities consultation that we recently conducted identified that there were two clear priorities for residents - Protecting People and Education, Skills and Jobs. Below we outline what we propose in these two priority areas.

**Proposals for Protecting People**

Within the Protecting People priority keeping vulnerable children safe and helping adults remain independent for longer were considered the most important services.

We are prioritising Protecting People in the following ways:

- Protecting children's safeguarding for one year
- Developing and embedding early help and prevention services (public health review)
- Providing reablement services to 300 more adults
- Helping up to 600 people to access services that delay the need for long term care
- Reducing costs and improving outcomes through retendering and review of some social care services (domiciliary care, residential care costs, learning disability and acquired brain injury)
- Reviewing day care provision (horticultural and woodwork, older peoples day services)
- Using money transferred from the NHS to maintain eligibility criteria and continue the redesign of health and adult social care services

**Strongly agree    Agree    Neutral    Disagree\*    Strongly\* disagree    Not sure**

What are your views on our approach to Protecting People?

\*If you disagree or strongly disagree with the proposals please tell us why or tell us if you have any alternative suggestions?

Are there any impacts from these changes that we should be aware of?

## Priorities continued

### Proposals for Education, Skills and Jobs

We are prioritising Educations, Skills and Jobs in the following ways:

- Signing the City Deal with Portsmouth City Council to bring over £300 million investment, creating jobs and opportunities to develop skills
- Continuing to apply for external funding Introducing apprenticeships in grounds maintenance and street cleansing
- Recruiting seasonal gardener positions from local young people who are Not in Education, Employment or Training
- Reviewing vacant posts to provide alternative entry level route into the legal profession for 16-19 year olds
- There are some vacant post deletions and service reductions in economic development but they ensure that inward investment services are maintained

	Strongly agree	Agree	Neutral	Disagree*	Strongly* disagree	Not sure
What are your views on our approach to Education, Skills and Jobs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\*If you disagree or strongly disagree with the proposals please tell us why or tell us if you have any alternative suggestions?

Are there any impacts from these changes that we should be aware of?

## Efficiencies (same level of service for less money)

Where possible we have focused on being more efficient in how we deliver services, so that we can deliver the same services for less. Our efficiency proposals include:

- Reviewing and renegotiating contracts without affecting services, including: - Waste disposal - External cleaning
- Remodelling substance misuse services
- Reducing costs, including: - Staffing - Energy
- New ways of working e.g. environmental health
- Doing things differently at lesser cost, including: - Bereavement services - Waste - Pest control - Kennels
- Deleting the full time equivalent of 22 vacant posts
- Using funding from other sources, including: - Housing Revenue Account - government grant income for trading standards

	Strongly agree	Agree	Neutral	Disagree*	Strongly* disagree	Not sure
What are your views on our approach to saving money through efficiencies?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\*If you disagree or strongly disagree with the proposals please tell us why or tell us if you have any alternative suggestions?

Are there any impacts from these changes that we should be aware of?

## Increasing income

We are proposing to increase income in the following ways:

- Increasing charges to partners for services we provide to them
- Increasing volumes of activity for services that the council currently charges (port health, planning, textile recycling etc)
- Getting more from contract and partnership management
- Proposed changes to charges for residents:
  - Changes to charges for Bulky waste
  - Changes to charges for education workshops at museums and galleries

	Strongly agree	Agree	Neutral	Disagree*	Strongly* disagree	Not sure
What are your views on the proposed income increases?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\*If you disagree or strongly disagree with the proposals please tell us why or tell us if you have any alternative suggestions?

Are there any impacts from these changes that we should be aware of?

**Service reductions**

We have had to propose some service reductions. These include:

- Community development and community centres
- Community safety
- Enforcement (noise nuisance, enviro-crime and stopping City Patrol)
- Environmental Health (Staff reductions)
- Registration Services (Staff reductions)
- Museums and galleries (reduced opening hours at Tudor House and Archives; reducing the education team)
- Street light dimming
- Sustainability (Conservation, policy, air quality)
- Trading standards (Staff reductions)
- Removing subsidy for City Link shuttle bus

	Strongly agree	Agree	Neutral	Disagree*	Strongly* disagree	Not sure
What are your views on the proposed service reductions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\*If you disagree or strongly disagree with the proposals please tell us why or tell us if you have any alternative suggestions?

Are there any impacts from these changes that we should be aware of?

**Internal savings (changing the way we do things as an organisation)**

A number of savings proposals come from changing the way the organisation works, providing the same service in a better way. These include:

- Reducing costs for vehicles, transport, overtime, management, learning and development, postage, photocopying, building cleaning, equipment purchase and insurance
- Completing restructures and reviews to get better results at lower costs (including parking and city design)
- Reducing:
  - Bureaucracy in democratic decision making
  - Repairs and maintenance costs
  - Overall spend in Communications,
  - Opening times and out of hours services
  - The number of council buildings
  - Supplies and services across the council
  - Finance and Chief Executive's budget
- Renegotiate lease for the Mayor's car
- Support to councillors

	Strongly agree	Agree	Neutral	Disagree*	Strongly* disagree	Not sure
What are your views on the proposed changes to the way the organisation works?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\* If you disagree or strongly disagree with the proposals please tell us why or tell us if you have any alternative suggestions?

Are there any impacts from these changes that we should be aware of?



**Other comments**

Do you have any further comments on our approach or suggestions for balancing the council budget?

**Finally a few questions about you**

Which age category do you fit within?

Under 10  11-16  17-21  22-29  30-39  40-49  50-59  60-69  70+

What is your gender? Male

Female

Do you work for Southampton City Council?

Yes

No

Please enter your home postcode\*

\*This will not be used to contact you in anyway

**Staying in touch**

Would you like the opportunity to regularly give your opinion on the council's services and local issues? We are setting up a new representative Resident's Panel to take part in consultation activities about a variety of subjects. Panel members will be able to take part in quick, snapshot polls, answer online questionnaires or get involved in more in-depth discussions. If you would like to take part tick the option below and add your details.

Stay connected is our free email alerts service will help keep you connected to the things that matter to you. If you would like to sign up tick the option below and add your details.

Please select sign up options: Stay connected

Residents panel

Contact details: \*e.g name and email or postal address


\*Your survey responses will not be connected to your contact details

Thank you for your time.

**Return address:**

Your City, Your Say  
Communications  
Southampton City Council  
Civic Centre, SO14 7LY



 Any personal information you give to us will always be processed in accordance with the UK Data Protection Act 1998. We will only use the personal information you provide to deliver the services you have requested, or for our lawful, disclosed purposes.



**ANNEX 10: LIST OF INVITEES TO AREA BASED MEETINGS**

<b>West Consultation Meeting: 18<sup>th</sup> November, Shirley Baptist Church</b>	
11 Andover Road	Malayalee Association of Southampton
13th Sea Scout Group	Malmesbury Road Neighbourhood Watch
Above Bar P&T Group	Mansel Toy Library
ACTS drama group	Maybush and District Community Association
All Saints Church	Maybush Triangle Tenants Association
Belle Moor Road Neighbourhood Watch	Melrose Road Neighbourhood Watch
Benefice Of Maybush & St Judes Church	Millbrook 50+
Bits and Bobs	Millbrook Christian Centre
Blackbushe, Pembrey & Wittering Residents Association	New Evergreens Older People's Club
Blighmont Crescent Neighbourhood Watch	No Soton biomass
Buckley Court	Oceana Boulevard Neighbourhood Watch
Citizen advice bureau	Percy Road Neighbourhood Watch
Colebrook Avenue Neighbourhood Watch	Percy Road Tenant and Residents Association
Coxford and District Youth Project	Perdue Papillion Foundation
Coxford Community Association	Pirrie Close & Harland Crescent Residents Association
Creative Options art club	Polish Catholic Mission
Eastchurch Close & Odiham Tenants Association	Polygon CAF
EU Welcome	Rainbow Pre-School
Filipino Association of Southampton	Ranelagh Gardens Residents Association
Freemantle Community Association	Redbridge Hill Neighbourhood Watch
Freemantle time bank	Redbridge Residents Association
Freemantle Triangle Residents Association	Regents Park Community Association
Friends of Lordswood	S.A.F.E
Friends of Southampton Sports Centre	

<b>West Consultation Meeting: 18<sup>th</sup> November, Shirley Baptist Church</b>	
Friends of St James's Park	Seventh Day Adventist Church
Friends of Sure Start-West	Shirley Baptist Church
Friends Of The Field	Shirley Quilters
Girl Guides	Shirley Warren Community Garden
Golden Ring Boxing Club	Southampton ADHD awareness group
Guernsey Close Neighbourhood Watch	Southampton Afghani Shia Association
Hanley Road Residents Association	Southampton City Scouts
Hawfinch Close Neighbourhood Watch	Southampton Club for the Blind (The Thursday Club)
Hawthorns Wildlife Association	St Boniface Church
Henry Road Neighbourhood Watch	St Brelades Place Neighbourhood Watch
Hill Farm Road Residents Association	St Helier Place Neighbourhood Watch
Hill Lane Neighbourhood Watch	St Mark's Centre
Hollybrook Tenants and Residents Association	Stafford Road Neighbourhood Watch
Jamie's Playtime	Supporters of the Warren Centre
LACE Tenant and Residents Association	Thornbury Avenue & District Residents Association
Latvian Community Group	Thornbury Avenue & District Residents Association
Lets Get Reading	Trust Taplins childcare
Lewis Silkin and Abercrombie Gardens Residents Association	Turnstone Gardens Neighbourhood Watch
Little Oak Road Neighbourhood Watch	Twyford Avenue Neighbourhood Watch
Lordshill 10 Tenant Association	Upper Shirley Residents Association
Lordshill Church	Warren Centre
Lordshill community centre	Warren Close Residents Association
Lordshill Youth Project	Waverley Road Neighbourhood Watch
Lordswood Community Association	Western Docks consultation forum
Lumsden Ave Residents Association	York Road Neighbourhood Watch

<b>East Consultation Meeting: 19<sup>th</sup> November, Weston Court</b>	
14th Itchen South Scout Group	Merryoak Computer Club
23rd Itchen North Scout Group	Midanbury Court Neighbourhood Watch
23rd Itchen North Scout Group	Midanbury Lane Neighbourhood Watch
3rd Itchen North (Bitterne) Scout Group	Middle Road Neighbourhood Watch
Abbots Way Neighbourhood Watch	Montgomery Road Neighbourhood Watch
All Hallows Too Pre-school	Moorhill to Woodlands group
Bannister Gardens Neighbourhood Watch	Moorlands Community Association
Bassett Avenue Neighbourhood Watch	Newtown Road Neighbourhood Watch
Bassett Gardens Neighbourhood Watch	Nigerian Community in Hampshire
Bassett Green Village Lunch & Laughs	Northcote Road Neighbourhood Watch
Bassett Wood Drive Neighbourhood Watch	Northfield Road Neighbourhood Watch
Bitterne C of E Church	Northlands Gardens Neighbourhood Watch
Bitterne Crescent Neighbourhood Watch	Obelisk Road Neighbourhood Watch
Bitterne Local History Society	Orchard Way Neighbourhood Watch
Bitterne Manor Community Association	Parents Support Link
Bitterne Police Station	Peartree Community Action Forum
Botley Gardens Neighbourhood Watch	Pensioners Forum
Breamore Road Neighbourhood Watch	Pilgrim Place Neighbourhood Watch
Bridge Road Neighbourhood Watch	Pinegrove Road Neighbourhood Watch
Brownlow Avenue Neighbourhood Watch	Pixies Day Nursery
Burgess Road Neighbourhood Watch	Plus you Limited
Bursledon Road Neighbourhood Watch	Pre-School Learning Alliance
Busybees Toddler Group	Priory Road Neighbourhood Watch
Byron Road Neighbourhood Watch	Ridgemount Avenue Neighbourhood Watch
Castle Road Neighbourhood Watch	Rockstone Lane Neighbourhood Watch
Chapel Crescent Neighbourhood Watch	Roselands Gardens Neighbourhood Watch
Choices Advocacy	Rosida Gardens, Hill Lane Neighbourhood

<b>East Consultation Meeting: 19<sup>th</sup> November, Weston Court</b>	
Christ the King Church and St Colman Catholic Church	Watch
City Life Church	Rothbury Close Neighbourhood Watch
Collier Close Neighbourhood Watch	Rothschild Close Neighbourhood Watch
Community Inclusion and Development Group	SACRE (Standing advisory council for religious education)
Constable Close Neighbourhood Watch	Salvation Army
Copenhagen Towers Neighbourhood Watch	Scott Road Neighbourhood Watch
Courtland Gardens Neighbourhood Watch	Scrapstore
Crofton Close Neighbourhood Watch	SEEDA
Crowther Close Neighbourhood Watch	Sherborne Road Neighbourhood Watch
Dean Road Neighbourhood Watch	Sholing Community Association
Dean Road Neighbourhood Watch	Sholing Road Neighbourhood Watch
Douglas Crescent Neighbourhood Watch	Sholing Senior Citizen's Group
Drummond Court Neighbourhood Watch	Sholing Valleys Study Centre
Dumbleton Close Neighbourhood Watch	South East Road Neighbourhood Watch
Eynham Avenue Neighbourhood Watch	Southampton Amateur Rowing Club
Eynham Avenue, Eynham Close, Eynheim Gardens Neighbourhood Watch	Southampton Children's Play Association
Family Circle Club	Southampton City Scouts
First Wessex Housing Association	Southampton Common & Parks Protection Society
Firtree Way Neighbourhood Watch	Southampton Sailing Club
Fort Road Neighbourhood Watch	Spring Road Neighbourhood Watch
Freemantle Common Play Association	Squires Walk Neighbourhood Watch
Freemantle Common Road Neighbourhood Watch	St Mark's Church & St. Marys
Friends of Cobbett Road Library	St Marks Institute
Friends of Ludlow Junior School	St Mark's Over 50s
Friends of Mayfield Park	Stanford Court Neighbourhood Watch
	Stoddart Avenue Neighbourhood Watch

<b>East Consultation Meeting: 19<sup>th</sup> November, Weston Court</b>	
Friends of Moorlands	Stoneham Lane Neighbourhood Watch
Friends of Peartree Green	Tatwin Crescent Neighbourhood Watch
Friends of Riverside Park	Temple Road Neighbourhood Watch
Friends of Southampton Youth Orchestras	Temple Road Neighbourhood Watch
Friends of Weston Shore	The Bathing Service
Friends of Weston Shore	The Birches Neighbourhood Watch
Furze Road and Furze Close Residents	The Oaks Neighbourhood Watch
Glen Eyre Road Neighbourhood Watch	The Salvation Army
Hampshire Autistic Society	The Shore Pre-school
Harefield Community Association	The Woolston Directory
Harefield Tenants and Residents Association	Thornhill Baptist Church
Harrison Road Neighbourhood Watch	Thornhill Lunch Club
Highcrown Mews Neighbourhood Watch	Thornhill Plus You
Hill Lane Neighbourhood Watch	Thorold Road Neighbourhood Watch
Hinkler Road Neighbourhood Watch	Ticonderoga Gardens Neighbourhood Watch
Holland Road Neighbourhood Watch	Townhill Action Group
Holly Hill Neighbourhood Watch	Townhill Park 50 Plus Club
Holly Tree Nursery	Townhill Park Community Association
Holy Trinity Weston youth project	Townhill Park Residents Association
Hum Hole Project	TRIP
Itchen Estate Tenants and Residents Association	Vectis Court, Talbot Close Neighbourhood Watch
Kathleen Road Neighbourhood Watch	Veracity Recreation Ground Trust
Kingsdown Way Neighbourhood Watch	Violet Road
Knighton Road Neighbourhood Watch	Waterside Park Residents Association
Knighton Road Neighbourhood Watch	Wellington Road Parent & Toddler Group
Leigh Road Neighbourhood Watch	West Road Neighbourhood Watch

<b>East Consultation Meeting: 19<sup>th</sup> November, Weston Court</b>	
Lime Close Neighbourhood Watch	West Wood Community Park Association
Litchfield Road Neighbourhood Watch	Weston Church Pre-School
Longmore Avenue Neighbourhood Watch	Weston Court Community Group (Lunch and Laughs)
Ludlow Road Neighbourhood Watch	Weston Youth Project
Lydgate Road Neighbourhood Watch	Whistler Close Neighbourhood Watch
Margam Avenue Neighbourhood Watch	Winchester Road Neighbourhood Watch
Marshall Square Neighbourhood Watch	Woodstock Drive Neighbourhood Watch
Mayfield Nurseries	Woolston Camera Club
Mayfield Park Bowling Club	Woolston Community Association
Mayfield Road Neighbourhood Watch	Woolston Community Bus Service
Meadowhead Road Neighbourhood Watch	Woolston United Reformed Church
Merryoak Community Association	Wynter Road Neighbourhood Watch

<b>Central Consultation Meetings: 26<sup>th</sup> November, Mount Pleasant School &amp; 30<sup>th</sup> November, Civic Centre</b>	
ABC School of Languages	Northam Tenants and Residents Association
Abu Bakr Jamia Masjid	Oakmount Triangle Residents Association
Action for blind people	Old Bassett Residents Association
Active Nation	Open Friendship Azerbaijani Society
Active Options for Health	Outer Avenue Residents Association
Afghans Community Centre	Pakistan Welfare Association
African Voices	Pensioners Forum
African-Caribbean Centre	Perdue Papillion Foundation
Age Concern Southampton	Portswood Central Residents Association
Age UK Southampton	Portswood Church
Al Nisaa Muslim Women's Group	Portswood Gardens Resident association

<b>Central Consultation Meetings:</b>	
<b>26<sup>th</sup> November, Mount Pleasant School &amp; 30<sup>th</sup> November, Civic Centre</b>	
Albion Towers block rep	Positive Action
American Football Team	PRADOS Tenants and Residents Association
Apna Group	Quakers Religious Society of Friends
Apples and Snakes	Refugee Action
Art Asia	Relate Solent
Art group	Residents Action
Art in the Community	Ridgemount Area Residents Association
Aryana Afghan Women's Group	RISE Community Trust
ASL Training	Riverview Residents Association
AWAAZ fm	Rockstone Lane Residents Association
Bangladesh Jubo Chongo-uk	Ropewalk Garden
Bangladeshi Welfare Association	Russian Speaking Community
Bellevue Residents Association	Say OK School of English
Bits and Bobs	Sikh Ladies Circle
Black Heritage Association	Society of St.James
Business in the community	SoCo music project
Care UK	Solent business growth network
Carers Together	Solent Youth Action
Castle House Residents Association	Somali Women and Children Community Development Group
Catch 22/Baseline	Something Special Association
Central and North Localities CMHT	SONUS
Central Baptist Church	SOS Polonia
Chapel Community Association	Southampton Action for Access (SAFA)
Chapter 1	Southampton Action for Employment
Chinese Arts Southampton	Southampton Advice & Representation
Chinese Association of Southampton	

<b>Central Consultation Meetings:</b>	
<b>26<sup>th</sup> November, Mount Pleasant School &amp; 30<sup>th</sup> November, Civic Centre</b>	
Christians Against Poverty	Centre
Chrysalis	Southampton Afghan Cultural and Islamic Centre
Church of the Immaculate Conception	Southampton AI - Nisaa Assocation
CIC	Southampton area Co-op development agency
City Centre Parish Office	Southampton Asian Seniors group
City Eye	Southampton Bangladeshi Society
City Life Church	Southampton Carers Together
City Of Southampton Society	Southampton Children's Play Association
City Reach Youth Project	Southampton Christian Fellowship
CLEAR	Southampton Citizens Advice Bureau
Clovelly Rd RA	Southampton City Scouts
Common Sense	Southampton Common & Parks Protection Society
Communicare	Southampton Council Of Faiths (SCOF)
Community choir	Southampton Federation of Residents Associations
Community Language Service	Southampton Festivals
Community Organiser	Southampton Iranian Association
Community Playlink	Southampton Kurdish Community Association
Confederation of African Caribbean Organisations	Southampton Lighthouse International Church
Crafts Revival	Southampton Medina Mosque trust
Crafts Revival	Southampton Mencap
DAIN - Disability Advice and Information Network	Southampton Muslim Womens Group (SMWG)
Discipline Taekwondo Club	Southampton Natural History Society
Do It Yourself Girl!	
E. Funkhouser	
East Bassett Residents Association	



<b>Central Consultation Meetings:</b>	
<b>26<sup>th</sup> November, Mount Pleasant School &amp; 30<sup>th</sup> November, Civic Centre</b>	
Empress Road Business Association	Southampton Natural History Society
Fairbridge Solent	Southampton Orienteering Club
Federation of African Caribbean organisations(African Caribbean Centre)	Southampton Puja and Cultural Association
Flower Roads Residents and Tenants Association	Southampton Scrapstore
Friends of Monks Brook Village Green	Southampton Sight
Friends of Portswood rec	Southampton Sudanese Community Association
Friends of Queen's Park	Southampton Voluntary Services
Friends of Ropewalk Community Garden	Southampton Women's Aid
Friends of Southampton Old Cemetary	Southampton Women's Forum
Friends of Town Quay	Southampton Zimbabwe Association
Girl Guiding Southampton Central Division	Spectrum CIL
Golden Goa Association	St Denys Church
Graham Road Residents Association	St Deny's Community Centre Association
Groundwork Solent	St Denys Junior Youth Club
Gurdwara Nanaksar	St Joseph and St Edmund Church Organisation
Gurdwara Tegh Bahadur Sahib	St Mary's & Northam Interagency
Guru Ravidass Shaba Gurdwara	St Mary's Church
Hampshire Autistic Society	St Marys Tenants & Residents Association
Hampshire Latvian Society	Stepaccross
Hampshire Puja and Cultural Association	Streets Alive
Hampshire Somali Community	Suhana and Milan Group
Hampshire Somali Welfare Society Limited	Sustrans
Hampton Park Residents Association	Swaythling Baptist Church
Herbert Collins Estates Residents Association	Swaythling Methodist Church
	Swaythling Neighbourhood Association

<b>Central Consultation Meetings:</b>	
<b>26<sup>th</sup> November, Mount Pleasant School &amp; 30<sup>th</sup> November, Civic Centre</b>	
Highfield Residents Association	Swaythling Youth Club
Holly Hill Residents Association	Taekwando club
Holyrood Estate Tenant and Residents Association	The Art House
Home Safe Scheme	The Bridge Project
International Cookery Exchange	The Environment Centre
James Street Church	The Gambia Society
Just Centre	The Gate Christian Outreach
Kenyan Community Group	The Wing Chun Federation
Kenyans in Hamshire	Thrinjun Group
Kingsland Community Association	Tower Gardens Residents Association
Kurdish Group	Transition Southampton
Kutchi Women's Group	TWICS
Latvian Community Group	Two Saints
Leaside Way Residents Association	Tyrrell & Green Memory Project
Lets Get Reading	Ugandan CG
Life Church Southampton	UNA (United Nations Association)
Lithuanian Community Group	Underwood and Redhill Residents Association
Little Lullabies Music Group	Unified Somali Parents
Macular Disease Society	United Somali Community Association (USCA)
Making a Scene	Unity 101 Community Radio
Malayalee Association of Southampton	Vedic Society
Mansbridge Residents Association	Ventnor Court Residents Association
Maybush Triangle Tenants Association	Victory Highway Ministries
Middle Eastern Women's Group	WEA
MS Society	Wednesday Women's Group/WEA

<b>Central Consultation Meetings:</b>	
<b>26<sup>th</sup> November, Mount Pleasant School &amp; 30<sup>th</sup> November, Civic Centre</b>	
MSS Cricket Club	West Itchen Community Trust
Muslim Council	Wheatsheaf Trust
Nepalise CG	Whomademy pants Co-op
New Azerbaijani Community Group	Women Inspired
Newtown Residents Association	Women's Wisdom
Nigerian Community in Hampshire	Wyndham Court Residents Association
No Limits	YMCA
North East Bassett Residents Association	Youth Options
North Forum Residents Association	
Northam 521 Youth Project	
Northam Community Association	
Northam Community Link	
Northam Methodist Church	

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SOUTHAMPTON CITY COUNCIL

**Budget Proposals 2014/15  
Equality and Safety Impact Assessment**

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## Equality and Safety Impact Assessment - Introduction and Overview

### Introduction

1. Southampton City Council, in line with its statutory responsibilities, undertakes Equality and Safety Impact Assessments (ESIAs) on all service developments. During the annual budget cycle, assessments are completed for all proposals that are identified as requiring impact assessments to inform decision making.
2. This document draws, into one place, a summary of the Equality and Safety Impact Assessments for the 2014/15 budget proposals that require them.
3. It should be noted that:
  - Some proposals are dependent on service reviews or wider policy changes. This means the full impact will not be known for some time.
  - The cumulative impact on staffing will be completed once all budget related structures and role changes have been developed and consulted on.
4. It is important to highlight that there have been fewer impacts identified in the Cumulative Impact Assessment compared to previous years. This is because:
  - A high percentage of the proposals are efficiencies and do not have any disproportionate impact for people, within the equalities legislation.
  - A large proportion of the budget proposals for 14/15 affect mainstream, universal or back office services by delivering efficiencies, service reductions, generating additional income and use of new funding streams. Mitigating actions include re-shaping services to target more efficiently to reduce the potential of disproportionate impacts on equalities groups and community safety.
  - ESIAs will be completed and made available for proposed reviews as part of each review process.
  - Consultation was undertaken with residents and stakeholders on priorities and on the draft budget proposals in two stages between October 2013 and January 2014. Feedback has been incorporated into the relevant individual Equality and Safety Impact Assessments and reflected in this Cumulative Impact Assessment.
  - Potentially the most significant impacts relate to proposals for adult social care which is part of the council's Transformation Programme. The service design for adults aims to help people remain independent for a longer period and improve outcomes. While there may be issues of getting used to changes and new services and new ways of accessing services, they are designed to have positive outcomes.
5. As the budget proposals seek to achieve savings in excess of £19.4M in 2014/15, it is important to fully understand the impact of this on equalities groups (identified in paragraph 12) and community safety. The City Council, working with others, will need to take action to mitigate the collective impact of any such proposals.
6. This assessment does not include those where savings are to be made in 2015/16 or new proposals (further options).
7. This assessment is being carried out against the backdrop of the welfare reforms, a number of which have been implemented since 2011 and the programme continues through to 2017, when the roll out of Universal Credit is scheduled to be fully implemented. In general, the welfare reforms affect households with working age people on benefits - including people in

work on low incomes. There are data limitations around claimant information which mean analysis of the cumulative impact of the reforms on households with particular characteristics is not possible but available evidence suggests that larger families, households with a disabled person and women are some of the 'hardest hit'. Southampton City Council is mindful of this and has completed a Scrutiny Inquiry into the impact of the reforms locally, has ring-fenced government funding to deliver a local model of welfare provision and identified an additional one-off sum of £128,000, as well as working with partners to access additional funds for advice and information services.

### **Legal Framework – Equalities**

8. The Equality Duty, section 149 of the Equality Act, came into effect on 5<sup>th</sup> April 2011 and places a duty on all public bodies and others carrying out public functions.
9. The Act was designed to ensure public bodies consider the needs of all individuals in their day to day work, including: shaping policy, delivering services, and employment of employees. It requires public bodies, such as local councils not to discriminate against any person on the basis of a protected characteristic such as disability. The legislation strengthened existing provisions about discrimination to also include associative and perceptive discrimination as well as direct and indirect discrimination.
10. Direct discrimination occurs when a rule, policy, practice offers less favourable treatment to a group and indirect discrimination occurs by introducing a rule, policy or practice that applies to everyone but particularly disadvantages people who have a protected characteristic. Direct discrimination will always be unlawful. Indirect discrimination will not be unlawful if it can be justified, for instance it can be shown that the rule, policy or practice was intended to meet a legitimate objective in a fair, balanced and reasonable way.
11. 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. For instance raising charges across the board, cutting other services etc. The council must show that it has 'had regard' to the impact of its decision on equality duties and the need to advance equality of opportunity between people who have protected characteristics and those who do not.
12. The Public Sector Equality Duty (the Equality Duty replaced three previous public sector equality duties – for race, disability and gender, and broadened the breadth of protected characteristics to include:
  - Age
  - Disability
  - Gender reassignment
  - Marriage and civil partnership, but only in respect of the requirements to have due regard to the need to eliminate discrimination.
  - Pregnancy and maternity
  - Race – ethnic or national origins, colour or nationality
  - Religion or Belief – including lack of belief
  - Gender
  - Sexual orientation.

13. The Equality Duty does not impose a legal requirement to conduct an Equality Impact Assessment, rather it requires public bodies to demonstrate their consideration of the Equality Duty and the conscious thought of the Equality Duty as part of the process of decision-making. This entails an understanding of the potential effect the organisation's activities could have on different people and a record of how decisions were reached. Producing an Equality Impact Assessment post decision making is non compliant with the Equality Duty. For this reason the council requires adherence to the existing impact assessment framework.

#### **Legal Framework - Community Safety**

14. Community Safety is a broad term. It 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.

15. 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 consideration must be given to the likely impact on crime and disorder in the development of any policies, strategies and service delivery. This responsibility affects all employees of the council.

16. This responsibility is summed up by guidance issued by the Home Office. This guidance 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'*.

#### **Scope and our approach**

17. This assessment identifies areas where there is a risk that changes resulting from individual budget proposals for 2014/15, may have, when considered together, a negative impact on particular groups.

18. It is important to note that this is an ongoing process. As individual budget proposals are developed and implemented, they will be subject to further assessment. This assessment also describes mitigating actions that will need to be considered.

19. The council's approach on impact assessment is designed to demonstrate that the council has acted over and above its statutory duties, as the council is committed to considering the impact on poverty. In order to inform decision-making on the budget proposals the council has taken the following steps:

- Managers have identified which proposals they think require an Equality and Safety Impact Assessment (ESIA).
- All the budget proposals were screened independently by a group of officers to check whether or not an ESIA was required. This was based on an assessment of whether or not they were likely to have a disproportionate equalities impact on particular groups of residents, or have implications for community safety or increasing poverty.
- This resulted in a list of proposals for which an ESIA was clearly required and those for which further detail needed to be gathered before making a decision.



- As a result of the screening, ESIA's have been produced for every proposal that is deemed to have required one. These primarily focus on the impact of proposals on residents and service users.
- An initial high level Cumulative Impact Assessment of the budget proposals was presented to Cabinet and the Council's Management Team on 31<sup>st</sup> October 2013. This was based on proposals available as of 13<sup>th</sup> October 2013 to give Councillors and senior officers an early indication of likely cumulative impacts on particular groups, along with community safety and poverty implications.
- This Cumulative Impact Assessment has subsequently been developed based on final draft proposals and detail of individual ESIA's. It has also been informed by the feedback from residents and stakeholders as part of the public budget consultation.

## City Profile

20. This Cumulative Impact Assessment must be considered in light of the city's profile, service users and non-users, staffing profiles as well as the proportion of the council's budget that is currently spent on targeted groups or communities.

21. The 2011 Census provides a range of data about the city that is not collected elsewhere. This census was the first opportunity since the last census in 2001, to look at the ethnicity of residents in detail. Southampton has a diverse population with a higher proportion of residents born outside the UK than any of our comparator cities.

- The city's population profile comprises 236,900 total residents
- There are 117,400 females and 119,500 males, a 49.6% to 50.4% split
- 77.7% of residents are white British (compared to 88.7% in 2001)
- Our 'Other white' population, which includes migrants from Europe, has increased by over 200% (from 5,519 to 17,461)
- The largest percentage increase is in our 'other Asian' population, which has increased from 833 to 5,281 people
- It is estimated that there are 26,929 residents whose main language is not English; of these 717 cannot speak English at all and a further 4,587 do not speak it well
- 4,672 residents in Southampton are aged 85 or over, of whom 834 are in bad or very bad health AND have a long term illness or disability
- The proportion of households in privately rented accommodation has increased from 15.6% to 23.4%
- We have low rates of owner occupation and high rates of social housing and private renting: 3.6% of households are defined as overcrowded (compared to 8.7% nationally)
- The percentage of 16-74 year olds who were economically active increased from 64.4% in 2001 to 68.4% by 2011
- The city has low proportions in managerial and professional occupations; higher proportions in elementary occupations and relatively low proportions of unemployed people.

22. People's vulnerability to, and experience of, poverty differs significantly. The Index of Multiple Deprivation (IMD) 2010 focuses on the geographical profile of poverty but there is also a link between equality strands and risk factors for poverty. Overall, Southampton is ranked 81st out of 326 Local Authorities in England, with the rank of 1 being the most deprived. 23% of the city's population lives in the most deprived Lower Super Output Areas (LSOA) in England. Between 2007 and 2010, 63% of the Lower Super Output Areas have not changed, whilst 16% have become less deprived and 23% more deprived.

23. While it is recognised that the IMD 2010 is now dated and reflects 2008 data, the main features of deprivation are unlikely to have changed significantly and may have been compounded by the local impact of the current programme of welfare reforms. Therefore, it is assumed that the most deprived geographical areas are in Bevois, Redbridge, Millbrook, Woolston (Weston) and Bitterne (Thornhill) wards. Bevois ward has a higher percentage of people from Black and Minority Ethnic (BME) communities than other areas in the city.
24. Income deprivation is also identified in the IMD 2010, as a major factor affecting older people in Southampton, with seven geographical areas in the city falling into the worst 10% for England, with poverty being linked to isolation and poor health. The city also has a high proportion of 50 – 64 year old men in Southampton who are economically inactive, 33.2% compared to 24.6% nationally.
25. The city has high levels of child poverty. HM Revenue and Customs produces child poverty data at a local level. The most recent data is for August 2011 and estimates that 10,640 or 25.9% of children under 16 are living in poverty - in some areas of the city it is as high as 40%. This compares to an average of 20.6% in England. In Southampton, 89% of children in poverty in the city are in households claiming Jobseekers Allowance or Income Support and 71% are in lone parent households.
26. There is also a higher percentage of residents claiming out-of-work benefits, 11.2% (18,470) compared to the South East average of 8.2% (however, this is also lower than the national average of 11.7%). It is these groups who have been some of the hardest hit by changes to welfare benefits.
27. More detail about the city's population and analysis of needs can be found in the Southampton Profile <http://www.southampton-connect.com/about/profile/default.asp> and the Equalities Profile <http://www.southampton.gov.uk/Images/App%203%20Equalities%20Profileupdate11Sept%20m46-350378.pdf>

### **Services that matter most to local people – Consultation**

28. An extensive programme of consultation was undertaken between October 2013 and January 2014. A variety of methods were used including surveys, area based meetings and briefings, to enable a wide range of people to give their views to inform the final budget. Participants included residents, service users, employees, partners, businesses, community and voluntary sector organisations and other stakeholders.
29. Every effort was made to ensure consultation was:
  - **Inclusive**: so that sections of the city's local communities had the opportunity to express their views
  - **Informative**: so that people had adequate information about the proposals, what different options mean, and a balanced and fair explanation of the potential impacts, particularly the equality and safety impacts
  - **Understandable**: by ensuring that the language we used to communicate was simple and clear and that efforts were made to reach all stakeholders, for example people who are non English speakers or disabled people.

- **Appropriate:** by targeting people who are more likely to be affected and using a more tailored approach to get their feedback, complemented by a general approach to all residents
- **Meaningful:** by ensuring decision makers had the full consultation feedback information so they can make informed decisions.
- **Reported:** by letting consultees know what we have done with their feedback.

30. The full detail of the consultation aims, principles, timetable and methodology, along with the analysis of the feedback is now available. Comments on the potential impact on equalities groups and mitigating actions have been reviewed and the following ESIA's have consequently been amended:

ESIA	Summary of changes
<b>E&amp;T 26</b> Remove funding for City Centre Shuttle Bus	<ul style="list-style-type: none"> <li>• Elderly and disabled customers need transport to get up the steep hill from the station</li> <li>• Poverty impacts of additional costs to users</li> <li>• Potential environmental impacts if current users revert to using their car if charges or lack of integrated bus service are prohibitive</li> </ul>
<b>EDL 6</b> Reduction in Museum and Gallery Education Team	<ul style="list-style-type: none"> <li>• The budget proposal has been changed to provide more in-house delivery, reducing the use of freelancers. The scope and scale of the programme may reduce slightly, with less capacity to secure external funding. Charges are not expected to increase substantially although this will be kept under review.</li> <li>• ESIA amended to reflect provision of sensory services.</li> </ul>
<b>H&amp;ASC 5</b> Review above standard cost Residential and Nursing Packages	<ul style="list-style-type: none"> <li>• Highlighted potential impact on other health providers and health services in the city as more patients return to the city for care.</li> </ul>
<b>H&amp;ASC 6</b> Review of accommodation placements for i) Acquired Brain Injury & ii) Learning Disability	<ul style="list-style-type: none"> <li>• Highlighted potential impact on other health providers and health services in the city as more patients return to the city for care.</li> </ul>
<b>H&amp;ASC 7</b> Review day service provision for older people / Community Options to support reablement	<ul style="list-style-type: none"> <li>• Highlighted how the service supports social isolation and vulnerable people.</li> <li>• Quality of care will be monitored.</li> <li>• Use of direct payments will give people alternatives.</li> <li>• Carer supported through carer assessments</li> </ul>

31. These consultation findings build on the information the council has as a result of the consultation it carried out on its draft Equality Action Plan between December 2012 and March 2013. The consultation, which was open to all staff and residents, was carried out through an easy-read questionnaire and targeted meetings with key stakeholders. Across all the equality strands, some key themes, or areas of importance, emerged:

- Support and funding – organisations felt that service changes meant they were facing more pressures at a time when they are receiving less financial and networking support.

There was concern about the cumulative impact of this, in conjunction with service reductions, on vulnerable residents. Organisations felt that some commissioning and procurement procedures were barriers to accessing alternative funding sources.

- Employment and training – disability groups in particular were concerned that welfare benefit changes were placing a lot of pressure on individuals to find employment but that there was limited real support, training or vacancies available to them.
- Hate Crime and Discrimination – this was a particular area of concern to disability and sexual orientation groups who felt that promotion of the support available to victims needed to increase.
- Information and transparency – there was concern that the council, and other public bodies, should be accessible and accountable, especially in a time when economic pressures were leading to difficult decisions. Respondents wanted the council's actions to be clear, effective and proactive.

### **Proposals based on reviews of current services**

32. The following savings proposals within this report require reviews to be carried out before the exact impact is known. Each of these will have a separate ESIA:

- Review of community development activities across the council, including deletion of a vacant post
- Review of all community safety, youth offending and emergency planning activities across the council
- Review and redesign the way the out of hours noise service is delivered and reduce night shifts
- Review of current public health supported services
- Efficiencies from procurement sub £100k.

33. In addition, the main budget report outlines that given the scale of the financial challenge facing the council and the desire of the Executive to meet the aspirations of the residents of Southampton, work is underway to develop a Transformation Strategy and Plan covering the medium term, which will be presented to Full Council for approval. This will incorporate further strategic reviews. Reviews will be undertaken in many service areas such as Waste, Policy and Performance and Housing Operations. The three key areas are:

- Library service review
- Adult service review
- Business support review.

## Impact by equalities groups

### 34. Age – Older people

#### Potential positive impact

Specific proposals have positive impacts which can be summarised as:

- A review of placements for people with acquired brain injury (over 80's) - this aims to result in improved access to this specialist service and more appropriate 'move-on'.
- A suite of reablement proposals relating to domiciliary care. These proposals are primarily showing a positive impact on care as it will be based on individual needs including:
  - Promoting independence and allowing individuals to continue to live in the community in a home environment.
  - Increasing the number of people able to lead a life in the community in a family setting matched with the home that the family can offer and fully supported to live their everyday life.
  - Improving quality of life by maximising individual capability.
  - Reducing the number of people who need residential care to support their critical or substantial needs.

#### Potential negative impact

- The proposal to extend the Capita contract has highlighted the issue of digital exclusion for older people, which could affect their access to services, with the shift to online self-service and an automated switchboard. Mitigating actions include providing information about free internet access, supporting people in Gateway who need help with the self-service terminals, providing the option of telephone support and retaining face-to-face interviews on the same day for vulnerable people.

#### Next step:

A joint discussion will be held between the relevant Senior Managers or their nominated representatives on the potential impact and any mitigating action.

Action: Carol Valentine, Jane Brentor, Stephanie Ramsey, Rob Harwood

### 34. Age - Children and young people

Within the budget proposals, the Administration has made a conscious decision to protect Children's Services – to provide a period of stability in which to refocus and rebuild the service. In addition, the Administration is prioritising investment in Children's Services in order to support transformation and service improvement.

#### Potential positive impact

Specific proposals have positive impacts which can be summarised as:

- A review of placements for people with acquired brain injury (young men under 25) - this aims to result in improved access to this specialist service and more appropriate 'move-on'.

#### Potential negative impact

The proposal to increase efficiencies at two council run nurseries – Startpoint Northam and Sholing – was reviewed through an ESIA because of the equalities groups accessing the service. The efficiencies include deleting a vacant post and regrading others so that the services are more comparable with the rest of the sector. The equalities impacts considered in

more detail were the needs of disabled children and those for whom English is a second language as well as poverty. The proposals will not impact on the current continue the current additional support for disabled children, or those for whom English is a second language and the nurseries will continue to provide affordable places. Overall, the draft ESIA indicates no significant negative impact.

### 35. Disability

#### Potential positive impacts

Specific proposals have positive impacts which can be summarised as:

- A suite of reablement proposals relating to domiciliary care. These proposals should have a positive impact on care as it will be based on individual needs including:
  - Promoting independence and allowing individuals to continue to live in the community in a home environment.
  - Increasing the number of people able to lead a life in the community in a family setting matched with the home that the family can offer and fully supported to live their everyday life.
  - Improving quality of life by maximising individual capability.
  - Reducing the number of people who need residential care to support their critical or substantial needs.

#### Potential negative impacts

It must be noted that some of the proposals will also involve clients having to become used to new providers, different ways of working at potentially different locations. It is recognised that not all will find it easy to adapt to this change. The clients potentially affected tend to fall into the equality categories of age (older people), disability (adults with mental health problems and learning disabilities) and gender (clients are disproportionately women). This issue is also relevant to the proposal relating to services for clients with acquired brain injury (ABI) as it refers to moving clients from out of area placements back into the city. This has a potential equalities impact under the age strand as clients with ABI tend to be young men under 25 and older people over 80 years old.

The proposal to remove the funding/subsidy for the City Centre shuttle bus may impact on disabled people; however, promoting their entitlement to concessionary fares would provide free travel with other providers, effectively mitigating the impact of this change.

The proposal to extend the Capita contract has highlighted the issue of digital exclusion for disabled people, which could affect them accessing services, with the shift to online self-service and an automated switchboard. Mitigating actions include providing accessible information on the council website and through its phone services, providing self-service terminals at wheelchair height, transferring calls to the operator if someone has difficulty using the automated service, providing trained 'floor walkers' to help customers in difficulty, using the Readspeak speech system for web based information so people with visual impairments can access it, ensuring that web-based information complies with web accessibility guidelines and allowing for magnification of information on web pages by zooming in. In addition, the option of over the telephone and same day face-to-face appointments will be available.

Any review of the future programme of provision by the Museums and Gallery Team will assess the impact on disabled people.

Next step:

A joint discussion will be held between the relevant Senior Managers or their nominated representatives on the potential impact and any mitigating action.

Action: Carol Valentine, Jane Brentor, Stephanie Ramsey, Rob Harwood, Frank Baxter, Mike Harris

**36. Race**

Potential negative impact

The proposal to extend the Capita contract has highlighted that potentially it will be more difficult to access services for people for whom English is not their first language. In addition to providing information both on the phone and website that is easy to understand, the specific mitigating action is to provide interpreters via booked, face-to-face appointments. Survey information highlighted in the ESIA identified that people with difficulty reading and understanding English prefer face-to-face appointments. It also identified a disproportionate use of Gateway services by people from Black, Minority or Ethnic backgrounds.

Next step:

A joint discussion will be held between the relevant Senior Managers or their nominated representatives on the potential impact and any mitigating action.

Action: Suki Sitaram, Vanessa Shahani, Rob Harwood

**37. Poverty**

Potential negative impact

The proposals which have the potential to negatively impact people in poverty/on low income and increase risk of financial exclusion:

- The proposal to extend the Capita contract as this may mean that people have to spend longer on the telephone to make an appointment and they may have to visit Gateway twice (to book an appointment and to then attend the appointment). As these proposals are designed to increase use of the internet, it may have a negative impact on people who cannot afford to have internet access at home. It was also noted that homeless people, or those in imminent danger of becoming homeless, are often supported by third parties, who may find it inconvenient to use an appointment system. Mitigating actions include providing information about free internet sites across the city, continuing to provide telephone and face-to-face support (including same day interviews for vulnerable people) as well as supporting people to use the self-service terminals.
- Removal of funding/subsidy for the City Centre shuttle bus – however as the distance travelled is relatively short, this reduces the impact for those who are able to walk instead.
- Remodelling of substance misuse provision – people using these services have considerable issues around poverty, which treatment addresses.
- Disbanding City Patrol - some types of Enviro-Crime (graffiti, fly-tipping, littering etc) can be more common in deprived areas.

However, the cumulative impact needs to be considered within the broader context of the impact of the welfare reforms agenda.

Next step:

A joint discussion will be held between the relevant Senior Managers or their nominated representatives on the potential impact and any mitigating action.

Action: Suki Sitaram, Rob Harwood, Frank Baxter, Carol Valentine, Jane Brentor, Stephanie Ramsey, Vanessa Shahani, Mitch Sanders

### 38. Gender - Women

#### Potential positive impact

Specific proposals which have positive impacts can be summarised as:

- Some of the proposals affecting older people (those linked to reablement and retendering of the domiciliary care contract) and of these it is likely that a greater proportion will be women.
- Some of the proposals also affect carers (such as improved provision for adults with acquired brain injury and the reablement proposals), who are disproportionately more likely to be women.

#### Potential negative impact

Customer research relating to the proposal to extend the Capita contract has highlighted a potential negative impact for women, with survey respondents indicating a reluctance to use public computer terminals for people without access to the internet at home. The reason for this reluctance is unknown. 47.2% of visitors to Gateway are women and information from the Office of National Statistics shows that older women are less likely to use the internet than older men. The mitigating action is that further consultation and communication will take place to improve understanding of this issue and potentially identify further actions to reduce impact.

#### Next step:

A joint discussion will be held between the relevant Senior Managers or their nominated representatives on the potential impact and any mitigating action.

Action: Carol Valentine, Jane Brentor, Stephanie Ramsey, Rob Harwood

### 39. Gender - Men

#### Potential positive impact

- The proposals to change provision for clients with acquired brain injury have a potential positive impact for young men (as most are men, either 15-24 or over 80 years old). However, it must be noted the client numbers are low – at 8.

### 40. Other protected characteristics

We are aware that both community safety issues and some protected characteristics - namely gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief and sexual orientation - are not referenced often in this process. This may be because; some of these groups are not affected by our proposals; we have gaps in our information (as highlighted in our Equalities Profile) which we are seeking to fill; or because we have not yet identified these impacts. We welcomed any views on the impacts of our proposals on community safety and these equalities groups as part of our consultation on the budget. In parallel with this, we are looking at relevant national information and seeking to improve our local knowledge.

#### Next step:

Individual senior managers need to consider whether proposals in their service area may have an impact on people from these equalities groups.



## 41. Community Safety

### Potential negative impacts

A number of proposals have potential community safety implications:

- Increasing dimming of street lighting – although the ESIA highlights that this proposal could potentially have a negative impact on fear of crime levels, crime detection rates and road traffic accidents, evidence from Dorset Police has shown their dimming programme did not result in increased crime. The mitigating actions therefore relate both to perceptions around fear of crime through a communications programme and also monitoring the impact of dimming street lighting. It should be noted that this proposal is an extension of existing practice and the final decision about the locations in the city where additional dimming will take place has yet to be made.
- Disbanding the City Patrol team – the current I City Patrol team consists of four staff and contributes towards dealing with enviro-crime issues such as fly tipping, abusive graffiti (hate crimes), littering and dog fouling. The ESIA has identified a community safety impact with the proposed loss of this team and an increase in complaints, including those from more deprived areas of the city, as these tend to have higher levels of enviro-crime. General safety impacts have also been raised in relation to reducing enforcement – i.e. blocked roads and pavements. However, the mitigating action is that other council teams and partner agencies can deal with the higher priority community safety and enviro-crime issues, ensuring that the key problems in neighbourhoods continue to be effectively dealt with. This could be considered alongside a priority in the Your City, Your Say survey results where respondents highlighted local community action to improve neighbourhoods.
- Remodelling substance misuse provision - this proposal relates to reducing the commissioning budget of the Drug Action Team and re-tendering to achieve improvements in service at a lower cost. The ESIA highlights the link between a potential reduction in drug treatment services and community safety/crime rates as it is well documented that substance misuse is a significant contributor to crime. However, the risk of a service reduction due to this proposal is off-set by economies of scale that will be achieved by having a larger, more integrated service and a tender specification that focuses on achieving the same levels of service but at less cost. The other mitigating action is to work jointly with police, probation and other partners to assess impact and to oversee joint work and opportunities to share resources.
- Review of learning disability placements – the issue of personal safety has been highlighted as a potential impact linked to the proposal to review existing placements, which may result in people with learning disabilities changing providers. However, plans are already in place to ensure alternative provision is appropriate and therefore the risk is minimised.
- The public consultation also highlighted areas of concern about the effect on safety and health of potential reductions in community safety, enforcement, environmental health and Trading Standards, particularly when taken together. This will need to be considered as part of service reviews.

### Next step:

A joint discussion between the relevant Senior Managers or their nominated representatives on the potential impact and any mitigating action.

Action: Suki Sitaram, Linda Haitana, Mitch Sanders, Rob Harwood, Jane Brentor, Stephanie Ramsey and later with key players from the Safe City Partnership

## 42. Other significant impacts

Further analysis is being undertaken to assess if there are impacts on the voluntary and community sector.

**Next step:**

Individual senior managers need to consider whether proposals in their service area may have an impact on voluntary and community groups.

**43. Staffing**

As stated earlier, the cumulative impact on staffing will be completed once all budget related structures and role changes have been developed and consulted on. However, in the meantime, Tables 1 provides information about the council’s workforce by age, gender, disability. Table 2 provides a disability profile by Directorate.

Table 1: Employee Profile

<b>Employee Profile</b>	<b>Total</b>	<b>Percentage</b>
Total Workforce	3731	100.00%
No. of Women employees	2394	64.17%
No. of BME employees	137	3.67%
No. of Disabled employees	101	2.71%
No. under 22 years	45	1.21%
No. over 55 years	762	20.42%

Table 2: Disability Profile by Directorate

<b>Disability Profile</b>	<b>Total</b>	<b>Full Time</b>		<b>Part Time</b>	
		<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>
Directorate					
Corporate Services	7	2	3	1	1
Environment & Economy	28	4	16	7	1
People	65	25	18	18	4
Grand Total	101	31	37	26	7

## GENERAL FUND 2013/14 - REVISED BUDGET

	<b>Working Budget £000's</b>	<b>Revised Budget £000's</b>	<b>Variance £000's</b>
<b>Portfolio Total</b>	<b>214,798</b>	<b>214,798</b>	<b>0</b>
<b>Levies &amp; Contributions</b>			
Southern Seas Fisheries Levy	31	31	0
Flood Defence Levy	32	32	0
Coroners Service	560	600	40 A
	<b>623</b>	<b>663</b>	<b>40 A</b>
<b>Capital Asset Management</b>			
Capital Financing Charges	13,357	13,569	212 A
Capital Asset Management Account	(24,585)	(25,997)	1,412 F
	<b>(11,229)</b>	<b>(12,429)</b>	<b>1,200 F</b>
<b>Other Expenditure &amp; Income</b>			
Direct Revenue Financing of Capital	401	401	0
Net Housing Benefit Payments	(882)	(882)	0
Non-Specific Government Grants	(134,450)	(135,988)	1,538 F
Contribution to Pay Reserve	1,400	1,400	0
Contribution to Transformation Fund	1,000	1,000	0
Collection Fund Surplus	(1,042)	(1,042)	0
Open Space and HRA	436	436	0
Risk Fund	752	451	302 F
Contingencies	411	411	0
Surplus/Deficit on Trading Areas	36	36	0
	<b>(131,938)</b>	<b>(133,778)</b>	<b>1,840 F</b>
<b>NET GF SPENDING</b>	<b>72,255</b>	<b>69,255</b>	<b>3,000</b>
<b>Draw from Balances:</b>			
To fund the Capital Programme	(401)	(401)	0
Draw from Balances (General)	(980)	2,020	3,000 F
Draw from Strategic Reserve	(825)	(825)	0
	<b>(2,206)</b>	<b>794</b>	<b>3,000 F</b>
<b>COUNCIL TAX REQUIREMENT</b>	<b>70,049</b>	<b>70,049</b>	<b>0</b>

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**SUMMARY OF REVENUE PRESSURES**

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	Recurring or One Off (R or O)	2014/15 £000's	2015/16 £000's	2016/17 £000's	Head of Service
<b><u>Children's Services Portfolio</u></b>								
CS 1	Safeguarding	CIC placements	The transformation of the People Directorate will take time to implement and take effect. The projections for the reduction in costs of children in care have been amended to reflect the timeframe of this work which has an impact on the short term additional funding requirement.	R	2,370	1,230	420	Theresa Leavy
CS 2	Safeguarding	Staffing	The transformation of the People Directorate will take time to implement and take effect. The projections for the reduction in costs social work staff have been amended to reflect the timeframe of this work which has an impact on the short term additional funding requirement.	O	930			Theresa Leavy
<b>Children's Services Portfolio Total</b>					<b>3,300</b>	<b>1,230</b>	<b>420</b>	

**Environment & Transport Portfolio**

E&T 1	Waste Collection	Review of skip service	Proposal to run a limited break even service. Skip service to Eastleigh and private skip service to be terminated and replaced by SCC glass recycling service. Budget currently assumes a surplus of £128k per annum but this has been impossible to achieve and service is currently forecasting a deficit.	R	128	128	128	Jon Dyer-Slade
<b>Environment &amp; Transport Portfolio Total</b>					<b>128</b>	<b>128</b>	<b>128</b>	

**Health & Adult Social Care Portfolio**

H&ASC 1	Commissioning	ICU Structure	The investment that is required to fund the new structure is being shared equally between the CCG and the City Council	R	91	91	91	Stephanie Ramsey
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**SUMMARY OF REVENUE PRESSURES**

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	Recurring or One Off (R or O)	2014/15	2015/16	2016/17	Head of Service
					£000's	£000's	£000's	
<b>Health &amp; Adult Social Care Portfolio Total</b>								
					91	91	91	
<b><u>Leader's Portfolio</u></b>								
LEAD 1	Licensing	Subsidy for cab cameras	Subsidy as agreed by Licensing Committee	R	79	64	64	Richard Ivory
LEAD 2	Democratic Services	Provision for eight Cabinet Members reinstated	Deletion of two Cabinet Members reviewed and eight retained	R	26	26	26	Richard Ivory
<b>Leader's Portfolio Total</b>					<b>105</b>	<b>90</b>	<b>90</b>	
<b>GRAND TOTAL</b>					<b>3,624</b>	<b>1,539</b>	<b>729</b>	

**SUMMARY OF REVENUE BIDS**

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	Recurring or One Off (R or O)	2014/15 £000's	2015/16 £000's	2016/17 £000's	Head of Service
<b><u>Economic Development &amp; Leisure Portfolio</u></b>								
EDL 1	Leisure Events	Queens Baton Relay	Funding to deliver an event as part of the Queens Baton Relay, a national programm	O	50			Mike Harris
<b>Economic Development &amp; Leisure Portfolio Total</b>					<b>50</b>	<b>0</b>	<b>0</b>	
<b>GRAND TOTAL</b>					<b>50</b>	<b>0</b>	<b>0</b>	

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## SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE

2014/15

Portfolio	Efficiencies	Income	Service Reductions	Total
	£000's	£000's	£000's	£000's
Children's Services	(120)	(20)	0	(140)
Communities	(52)	0	(114)	(166)
Economic Development & Leisure	(62)	0	(108)	(170)
Environment & Transport	(1,144)	(233)	(601)	(1,978)
Health & Adult Social Care	(6,811)	0	0	(6,811)
Housing & Sustainability	(20)	(10)	(22)	(52)
Leader's Portfolio	(218)	(50)	0	(268)
Resources	(1,614)	0	(832)	(2,446)
<b>Sub-Total</b>	<b>(10,041)</b>	<b>(313)</b>	<b>(1,677)</b>	<b>(12,031)</b>
Capita "Relaunch" Savings*				(1,500)
People Transformation				(920)
<b>Total</b>	<b>(10,041)</b>	<b>(313)</b>	<b>(1,677)</b>	<b>(14,451)</b>

\*Estimated General Fund savings from Capita renegotiated contract price resulting from a combination of "Efficiencies" and "Service Reductions".

### IMPACT OF PROPOSALS ON STAFFING

Portfolio	FTE In Post	FTE Vacant	FTE Total
Children's Services	0.00	1.00	1.00
Communities	1.00	1.90	2.90
Economic Development & Leisure	3.56	0.90	4.46
Environment & Transport	17.99	9.40	27.39
Health & Adult Social Care	0.50	3.00	3.50
Housing & Sustainability	1.00	0.00	1.00
Leader's Portfolio	0.00	3.90	3.90
Resources	1.60	3.00	4.60
<b>Sub-Total</b>	<b>25.65</b>	<b>23.10</b>	<b>48.75</b>
People Transformation	8.30	24.28	32.58
<b>Total</b>	<b>33.95</b>	<b>47.38</b>	<b>81.33</b>

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

Portfolio Ref	Service Activity	Description of Item	2014/15	2015/16	2016/17	Net Reduction in Posts		Head of Service
			£000's	£000's	£000's	FTE In Post	FTE Vacant	
<b><u>Children's Services - Efficiencies</u></b>								
CS 1	Infrastructure	School PFI contract savings	(20)	(20)	(20)			Graham Talbot
CS 2	Early Years	Efficiencies at two Council run nurseries - Startpoint Northam and Startpoint Sholing	(100)	(110)	(110)	1.00		Graham Talbot
		<b>Sub-total</b>	<b>(120)</b>	<b>(130)</b>	<b>(130)</b>	<b>0.00</b>	<b>1.00</b>	
<b><u>Children's Services - Income</u></b>								
CS 3	Inspire	Increased charges to schools for traded services	(20)	(20)	(20)			Graham Talbot
		<b>Sub-total</b>	<b>(20)</b>	<b>(20)</b>	<b>(20)</b>	<b>0.00</b>	<b>0.00</b>	
		<b>Children's Services Portfolio Total</b>	<b>(140)</b>	<b>(150)</b>	<b>(150)</b>	<b>0.00</b>	<b>1.00</b>	
<b><u>Communities - Efficiencies</u></b>								
COMM 1	Community Development	Review of community development activities across the council, including deletion of a vacant post	(52)	(67)	(67)	TBC	1.00	Suki Sitaram
		<b>Sub-total</b>	<b>(52)</b>	<b>(67)</b>	<b>(67)</b>	<b>0.00</b>	<b>1.00</b>	
<b><u>Communities - Service Reductions</u></b>								
COMM 2	Communities	Reduce community centres budget	(12)	(12)	(117)			Suki Sitaram
COMM 3	Community Safety and Emergency Planning	Review of all community safety, youth offending and emergency planning activities across the council	(102)	(120)	(200)	1.00	0.90	Suki Sitaram
		<b>Sub-total</b>	<b>(114)</b>	<b>(132)</b>	<b>(317)</b>	<b>1.00</b>	<b>0.90</b>	
		<b>Communities Portfolio Total</b>	<b>(166)</b>	<b>(199)</b>	<b>(384)</b>	<b>1.00</b>	<b>1.90</b>	

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

Portfolio Ref	Service Activity	Description of Item	2014/15	2015/16	2016/17	Net Reduction in Posts		Head of Service
			£000's	£000's	£000's	FTE In Post	FTE Vacant	
<b><u>Economic Development &amp; Leisure - Efficiencies</u></b>								
EDL 1	Development & Economy	Reductions in Economic Development Team but maintaining Inward Investment service	(42)	(48)	(48)	1.00	0.70	Barbara Compton
EDL 2	Major Projects	Efficiencies in Leisure Major Projects team	(20)	(20)	(20)			Mike Harris
<b>Sub-total</b>			<b>(62)</b>	<b>(68)</b>	<b>(68)</b>	<b>1.00</b>	<b>0.70</b>	
<b><u>Economic Development &amp; Leisure - Service Reductions</u></b>								
EDL 3	Gallery & Museums	Reduce opening hours of Tudor House museum	(58)	(70)	(70)	2.06		Mike Harris
EDL 4	Development & Economy	Reductions in City Development Team - deletion of 0.2 FTE vacant post	(12)	(12)	(12)		0.20	Barbara Compton
EDL 5	Arts & Heritage	Reduction in Archives opening hours	(9)	(9)	(9)	0.50		Mike Harris
EDL 6	Gallery & Museums	Reduction in net cost of the Museum and Gallery Education Team	(29)	(35)	(35)			Mike Harris
<b>Sub-total</b>			<b>(108)</b>	<b>(126)</b>	<b>(126)</b>	<b>2.56</b>	<b>0.20</b>	
<b>Economic Development &amp; Leisure Portfolio Total</b>			<b>(170)</b>	<b>(194)</b>	<b>(194)</b>	<b>3.56</b>	<b>0.90</b>	

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

Portfolio Ref	Service Activity	Description of Item	2014/15		2015/16		2016/17		Net Reduction in Posts		Head of Service	
			£000's	£000's	£000's	£000's	FTE In Post	FTE Vacant	FTE In Post	FTE Vacant		
<b><u>Environment &amp; Transport - Efficiencies</u></b>												
E&T 1	Bereavement	Energy efficiency measures	(10)	(10)	(10)	(10)					Mitch Sanders	
E&T 2	Pest Control	Reduce number of vans and staff	(25)	(25)	(25)	(25)			1.00	1.00	Mitch Sanders	
E&T 3	Kennels	More efficient delivery of the kennels service to deal with stray dogs	(34)	(34)	(34)	(34)			1.00	1.00	Mitch Sanders	
E&T 4	Environmental Health	Reduction in staff delivering the Environmental Health Service	(85)	(85)	(85)	(85)			1.00	1.00	Mitch Sanders	
E&T 5	Street lighting	Savings from dimming	(53)	(60)	(60)	(60)					Rob Harwood	
E&T 6	Parks and Street Cleansing	Use efficiencies to rationalise parks and street cleansing waste disposal and recycling costs. Reduce transport costs.	(140)	(140)	(140)	(140)					Jon Dyer-Slade	
E&T 7	Integrated Grounds Maintenance & Management	Efficiencies in management structure	(20)	(60)	(60)	(60)			1.50		Jon Dyer-Slade	
E&T 8	Integrated Grounds Maintenance & Management	Saving from employment of seasonal staff	(20)								Jon Dyer-Slade	
E&T 9	Street Cleansing	Reduction in overtime costs	(15)	(20)	(20)	(20)					Jon Dyer-Slade	
E&T 10	Street Cleansing	Review external cleaning contracts	(10)	(15)	(15)	(15)					Jon Dyer-Slade	
E&T 11	Waste Collection	Increase efficiency of the new garden waste service	(22)	(22)	(22)	(22)					Jon Dyer-Slade	
E&T 12	Waste Collection	Restructure Waste & Recycling management structure	(45)	(50)	(50)	(50)			0.50	1.00	Jon Dyer-Slade	

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

Portfolio Ref	Service Activity	Description of Item	2014/15	2015/16	2016/17	Net Reduction in Posts		Head of Service
			£000's	£000's	£000's	FTE In Post	FTE Vacant	
E&T 13	Waste Disposal	Housekeeping efficiencies within the waste disposal contract	(5)	(5)	(5)			Jon Dyer-Slade
E&T 14	Waste Disposal	Reduced support required for introducing the New Glass Recycling service	(410)					Jon Dyer-Slade
E&T 15	Integrated grounds maintenance & management services	Introduce two year rolling apprenticeships into grounds maintenance and street cleansing	(22)	(22)	(22)	2.00	2.00	Jon Dyer-Slade
E&T 16	Waste & Recycling Collection	More efficient method of collecting household waste, dry mixed recycling materials and glass	(228)	(240)	(240)			Jon Dyer-Slade
		<b>Sub-total</b>	<b>(1,144)</b>	<b>(788)</b>	<b>(788)</b>	<b>5.00</b>	<b>6.00</b>	
<b>Environment &amp; Transport - Income</b>								
E&T 17	Planning	Increased Planning fee income	(40)	(40)	(40)			Paul Nichols
E&T 18	Port Health	Increased income arising from the work of the Port Health Team	(50)	(50)	(50)			Mitch Sanders
E&T 19	Trading Standards	Use of existing resources to deliver services funded by government grant income as an alternative to staff reduction.	(50)	(50)	(50)			Mitch Sanders
E&T 20	Waste Collection	One off income from implementation phase of the new glass collection service	(60)					Jon Dyer-Slade
E&T 21	Waste Collection	Revise the charging mechanism and work flow for removal of bulky waste collection service	(7)	(10)	(10)			Jon Dyer-Slade
E&T 22	Waste Collection	Increase textile recycling on Southampton City Council owned sites	(12)	(12)	(12)			Jon Dyer-Slade
E&T 23	Waste Disposal	Support other local authorities with waste disposal strategies and contract management	(14)	(14)	(14)			Jon Dyer-Slade
		<b>Sub-total</b>	<b>(233)</b>	<b>(176)</b>	<b>(176)</b>	<b>0.00</b>	<b>0.00</b>	

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

Portfolio Ref	Service Activity	Description of Item	2014/15		2015/16		2016/17		Net Reduction in Posts		Head of Service	
			£000's	£000's	£000's	£000's	FTE In Post	FTE Vacant	FTE In Post	FTE Vacant		
<b><u>Environment &amp; Transport - Service Reductions</u></b>												
E&T 24	Trading Standards	Reduction in staff delivering the Trading Standards Service	(60)	(60)	(60)	(60)	(60)	(60)	2.00		Mitch Sanders	
E&T 25	Planning	Reduction in Planning Policy external costs	(30)	(30)	(30)	(30)	(30)	(30)			Paul Nichols	
E&T 26	Transport	Remove funding for City Centre Shuttle Bus	(110)	(110)	(110)	(110)	(110)	(110)			Frank Baxter	
E&T 27	City Patrol	Disband the City Patrol Service	(150)	(150)	(150)	(150)	(150)	(150)	4.00		Mitch Sanders	
E&T 28	Integrated grounds maintenance & management	Restructure play area funding and remove the play area development officer post from revenue funding.	(40)	(40)	(40)	(40)	(40)	(40)			Jon Dyer-Slade	
E&T 29	Environmental Health	Reduction in staff providing technical support to the Environmental Health team.	(23)	(23)	(23)	(23)	(23)	(23)	0.40		Mitch Sanders	
E&T 30	Bereavement & Registration Services	Reduction in staff delivering the Registration Service.	(40)	(40)	(40)	(40)	(40)	(40)	1.00		Mitch Sanders	
E&T 31	Environmental Health	Review and redesign the way the Out of Hours Noise Service is delivered to reduce costs whilst still maintaining a responsive service on the busiest nights of the week including the weekend.	(17)	(17)	(17)	(17)	(17)	(17)			Mitch Sanders	
E&T 32	Scientific Services	Rationalisation of air quality continuous monitoring network	(10)	(10)	(10)	(10)	(10)	(10)			Mitch Sanders	
E&T 33	Parking & Transport	Restructure of Parking & Transport Teams	(30)	(120)	(120)	(120)	(120)	(120)	3.00	3.00	Frank Baxter	
E&T 34	Planning	Restructure of the City Design group	(24)	(41)	(41)	(41)	(41)	(41)	0.99		Paul Nichols	
E&T 35	Planning	Remove Conservation Officer	(23)	(39)	(39)	(39)	(39)	(39)	1.00		Paul Nichols	
E&T 36	Planning	Restructure of Planning Policy and Sustainability teams	(34)	(34)	(34)	(34)	(34)	(34)	1.00		Paul Nichols	

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	2014/15	2015/16	2016/17	Net Reduction in Posts		Head of Service
			£000's	£000's	£000's	FTE In Post	FTE Vacant	
E&T 37	Planning	Reduce Learning & Development, travel and subsistence budgets	(10)	(10)	(10)			Paul Nichols
		<b>Sub-total</b>	<b>(601)</b>	<b>(724)</b>	<b>(724)</b>	<b>12.99</b>	<b>3.40</b>	
		<b>Environment &amp; Transport Portfolio Total</b>	<b>(1,978)</b>	<b>(1,688)</b>	<b>(1,688)</b>	<b>17.99</b>	<b>9.40</b>	

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

Portfolio Ref	Service Activity	Description of Item	2014/15		2015/16		2016/17		Net Reduction in Posts		Head of Service	
			£000's	£000's	£000's	£000's	FTE In Post	FTE Vacant				
<b><u>Health &amp; Adult Social Care - Efficiencies</u></b>												
H&ASC 1	Adult Disability Care Services	Improve outcomes from reablement service so fewer people need care packages and for those where ongoing care is required they have reduced support needs.	(348)	(697)	(697)	(697)					Jane Brentor Lead / Carol Valentine - BH	
H&ASC 2	Adult Disability Care Services	Proactively assisting up to 600 people to access low level services to delay access to long term care by between 3 and 6 months	(168)	(337)	(337)	(337)					Jane Brentor Lead / Carol Valentine - BH	
H&ASC 3	Provider Day Services	Move from SCC provided horticultural and woodwork Day Service to an alternative model of delivery for same service	(30)	(60)	(60)	(60)	0.50	1.00			Jane Brentor / Stephanie Ramsey	
H&ASC 4	Learning Disability and Adult Disability Care Services	Retender of Domiciliary Care across all care groups. Increased focus on improving quality and reducing/delaying future long term care needs of clients	(360)	(420)	(420)	(420)					Stephanie Ramsey - Lead / Carol Valentine - BH	
H&ASC 5	Learning Disability and Adult Disability Care Services	Review above standard cost Residential and Nursing Packages	(500)	(500)	(500)	(500)					Stephanie Ramsey - Lead / Carol Valentine - BH	
H&ASC 6	Learning Disability	Review of placements for 1) clients with an acquired Brain Injury and 2) clients with a Learning Disability to ensure appropriateness of current accommodation	(140)	(140)	(140)	(140)					Stephanie Ramsey - Lead / Carol Valentine - BH	



**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

Portfolio Ref	Service Activity	Description of Item	2014/15	2015/16	2016/17	Net Reduction in Posts		Head of Service
			£000's	£000's	£000's	FTE In Post	FTE Vacant	
H&ASC 7	Adult Disability Care Services	Reviewing day service provision for older people and improving Community Options to support reablement	(80)	(120)	(120)			Stephanie Ramsey / Carol Valentine
H&ASC 8	Portfolio Wide	Remodelling through use of Social Care transfer funding allocated via NHS and maintaining eligibility criteria	(2,300)	(2,300)	(2,300)			Stephanie Ramsey
H&ASC 9	Portfolio Wide	Savings from various recurring and one off contingencies no longer required	(1,400)	(400)	(400)			Alison Elliot
H&ASC 10	Mental Health Commissioning	Remodelling in Substance Misuse Provision	(135)	(135)	(135)		2.00	Stephanie Ramsey
H&ASC 11	Public Health	Review of Current Public Health Supported Services & Refocus of Investment to improve outcomes for children and young people and reduce health inequalities	(1,350)	(1,750)	(1,750)			Andrew Mortimore / Stephanie Ramsey
H&ASC 12	Adult Disability Commissioning	Reduction in Nursing Block Contract Beds		(20)	(40)			Stephanie Ramsey
<b>Sub-total</b>			<b>(6,811)</b>	<b>(6,879)</b>	<b>(6,899)</b>	<b>0.50</b>	<b>3.00</b>	
<b>Health &amp; Adult Social Care Portfolio Total</b>			<b>(6,811)</b>	<b>(6,879)</b>	<b>(6,899)</b>	<b>0.50</b>	<b>3.00</b>	

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

Portfolio Ref	Service Activity	Description of Item	2014/15	2015/16	2016/17	Net Reduction in Posts		Head of Service
			£000's	£000's	£000's	FTE In Post	FTE Vacant	
<b><u>Housing &amp; Sustainability - Efficiencies</u></b>								
HS 1	Estate Regeneration and Housing Delivery	Further charge to HRA	(20)	(20)	(20)			Barbara Compton
		<b>Sub-total</b>	<b>(20)</b>	<b>(20)</b>	<b>(20)</b>	<b>0.00</b>	<b>0.00</b>	
<b><u>Housing &amp; Sustainability - Income</u></b>								
HS 2	Sustainability	Income from non General Fund areas	(10)	(15)	(15)			Paul Nichols
		<b>Sub-total</b>	<b>(10)</b>	<b>(15)</b>	<b>(15)</b>	<b>0.00</b>	<b>0.00</b>	
<b><u>Housing &amp; Sustainability - Service Reductions</u></b>								
HS 3	Housing Development	Reduction of working hours for posts within housing development	(22)	(22)	(22)	1.00		Barbara Compton
		<b>Sub-total</b>	<b>(22)</b>	<b>(22)</b>	<b>(22)</b>	<b>1.00</b>	<b>0.00</b>	
		<b>Housing &amp; Sustainability Portfolio Total</b>	<b>(52)</b>	<b>(57)</b>	<b>(57)</b>	<b>1.00</b>	<b>0.00</b>	

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

Portfolio Ref	Service Activity	Description of Item	2014/15	2015/16	2016/17	Net Reduction in Posts		Head of Service
			£000's	£000's	£000's	FTE In Post	FTE Vacant	
<b><u>Leader's - Efficiencies</u></b>								
LEAD 1	Legal Services	Review and reduction of service provision and minor restructure in Legal Services	(98)	(105)	(105)	1.40		Richard Ivory
LEAD 2	Democratic Services	Restructure in Democratic Services to reflect changing requirements and reduction in member support	(64)	(64)	(64)	2.50		Richard Ivory
LEAD 3	Democratic Services	Renegotiation of current lease arrangements for Mayoral car	(6)	(6)	(6)			Richard Ivory
LEAD 4	Chief Executive & Communications	Reduction in overall spend	(50)	(50)	(45)			Suki Sitaram
		<b>Sub-total</b>	<b>(218)</b>	<b>(225)</b>	<b>(220)</b>	<b>0.00</b>	<b>3.90</b>	
<b><u>Leader's - Income</u></b>								
LEAD 5	Communications	Activity undertaken by the Contracts team has resulted in a contract for provision of a wireless network service to be managed by Communications, that will provide a minimum guaranteed income from the provider	(50)	(10)	(10)			John Spiers
		<b>Sub-total</b>	<b>(50)</b>	<b>(10)</b>	<b>(10)</b>	<b>0.00</b>	<b>0.00</b>	
		<b>Leader's Portfolio Total</b>	<b>(268)</b>	<b>(235)</b>	<b>(230)</b>	<b>0.00</b>	<b>3.90</b>	

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

Portfolio Ref	Service Activity	Description of Item	2014/15	2015/16	2016/17	Net Reduction in Posts		Head of Service
			£000's	£000's	£000's	FTE In Post	FTE Vacant	
<b>Resources - Efficiencies</b>								
RES 1	Admin Buildings	Savings arising from the rationalisation of central office accommodation (Accommodation Strategy) including the vacation of buildings	(569)	(569)	(569)			John Spiers
RES 2	Property Portfolio Management	Disposal of some investment property leads to a reduction in overall management costs and fees payable to Capita	(250)	(250)	(250)			John Spiers
RES 3	Contract Management	Savings achieved from the Capita Contract	(572)	(572)	(572)			John Spiers
RES 4	Customer Services	Reduction in postage costs across the council following a review of current postal charges and work to streamline future provider arrangements	(50)	(52)	(52)			John Spiers
RES 5	Risk Management & Insurance	Reduction in the annual contribution to the internal Self-Insurance Fund	(100)	(100)	(100)			Andy Lowe
RES 6	Cross Council	Reduction in colour photocopying / printing	(23)	(23)	(23)			Andy Lowe
RES 7	Investment Property	Reduction in the annual contribution towards the provision for bad debts	(50)	(50)	(50)			John Spiers
RES 8	Procurement	Efficiencies / reduction in costs from future procurement activity relating to sub £100k spend / contracts		(300)	(400)			John Spiers
<b>Sub-total</b>			<b>(1,614)</b>	<b>(1,916)</b>	<b>(2,016)</b>	<b>0.00</b>	<b>0.00</b>	

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

Portfolio Ref	Service Activity	Description of Item	2014/15	2015/16	2016/17	Net Reduction in Posts		Head of Service
			£000's	£000's	£000's	FTE In Post	FTE Vacant	
<b>Resources - Service Reductions</b>								
RES 9	Finance Service	Redirection of resources and reduction in current service provision.	(100)	(100)	(100)	1.00	1.00	Andy Lowe
RES 10	Admin Buildings	Reductions in cleaning, general supplies, services and budgets maintaining Civic Buildings where there is discretionary spend	(90)	(90)	(90)	1.00	1.00	John Spiers
RES 11	Central Repairs & Maintenance	Further reduction in planned maintenance programme resulting from fewer properties and the setting up of sinking funds for future maintenance of Civic Centre and One Guildhall Square	(300)	(300)	(300)			John Spiers
RES 12	Cross Council	Reduction in general supplies & services budgets across all Directorates	(250)	(250)	(250)			Andy Lowe
RES 13	Property Client	Reduction of Accommodation Planning role in Property Team. Current rationalisation of office accommodation will be complete by September 2014, after the vacation of Marland House	(8)	(16)	(16)	0.60	0.60	John Spiers
RES 14	Admin Buildings	Deletion of Project and Safety Officer as significant part of the role (project management) is now minimal due to other budget reductions. The safety aspects of the role have also diminished due to fewer buildings	(24)	(24)	(24)	1.00	1.00	John Spiers
RES 15	Admin Buildings	Reduction in some out of hours services through reductions in overtime and deletion of one vacant Town Sergeant post	(40)	(40)	(40)		1.00	John Spiers
RES 16	HR Services	Reduction in General Supplies & Services budgets	(20)	(20)	(20)			Richard Ivory
<b>Sub-total</b>			<b>(832)</b>	<b>(840)</b>	<b>(840)</b>	<b>1.60</b>	<b>3.00</b>	
<b>Resources Portfolio Total</b>			<b>(2,446)</b>	<b>(2,756)</b>	<b>(2,856)</b>	<b>1.60</b>	<b>3.00</b>	
<b>GRAND TOTAL</b>			<b>(12,031)</b>	<b>(12,158)</b>	<b>(12,458)</b>	<b>25.65</b>	<b>23.10</b>	

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## 2014/15 GENERAL FUND REVENUE ACCOUNT

<b>Portfolios</b>	<b>2014/15 Forecast £000's</b>	<b>Revenue Pressures £000's</b>	<b>Revenue Bids £000's</b>	<b>Savings &amp; Income £000's</b>	<b>2014/15 Budget £000's</b>
Children's Services	55,692.5	3,300.0		(140.0)	58,852.5
Communities	3,780.8			(166.0)	3,614.8
Economic Development & Leisure	13,752.8		50.0	(170.0)	13,632.8
Environment & Transport	38,835.4	128.0		(1,978.0)	36,985.4
Health & Adult Social Care	70,720.2	91.0		(7,731.0)	63,080.2
Housing & Sustainability	2,341.6			(52.0)	2,289.6
Leader's Portfolio	3,265.4	105.0		(268.0)	3,102.4
Resources	22,822.6			(3,946.0)	18,876.6
<b>Sub-total for Portfolios</b>	<b>211,211.3</b>	<b>3,624.0</b>	<b>50.0</b>	<b>(14,451.0)</b>	<b>200,434.3</b>
<b>Levies &amp; Contributions</b>					
Southern Seas Fisheries Levy	31.4				31.4
Flood Defence Levy	39.8				39.8
Coroners Service	560.0				560.0
	<b>631.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>631.2</b>
<b>Capital Asset Management</b>					
Capital Financing Charges	12,588.4				12,588.4
Capital Asset Management Account	(24,525.7)				(24,525.7)
	<b>(11,937.3)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(11,937.3)</b>
<b>Other Expenditure &amp; Income</b>					
Direct Revenue Financing of Capital	100.0				100.0
Trading Areas (Surplus) / Deficit	0.0				0.0
Net Housing Benefit Payments	(758.2)				(758.2)
Non-Specific Government Grants & Other Funding	(70,361.4)				(70,361.4)
Business Rates (*)	(49,102.7)				(49,102.7)
Collection Fund Deficit	2,842.6				2,842.6
Open Spaces and HRA	435.7				435.7
Risk Fund	4,400.0				4,400.0
Contingencies	250.0				250.0
	<b>(112,194.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(112,194.0)</b>
<b>NET GF SPENDING</b>	<b>87,711.2</b>	<b>3,624.0</b>	<b>50.0</b>	<b>(14,451.0)</b>	<b>76,934.2</b>
<b>Draw from Balances:</b>					
Addition to / (Draw From) Balances	(3,362.0)				(3,362.0)
To fund the Capital Programme	(100.0)				(100.0)
	<b>(3,462.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(3,462.0)</b>
Revenue Pressures	3,624.0	(3,624.0)			0.0
<b>Net Gap in Budget After Pressures</b>	<b>14,401.0</b>	<b>0.0</b>	<b>50.0</b>	<b>(14,451.0)</b>	<b>0.0</b>
<b>COUNCIL TAX REQUIREMENT</b>	<b>73,472.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>73,472.2</b>

(\* Includes Section 31 Grant in respect of reduced Business Rates income due to changes announced in the Autumn Statement and also the Top Up paid to the Council as part of the Business Rates Retention Scheme)

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## COUNCIL TAX CALCULATION - 2014/15

	2013/14 £000's	2014/15 £000's	Change £000's	Change %
<b>Budget Requirement (a)</b>	<b>194,861.7</b>	<b>177,163.8</b>	<b>(17,697.9)</b>	<b>-9.08%</b>
Less NDR	(49,534.0)	(45,562.1)		
Less Top Up Payment	(1,548.8)	(1,579.0)		
Less RSG	(72,688.2)	(59,393.1)		
Aggregate External Finance	(123,771.0)	(106,534.2)	17,236.8	-13.93%
Deficit / (Surplus) on collection fund	(1,041.6)	2,842.6	3,884.2	0.00%
<b>Net Grant Income (b)</b>	<b>(124,812.6)</b>	<b>(103,691.6)</b>	<b>21,121.0</b>	<b>-16.92%</b>
<b>Amount to be met from Council Tax (a - b)</b>	<b>70,049.1</b>	<b>73,472.2</b>	<b>3,423.1</b>	<b>4.89%</b>
Tax base	55,471.7	57,044.0	1,572.3	2.83%
<b>Basic amount of Council Tax (Band D)</b>	<b>1,262.79</b>	<b>1,287.99</b>	<b>25.20</b>	<b>2.00%</b>
Last years Council Tax		1,262.79		
Increase (Cash)		25.20		
Increase (Cash per Week)		0.48		

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## COLLECTION FUND ESTIMATES 2014/15

	2013/14 £000's	2014/15 £000's	Change £000's	Change %
Southampton City Council Precept	70,049.1	73,472.2	3,423.1	4.89%
Hampshire Police Precept	8,390.1	8,627.9	237.8	2.83%
Fire and Rescue Services Precept	3,404.9	3,501.4	96.5	2.83%
Income due from Council Tax Payers	<u>81,844.0</u>	<u>85,601.5</u>	<u>3,757.4</u>	<u>4.59%</u>
Tax Base for Area	55,471.7	57,044.0	1,572.3	2.83%
<b>Basic Amount of Tax for Band D Property</b>	<b><u>1,475.42</u></b>	<b><u>1,500.62</u></b>	<b><u>25.20</u></b>	<b><u>1.71%</u></b>

(The tax base and resulting precepts are now calculated on a slightly different basis than in previous years, reflecting the required adjustments as a result of the localisation of Council Tax Benefit and the changes to associated funding. Changes to the scheme approved by Council in January 2013 for implementation from April 2014 have the impact of increasing the overall taxbase going forward).

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## MEDIUM TERM FINANCIAL FORECAST

Portfolios	2014/15 Forecast £000's	Base Changes £000's	2015/16 Forecast £000's	Base Changes £000's	2016/17 Forecast £000's
Children's Services	58,852.5		58,852.5		58,852.5
Communities	3,614.8		3,614.8		3,614.8
Economic Development & Leisure	13,632.8		13,632.8		13,632.8
Environment & Transport	36,985.4		36,985.4		36,985.4
Health & Adult Services	63,080.2		63,080.2		63,080.2
Housing & Sustainability	2,289.6		2,289.6		2,289.6
Leader's Portfolio	3,102.4		3,102.4		3,102.4
Resources	18,876.6		18,876.6		18,876.6
Add Pressures - Future Years (Unknown)		1,000.0	1,000.0	1,000.0	2,000.0
Base Changes & Inflation		3,902.9	3,902.9	7,904.0	11,806.9
<b>Sub-total for Portfolios</b>	<b>200,434.3</b>	<b>4,902.9</b>	<b>205,337.2</b>	<b>8,904.0</b>	<b>214,241.2</b>
<b>Levies &amp; Contributions</b>					
Southern Seas Fisheries Levy	31.4		31.4		31.4
Flood Defence Levy	39.8		39.8		39.8
Coroners Service	560.0		560.0		560.0
	<b>631.2</b>	<b>0.0</b>	<b>631.2</b>	<b>0.0</b>	<b>631.2</b>
<b>Capital Asset Management</b>					
Capital Financing Charges	12,588.4	1,000.0	13,588.4	960.0	14,548.4
Capital Asset Management Account	(24,525.7)	(500.0)	(25,025.7)	(460.0)	(25,485.7)
	<b>(11,937.3)</b>	<b>500.0</b>	<b>(11,437.3)</b>	<b>500.0</b>	<b>(10,937.3)</b>
<b>Other Expenditure &amp; Income</b>					
Direct Revenue Financing of Capital	100.0	(100.0)	0.0		0.0
Trading Areas (Surplus) / Deficit	0.0		0.0		0.0
Net Housing Benefit Payments	(758.2)		(758.2)		(758.2)
Contribution to Pay Reserve	0.0	737.0	737.0		737.0
Non-Specific Government Grants & Other Fundii	(70,361.4)	26,412.5	(43,948.9)	12,718.2	(31,230.7)
Business Rates	(49,102.7)	1,719.3	(47,383.4)	(937.2)	(48,320.6)
Collection Fund Deficit	2,842.6	(1,501.8)	1,340.8		1,340.8
Open Spaces and HRA	435.7		435.7		435.7
Risk Fund	4,400.0	100.0	4,500.0	100.0	4,600.0
Contingencies	250.0		250.0		250.0
	<b>(112,194.0)</b>	<b>27,367.0</b>	<b>(84,827.0)</b>	<b>11,881.0</b>	<b>(72,946.0)</b>
<b>NET GF SPENDING</b>	<b>76,934.2</b>	<b>32,769.9</b>	<b>109,704.1</b>	<b>21,285.0</b>	<b>130,989.1</b>
<b>Draw from Balances:</b>					
Addition to / (Draw From) Balances	(3,362.0)	1,729.8	(1,632.2)	2,798.2	1,166.0
To fund the Capital Programme	(100.0)	100.0	0.0		0.0
<b>NET GAP IN BUDGET</b>	<b>(3,462.0)</b>	<b>1,829.8</b>	<b>(1,632.2)</b>	<b>2,798.2</b>	<b>1,166.0</b>
<b>Council Tax Requirement</b>					
	<b>73,472.2</b>	<b>34,599.7</b>	<b>108,071.9</b>	<b>24,083.2</b>	<b>132,155.1</b>
Council Tax	73,472.2	1,468.4	74,940.6	1,499.2	76,439.8
<b>Roll Forward Gap</b>	<b>0.0</b>	<b>33,131.3</b>	<b>33,131.3</b>	<b>22,584.0</b>	<b>55,715.3</b>
Less Savings - Future Years (Known)		(427.0)	(427.0)	(600.0)	(1,027.0)
<b>Revised Gap</b>	<b>0.0</b>	<b>32,704.3</b>	<b>32,704.3</b>	<b>21,984.0</b>	<b>54,688.3</b>

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**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 2011 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.
- 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.

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

Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for "the proper administration of their financial affairs' and appoint a CFO to have responsibility for those affairs. The CFO must exercise a professional responsibility to intervene in spending plans in order to maintain the balance of resources so that the authority remains in sound financial health.

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 2014/15 budget process in the context of the exceptional financial circumstances in which Local Government finds itself.

Since the start of the current CSR period, the Council has made significant savings totalling £57M. For the 2014/15 financial year the budget shortfall as published in this report is £14.4M rising by a further £54.7M over 2015/16 and 2016/17 and therefore presents a significant and ongoing challenge to the Authority.

Given the continuing fragility 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 budget savings required in the medium term is in preparation and is absolutely essential.

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 2014/15 and beyond.

The level of one off funding already included in the 'base position' totals almost £6.9M, (as set out in paragraph 71 of the main report), and is effectively contributing approximately a third of the savings required to close the gap and balance the budget position in 2014/15. This is clearly not a sustainable position. The Council's reserves are almost at the minimum level recommended by the CFO and given the ever tightening financial position, the increasing pressures on spend (in particular in social care) and the significant savings to be made in future years, it is difficult to foresee that significant sums of one-off funding will be available in future years to support the budget position.

In addition, there are significant budget shortfalls in future years as set out in Appendix 10. Therefore, Members must not lose sight of the need to ensure that work is ongoing to develop sustainable savings proposals for future years and must be mindful of the

need to carefully consider the extent to which one off funding is utilised in order to deliver a balanced budget in any one year.

There are a number of specific risks, some of which were new from 2013/14, 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 Council Tax freeze grant for 2014/15 and 2015/16, which will fund the equivalent of the difference between a zero percent and a 1.0% council tax increase. The grant receivable will represent additional funding equivalent to increasing Council Tax by 1.0%, which for Southampton City Council is approximately £0.8M. However, based on the level of grant payable in 2014/15 and 2015/16 if the decision was taken to freeze Council Tax and accept the grant this would increase the current budget gap in each of these years by £0.6M due to the difference between the Council Tax income that has been assumed and the level of funding being offered by the Government. This increase in the forecast gap would grow to £1.5M in 2016/17 when the grant is assumed to transfer into base funding if from that point a 2.0% increase were reverted to. The CFO's advice is that it would not be in the Council's long term financial interest to accept the freeze grant provided the referendum limits are not reduced below 2%.

However, if the referendum limits were to be reduced as indicated by the "mood music" then this advice may change, as the scope to achieve additional Council Tax income through setting Council Tax at a lower threshold level when compared with accepting the freeze grant may be minimal. The Executive's budget proposal does not currently include acceptance of this grant, but as set out in paragraphs 97 and 98 of the report, this may change depending on the final announcement of the referendum limit.

The Government's delay in not announcing the Referendum Limit as part of the Provisional Local Government Settlement has not been helpful, as it has left Councils in an unclear position as they seek to set their budgets and Council Tax.

- ii) **Council Tax Referendum** – The current Council Tax referendum limit for Council Tax increases is set at 2.0%, which is a limiting factor in being able to raise Council Tax income in 2014/15 and future years. The Executive could propose an increase greater than 2% and trigger a referendum, but their current budget proposal recommends a Council Tax increase of 2.0% and does not therefore trigger a referendum. . However, whilst there would be merit in seeking to generate additional funding through increasing Council Tax by a level which breaches the 2% referendum threshold given the Council's financial position, the difficulties of achieving a successful referendum outcome are recognised.
- iii) **Local Government Settlement** – The previous Comprehensive Spending Review (CSR) was for the 4 year period 2011//12 to 2014/15 and in January 2014 the settlement set out funding for Local Government for the final two year period of the CSR; (2013/14 and 2014/15), although this was only provisional for 2014/15. The settlement reflected the changes resulting from the Local Government Resource Review into the way that Local Government is financed.

The Chancellor of the Exchequer published the Coalition Government's Spending Round 2013 (CSR 13) on 26 June 2013, setting out their public expenditure plans for 2015/16. The Autumn Statement made by the Chancellor early in December 2013 contained a number of key announcements and whilst the impact on the Council's forecast medium term financial position appeared to be limited over and above that set out in CSR 13, experience has shown that the devil is in the detail. The provisional Local Government Settlement was received on 18 December 2013 and provided clarity on the financial impact for 2014/15. The Department for Communities and Local Government (DCLG) also announced an illustrative settlement for 2015/16. Whilst the settlement announcement gives a degree of certainty with regard to Revenue Support Grant and other key grants, the fact that a significant source of Local Government funding under the new funding model from April 2013 is via a system of locally retained business rate income, introduces significant new risks.

- iv) **Business Rate Retention (BRR) Scheme** – The BRR Scheme was introduced in April 2013 and represented a major change in the way in which local government is funded. It is seen by the government as providing a direct link between business rates growth and the amount of money local authorities have available to spend on local services. However, the reality is more complex and the new system introduces a high level of risk into the financial position for local authorities without the level of control the government suggests is possible. The new BRR Scheme means that the Council's income is now subject to significantly greater volatility. Previously the funding from business rates was by way of a fixed annual government grant but it is now dependent on our ability to collect, retain and grow business rate income, and in part this depends on the local economic situation and also the level of outstanding appeals. It should be therefore be noted that the new system introduces significant new risks which the Council will need to be aware of:

The Authority is required to estimate the likely level of business rates to be retained, and this income level is then built into the Authority's budget. If the actual income collected is less than the amount included in the budget, then, all other things being equal, this will have a direct negative impact on the Council's financial position.

Estimating business rate income is complex, as there are many factors which can significantly affect the overall figure, including entitlement to reliefs and properties coming on to, or being taken off the rating list.

The biggest uncertainty however concerns revaluations arising from appeals against the Valuation Office (VO) determinations. These are very common and can lead to large refunds being backdated several years, with some appeals in the system dating back to the 2005 rating list. Prior to April 2013, the risk of appeals was met in full by central government, whereas since that date the council is responsible for the cost of 49% of all successful appeals, including those appeals which pre-date the introduction of the new system, and for which the Council has not received any additional funding. There has been much lobbying to date on the unfairness of this position by the sector to Government, but to date to no avail. It should also be recognised that two major components of the Business Rates system remain outside the control of the Council, even though each element has a direct impact on the Council's funding under the new system. The first is that the VO remain responsible for setting the rateable

value, and secondly that the VO are responsible for settling appeals, the outcome of which directly impacts the Council. The Council's income under the new system has been significantly affected by the impact of successful appeals as set out in the main budget report, and this remains a significant ongoing risk.

The Authority's estimate of the level of Business Rates to be retained can be impacted by economic growth. If the economy grows within the City, then it is likely to have a positive impact, conversely, every time a business closes, that will represent a real reduction in income to the Authority, and there are examples which illustrate this risk, for example Comet, Jessops and Ford.

These are new and significant risks to the Council.

- 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 adds further risk to the budget position. The risks are follows:
- a) 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, and
  - b) that with Council Tax benefit being paid direct to recipients there will be an increase in council tax arrears due to non payment.

The Council has sought to limit its exposure to these risks through careful consideration of the scheme design, and through working closely with its partner Capita. However, there remains a risk of increased non collection and also the risk that the number of claimants will increase.

- vi) **CSR 15** –The next CSR period starts in 2015 and is likely to contain another round of significant cuts to Local Authority funding. Various professional bodies and associations quote the potential loss of grant funding between 25% and 40%. The exact timings of these further reductions are unknown at present. 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.

For planning purposes, provision has been made within the current medium term forecast for reduced government grant with an assumption that there will be a further reduction in central government grant of 12% in 2016/17. This reflects a continuation of the deficit reduction programme as announced by the Chancellor in the Autumn Statement and reiterated since. There is a risk that the actual reductions in government grant will be in excess of 12% for 2016/17.

- vii) **Impact of Welfare Reform** –The Welfare Reform changes will affect residents of Southampton and may increase demand for services provided by the Housing, Adult Care and Support and Children Schools and Families services. Whilst it is impossible to calculate these impacts, the overall budget does include some funding specifically aimed at supporting the most vulnerable who are impacted by these reforms:
- a) **Social Fund** – A sum of £644,700 has been included in the 2014/15 budget which can be awarded on a discretionary basis to the most vulnerable individuals who are in real financial difficulty. This funding is no longer available from 2015/16 and it has been assumed that the work which is ongoing to achieve a sustainable scheme will be successful.



- b) **Council Tax Reduction Scheme** – A sum of £200,000 has been set aside as part of the scheme agreed by Full Council in the form of a discretionary Hardship Fund.
- c) **Universal Credit** – The timescale for the introduction of Universal Credit continues to slip but once this is implemented it will present a number of risks to the Council both in terms of demand for services and collection of income across a range of areas.

However, there remains an unquantifiable risk that an increase demand for services would impact on the Council's financial position, as no specific additional funding has been built into service budgets to account for any impact arising from the Welfare Reform changes.

- viii) **Public Health Growth** –Public Health responsibilities moved to the Council from April 2013 and at this stage it has been assumed that the associated funding for 2014/15 will meet the cost of providing the transferred service and therefore will not have any adverse impact on the Council's total net revenue budget requirement. Whilst unlikely, any shortfall arising will need to be addressed during the financial year as a matter of urgency and in future years there is a risk that growth in demand may place a financial pressure on the Council.
- ix) **Academy Schools Transfer (Education Services Grant)** – The Education Services Grant (ESG – formerly known as Local Authority Central Spend Equivalent Grant - LACSEG) is currently paid to Academies to cover the cost of services that local authorities provide centrally to its own schools. These services include improving school attendance, financial support and asset management amongst others. This new grant has been allocated between the Council and Academies based largely on pupil numbers and will be reviewed on a quarterly basis. This has introduced an additional element of volatility and risk as schools transfer to Academy status and this will be exacerbated if the Council is not able to reduce its costs in line with reductions in funding.
- x) **Interest Rate Risk** – The global financial position coupled with the current unresolved 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. 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.

- xi) **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 2014/15 through the inclusion of significant sums within the Risk Fund to manage these budget pressures. Furthermore, sums have been allocated to add to service budgets in 2014/15 as known pressures. Significant transformation work is also underway within the People’s Directorate, aimed at improving early intervention so as to reduce demand for the more expensive interventions.
- xii) **Economic Conditions** – The national and international economic conditions remain challenging. The UK has been through a sustained recession, and whilst the position is improving, the indications are that economic conditions will remain fragile 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 continue to be impacted in 2014/15 with the added risk of the impact on business rates which is now borne by the Council.
- xiii) **Redundancy Provision** – Forecast future redundancy payments are based on information gathered during the previous budget process. We anticipate that we have set aside sufficient provision in the Organisational Development Reserve to finance the required one-off payments over the next three years. However the actual impact is only known when specific details come forward and changes in the overall level of savings required will influence the resulting level of redundancies in future years.
- xiv) **Transformational Change** – There is a considerable amount of transformational change that will need to occur at the same time as maintaining “business as usual” as the Council addresses the sustainable changes demanded in the next few years to ensure the long term viability of service provision. There is always a degree of risk associated with major change and due to the reduced resources at a senior managerial level there is a growing capacity issue which may impact on the ability to manage and support the wide ranging changes required whilst maintaining financial control and good governance of the Council.
- xv) **Equal Pay** – The Council has received a number of Equal Pay claims. There remains the risk that further claims could be received. However, the Council is seeking to minimise its risk through the implementation of a new pay and allowances framework.
- xvi) **Budget Shortfall 2015/16 Onwards** – The impact of much of the above, is that the Council faces a significant budget shortfall from 2015/16 onwards. The level of forecast savings required in 2015/16 alone are more than twice the level of the savings proposed for 2014/15. This represents a significant risk to the overall financial position of the Authority in both the short to medium term, and the Council’s Management Team (CMT) recognise that significant action is required in the immediate future to provide options for Members to enable them to put in place plans to deliver the scale of spending reductions required to meet the forecast future budget shortfall. Inevitably though, the scale of reductions

required will have a significant impact on the level of services which the Council can continue to sustain.

The Council is required to have regard to this report in approving the budget and Council Tax. 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) ROBUSTNESS OF ESTIMATES**

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 2013 the Executive, supported by CMT, developed a series of detailed budget proposals which were subsequently published in November. Whilst some figures have changed and proposals have been amended these have been validated by CMT 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 1% pay award has been incorporated into the budget for 2014/15 and 2% for 2015/16 onwards, reflecting 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 for current service costs will remain at their current level of 13.1% for the three year period, 2014/15 to 2016/17, following the actuarial review. The contribution for past service will increase by a known amount each year thereby giving certainty about this cost. Contributions from April 2017 will be reviewed as part of the next actuarial review and the impact will be built into future forecasts.
- 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. 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 £14.5M.

Individual savings items have been approved by the relevant Directors and Heads of Service and have been subject to scrutiny by CMT. 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 Director.

- iii) The Council's external auditor gave an unqualified opinion on the 2012/13 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 2014/15.

- iv) The current recommendation by the Cabinet retains a general contingency of £250,000 together with a risk based contingency sum of £4.4M 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. Additional 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 2014/15 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 xvi) at the start of this report, (of which some are not quantified nor have any specific offsetting financial provision within the budget), The CFO has reviewed the minimum level of the Council's General Fund reserves/balances.

The current recommended minimum General Fund reserves/balances is £5.5M, following an increase from £5.0M as recommended and approved last year. This increase was recommended in no small part due to the significant new risks

presented by the introduction of the new BRR Scheme and the new localised Council Tax Benefit Reduction scheme.

In reviewing the minimum level of reserves for 2014/15 the CFO has been cognisant of this together with the continuing reduction in Local Government funding and the consequent significant budget shortfalls the Council still faces in the medium term. Whilst given the financial risks the Council faces in the next few years there would be a sound argument for increasing the minimum reserves level even further, conversely the ability to do so is constrained by the fact that the Council faces a significant budget shortfall which limits the Council's ability to set aside further sums to increase reserves. For that reason, the CFO is not recommending a further increase in the minimum level of reserves at this stage, but would recommend increasing the minimum level of reserves further should the financial position allow. However, in light of experience during 2013/14, whilst provision for the BRR Scheme has been made within balances it is planned to review how best to manage the risk that this now presents to the Authority. Consideration will be given to the use of a Business Rate & Revenue Equalisation Reserve as part of the development of the Medium Term Strategy for future years which could help to manage the impact of economic shocks and unanticipated decisions in respect of appeals, refunds and the composition of the rating list.

It is worth highlighting that the Council has 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. This is clearly demonstrated by the position set out in the main report for the revised budget for 2013/14 which is a favourable movement of £3.0M,

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, but also takes account of the practicalities of being able to increase minimum reserves at a time when the Council is faced with having to find significant savings, far greater than at any other time, simply to balance the budget position.

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 of the overall financial position, the CFO has recommended that the minimum level of balances should be maintained at £5.5M, albeit that should the Authority find itself in a position where it could realistically identify

additional resources to fund an increase in the minimum level of reserves, then the CFO's advice is that it would be prudent to do so. 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. Whilst this identifies the overall Capital Programme is fully funded this is based on a revised estimate of capital receipts. The level of capital receipts is volatile and therefore while the funding deficit is now closed from the level reported previously this remains an area to monitor as the deficit is based on estimated forecast receipts rather than receipts received.

Slippage in capital receipts could change the forecast of temporary borrowing that is required unless accompanied by equivalent slippage in spend. Non-receipt of any planned income will require a permanent draw from balances, additional borrowing or for savings to be found in the 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.

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 2014/15 budget the CFO has recommended that the level of this reserve should be maintained at £3.1M, which the CFO considers to be the prudent minimum at this time based on the current borrowing strategy. However, the Reserve will be subject to ongoing review, not least of which will be to review the new risks which are now in the system as a result of the new banking regulations. This means that UK banks are less likely to receive government support in future should they find themselves in financial difficulties, and instead will have to resort to 'Bail In', whereby individual investors (be they individuals or institutions) would be expected to fund any shortfall via a 'hair cut' i.e. a reduction to the sums they hold on deposit for which there will be no protection for institutions. It may therefore transpire that the use of this Reserve may be altered such that it would need to cover both interest rate risk and also 'Bail In' risk.

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 2015/16 is uncertain as this will signal the start of a new CSR and therefore budget plans for 2016/17 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 Directors, Senior Managers and their teams and Members.

The CFO considers that the budget proposals recommended by the Cabinet for 2014/15 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 £250,000 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 in 2014/15.

However, the CFO, remains very concerned about the Authority's medium term position, with circa £33M of savings to be found by 2015/16. This concern is heightened as reserves are close to the recommended minimum level meaning that short term options to shore up the budget through a draw on balances (even though not ideal), to buy time to put in place sustainable transformation and deliver sustainable savings alongside reduced service provision, are not realistically available. Therefore, Members must not lose sight of the need to ensure that work is ongoing to develop sustainable savings proposals for future years, mindful of the fact that available reserves to support the financial position are limited. That said, there is a balance to be struck, as Members must also be mindful of the need to carefully consider the extent to which one off funding is utilised in order to deliver a balanced budget in any one year, albeit that it may be prudent to do so if it buys time to bring sustainable savings and spending and service reductions on stream.

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# Agenda Item 5

<b>DECISION-MAKER:</b>	CABINET COUNCIL
<b>SUBJECT:</b>	HOUSING REVENUE ACCOUNT BUDGET REPORT AND BUSINESS PLAN
<b>DATE OF DECISION:</b>	4 FEBRUARY 2014 (CABINET) 12 FEBRUARY 2014 (COUNCIL)
<b>REPORT OF:</b>	CABINET MEMBER FOR HOUSING AND SUSTAINABILITY

## CONTACT DETAILS

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## STATEMENT OF CONFIDENTIALITY

None

## BRIEF SUMMARY

The national self financing regime for the Housing Revenue Account (HRA) was introduced in April 2012. The budgets in this report have been prepared using these arrangements, which include a requirement to prepare and publish a rolling 30 year HRA Business Plan covering both capital and revenue expenditure projections.

The report sets out the 2014/15 revenue budget for all of the day to day services provided to Council tenants in the city, the detailed capital budgets for 2013/14 to 2018/19 and the HRA Business Plan for the period 2014/15 to 2043/44. It includes the proposed changes in rents, service charges and other charges to council tenants from 1 April 2014.

## RECOMMENDATIONS:

### CABINET

- (i) To consider the report and agree that the recommendations, as set out below, be made to Council at the meeting on 12 February 2014.

### COUNCIL

- (i) To thank the Tenant Resource Group for their input to the capital and revenue budget setting process and to note their endorsement of the recommendations set out in this report and also the broad support for the proposals received at the Tenants' Winter Conference.

- (ii) To approve the following to calculate the dwelling rent increase from 1 April 2014:
- That the standard increase applied to all dwelling rents should be 3.7% (RPI plus 0.5% as set out in paragraph 9), equivalent to an average increase of £2.91 per week; and
  - That dwelling specific rent restructuring adjustments should be made to give an additional increase in average rent levels of 3.25% (£2.55 per week), subject to the total increase from both elements not exceeding £10.00 per week for any individual property (as set out in paragraph 16).
- (iii) To approve, based on the calculation set out in recommendation (ii) above, that with effect from the 1 April 2014, the current average weekly dwelling rent figure of £78.53 should increase by 6.95%, which will equate to an average increase of £5.46 per week.
- (iv) To note that the actual total increase in individual rents will vary by property as explained in paragraph 17.
- (v) To note the following weekly service charges from 1 April 2014 based on a full cost recovery approach:
- Digital TV £0.42 (unchanged from 2013/14)
  - Concierge £1.20 (unchanged from 2013/14)
  - Tower Block Warden charge £4.97 (unchanged from 2013/14)
- (vi) To approve that the proposed service charges for supported accommodation, as set out in paragraph 33 of this report, should be used as the basis for consultation with tenants.
- (vii) To note that a new cleaning charge for walk up blocks of £0.91 per week, approved in the February 2013 budget report, will be introduced from 1 April 2014.
- (viii) To note that the charges for garages and parking spaces for 2014/15 will be increased by 3.2% in line with the increase in RPI used in the calculation of the increase in average rents.
- (ix) To approve the Housing Revenue Account Revenue Estimates as set out in the attached Appendix 1.
- (x) To approve the principle that the HRA Business Plan should have minimum 'borrowing headroom' of £6M, at the time of its annual approval by Council, as detailed in paragraph 8 of this report.
- (xi) To approve the revised Housing Revenue Account Capital Programme set out in Appendix 2 and to note the key variances and issues in Appendix 3.
- (xii) To approve the 30 year Business Plans for revenue and capital expenditure set out in Appendices 4 and 5 respectively.
- (xiii) To note the HRA Business Plan assumptions set out in Appendix 6.
- (xiv) To note that rental income and service charge payments will continue to be paid by tenants over a 48 week period.

## **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. In March 2012 the HRA paid a one-off levy to Government, known as the 'debt settlement', to buy its way out of the subsidy system and stop the need for annual payments. The introduction of the new self financing regime for HRA finances in April 2012 brought 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 key principles established in the HRA self financing report approved by Council on 16 November 2011 and amended in subsequent budget reports. They are consistent with the views of tenant representatives expressed at various meetings during the preparations for HRA Self Financing. More recently, these matters have been discussed at the monthly meetings of the Tenant Resource Group and at the Tenants' Winter Conference. 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 16,600 homes for Southampton tenants and their families and to 1,787 homes for leaseholders. 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 2014/15, the detailed capital programme for the period 2013/14 to 2018/19 and the 30 year HRA business plan covering the period 2014/15 to 2043/44. The proposed increase in rents and other charges is an integral part of the revenue estimates for 2014/15.
6. The capital and revenue estimates and the 30 year Business Plan have been prepared using the self financing arrangements for the HRA.
7. A report to Council on 16 November 2011 approved the key principles that were to be adopted in the preparation of the HRA budget and Business Plan. Some limited changes were made in subsequent budget reports and the agreed principles are set out below. In this report there is a recommendation to agree the minimum borrowing headroom within the Business Plan and a proposed amendment to the rent setting calculation, following consideration of the implications for Southampton of the Government consultation on revised social rent guidance.

### **Borrowing Headroom**

8. The HRA must work within Government borrowing restrictions that have imposed a debt cap of £199.6M. In November 2011, Council agreed that a proportion of any 'borrowing headroom' will be retained as a contingency for any unforeseen or high risk short term issues that need to be supported. In this report Council is recommended to approve the principle that the HRA Business Plan should have minimum borrowing headroom of £6M, at the time of its annual approval. This will set this capital contingency at a level of approximately 3% of the overall debt cap. This is comparable to the minimum level of HRA revenue balances which, when set, equated to approximately 3% of the annual dwelling rent income. The forward re-phasing of expenditure for urgent supported walkway repairs is an example of an appropriate use of the borrowing headroom. Amendments to the capital programme would then be required to ensure that the minimum headroom is restored for the next annual update of the Business Plan.

### **Dwelling Rents**

9. The calculation of the rent increase for each individual dwelling is made up of two elements:
- A standard increase of the September Retail Price Index (RPI) plus 0.5% and
  - A dwelling specific rent restructuring adjustment that will gradually move the actual rent to the target rent (often referred to as the "Housing Association social rent level").

Current Government guidance states that the dwelling specific component should not exceed £2.00 per week.

10. The £2.00 per week limit in the guidance has not been increased since rent restructuring started back in 2000. An alternative calculation was therefore agreed, in the February 2012 budget report, whereby the £2.00 limit was increased by RPI plus 0.5% from 2001/02. For 2014/15, this would give a limit of £3.36.
11. It was agreed, however, 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. Under this arrangement the limit next year would be £2.90 and would rise to £3.36 by 2015/16.
12. The HRA business plan assumed that a rent restructuring adjustment would continue to be made, beyond 2015/6, until all properties reached target rent. The principle behind the index linked limit was to ensure that:
- All flats will be at their target rent by 2015/16, and
  - In the long term, houses will also reach their target rent more quickly.
- It was stated that the agreed proposal was closer to delivering the assumptions on this matter that were set out in the calculation of the 'debt settlement' payment to Government.

### **Government consultation on revised social rent guidance**

13. In October 2013 the Department for Communities and Local Government (DCLG) issued a consultation paper entitled 'Guidance on Rents for Social

Housing' setting out in detail the Government's policy on rents from 2015/16 onwards.

14. The expectation is that from April 2015 stock owning local authorities will increase rents by no more than the Consumer Price Index (CPI) plus 1.0%, even though some properties will not have reached target rent by this date, due to the annual limit on weekly rent increases. In such cases target rent will only be achieved where a property is re-let following vacancy.

#### Implications for Southampton

15. The HRA Business Plan, approved by Council in February 2013, assumed that approximately three quarters of dwellings would be at target rent by 2015/16, with 99% convergence by 2020/21. If we were to keep to a rent restructuring limit of £2.90 per week in 2014/15, as previously approved by Council, and conform to the Government's draft guidance from 2015/16 onwards, the proportion of dwellings at target rent would only be 7% and the only way this figure would increase would be as vacant properties are re-let.. This would have a significant adverse impact on the revenue surplus in the long term business plan (approximately £50M) and would require planned expenditure reductions of circa £5M in the current capital programme so as not to exceed the Government debt cap. A further consequence of not achieving the anticipated level of convergence to target rent will be significant differences in the rents payable across the city for individuals in similar dwelling types, which cannot be equitable.
16. It is therefore proposed that a rent restructuring limit of £5.80 is used in 2014/15. This is the minimum limit required to achieve a 75% convergence level (i.e. 75% of dwellings at target rent) following a CPI plus 1.0% rise in 2015/16. It would mean that with effect from the 1 April 2014, the current average weekly dwelling rent figure of £78.53 will increase by 6.95%, which equates to an average increase of £5.46 per week. This is made up of a 3.7% increase for all dwellings (equivalent to an increase of £2.91 per week) and a further 3.25% (£2.55 per week) for the rent restructuring element of the increase. It is proposed that the total increase from both elements will not exceed £10.00 per week for any individual property. This is an additional safeguard for the tenants of the houses where the increase may be near to this figure.
17. The actual total increase in individual rents will vary according to the restructured rent of the property. It is estimated that 9,800 properties (59% of total dwellings) will see an increase of less than £5.00 per week. However, approximately 4,700 properties (28%) will see an increase of between £8.00 and the maximum £10.00 per week. The increase for the remaining 2,100 properties (13%) will be between £5.00 and £8.00 per week. It is anticipated that all flats will be at target rent by 2015/16 but that, even with this increase, only circa 1% of houses will reach this figure. Council rents for houses will, therefore, continue to be consistently lower than the rents of equivalent Housing Association properties in the City.

#### Service Charges

18. The November 2011 Council report approved the recalculation of all service charges to ensure that they were set to fully recover the costs of the service.

Delegated authority was given to the Head of Housing Services, following consultation with the Cabinet Member for Housing, to approve the annual revision to service charges within the policy parameters agreed by Council.

#### **Garages and Parking Spaces**

19. Following representation from tenants it was agreed 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. As for service charges, delegated authority was given to the Head of Housing Services to approve the revised charge.

#### **HRA Revenue Revised Forecast 2013/14**

20. The revised forecasts for 2013/14, which are based on month 9 revenue monitoring, are set out in Appendix 1. The working balance at the start of 2013/14 was £3.289M. However, the approval of budget carry forward requests (£573,000) and a one-off contribution to the landlord controlled heating account (£391,000) are included in the revised forecast. The balance for the end of 2013/14 is now expected to be at the minimum level of £2M that was set under self-financing. The main issues are detailed below.

#### **Responsive Repairs**

21. Responsive repairs will cost £300,000 more than originally estimated in 2013/14. The budget has been corrected to reflect the actual cost of the works carried out by the Council's in-house team.

#### **Housing Investment**

22. After the 2013/14 original estimates had been finalised, it was found that the four lifts at Wyndham Court were in need of urgent repair, at a cost of £80,000 each. Two were repaired in 2012/13 and two in 2013/14, resulting in an anticipated over spend of £160,000 on the lifts budget.

#### **Supervision and Management**

23. There is an increase of £440,000 in the forecast spend for Supervision & Management in 2013/14. This is mainly due to the approval of a contribution to the landlord controlled heating account (£391,000).

#### **Interest and Principal Repayments**

24. Due to slippage in Capital Programme expenditure, the borrowing of £5.1M, which was built into the 2012/13 estimates, was not required. This has resulted in savings on interest payments of £153,000. The original estimates for 2013/14 assumed that the borrowing to fund the Capital Programme would take place on the 1<sup>st</sup> October 2013. Due to the profile of capital expenditure, the requirement to borrow money has been delayed. On the assumption that the borrowing took place on the 1<sup>st</sup> January 2014, there is a further saving on interest payments of £93,400.

#### **Service Charges**

25. Income from the proposed cleaning charge for walk up blocks, associated with the warden review, has been budgeted for the whole of 2013/14. However, due to delays in implementing the change, no income is expected

this year, causing an adverse variance of £232,000, Everything is now in place for the introduction of this charge in April 2014.

### **HRA Revenue Budget 2014/15**

26. The original estimates for 2014/15 are also set out for approval in Appendix 1. The proposed budget shows a break even position, such that the balances at 31 March 2015 remain at the minimum value of £2M. The main issues that need to be considered in setting the revenue budget are detailed below.

#### **Responsive Repairs**

27. The proposed budget for 2014/15 is £11M. The budget is sufficient to fund 46,969 responsive repair orders and works to 1,204 voids.

#### **Housing Investment**

28. The budget for 2014/15 has been reduced by £237,000 in comparison with the original estimate for 2013/14. This includes a reduction of £91,400 in the decorating budget, due to efficiencies following the transfer to the Housing Investment Team to allow for in-house management of decorating contracts, and savings totalling £114,600, on the budget for various servicing contracts.

#### **Supervision and Management**

29. The budget for 2014/15 has been increased by £235,000 (1.2%) in comparison with the original estimate for 2013/14. Employee expenditure has increased, in part due to a pay award and the reinstatement of previous reductions in terms and conditions. However, there has been a reduction of approximately £250,000 in IT costs, resulting from the renegotiation of the Capita contract.

#### **Interest and Principal Repayments**

30. The budget for 2014/15 has been increased by £131,000 (1.2%) in comparison with the original estimate for 2013/14. This is due to the increased borrowing needed to fund the major investment in the housing stock planned for 2014/15.

#### **Dwelling Rent Income**

31. For 2014/15 rents have been calculated using the basis set out in paragraph 16 and this is estimated to generate an additional £3.9M in dwelling rent income compared to the original estimate for 2013/14. This will help to offset a lower level of income being collected in future years than initially predicted due to the proposed Government changes in rent policy.

#### **Service Charges**

32. The service charges for 2014/15 have been determined in accordance with the principles set out in paragraph 18. Where there has been no net increase in costs for existing services, as increases in staffing costs have been offset by reductions in other costs, the proposed weekly charges are unchanged for the second year running. A detailed list of these proposed charges is shown below (based on 52 weeks).

<b>Description</b>	<b>Proposed weekly charge</b>
Tower block warden charge	£4.97
Concierge monitoring charge	£1.20
Digital TV	£0.42

#### Service Charges for Supported Accommodation

33. The review of service charges for supported accommodation has been completed. The proposed revised charging structure is detailed in the table below. Not all charges listed will be payable by each tenant as the charges depend on which services they receive. The plan is to introduce this new charging structure early in 2014/15, subject to consultation with tenants. The existing charging structure, approved in February 2013, will continue until the conclusion of the consultation.

<b>Description</b>	<b>Proposed Weekly Charge</b>
Housing Management <ul style="list-style-type: none"> <li>• Housing Management Basic</li> <li>• Housing Management Medium</li> <li>• Housing Management High</li> <li>• Housing Management Over 50s / 60s Blocks</li> </ul>	£2.10 £2.42 £2.73 £1.50
Welfare Support Charge	£1.50
Sheltered Support Charge	£3.95
Community Alarm <ul style="list-style-type: none"> <li>• Alarm Charge</li> <li>• Alarm Maintenance</li> <li>• Responding Charge</li> <li>• Careline Silver</li> <li>• Careline Gold</li> </ul>	£1.40 £0.85 £0.75 £3.00 £4.25

34. The charges review sought to see if payments could cover all costs of providing services, in line with the principle set out in paragraph 18. The new pricing structure does better reflect the costs of providing the services. However, it is proposed that an element of HRA contribution is retained to moderate the price rises for our more vulnerable residents who are in receipt of these vital services.



### Other Charges

35. It is also proposed that a service charge of £0.91 per week will be introduced to pay for a cleaning service in walk-up blocks. This charge was approved in the February 2013 budget report and will be introduced from 1 April 2014.
36. It is proposed to increase the charges for garages or parking spaces for 2014/15 in line with the September RPI, i.e. 3.2%.

### HRA Capital Budget 2013/14 to 2018/19

37. The HRA Capital Programme was fully reviewed and approved in September 2013. These spending plans have now been reviewed to take account of the latest estimated costs and phasing of those schemes and the forecast change in resources.
38. The proposed February programme is shown in detail at Appendix 2. The programme update total, excluding prior year spend, is £226,830,000. This can be compared to the previous September update total of £193,380,000, resulting in an increase of £33,450,000, which represents a percentage increase of 17.3%.
39. The changes in the overall programme are summarised by year in the table in Appendix 3. A large proportion of the increase (£28,608,000) is due to the addition of new 'unapproved' schemes, following the extension of the programme to 2018/19. The other main changes in total scheme spending, totalling £4,842,000, and the significant changes in spending between years, are also set out in Appendix 3.

### HRA Business Plan 2014/15 to 2043/44

40. A 30 year HRA Business Plan has now been prepared using the planning principles agreed in November 2011 and amended by the proposals in the subsequent budget reports up to and including this report. The summary for the revenue and capital budgets is set out in Appendices 4 and 5. Other key assumptions used in the updated plan are set out in Appendix 6.
41. The main points to note are:
- All HRA debt can still be repaid over the 30 year life of the plan.
  - The capital spending plans still include provision to maintain and improve all existing dwellings and feature an increase in the level of planned expenditure in the early years that has been reflected in the updated capital programme. This increase is a reflection of the backlog of improvements to tenants' homes, due to insufficient funding under the former HRA 'subsidy' system, which needed to be addressed under the self financing regime.
  - This investment can be achieved within the Government's borrowing restrictions, as the level of borrowing remains within the £199.6M 'debt cap'. Planned expenditure has been re-phased, where necessary, to ensure that at least £6M of borrowing headroom is retained throughout.
  - The provision that is set aside for stock replacement, which will support the renewal of any of the existing dwellings that may be required over the next 30 years, remains at £130M. This provision has been phased

between year 10 and year 30 of the plan.

- The revenue budget continues to meet minimum balances of £2M over the life of the plan.
- The effect of moving from RPI + 0.5% to CPI +1% is difficult to quantify, as it is not known how these indices will move in future years. Using the September 2013 figures for RPI and CPI, the outcome is identical. Income has been modelled using current predictions of CPI from April 2015. However, it will not be until September 2014 that the immediate impact of this change will be known.

42. In February 2013, it was reported that from year 10 onwards revenue balances increase above minimum levels. This remains the case and the proposed updated 30 year Business Plan for 2014/15 onwards shows that by year 30 the projected revenue balance will be £76.8M. However, predicted revenue surpluses do not begin to significantly exceed minimum levels until 2022/23 and, as reported in last year's budget report, the main risk to the long term plan is that, if building inflation was to exceed general inflation over a prolonged period, this would have a significant adverse impact on HRA balances. Therefore the surpluses are liable to change annually, either favourably or not, and will reflect the annual review of stock investment needs and estimated unit rates.

### **Consultation**

43. The budget and business planning proposals were discussed with tenants at various meetings during the preparations for self-financing. More recently, these matters have been discussed at the monthly meetings of the Tenant Resource Group and at the Tenants' Winter Conference.
44. The Winter Conference was a well attended meeting with 78 tenants and residents in attendance. There was broad support for the proposals in particular the ongoing higher levels of investment in tenants' homes.
45. It is recommended that Members formally recognise the support and commitment of tenants and tenant representatives who have participated in this year's capital and revenue budget setting exercise.
46. There has 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**

47. These are in the body of the report.

### **Property/Other**

48. None.

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

49. 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.

- 50. The provision, maintenance and improvement of social housing by local authorities is authorised by various Housing Acts and other legislation
- 51. The Localism Act 2011 gives the statutory basis for the HRA self-financing arrangements set out in this paper.

**Other Legal Implications:**

- 52. None

**POLICY FRAMEWORK IMPLICATIONS**

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

**KEY DECISION?** Not applicable (Council decision)

<b>WARDS/COMMUNITIES AFFECTED:</b>	ALL
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**SUPPORTING DOCUMENTATION**

**Appendices**

1.	HRA Revenue Estimates 2014/15.
2.	Detailed HRA capital programme 2013/14 to 2018/19.
3.	Key Variances & Issues – February 2014 programme update
4.	HRA Business Plan – 30 year revenue account
5.	HRA Business Plan – 30 year capital spending plan and financing
6.	HRA Business Plan – planning assumptions

**Documents In Members’ Rooms**

1.	None
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**Integrated Impact Assessment**

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	No
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**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)
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1.	None	
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# Agenda Item 5

Appendix 1

## APPENDIX 1

### HOUSING REVENUE ACCOUNT BUDGET REPORT

#### REVENUE BUDGET

**Original  
Estimate  
2013/14  
£'000**

**Revised  
Forecast  
2013/14  
£'000**

**Original  
Estimate  
2014/15  
£'000**

#### SUMMARY

#### EXPENDITURE

10,399.6	10,699.8	Responsive Repairs	10,999.4
5,712.3	5,973.4	Housing Investment	5,475.2
<u>16,111.9</u>	<u>16,673.2</u>	<b>Total Repairs</b>	<u>16,474.6</u>
130.0	162.0	Rents Payable	162.0
69.8	69.8	Debt Management	69.8
19,933.2	20,374.1	Supervision & Management	20,165.3
5,829.5	5,583.1	Interest Repayments	6,224.2
5,551.0	5,551.0	Principal Repayments	5,282.7
16,116.6	16,116.6	Depreciation	17,939.8
7,514.0	7,634.0	Direct Revenue Financing of Capital	8,782.3
<u>71,256.0</u>	<u>72,163.8</u>	<b>TOTAL EXPENDITURE</b>	<u>75,100.7</u>

#### INCOME

67,714.3	67,668.8	Dwelling Rents	71,591.8
1,326.3	1,223.1	Other Rents	1,291.9
<u>69,040.6</u>	<u>68,891.9</u>	<b>Total Rental Income</b>	<u>72,883.7</u>
1,616.2	1,383.7	Service Charge Income	1,616.2
572.3	572.3	Leaseholder Service Charges	575.9
26.9	26.9	Interest Received	24.9
<u>71,256.0</u>	<u>70,874.8</u>	<b>TOTAL INCOME</b>	<u>75,100.7</u>
<u>0.0</u>	<u>(1,289.0)</u>	<b>SURPLUS/(DEFICIT) FOR YEAR</b>	<u>0.0</u>

#### BALANCES

2,281.3	3,289.0	Working Balance B/Fwd	2,000.0
0.0	(1,289.0)	Surplus/(deficit) for year	0.0
<u>2,281.3</u>	<u>2,000.0</u>	<b>WORKING BALANCE C/FWD</b>	<u>2,000.0</u>

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**APPENDIX 2**

**Housing Revenue Account 5 Year Capital Programme**

Share Point Ref.	Project Description	Project Status	Prior Years Actual £000's	Current Year Budget £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 and Later Years £000's	Total Year Spend £000's
<b>Estate Regeneration</b>										
1257	Cumbrian Way	Approved	1,219	17	7	0	0	0	0	1,243
1258	Exford Parade	Approved	3,079	98	48	31	32	7	0	3,295
1259	Laxton Close	Approved	844	66	50	0	0	0	0	960
1260	Meggeson Avenue	Approved	413	37	11	0	0	0	0	461
1262	Hinkler Parade	Approved	2,682	226	0	0	0	0	0	2,908
1613	Weston Shopping Parade Redevelopment	Approved	1,411	740	200	100	0	0	0	2,451
TBC	Weston Enabling Works	Unapproved	7	693	125	500	0	0	0	1,325
1764	Acquisition of Property at Northham	Approved	21	306	0	0	0	0	0	327
1514	Estate Regeneration City Wide Framework	Approved	47	103	200	150	0	0	0	500
1599	Estate Wide	Unapproved	0	0	1,243	2,000	3,000	2,000	1,875	10,118
1600	Small Site Disposals	Unapproved	42	7	0	0	0	0	0	49
1817	Estate Regeneration Framework Townhill Park	Approved	262	93	201	0	0	0	0	556
1930	Townhill Park - Phases 1 - 3	Approved	198	1,802	4,281	1,456	1,213	200	400	9,550
2066	Townhill Park Future Allocation	Unapproved	0	0	0	0	0	550	1,700	2,250
<b>Total Estate Regeneration</b>			<b>10,225</b>	<b>4,188</b>	<b>6,366</b>	<b>4,237</b>	<b>4,245</b>	<b>2,757</b>	<b>3,975</b>	<b>35,993</b>
<b>New Build</b>										
1265	LA New Build - Borrowdale Road	Approved	720	11	0	0	0	0	0	731
1266	LA New Build - Flamborough Close	Approved	452	13	0	0	0	0	0	465
1267	LA New Build - Chiltern Green	Approved	398	11	0	0	0	0	0	409
1268	LA New Build - Grately Close	Approved	1,016	16	0	0	0	0	0	1,032
1269	LA New Build - Orpen Road	Approved	778	31	0	0	0	0	0	809
1270	LA New Build - Keynsham Close	Approved	772	23	0	0	0	0	0	795
1403	L.A. New Build - Leaside Way	Approved	528	13	0	0	0	0	0	541
1404	L.A. New Build - Cumbrian Way	Approved	2,145	51	0	0	0	0	0	2,196
2060	Erskine Court Rebuild	Approved	0	1,000	5,200	3,600	0	0	0	9,800
TBC	Wimpson Lane Rebuild	Unapproved	0	0	1,000	0	0	0	0	1,000
<b>Total New Build</b>			<b>6,809</b>	<b>1,169</b>	<b>6,200</b>	<b>3,600</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17,778</b>
<b>Safe Wind &amp; Weather Tight</b>										
1855	CESP - International Way Energy Savings Initiative	Approved	2,629	1,371	0	0	0	0	0	4,000
1851	Supported Housing 2 Storey Walkway Repairs	Approved	0	0	1,369	1,146	0	0	0	2,515
1861	Supported Housing 2 Storey Walkway Repairs 12/13	Approved	791	250	804	0	0	0	0	1,845
TBC	Supported Housing 2 Storey Walkway Repairs	Unapproved	0	0	501	1,587	2,873	0	0	4,961
1469	Windows	Approved	466	1,787	424	211	0	0	0	2,888
TBC	Windows	Unapproved	0	0	476	715	967	1,001	1,036	4,195
1842	Electrical Riser Upgrades	Approved	727	909	185	0	0	0	0	1,821
1844	Structural Works.	Approved	415	586	444	458	0	0	0	1,903
TBC	Structural Works.	Unapproved	0	0	1	330	903	967	693	2,894

**APPENDIX 2**

**Housing Revenue Account 5 Year Capital Programme**

Share Point Ref.	Project Description	Project Status	Prior Years Actual £000's	Current Year Budget £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 and Later Years £000's	Total Year Spend £000's
1845	Roof Finish-Pitched/Structure/Gutter/Downpipes etc	Approved	161	250	318	318	318	220	0	1,585
TBC	Roof Finish-Pitched/Structure/Gutter/Downpipes etc	Unapproved	0	0	0	0	0	2,124	2,452	4,576
1846	Wall Structure & Finish	Approved	9	400	203	203	203	1,242	0	2,260
TBC	Wall Structure & Finish	Unapproved	0	0	0	0	0	1,971	3,471	5,442
1847	Chimney	Approved	0	18	1	68	68	114	0	269
TBC	Chimney	Unapproved	0	0	0	0	0	106	245	351
1848	External Doors - Flats	Approved	0	4	123	117	0	0	0	244
1850	External Doors - Houses	Approved	4	323	160	51	0	0	0	538
TBC	External Doors - Houses + Flats	Unapproved	0	0	0	411	606	1,252	1,296	3,565
1849	Garage Maintenance	Unapproved	0	22	26	27	28	29	30	161
1843	Roof Finish - Flat	Approved	773	1,265	687	1,249	478	0	0	4,452
TBC	Roof Finish - Flat	Unapproved	0	0	0	0	828	1,389	1,437	3,655
TBC	CMR Allowance	Unapproved	0	0	0	0	399	747	773	1,919
TBC	Codeman Replacement	Approved	0	90	30	0	0	0	0	120
TBC	Mobile Working	Approved	0	382	79	0	0	0	0	461
TBC	Golden Grove Balconies	Unapproved	0	0	181	0	0	0	0	181
<b>Total Safe Wind &amp; Weather Tight</b>			<b>5,975</b>	<b>7,657</b>	<b>6,012</b>	<b>6,891</b>	<b>7,671</b>	<b>11,162</b>	<b>11,432</b>	<b>56,799</b>

**Modern Facilities**

1476	Studio Conversions	Approved	111	75	0	0	0	0	0	186
1472	Electrical System	Approved	25	315	0	0	0	0	0	340
TBC	Electrical Systems - Future Years	Unapproved	0	0	9	71	134	764	791	1,769
1474	Programme Management Fees 12/13 & 13/14	Approved	924	472	0	0	0	0	0	1,396
1840	Programme Management Fees - Future Years	Unapproved	0	0	432	541	560	580	600	2,713
1714	DH Central 11/12	Approved	2,708	9	0	0	0	0	0	2,717
1477	Bathroom and Kitchen Refurbishment	Approved	0	0	10,734	8,097	0	0	0	18,830
TBC	Housing Refurbishment - Future Years	Unapproved	0	0	0	0	8,699	2,502	2,589	13,790
1864	Housing Refurbishment 12/13 – West – Drew Smith	Approved	2,727	3,007	0	0	0	0	0	5,734
1865	Housing Refurbishment 12/13 – East – Mitie Property Services	Approved	1,952	3,007	0	0	0	0	0	4,959
1881	Supported Kitchen 12/13	Approved	1,948	1,980	0	0	0	0	0	3,928
1889	Decent Homes Voids 12/13	Approved	312	188	0	0	0	0	0	500
1934	Housing Refurbishment - Deferred 2012/13	Approved	50	50	0	0	0	0	0	100
1836	Disabled Adaptations	Approved	0	0	998	1,031	0	0	0	2,029
TBC	Disabled Adaptations	Unapproved	0	0	141	112	1,223	1,093	1,132	3,700
1837	Central Heating Gas Boilers	Approved	984	2,149	1,083	1,646	1,024	0	0	6,886
TBC	Central Heating Gas Boilers Planned + Reactive)	Unapproved	0	0	0	0	23	2,455	2,541	5,019
1838	Central Heating Distrib System Inc Elec Store Htrs	Approved	75	296	491	603	603	728	716	3,511
TBC	Central Heating Distrib System + Heating Other	Unapproved	0	0	0	0	0	625	647	1,273
1839	Supported Schemes Adapted Bathroom Programme	Approved	370	458	414	414	74	0	0	1,730
TBC	Cat 2 Adapted Bathroom Programme	Unapproved	0	0	0	0	365	0	0	365



**APPENDIX 2**

**Housing Revenue Account 5 Year Capital Programme**

Share Point Ref.	Project Description	Project Status	Prior Years Actual £000's	Current Year Budget £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 and Later Years £000's	Total Year Spend £000's
1888	Disabled Adaptations 12/13	Approved	1,056	1,106	0	0	0	0	0	2,162
TBC	HHSRS Contingency	Unapproved	0	0	31	32	33	53	55	203
2063	Homeless Temporary Accommodation	Approved	0	270	1,000	0	0	0	0	1,270
<b>Total Modern Facilities</b>			<b>13,242</b>	<b>13,382</b>	<b>15,331</b>	<b>12,546</b>	<b>12,738</b>	<b>8,801</b>	<b>9,071</b>	<b>85,111</b>

**Well Maintained Communal Facilities**

1239	DN: Kingsland	Approved	132	5	0	0	0	0	0	137
1242	DN: Vanguard and Wavell Road Improvements	Approved	502	39	0	0	0	0	0	541
1256	DN: Millbrook Towers Improvements	Approved	472	10	90	0	0	0	0	572
1271	DN: Holyrood Improvements	Approved	459	1,149	100	0	0	0	0	1,708
1298	DN: Millbrook Verge Parking Improvements	Approved	690	2	0	0	0	0	0	692
1494	DN: Northam Improvements	Approved	404	48	0	0	0	0	0	452
1496	DN: Millbrook Block Improvements	Approved	179	219	208	0	0	0	0	606
1503	DN: Harefield/Townhill Park	Approved	47	50	270	302	0	0	0	669
1505	DN: Future Decent Neighbourhood Schemes	Unapproved	0	0	276	665	1,289	1,334	0	3,565
1707	DN: Shirley	Approved	192	508	1,495	60	0	0	0	2,255
TBC	DN: Shirley Transport	Approved	0	17	83	0	0	0	0	100
1953	DN: Beechfield Court	Approved	0	50	0	0	0	0	0	50
1954	DN: Wyndham Court	Approved	0	11	39	0	0	0	0	50
TBC	DN: St James Street Landscaping	Unapproved	0	19	0	0	0	0	0	19
TBC	Weston Court - Communal Area Works	Approvaed	0	125	1,850	0	0	0	0	1,975
1710	DN: Estate Improvement Programme 12/13	Approved	187	231	200	0	0	0	0	618
1718	Old Town Humtun Street Mosaic	Approved	24	18	0	0	0	0	0	42
1835	Roads/Paths/Hard Standing	Approved	0	137	240	197	0	0	0	574
1893	DN: Leaside Way Improvements	Approved	30	460	0	0	0	0	0	490
1463	Communal Areas Works	Approved	303	312	742	715	0	0	0	2,072
1468	Door Entry System Replacement Programme	Approved	28	186	222	229	0	0	0	665
TBC	Communal Areas Works	Unapproved	0	0	0	0	704	728	754	2,186
1833	Concierge Walkup Block Roll Out	Unapproved	0	273	0	0	0	0	0	273
1834	Fire doors (communal)	Unapproved	0	231	68	70	126	408	423	1,326
1233	Supported Communal Improvements - Graylings 11/12	Approved	1,310	562	0	0	0	0	0	1,872
1506	Supported Comm Impr. - Bassett Green Walkway	Approved	0	0	0	0	0	0	0	0
1509	Supported Communal Improvements - Neptune Court.	Approved	288	6	0	0	0	0	0	294
1602	Supported Communal Improvements - Rozel Court	Approved	378	1	0	0	0	0	0	379
1604	Supported Communal Improvements - Neptune Court Central Core	Approved	236	2	0	0	0	0	0	238
1606	Supported Communal Improvements - James Street	Approved	175	1	0	0	0	0	0	176
1860	Communal area works - Ventnor Court	Approved	335	2	0	0	0	0	0	337
1223	Lift Refurbishment - Itchen View Estate	Approved	647	988	0	0	0	0	0	1,635
1552	Lift Refurbishment – Tanking Out	Approved	177	8	0	0	0	0	0	185
1473	Lift Refurbishment - Ventnor Ct & James Street	Approved	17	204	0	0	0	0	0	221

**APPENDIX 2**

**Housing Revenue Account 5 Year Capital Programme**

Share Point Ref.	Project Description	Project Status	Prior Years Actual £000's	Current Year Budget £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 and Later Years £000's	Total Year Spend £000's
2016	Lift Refurbishment - James Street Enabling Works	Approved	0	75	0	0	0	0	0	75
2017	Lift Refurbishment - James St (including scooter storage)	Approved	0	525	155	0	0	0	0	680
TBC	Lift Refurbishment - Canberra Towers	Approved	0	0	525	525	0	0	0	1,050
TBC	Lift Refurbishment - Manston Court	Approved	0	0	363	0	0	0	0	363
TBC	Lift Refurbishment - Future Years	Approved	0	0	329	698	0	0	0	1,027
TBC	Lift Refurbishment - Future Years	Unapproved	0	0	0	0	1,429	1,501	1,611	4,541
TBC	Estate Parking Improvements	Approved	0	100	329	0	0	0	0	429
TBC	SHAP Programme / Supported Housing Improvements	Unapproved	0	0	822	853	883	570	590	3,719
2062	Ventnor Court - Central Core Communal (incl Scooter Storage)	Approved	0	520	40	0	0	0	0	560
TBC	James Street Electric Scooter Storage	Approved	0	0	0	0	0	0	0	0
TBC	Milner Court Electric Scooter Storage	Approved	0	30	130	0	0	0	0	160
TBC	Floor Coverings on Communal Corridors	Approved	0	250	250	0	0	0	0	500
TBC	Bassett Green Community Facilities Refurbishment	Approved	0	150	100	0	0	0	0	250
<b>Total Well Maintained Communal Facilities</b>			<b>7,212</b>	<b>7,524</b>	<b>8,926</b>	<b>4,315</b>	<b>4,432</b>	<b>4,542</b>	<b>3,377</b>	<b>40,328</b>
<b>Warm and Energy Efficient</b>										
1826	Loft Insulation + Pipe Lagging	Approved	8	75	1	26	26	78	0	213
TBC	Loft Insulation + Pipe Lagging	Unapproved	0	0	0	0	0	53	145	198
1827	Landlord Meter Conversion (1,000 properties per annum)	Approved	74	283	1	0	0	0	0	358
TBC	Landlord Meter Conversion (1,000 properties per annum)	Approved	0	0	0	189	194	0	0	383
1828	Cavity Wall Insulation	Unapproved	0	17	0	0	53	54	0	124
1933	External Cladding (PRC Houses) 12/13	Approved	9	300	303	0	0	0	0	612
1830	External Cladding (PRC Houses) 14/15 & 15/16	Approved	0	0	1,975	1,975	0	0	0	3,951
TBC	External Cladding (PRC Houses)	Unapproved	0	0	0	0	2,122	2,197	2,273	6,592
1831	External Cladding (Tower Blocks)	Approved	0	528	1,228	1,458	0	0	0	3,215
TBC	External Cladding (Tower Blocks)	Unapproved	0	0	0	0	1,567	0	0	1,567
TBC	External Cladding (Flats)	Approved	0	0	1,006	1,206	0	0	0	2,212
TBC	External Cladding (Flats)	Unapproved	0	0	0	0	1,296	1,341	1,388	4,024
1832	Utilities Supplies (Communal - Gas, Electric, Water etc.)	Approved	589	825	513	237	0	0	0	2,164
TBC	Utilities Supplies (Communal - Gas, Electric, Water etc.)	Unapproved	0	0	0	26	261	0	0	287
1829	External Wall Insulation - Kingsland	Approved	41	981	0	0	0	0	0	1,022
TBC	Introduce Renewable Energy Sources (INVEST TO SAVE)	Unapproved	0	100	0	311	322	890	921	2,544
TBC	Thornhill District Energy	Approved	0	0	5,537	0	0	0	0	5,537
<b>Total Warm and Energy Efficient</b>			<b>721</b>	<b>3,109</b>	<b>10,564</b>	<b>5,429</b>	<b>5,841</b>	<b>4,613</b>	<b>4,727</b>	<b>35,003</b>
<b>GRAND TOTAL</b>			<b>44,183</b>	<b>37,029</b>	<b>53,399</b>	<b>37,018</b>	<b>34,926</b>	<b>31,875</b>	<b>32,583</b>	<b>271,013</b>

## HOUSING REVENUE ACCOUNT

### KEY VARIANCES & ISSUES – FEBRUARY 2014 PROGRAMME UPDATE

The proposed February programme update totals **£226,830,000**. This can be compared to the previous September update total of **£193,380,000** resulting in an increase of **£33,450,000**, which represents a percentage variance of **17.3%**.

The changes to the programme are shown in the following summarised table:

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 & Later £000	Total £000
Proposed	37,029	53,399	37,018	34,926	31,875	32,583	226,830
Previous	43,909	44,358	37,217	32,023	35,873	0	193,380
Variance	(6,880)	9,041	(199)	2,903	(3,998)	32,583	33,450

A large proportion of the increase (£28,608,000) is due to the addition of new 'unapproved' schemes, following the extension of the programme to 2018/19. The major items compromising the remaining variance of £4,842,000 are explained in the following paragraphs.

#### PROGRAMME CHANGES:

##### HRA 1 – Thornhill District Energy Scheme (Total budget change £5,537,000 virement from programme savings)

**Gold – £5,537,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        GREEN**

**Budget RAG Status            GREEN**

**There have been approved virements to fund the Thornhill District Energy scheme.**

Savings were identified throughout the HRA Capital Programme in order to provide funding for the Thornhill District Energy scheme in 2014/15. This included £2M of savings in 2013/14, with the remainder from future years. The virements and the project expenditure were approved by Council on 20<sup>th</sup> November 2013. Full details of the scheme are in the Council report.

##### HRA 2 – Wimpson Lane Rebuild (Total budget change £1,000,000 increase)

**Gold – £1,000,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        GREEN**

**Budget RAG Status            GREEN**

**There has been an addition to the programme for the rebuild of properties at Wimpson Lane.**

It is proposed to add a new scheme to the New Build section of the HRA Capital Programme to provide for the rebuild of properties in Wimpson Lane. The provisional total cost is estimated as £1,000,000 with £700,000 funded from additional borrowing and £300,000 from available Right to Buy receipts. Full details of the scheme will be included in a future scheme approval report, following a programme of consultation.

**HRA 3 – Supported Housing Area Programme (Total budget change £3,719,000 increase)**

**Gold – £3,719,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        GREEN**

**Budget RAG Status           GREEN**

**There has been an addition to the programme for the provision of works to the Supported Housing blocks throughout the city.**

Any works identified for Supported Housing were previously included as part of the Communal Area Works budget within the Well Maintained Communal Facilities section of the HRA Capital Programme. This line has now been separated out in order to enable the budget to be monitored as a separate entity. Full details of the projects will be included in future scheme approval reports.

**HRA 4 – Mobile Working (Total budget change £461,000 virement from programme savings)**

**Bronze – £461,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        GREEN**

**Budget RAG Status            GREEN**

**There has been an addition to the programme for the provision of mobile working facilities for Housing Operations.**

The addition of £461,000 to the Safe Wind and Weather Tight section of the HRA Capital Programme for the provision of a Mobile Working facility for Housing Operations was approved by a Chief Officer decision on 31<sup>st</sup> October 2013. The scheme was funded by a virement from programme savings.

**HRA 5 – Supported Communal Improvements – Graylings (Total budget change £300,000 virement from programme savings)**

**Silver – £1,872,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        GREEN**

**Budget RAG Status            GREEN**

**There has been an addition to the budget, due to changes in the specifications for the project.**

Changes to the specifications of the works to incorporate additional facilities have led to a significant cost increase for this project. In order to meet these costs, savings have been identified throughout the Housing Investment area of the HRA Capital Programme.

### **MAJOR ITEMS OF SLIPPAGE/RE-PHASING:**

#### **HRA 6 Townhill Park – Phases 1 - 3 (Slippage of £1,180,000 between 2013/14 and 2014/15 and re-phasing of £881,000 into 2014/15 from future years)**

**Gold Scheme – £11,800,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        GREEN**

**Budget RAG Status          GREEN**

**The expenditure on the project has been re-profiled.**

On 19<sup>th</sup> November 2013 Cabinet approved expenditure on the Townhill Park Estate Regeneration scheme that changed the profile of the budget but not the overall cost. Full details are in the Cabinet report.

#### **HRA 7 – Homeless Temporary Accommodation (Slippage of £1,000,000 between 2013/14 and 2014/15)**

**Silver Scheme – £1,270,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        GREEN**

**Budget RAG Status          GREEN**

**There have been delays in this project due to procurement issues.**

Due to issues with procurement together with a revised design during the tendering stage, the start on site date for this project has been delayed until February 2014. This has resulted in a large proportion of the overall budget needing to be slipped to 2014/15. The issue has now been addressed and this project is expected to complete within 6 months of start date.

#### **HRA 8 – Decent Neighbourhoods Shirley (Slippage of £869,000 between 2013/14 and 2014/15)**

**Silver Scheme – £2,255,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        AMBER**

**Budget RAG Status          GREEN**

**There have been delays in this project due to procurement issues.**

Issues with the tender returns and associated evaluation have delayed the start of this project. This has resulted in a significant proportion of the overall budget being slipped to 2014/15. The delay in the announcement regarding the ECO funding has also added to the delay to the start date. These issues have now been resolved and work is underway.

**HRA 9 – Roof Finish – Pitched/Structure/Gutter/Downpipes etc. (Slippage of £400,000 between 2013/14 and future years)**

**Gold Scheme – £6,161,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status      GREEN**

**Budget RAG Status        GREEN**

**There have been savings made in this programme of works.**

The receipt of grant to fund the majority of the works on this project has allowed a significant amount of the existing funding to be moved into future years, as well as being used to help fund the Thornhill District Energy scheme.

**HRA 10 – Decent Neighbourhoods Millbrook Block Improvements (Slippage of £197,000 between 2013/14 and 2014/15)**

**Bronze Scheme – £606,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status      GREEN**

**Budget RAG Status        GREEN**

**There has been slippage on this programme due to procurement issues.**

The procurement process was delayed due to the doors and frames element of the works having to be removed from the tender documents. These works are to be delivered separately as part of a new procurement framework. A review of the risks associated with this change of approach has delayed this new framework, which is being progressed in close liaison with Capita. Although ground floor work at two blocks in Irving Road was carried out in December 2013, there is slippage associated with the other 3 blocks (Wimborne, Upton and Blandford Houses). The tenders for this work have now been returned and the contractor is in the process of being appointed.

**HRA 11 – Lift Refurbishment (Slippage of £140,000 between 2013/14 and 2014/15)**

**Silver Scheme – £1,050,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status      GREEN**

**Budget RAG Status        GREEN**

**There has been slippage on this programme due to a change in priorities.**

The plan for 2013/14 was to refurbish one of the lifts at Rozel Court. However, having been made aware of significant issues with lifts elsewhere across the city, a review of the Lift Refurbishment Plan was undertaken. As a result of the review, there has been a change of priorities. The replacement of the lifts on the high rise block of Canberra Towers and Manston Court are being carried out as the highest priority. These works will commence in early 2014/15.

**HRA 12 – Weston Court – Communal Area Works (Slippage of £125,000 between 2013/14 and 2014/15)**

**Silver Scheme – £1,975,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**There has been slippage on this programme due to design issues.**

This project will include the provision of a purpose-built rehabilitation extension, as well as a major refurbishment of all the communal areas of the existing building. The complexity of the design has caused a delay in the start of the project. Progress is being made and it is anticipated that the project will start in May 2014.

**CORPORATE FINANCIAL & PROJECT ISSUES:**

**There are no CORPORATE financial issues for the Portfolio relating to significant over or under spends.**

**There are no CORPORATE project issues for the Portfolio.**

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**HRA Business Plan - 30 year revenue account**

**Appendix 4**

		Income				Expenditure								Balances						
Year	Year	Net rent Income £,000	Other income £,000	RTB Admin £,000	Total Income £,000	Management £,000	Depreciation £,000	Responsive & Cyclical Repairs £,000	Other Revenue spend £,000	Misc expenses £,000	Total expenses £,000	Capital Charges £,000	Repayment of loans £,000	Contribution to Capital Spending £,000	Surplus (Deficit) for the Year £,000	Surplus (Deficit) b/fwd £,000	Interest £,000	Surplus (Deficit) c/fwd £,000	Provision for Debt Repayment £,000	Net Surplus (Deficit) c/fwd £,000
1	2014.15	71,227	3,144	98	74,469	(19,434)	(17,940)	(16,409)	(212)	(100)	<b>(54,095)</b>	(6,307)	(5,283)	(8,759)	25	1,969	6	2,000		2,000
2	2015.16	73,336	3,232	98	76,666	(19,977)	(18,308)	(16,932)	(98)	(103)	<b>(55,419)</b>	(7,044)	(5,283)	(8,920)	1	2,000	6	2,007		2,007
3	2016.17	75,621	3,313	98	79,032	(20,629)	(18,711)	(16,677)	(574)	(105)	<b>(56,697)</b>	(7,306)	(5,283)	(9,751)	(5)	2,007	6	2,008		2,008
4	2017.18	78,514	3,396	98	82,007	(21,201)	(19,108)	(17,293)	(781)	(108)	<b>(58,491)</b>	(7,503)	(5,283)	(10,735)	(5)	2,008	6	2,010		2,010
5	2018.19	81,076	3,481	98	84,654	(21,728)	(19,592)	(17,725)	(800)	(111)	<b>(59,956)</b>	(7,740)	(5,283)	(11,685)	(8)	2,010	6	2,007		2,007
6	2019.20	85,135	3,321	98	88,554	(22,303)	(19,848)	(18,272)	(820)	(113)	<b>(61,356)</b>	(7,863)	(16,247)	(3,093)	(5)	2,007	6	2,008		2,008
7	2020.21	86,484	3,404	98	89,985	(22,859)	(20,316)	(18,823)	(841)	(116)	<b>(62,955)</b>	(8,095)	(8,602)	(10,339)	(5)	2,008	6	2,009		2,009
8	2021.22	89,883	3,489	98	93,470	(23,493)	(20,847)	(19,591)	(862)	(119)	<b>(64,912)</b>	(8,217)	(13,676)	(6,073)	593	2,009	7	2,609		2,609
9	2022.23	93,397	3,576	98	97,071	(24,078)	(21,392)	(20,182)	(883)	(122)	<b>(66,658)</b>	(7,530)	(10,155)	(6,564)	6,164	2,609	18	8,791		8,791
10	2023.24	96,223	3,666	98	99,986	(24,679)	(21,826)	(20,791)	(905)	(125)	<b>(68,326)</b>	(6,875)	(15,000)	(11,243)	(1,458)	8,791	25	7,358		7,358
11	2024.25	101,113	3,757	65	104,935	(25,294)	(22,267)	(21,435)	(928)	(128)	<b>(70,052)</b>	(6,277)	(8,875)	(13,976)	5,755	7,358	32	13,144	4,802	8,342
12	2025.26	101,417	3,851	65	105,334	(25,926)	(22,752)	(22,115)	(951)	(132)	<b>(71,876)</b>	(5,769)	(8,370)	(14,671)	4,648	13,144	48	17,840	9,604	8,236
13	2026.27	103,675	3,948	65	107,688	(26,573)	(23,248)	(22,817)	(975)	(135)	<b>(73,747)</b>	(5,448)	(2,160)	(16,441)	9,892	17,840	71	27,803	14,406	13,397
14	2027.28	105,981	4,046	65	110,092	(27,236)	(23,754)	(23,540)	(999)	(138)	<b>(75,668)</b>	(5,225)	(5,650)	(17,168)	6,380	27,803	96	34,279	19,209	15,071
15	2028.29	108,334	4,148	65	112,547	(27,916)	(24,271)	(24,287)	(1,024)	(142)	<b>(77,640)</b>	(4,668)	(15,110)	(17,923)	(2,795)	34,279	102	31,586	24,011	7,576
16	2029.30	110,737	4,251	65	115,053	(28,612)	(24,800)	(25,057)	(1,050)	(145)	<b>(79,664)</b>	(4,220)	0	(18,445)	12,724	31,586	118	44,428	28,813	15,615
17	2030.31	115,367	4,358	65	119,789	(29,326)	(25,339)	(25,851)	(1,076)	(149)	<b>(81,741)</b>	(4,232)	0	(19,251)	14,565	44,428	160	59,153	33,615	25,538
18	2031.32	115,695	4,466	65	120,226	(30,058)	(25,890)	(26,670)	(1,103)	(153)	<b>(83,874)</b>	(4,244)	0	(20,087)	12,021	59,153	202	71,376	38,417	32,959
19	2032.33	118,217	4,578	65	122,860	(30,808)	(26,452)	(27,515)	(1,131)	(156)	<b>(86,062)</b>	(4,257)	0	(20,954)	11,586	71,376	239	83,202	43,219	39,983
20	2033.34	120,793	4,693	65	125,551	(31,577)	(27,027)	(28,386)	(1,159)	(160)	<b>(88,309)</b>	(4,270)	0	(21,854)	11,118	83,202	275	94,595	48,022	46,573
21	2034.35	123,424	4,810	65	128,299	(32,365)	(27,614)	(29,284)	(1,188)	(164)	<b>(90,615)</b>	(4,283)	0	(22,787)	10,614	94,595	310	105,519	52,824	52,695
22	2035.36	128,536	4,930	65	133,531	(33,173)	(28,213)	(30,211)	(1,218)	(168)	<b>(92,982)</b>	(4,196)	(2,663)	(23,754)	9,936	105,519	343	115,797	57,626	58,171
23	2036.37	128,855	5,053	65	133,974	(34,001)	(28,824)	(31,166)	(1,248)	(173)	<b>(95,412)</b>	(4,176)	0	(24,757)	9,629	115,797	374	125,800	62,428	63,372
24	2037.38	131,658	5,180	65	136,902	(34,850)	(29,449)	(32,151)	(1,279)	(177)	<b>(97,906)</b>	(4,189)	(2,220)	(25,796)	6,792	125,800	401	132,992	67,230	65,761
25	2038.39	134,520	5,309	65	139,894	(35,719)	(30,087)	(33,168)	(1,311)	(181)	<b>(100,467)</b>	(4,045)	(2,220)	(26,874)	6,289	132,992	422	139,702	72,032	67,670
26	2039.40	137,443	5,442	65	142,950	(36,611)	(30,739)	(34,216)	(1,344)	(186)	<b>(103,095)</b>	(4,006)	0	(27,992)	7,857	139,702	445	148,005	76,834	71,170
27	2040.41	140,428	5,578	65	146,071	(37,524)	(31,404)	(35,296)	(1,378)	(191)	<b>(105,793)</b>	(4,021)	0	(29,150)	7,108	148,005	470	155,582	81,637	73,946
28	2041.42	146,235	5,717	65	152,018	(38,461)	(32,083)	(36,411)	(1,412)	(195)	<b>(108,562)</b>	(4,035)	0	(30,350)	9,070	155,582	496	165,149	86,439	78,711
29	2042.43	146,589	5,860	65	152,515	(39,421)	(32,777)	(37,560)	(1,447)	(200)	<b>(111,405)</b>	(3,992)	(3,551)	(31,585)	1,982	165,149	515	167,647	91,241	76,406
30	2043.44	149,750	6,007	65	155,821	(40,405)	(33,485)	(38,745)	(1,483)	(205)	<b>(114,323)</b>	(3,897)	0	(32,873)	4,728	167,647	527	172,902	96,043	76,859

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**HRA Business Plan - 30 year capital spending and financing**

**Appendix 5**

		Expenditure								Financing					
Year	Year	Safe, Wind & Weather-tight £,000	Modern Facilities £,000	Estate Regen £,000	Communal Facilities £,000	Warm & energy efficient £,000	New Build Development Costs £,000	Other £,000	Total Expenditure £,000	Borrowing £,000	RTB Receipts £,000	Other £,000	Depreciation £,000	Contribution From Revenue £,000	Total Financing £,000
1	2014.15	6,012	15,331	6,366	8,929	10,564	6,200	0	53,399	23,001	1,561	2,147	17,931	8,759	53,399
2	2015.16	6,891	12,546	4,237	4,315	5,429	3,600	0	37,018	5,650	1,281	2,850	18,317	8,920	37,018
3	2016.17	7,671	12,738	4,245	4,432	5,841	7,428	0	42,355	10,155	3,538	200	18,711	9,751	42,355
4	2017.18	11,162	8,801	2,757	4,542	4,613	7,688	0	39,563	5,375	3,645	700	19,108	10,735	39,563
5	2018.19	11,432	9,071	3,100	3,377	4,727	11,050	0	42,757	8,370	3,111	0	19,592	11,685	42,757
6	2019.20	6,400	16,129	0	3,336	834	0	0	26,699	2,160	1,398	200	19,848	3,093	26,699
7	2020.21	6,593	16,614	875	3,437	859	21,770	0	50,148	15,110	3,882	500	20,316	10,339	50,148
8	2021.22	6,791	17,163	0	3,540	885	0	0	28,380	0	1,460	0	20,847	6,073	28,380
9	2022.23	6,995	17,894	0	3,647	912	0	0	29,448	0	1,492	0	21,392	6,564	29,448
10	2023.24	7,205	18,433	0	3,756	939	0	4,259	34,592	0	1,524	0	21,826	11,243	34,592
11	2024.25	7,428	20,483	0	3,872	968	0	4,365	37,116	0	873	0	22,267	13,976	37,116
12	2025.26	7,663	21,182	0	3,995	999	0	4,474	38,313	0	890	0	22,752	14,671	38,313
13	2026.27	7,905	22,143	0	4,121	1,030	0	5,395	40,595	0	907	0	23,248	16,441	40,595
14	2027.28	8,156	22,846	0	4,252	1,063	0	5,530	41,846	0	924	0	23,754	17,168	41,846
15	2028.29	8,414	23,571	0	4,386	1,097	0	5,668	43,136	0	941	0	24,271	17,923	43,136
16	2029.30	8,680	24,318	0	4,525	1,131	0	5,550	44,204	0	959	0	24,800	18,445	44,204
17	2030.31	8,954	25,090	0	4,668	1,167	0	5,688	45,567	0	977	0	25,339	19,251	45,567
18	2031.32	9,237	25,885	0	4,815	1,204	0	5,831	46,972	0	995	0	25,890	20,087	46,972
19	2032.33	9,529	26,706	0	4,968	1,242	0	5,976	48,420	0	1,013	0	26,452	20,954	48,420
20	2033.34	9,830	27,552	0	5,124	1,281	0	6,126	49,913	0	1,032	0	27,027	21,854	49,913
21	2034.35	10,140	28,424	0	5,286	1,322	0	6,279	51,451	0	1,051	0	27,614	22,787	51,451
22	2035.36	10,460	29,324	0	5,453	1,363	0	6,436	53,036	0	1,070	0	28,213	23,754	53,036
23	2036.37	10,790	30,252	0	5,625	1,406	0	6,597	54,670	0	1,089	0	28,824	24,757	54,670
24	2037.38	11,130	31,209	0	5,802	1,451	0	6,762	56,354	0	1,109	0	29,449	25,796	56,354
25	2038.39	11,481	32,197	0	5,985	1,496	0	6,931	58,090	0	1,128	0	30,087	26,874	58,090
26	2039.40	11,843	33,215	0	6,174	1,543	0	7,104	59,879	0	1,148	0	30,739	27,992	59,879
27	2040.41	12,216	34,264	0	6,368	1,592	0	7,282	61,722	0	1,169	0	31,404	29,150	61,722
28	2041.42	12,600	35,347	0	6,569	1,642	0	7,464	63,622	0	1,189	0	32,083	30,350	63,622
29	2042.43	12,997	36,464	0	6,776	1,694	0	7,650	65,580	0	1,219	0	32,777	31,585	65,580
30	2043.44	13,406	37,615	0	6,989	1,747	0	8,200	67,598	0	1,240	0	33,485	32,873	67,598
<b>TOTAL</b>		<b>280,010</b>	<b>712,866</b>	<b>21,580</b>	<b>149,092</b>	<b>62,217</b>	<b>57,735</b>	<b>129,565</b>	<b>1,412,706</b>	<b>70,301</b>	<b>43,809</b>	<b>6,600</b>	<b>748,365</b>	<b>543,630</b>	<b>1,412,706</b>

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Section 1 - Income

Year	RPI Sept	RPI (CPI from 2015/16)	April	Rent Increase	Garage & Parking Spaces
2014/15	2013	3.20%	2014	6.95%	3.20%
2015/16	2014	2.50%	2015	3.50%	2.50%
2016/17	2016	2.50%	2016	3.50%	2.50%
2017/18	2017	2.50%	2017	3.50%	2.50%
2018/19	2018	2.50%	2018	3.50%	2.50%
2019/20	2019	2.50%	2019	3.50%	2.50%
2020/21	2020	2.50%	2020	3.50%	2.50%
2021/22	2021	2.50%	2021	3.50%	2.50%
2022/23	2022	2.50%	2022	3.50%	2.50%
2023/24	2023	2.50%	2023	3.50%	2.50%
2024/25	2024	2.50%	2024	3.50%	2.50%
2025/26 to 2043/44	2025 to 2042	2.50%	2025 to 2043	2.50%	2.50%

Section 2 - Expenditure

Year	Base RPI	Additional Provision Management	Additional Provision Repairs	Additional Provision Major Works
2014/15		Included in Base Budgets		
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	2.50%	0.00%	1.00%	1.00%
2019/20	2.50%	0.00%	1.00%	1.00%
2021/21 to 2043/44	2.50%	0.00%	1.00%	1.00%

Section 3 - Stock

Year	Opening Stock 01/04/2013	Right to Buy	Estate Regeneration (Reductions)	Estate Regeneration (Additions)	New Build	Closing Stock
2014/15	16,600	(75)	(45)	0	0	16,480
2015/16	16,480	(75)	0	0	27	16,432
2016/17	16,432	(75)	(92)	80	27	16,372
2017/18	16,372	(75)	0	79	0	16,376
2018/19	16,376	(75)	(167)	53	0	16,187

Section 4 - Borrowing

Year	New Loans	Average Interest Rate	Interest on Investments
2014/15	4.50%	3.52%	0.31%
2015/16	5.50%	3.62%	0.31%
2016/17	6.00%	3.72%	0.31%
2017/18	6.00%	3.82%	0.31%
2018/19	6.00%	3.91%	0.31%
2019/20	6.00%	4.00%	0.31%
2020/21	6.00%	4.31%	0.31%

Section 5 - Other

Provision for Voids loss 1.31% of rent income per annum  
 Provision for Bad Debts 1.00% of rent income per annum.

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# Agenda Item 6

<b>DECISION-MAKER:</b>	GOVERNANCE COMMITTEE COUNCIL			
<b>SUBJECT:</b>	TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL LIMITS 2014/15 TO 2016/17			
<b>DATE OF DECISION:</b>	3 FEBRUARY 2014 12 FEBRUARY 2014			
<b>REPORT OF:</b>	CHIEF FINANCIAL OFFICER			
<b><u>CONTACT DETAILS</u></b>				
<b>AUTHOR:</b>	<b>Name:</b>	Alison Chard	<b>Tel:</b>	023 8083 4897
	<b>E-mail:</b>	<a href="mailto:Alison.Chard@southampton.gov.uk">Alison.Chard@southampton.gov.uk</a>		
<b>Director</b>	<b>Name:</b>	Andrew Lowe	<b>Tel:</b>	023 8083 2049
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## 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 2013/14 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 2014 the Council's gross external debt is expected to be £361M and the total value of investments is forecast at £43M. The Balance Sheet position as at 31 March 2013 showed the value of debt as £384M and the value of investments as £69M. 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 which has not yet been paid for from either revenue or capital resources, is a key driver of the borrowing strategy. The projected CFR for 31 March 2014 is £430M, of which £263M is attributed to the General Fund and the remaining £167M to the Housing Revenue Account (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, reduces credit risk and relieves pressure on the Council's counterparty list. Borrowing is restricted to a few highly secure sources which 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 2014/15 the proposed Authorised Limit is £760M and proposed Operational Boundary is £750M. These are substantially higher than our anticipated actual level of debt but they allow for a full debt restructure to be undertaken if an appropriate opportunity arises, which may require taking new borrowing in advance of paying off existing loans.

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.

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. Although not relevant in the present climate, in any period of significant stress in the markets, the default position will be to invest with the governments 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 will be realigned, if required, in line with evolving market conditions and expectations for future interest rates.



## **RECOMMENDATIONS:**

### **GOVERNANCE COMMITTEE**

#### **It is recommended that Governance Committee:**

- i) Endorse the Treasury Management (TM) Strategy for 2014/15 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 by Council on 12 February 2014. 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 2014/15, 2015/16 and 2016/17, as detailed within the report.
- ii) Approve the 2014 Minimum Revenue Provision (MRP) Statement as detailed in paragraphs 74 to 83.
- iii) Approve the Annual Investment Strategy as detailed in paragraphs 36 to 50.
- iv) Note that at the time of writing this report the recommendations in the Capital Programme Update report, submitted to Council on the 12 February 2014, 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.
- v) Continue to delegate authority to the Chief Financial Officer (CFO), following consultation with the Cabinet Member for Resources to approve any changes to the Prudential Indicators or borrowing limits that will aid good treasury management. For example, agreeing 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.

## **REASONS FOR REPORT RECOMMENDATIONS**

1. In order to comply with Part 1 of the Local Government Act 2003, and the established TM procedures that have been adopted by the Authority, each year the Council must set certain borrowing limits and approve TM Strategy which includes:
  - Treasury Management Strategy for 2014/15:
    - Borrowing – Paragraphs 24 to 33
    - Debt Rescheduling – Paragraphs 34 to 35
    - Investments – Paragraphs 36 to 50
  - Use of Specified and Non-Specified Investments – Paragraphs 45 to 49

- MRP Statement – Paragraphs 74 to 83
- Prudential Indicators – Paragraphs 86 to 99

## **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 12 February 2014.

## **DETAIL (Including consultation carried out)**

### **CONSULTATION**

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

### **BACKGROUND**

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 (PIs) on an annual basis. The TMSS also incorporates the Annual Investment Strategy (AIS), which is a requirement of the Department for Communities and Local Government's (CLG) Investment Guidance.
6. As per the requirements of the Prudential code, the Authority has adopted the CIPFA Treasury Management Code at its Council meeting on 19 February 2003 and has subsequently agreed further updates.
7. The Authority has borrowed and invested substantial sums of money and therefore has potential large exposures to financial risks including the loss of invested funds and the effect of changing interest rates. 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)

8. The purpose of this TMSS is to allow Council to approve:
  - Treasury Management Strategy for 2014/15
  - Annual Investment Strategy 2014/15
  - Prudential Indicators for 2014/15, 2015/16 and 2016/17
  - 2014 MRP Statement
9. 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
10. 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.
11. Some alternative strategies, with their financial and risk management implications, are listed below.

<b>Options</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Reduced risk of losses from credit related defaults
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs will be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs will be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain

12. All treasury activity will comply with relevant statute, guidance and accounting standards.

## **Economic Background**

13. The Bank of England's Monetary Policy Committee (MPC) through its recent forward guidance is committed to keeping policy rates low for an extended period using the Labour Force Survey unemployment rate of 7% as a threshold for when it would consider whether or not to raise interest rates. The unemployment rate has fallen to 7.1% based on the latest figures published for November 2013. Whilst this figure is very close to the 7% threshold, the threshold is only one element which the MPC will consider in taking decisions around the need to raise interest rates. At the present time other market conditions do not suggest that a rate rise is imminent.
14. The flow of credit to households and businesses is slowly improving but is still below pre-crisis levels. The fall in consumer price inflation from the high of 5.2% in September 2011 to 2.7% in September 2013 will allow real wage increases (i.e. after inflation) to slowly turn positive and aid consumer spending.
15. Stronger growth data in 2013 (0.4% in Q1, 0.7% in Q2 and 0.8% in Q3) alongside a pick-up in property prices mainly stoked by government initiatives to boost mortgage lending have led markets to price in an earlier rise in rates than warranted under Forward Guidance and the broader economic backdrop. However, with jobs growth picking up slowly, many employees working shorter hours than they would like and benefit cuts set to gather pace, growth is likely to only be gradual. Arlingclose forecasts the MPC will maintain its resolve to keep interest rates low until the recovery is convincing and sustainable.
16. In the US expectations for the slowing in the pace of asset purchases ('tapering') by the Federal Reserve and the end of further asset purchases will remain predominant drivers of the financial markets. The Fed did not taper in September and has talked down potential tapering in the near term. It now looks more likely to occur in early 2014 which will be supportive of bond and equity markets in the interim.

## **Credit outlook**

17. The credit risk of banking failures has diminished, but not dissipated altogether. Regulatory changes are afoot in the UK, US and Europe to move away from the bank bail-outs of previous years to bank resolution regimes in which shareholders, bond holders and unsecured creditors are 'bailed in' to participate in any recovery process. This is already manifest in relation to holders of subordinated debt issued by the Co-op which will likely suffer a haircut on its conversion bail-in to alternative securities and/or equity. There are also proposals for EU regulatory reforms to Money Market Funds which will, in all probability, result in these funds moving to a VNAV (variable net asset value) basis and losing their 'triple-A' credit rating wrapper. Diversification of investments between creditworthy counterparties to mitigate bail-in risk will become even more important in the light of these developments.

## **Outlook for Interest Rates**

18. The forecast is for the Bank Rate to remain flat until late 2016, the risk to the upside (i.e. rates being higher) are weighted more heavily towards the end of the

forecast horizon. Gilt yields are expected to rise over the forecast period with medium- and long-dated gilts expected to rise by between 0.70% and 1.10%. A more detailed economic and interest rate forecast provided by the Authority's treasury management advisor is attached at Appendix 2.

### **BALANCE SHEET AND TREASURY POSITION**

19. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The CFR, together with balances and useable reserves, are the core drivers of TM Activity.
20. As at the 31 December 2013 the Authority had £356M of debt (£282M borrowing plus £74M other long term liabilities) and £52M investments which is set out in further detail in Appendix 1.
21. The Authority is able to borrow funds in excess of the current level of its CFR up to the projected level in 2016/17. 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 is actually required.
22. The forecast 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 is shown below.

	31/03/2014 Estimate £M	31/03/2015 Estimate £M	30/03/2016 Estimate £M	31/03/2017 Estimate £M
General Fund CFR	263	261	255	245
Housing CFR	167	185	185	191
<b>Total CFR</b>	<b>430</b>	<b>446</b>	<b>440</b>	<b>436</b>
Less Other Long Term Liabilities	(78)	(82)	(80)	(76)
<b>Borrowing CFR</b>	<b>352</b>	<b>364</b>	<b>360</b>	<b>360</b>
Less External borrowing	(283)	(272)	(260)	(248)
<b>Internal (over) borrowing</b>	<b>69</b>	<b>92</b>	<b>100</b>	<b>112</b>
Less Usable Reserves and Net Creditors	(83)	(66)	(54)	(47)
<b>Net Borrowing Requirement / (Internal Borrowing Capacity)</b>	<b>(14)</b>	<b>26</b>	<b>47</b>	<b>65</b>

23. In order to demonstrate the Authority's need to borrow the table above reflects the increased capital borrowing and projected CFR as a result of the proposed capital programme and forecast fall in balances but does not include expected borrowing.

## **BORROWING STRATEGY**

24. The Authority is forecast to hold £283M of loans, a decrease of £19M on last year (£302M), as part of its strategy for funding previous years' capital programmes. The Authority expects to borrow up to £36M in 2014/15 to fund the capital programme (£23.5M) and to cover the expected fall in balances and cash flow requirements. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £760M.
25. The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.
26. Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
27. By doing so, the Authority is able to reduce net borrowing costs (despite reducing investment income) and reduce overall treasury risk. Whilst such a strategy is most likely to be beneficial over the next two to three years as official interest rates remain low, it is unlikely to be sustained in the medium-term. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Our Advisors will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2014/15 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
28. In addition, the Authority may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.
29. The approved sources of long-term and short-term borrowing are:
  - PWLB
  - Local authorities
  - Any institution approved for investments
  - Any bank or building society authorised by the Prudential Regulation Authority to operate in the UK
  - UK public and private sector pension funds (except Hampshire County Council)
  - Capital markets bond investors (stock issues, commercial paper and bills)
  - Special purpose companies created to enable joint local authority bond issues.
  - Leasing
30. The Authority has previously raised the majority of its long-term borrowing from the Public Works Loan Board, but it continues to investigate other sources of finance,

such as local authority loans and bank loans, that may be available at more favourable rates.

31. The Authority has £9M exposure to LOBO loans all of which can be “called” within 2014/15.

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. Although unlikely in the low interest rate environment 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.

32. 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 significant narrowing in the spread (e.g. 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.

33. 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 2014/15 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. 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 to protect the Council from future increase in debt charges where it is prudent to do so. The level of the reserve will be reviewed over the next twelve months.

### **DEBT RESCHEDULING**

34. The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Some bank lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk.
35. Borrowing and rescheduling activity will be reported to the Governance Committee in the Annual Treasury Management Report and the mid year update. Regular treasury management reports will also be presented as part of quarterly monitoring to Cabinet.

### **INVESTMENT POLICY AND STRATEGY**

36. The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £51M and £116M, and is expected to be maintained between £30M and £50M in the forthcoming year. This is lower than previous years due to falling balances plus the decision to unwind the rolling programme of yearly investments. This decision followed the implementation of the Banking Reform Act 2014 and the EU Bank Recovery and Resolution Directive that include bail-in provisions that could result in a lower likelihood that the UK and other governments will support failing banks.
37. Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income. The Authority may invest its surplus funds with any of the counterparties in the table below, subject to the cash and time limits shown.



Counterparty		Cash limit	Time limit †
Banks and other organisations and securities whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	AAA	Lower of 10% of overall balances or £10M	10 years*
	AA+		5 years*
	AA		4 years*
	AA-		3 years*
	A+		2 years
	A		1 year
	A-		
The Co-operative Bank plc		£1M	next day
UK Central Government (irrespective of credit rating)		unlimited	50 years**
UK Local Authorities (irrespective of credit rating)		Lower of 10% of overall balances or £10M	50 years**
UK Registered Providers of Social Housing whose lowest published long-term credit rating is A- or higher		£1M each	10 years**
UK Registered Providers of Social Housing whose lowest published long-term credit rating is BBB- or higher and those without credit ratings		£1M each	5 years
UK Building Societies without credit ratings		£1M each	1 year
Money market funds and other pooled funds		Lower of 10% of overall balances or £10M	n/a
Any other organisation, subject to an external credit assessment and specific advice from the Authority's treasury management adviser		£1M each	3 months
		£1M each	1 year
		£100k each	5 years

† the time limit is doubled for investments that are secured on the borrower's assets

\* but no longer than 2 years in fixed-term deposits and other illiquid instruments

\*\* but no longer than 5 years in fixed-term deposits and other illiquid instruments

Appendix 3 gives further information regarding the type of investment listed above.

38. Following the implementation of the EU Bank Recovery and Resolution Directive there is a lower likelihood that the UK and other governments will support failing banks, despite this, there is no intention at this stage to restrict investments to bank deposits, and investments may be made with any public or private sector organisations that meet the above credit rating criteria. In addition, the Authority may invest with organisations and pooled funds without credit ratings, following an external credit assessment and advice from the Authority's treasury management adviser.
39. The Chief Financial Officer (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.
40. Any institution will be suspended or removed should any of the factors identified give rise to concern. Specifically credit ratings are monitored by the Authority on a daily basis. Arlingclose advises the Authority on ratings changes and appropriate action to be taken.
41. The Authority banks with the Co-operative Bank which at the current time does not meet the Authority's minimum credit criteria of A- (or equivalent) long term and as reported previously has been subject to financial turmoil in recent months.

As part of the rescue package agreed for the Cooperative Bank in December 2013, the bank is withdrawing from the local authority market. The Authority's contract with the Co-operative Bank ends in September 2014 and a project was already in place prior to the rescue package being agreed. This project is a joint tender with four other Local Authorities who are also with the Co-operative Bank and it is planned to move banks in October 2014 as the contract comes to a natural end.

### **Risk Assessment and Credit Ratings**

42. The Authority uses long-term credit ratings from the three main rating agencies Fitch Ratings, Moody's Investors Service and Standard & Poor's Financial Services to assess the risk of investment default. The lowest available counterparty credit rating will be used to determine credit quality, unless an investment-specific rating is available. Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
  - any existing investments that can be recalled or sold at no cost will be, and
  - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

### **Other Information on the Security of Investments**

43. The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.
44. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions.

If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

### **Specified Investments**

45. The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of “high credit quality”.

The Authority defines “high credit quality” organisations as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

### **Non-Specified Investments**

46. Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table below.

	<b>Cash limit</b>
Total long-term investments	£30M
Total investments without credit ratings or rated below A-	£3M
Total investments in foreign countries rated below AA+	£5M
<b>Total non-specified investments</b>	<b>£38M</b>

47. The Council’s current level of investments is presented at Appendix 1.

### **Approved Instruments**

48. The Authority may lend or invest money using any of the following instruments:
- interest-bearing bank accounts,
  - fixed term deposits and loans,
  - callable deposits and loans where the Authority may demand repayment at any time (with or without notice),
  - callable deposits and loans where the borrower may repay before maturity, but subject to a maximum of £10M in total,
  - certificates of deposit,
  - bonds, notes, bills, commercial paper and other marketable instruments, and
  - shares in money market funds and other pooled funds.

Investments may be made at either a fixed rate of interest, or at a variable rate linked to a market interest rate, such as LIBOR, subject to the limits on interest rate exposures

49. The Council's in-house investments are made with reference to the outlook for the UK Bank Rate and money market rates.

### **Liquidity Management**

50. The Authority undertakes high level cash flow forecasting to determine the maximum period for which funds may be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

### **TREASURY MANAGEMENT INDICATORS**

51. The Authority measures and manages its exposure to treasury management risks using the following indicators.

#### **Security**

52. The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.
53. We aim to achieve a portfolio average value weighted credit rating of A. Our financial advisors provide details on a quarterly basis which are monitored and reviewed. Our average rate as at December 2013 was A+.

#### **Liquidity**

54. The Authority has adopted a voluntary measure of its exposure to liquidity risk by

monitoring the amount of cash available to meet unexpected payments without additional borrowing. We look to take out temporary borrowing when our accessible investment balance fall below £25M.

### **Adoption of the CIPFA Treasury Management Code**

55. The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* in February 2012.

### **Upper Limits for Fixed and Variable Interest Rate Exposure**

56. 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 31/12/2013	2013/14 Approved	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	%	%	%	%	%
<b>Upper Limit for Fixed Interest Rate Exposure</b>	84	100	100	100	100
<b>Upper Limit for Variable Interest Rate Exposure</b>	16	50	50	50	50

57. 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.

### **Maturity Structure of Fixed Rate borrowing**

58. This indicator is set to control the authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Lower Limit %	Upper Limit %
Under 12 months	0	45
12 months and within 24 months	0	45
24 months and within 5 years	0	50
5 years and within 10 years	0	75
10 years and above	0	75

59. Time periods start on the first day of each financial year and the maturity date of borrowing is the earliest date on which the lender can demand repayment. As all LOBO are now in their call options they have been included as under 12 months within this indicator.
60. The table below details the level of our current debt and shows that all debt is within existing limits.

	Lower Limit %	Upper Limit %	Actual Fixed Debt as at 31/12/2013 £M	Average Fixed Rate as at 31/12/2013 %	% of Fixed Rate as at 31/12/2013	Compliance with set Limits?
Under 12 months	0	45	15	0.95	6.45	Yes
12 months and within 24 months	0	45	0	0.00	0.00	Yes
24 months and within 5 years	0	50	0	0.00	0.00	Yes
5 years and within 10 years	0	75	84	3.23	35.25	Yes
10 years and within 15 years	0	75	0	0.00	0.00	Yes
15 years and within 20 years	0	75	0	0.00	0.00	Yes
20 years and within 25 years	0	75	10	4.68	4.20	Yes
25 years and within 30 years	0	75	5	4.60	2.10	Yes
30 years and within 35 years	0	75	0	0.00	0.00	Yes
35 years and within 40 years	0	75	42	3.99	17.63	Yes
40 years and within 45 years	0	75	51	3.62	21.24	Yes
45 years and within 50 years	0	75	31	3.56	13.12	Yes
50 years and above	0	100	0	0.00	0.00	Yes
			<b>238</b>	<b>3.32</b>	<b>100.00</b>	

### **Principal sums invested for periods longer than 364 days**

61. The purpose of this limit is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

Upper Limit for total principal sums invested over 364 days	2013/14 Approved £M	2013/14 Revised £M	2014/15 Limit £M	2015/16 Limit £M	2016/17 Limit £M
	50	30	30	30	30

## **OTHER ITEMS**

62. There are a number of additional items that the Authority is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

### **Policy on Use of Financial Derivates**

63. Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy.
64. The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
65. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
66. The local authority will only use derivatives after seeking expertise advice, a legal opinion and ensuring officers have the appropriate training for their use.

### **Policy on Apportioning Interest to the Housing Revenue Account**

67. On 1 April 2012, the Authority notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs and income arising from long-term loans, (e.g. premiums and discounts on early redemption), will be charged / credited to the respective revenue account.
68. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance. This balance will be measured and interest transferred between the General Fund and HRA at an agreed rate.
69. Housing Legislation does not allow impairment losses to be charged to the HRA and consequently any credit related losses on the authority's investments will be borne by the General Fund alone. It is therefore appropriate that the General Fund is compensated for bearing this risk, and all interest transferred to the HRA should be adjusted downwards.

The rate will be based on the average return of Government Treasury Bills as interest rate received on investments with commercial organisations, (e.g. banks), includes a credit risk margin, i.e. an element to compensate the lender for the risk that the borrower is unable to repay the investment. The rate of return on comparable investments with the government is lower and often referred to as the risk-free rate.

### **Training**

70. CIPFA's Code of Practice requires the CFO to ensure that all Members tasked with TM responsibilities, including scrutiny of the TM function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. Member training was undertaken on the 30 January 2013. The Council adopts a continuous performance and development programme to ensure staff are 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.

### **Treasury Management Advisors**

71. 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 and receives the following services:

- Credit advice
- Investment advice
- Technical advice
- Economic & interest rate forecasts
- Workshops and training events
- HRA support
- Ad hoc advice

The Authority maintains the quality of the service with its advisors by holding quarterly meetings and tendering periodically. It should also be noted that decisions are taken independently by the CFO taking into account this advice and other internal and external factors.

### **Investment of Money Borrowed in Advance of Need**

72. The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period.

These risks will be managed as part of the Authority's overall management of its



treasury risks. The total amount borrowed will not exceed the authorised borrowing limit of £760M. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

### **BALANCED BUDGET REQUIREMENT**

73. The Council complies with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.

### **2014/15 MINIMUM REVENUE PROVISION (MRP) STATEMENT**

74. Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision (the CLG Guidance) most recently issued in 2012.
75. The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
76. The CLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP.
77. 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 2014/15:** 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.

78. Following the HRA self-financing settlement, HRA debt increased from £100M to £174M with a borrowing cap of £200M. There is no requirement for the HRA to make debt repayments but it has opted to make voluntary repayments relating to debt inherited at the split and provision has been made within its business plan to show that it can pay down the remaining debt over the life of the 30 year business plan.
79. 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.

80. As noted above the Council is required to set an annual policy on the way it calculates the prudent provision for the repayment of borrowing (MRP) and to submit this to Council before the start of the financial year.

The TM Strategy Report 2013/14 – 2015/16 stated that:

*“Guidance relating to the regulatory method (option 1), which is used to calculate borrowing prior to the prudential regime, allows for debt transferred from Hampshire County Council (HCC) when we became a Unitary Authority in 1997 to be excluded from the MRP calculation as we are already repaying the principal element to HCC. The guidance states that the adjustment should be based on the value of the debt as at the 1 April 2004, however in order to be prudent we reduced the adjustment each year in line with the actual debt outstanding, thus increasing the amount of MRP we needed to pay in year. We are now seeking advice on whether this technical ‘overpayment’ can be reversed which could result in a one off credit in MRP to the General Fund.”*

Discussions with our Auditors are ongoing with respect to reducing our MRP charge in 2013/14 by approximately £4.5M (of which £3.9M relates to prior years) as we believe we have overprovided against our annual MRP policy of setting aside the **minimum revenue provision** required by statute / DCLG guidance.

81. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put forward for approval by the Authority at that time.
82. Capital expenditure incurred during 2014/15 will not be subject to a MRP charge until 2015/16.
83. Based on the Authority’s estimate of its Capital Financing Requirement on 31st March 2014, the budget for MRP has been set as follows:

	31/03/2014 Estimated CFR £M	2014/15 Estimate MRP £M
Capital expenditure before 01.04.2008	94.6	3.84
Unsupported capital expenditure after 31.03.2008	90.3	3.10
Finance leases and Private Finance Initiative	61.9	1.87
Transferred debt	16.3	0.65
<b>Total General Fund</b>	<b>263.1</b>	<b>9.45</b>
Assets in the Housing Revenue Account	100.3	Nil
HRA subsidy reform payment	66.8	5.28
<b>Total Housing Revenue Account</b>	<b>167.1</b>	<b>5.28</b>
<b>Total</b>	<b>430.2</b>	<b>14.73</b>

## **MONITORING AND REPORTING ON THE ANNUAL TREASURY OUTTURN AND OTHER PRUDENTIAL INDICATORS**

84. The Chief Financial Officer will report to the Governance Committee on TM activity and 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.
85. In addition, a quarterly update will be presented to Cabinet as part of Quarterly Revenue Financial Monitoring.

## **PRUDENTIAL INDICATORS**

### **Background**

86. The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

### **Gross Debt and the Capital Financing Requirement**

87. This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. If in any of these years there is a reduction in the CFR, this reduction is ignored in estimating the cumulative increase in the CFR which is used for comparison with gross external debt. The CFO reports that the Authority had no difficulty meeting this requirement in 2013/14, 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.
88. 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. The tables below details our expected debt position and the year-on-year change to the CFR:

	31/03/2014 Revised £M	31/03/2015 Revised £M	31/03/2016 Revised £M	31/03/2017 Revised £M
Borrowing	184.9	178.6	175.2	168.9
Finance leases and Private Finance Initiative	61.9	66.9	64.7	62.0
Transferred debt	16.3	15.6	15.0	14.4
<b>Total General Fund Debt</b>	<b>263.1</b>	<b>261.1</b>	<b>254.9</b>	<b>245.3</b>
HRA	167.1	184.8	185.4	190.3
<b>Total</b>	<b>430.2</b>	<b>445.9</b>	<b>440.3</b>	<b>435.6</b>

Capital Financing Requirement	2013/14 Approved £M	2013/14 Revised £M	2014/15 Estimate £M	2015/16 Estimate £M	2016/17 Estimate £M
<b>Balance B/F</b>	<b>437.0</b>	<b>433.2</b>	<b>430.2</b>	<b>445.9</b>	<b>440.3</b>
Capital expenditure financed from borrowing (inc PFI)					
<i>General Fund (GF)</i>	14.0	11.7	10.7	3.8	1.1
<i>HRA</i>	7.0	8.9	23.1	5.9	10.2
GF Temporary Funding (Repayment)	(6.0)	(5.9)	(3.4)	0.0	0.0
HRA Voluntary Repayment of Debt	(6.0)	(5.6)	(5.3)	(5.3)	(5.3)
GF Revenue provision for debt Redemption.	(7.0)	(9.0)	(6.9)	(7.2)	(7.4)
Movement in Other Long Term Liabilities	(2.0)	(3.1)	(2.5)	(2.8)	(3.3)
<b>Cumulative Maximum External Borrowing Requirement</b>	<b>437.0</b>	<b>430.2</b>	<b>445.9</b>	<b>440.3</b>	<b>435.6</b>

### Estimates of Capital Expenditure

89. This indicator is set to ensure that the level of proposed 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	2013/14 Estimate £000's	2013/14 Revised £000's	2014/15 Estimate £000's	2015/16 Estimate £000's	2016/17 Estimate £000's
General Fund	47,034	55,501	56,141	20,308	568
HRA	31,196	36,969	53,399	37,018	42,355
<b>Total</b>	<b>78,230</b>	<b>92,470</b>	<b>109,540</b>	<b>57,326</b>	<b>42,923</b>

90. The table below details how capital expenditure is expected to be financed and shows that the Authority cannot finance this without the need for external borrowing.

<b>Capital Financing</b>	<b>2013/14 Estimate £000's</b>	<b>2013/14 Revised £000's</b>	<b>2014/15 Estimate £000's</b>	<b>2015/16 Estimate £000's</b>	<b>2016/17 Estimate £000's</b>
Capital receipts	17,758	14,888	12,277	9,675	3,655
Government Grants	30,946	37,158	33,388	11,481	127
Contributions	3,519	3,704	13,574	1,895	200
Major Repairs Allowance	17,172	16,116	17,931	18,317	18,711
Revenue	8,471	14,288	12,339	9,758	10,075
<b>Total Financing</b>	<b>77,866</b>	<b>86,154</b>	<b>89,509</b>	<b>51,126</b>	<b>32,768</b>
Temporary Financing	(5,860)	(6,000)	(3,400)	0	0
Unsupported borrowing	6,224	12,316	23,431	6,200	10,155
<b>Total Funding</b>	<b>364</b>	<b>6,316</b>	<b>20,031</b>	<b>6,200</b>	<b>10,155</b>
<b>Total Financing &amp; Funding</b>	<b>78,230</b>	<b>92,470</b>	<b>109,540</b>	<b>57,326</b>	<b>42,923</b>

### **Ratio of Financing Costs to Net Revenue Stream**

91. 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 financing costs. The ratio is based on costs net of investment income. The upper limit for this ratio is currently set at 10% and will remain so for the General Fund 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
92. This indicator is not so relevant for the HRA, especially since the introduction of self financing, as financing costs have been built into their 30 year business plan, including the voluntary payment of MRP. No problem is seen with the affordability but if problems were to arise then the HRA would have the option not to make principle repayments in the early years.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2013/14 Approved %</b>	<b>2013/14 Forecast %</b>	<b>2014/15 Estimate %</b>	<b>2015/16 Estimate %</b>	<b>2016/17 Estimate %</b>
General Fund	6.78%	6.98%	6.96%	8.31%	9.75%
HRA	17.51%	16.36%	16.33%	16.46%	16.46%
<b>Total</b>	<b>10.43%</b>	<b>10.32%</b>	<b>10.39%</b>	<b>11.81%</b>	<b>13.17%</b>

### **Incremental Impact of Capital Investment Decisions**

93. This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement (i.e. Interest and MRP) of the current approved capital programme with an equivalent calculation arising from the proposed programme. The incremental impact of capital investments decisions are estimated to be:

Incremental Impact of Capital Investment Decisions	2013/14 Approved £	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £
Increase / (decrease) in Band D Council Tax	(10.11)	(1.27)	0.23	0.52
Increase /(decrease) in Average Weekly Housing Rents	14.02	27.81	37.22	11.41

94. The decision to restrict the capital programme and to use capital receipts to repay temporary financing results in an incremental decrease in the Band D Council Tax for 2013/14 and 2014/15. For the HRA rent levels are set using the Governments rent restructuring formula as guidance and this is independent of the level of capital investment and borrowing. The use of the rent restructuring formula was due to end in 2016/17 but there is a proposal, out for consultation, to bring this forward by one year to 2015/16 and after that for rents to be increased by CPI plus 1% without a restructuring element. The calculation of the indicator ignores these factors.

#### **Authorised Limit and Operational Boundary for External Debt**

95. 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.
96. The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. excluding 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	2013/14 Approved £M	2013/14 Revised £M	2014/15 Estimate £M	2015/16 Estimate £M	2016/17 Estimate £M
Borrowing	817	669	674	699	712
Other Long-term Liabilities	81	81	86	91	88
<b>Total</b>	<b>898</b>	<b>750</b>	<b>760</b>	<b>790</b>	<b>800</b>

97. 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	2013/14 Approved £M	2013/14 Revised £M	2014/15 Estimate £M	2015/16 Estimate £M	2016/17 Estimate £M
Borrowing	794	665	672	688	693
Other Long-term Liabilities	75	75	78	82	87
<b>Total</b>	<b>869</b>	<b>740</b>	<b>750</b>	<b>770</b>	<b>780</b>

98. 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.

#### **HRA Limit on Indebtedness**

99. 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 Summary of Borrowing	2013/14 Approved £M	2013/14 Revised £M	2014/15 Estimate £M	2015/16 Estimate £M	2016/17 Estimate £M
Brought Forward	168.8	163.8	167.15	185.1	185.9
Maturing Debt	(5.6)	(5.6)	(5.1)	(5.1)	(5.1)
New borrowing	12.5	8.90	23.06	5.86	10.17
<b>Carried forward</b>	<b>175.7</b>	<b>167.1</b>	<b>185.1</b>	<b>185.9</b>	<b>191.0</b>
HRA Debt Cap (as prescribed by CLG)	199.6	199.6	199.6	199.6	199.6
<b>Headroom</b>	<b>23.9</b>	<b>32.5</b>	<b>14.5</b>	<b>13.7</b>	<b>8.6</b>

## **RESOURCE IMPLICATIONS**

### **Capital**

100. 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**

101. The budget for investment income in 2014/15 is £0.2M, based on an average investment portfolio of £45M at an average interest rate of 0.5%. The budget for debt interest paid in 2014/15 is £10.3M based on an average debt portfolio of £308.2M at an average interest rate of 3.34%.

If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different

102. The CLG Guidance and the CIPFA Code do not prescribe any particular TM Strategy for local authorities to adopt. The CFO, having consulted the Cabinet Member for Resources, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness, the Revenue implications of which have been considered as part of the General Fund Revenue Budget report and HRA Revenue Budget report elsewhere on the Council agenda.

**Property/Other**

103. None

**LEGAL IMPLICATIONS**

**Statutory power to undertake proposals in the report:**

104. 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:**

105. None

**POLICY FRAMEWORK IMPLICATIONS**

106. This report has been prepared in accordance with CIPFA's Code of Practice on TM.

**KEY DECISION?** Yes/No

<b>WARDS/COMMUNITIES AFFECTED:</b>	
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## SUPPORTING DOCUMENTATION

### Appendices

1.	Existing Investment & Debt Portfolio Position and Projections
2.	Economic and Interest Outlook
3.	Approved investment counterparties
4.	Treasury Management Policy Statement
5.	Glossary of Treasury Terms

### Documents In Members' Rooms

1.	None
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### Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No
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### Other Background Documents

#### Equality 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.	ANNUAL TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL LIMITS 2013/14 TO 2015/16 – Council 13 February 2013	
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Appendix 1

## EXISTING INVESTMENT & DEBT PORTFOLIO POSITION AND PROJECTIONS

	Current Portfolio		31-Mar-14 Current Estimate	31-Mar-15 Current Estimate	31-Mar-16 Current Estimate	31-Mar-17 Current Estimate
	£M		£M	£M	£M	£M
<b>External Borrowing:</b>						
Fixed Rate – PWLB Maturity	139		148	184	208	223
Fixed Rate – PWLB EIP	84		81	69	58	46
Variable Rate – PWLB	35		35	35	35	35
Variable Rate – Market	9		9	9	9	9
<b>Long Term Borrowing</b>	<b>267</b>		<b>273</b>	<b>297</b>	<b>310</b>	<b>313</b>
<b>Short Term Borrowing</b>						
Fixed Rate – Market	15		10	20	30	30
<b>Other Long Term Liabilities</b>						
PFI / Finance leases	57		61	66	63	60
Deferred Debt Charges	17		17	16	16	15
<b>Total Gross External Debt</b>	<b>356</b>		<b>361</b>	<b>399</b>	<b>419</b>	<b>418</b>
<b>Investments:</b>						
Deposits and monies on call and Money Market Funds	(49)		(40)	(50)	(50)	(50)
Supranational bonds	(3)		(3)	(3)	(3)	(3)
<b>Total Investments</b>	<b>(52)</b>		<b>(43)</b>	<b>(53)</b>	<b>(53)</b>	<b>(53)</b>
<b>Net Borrowing Position</b>	<b>304</b>		<b>318</b>	<b>346</b>	<b>366</b>	<b>365</b>

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## Appendix 2

### ECONOMIC AND INTEREST OUTLOOK

The economic interest rate outlook provided by the Council's treasury advisor, Arlingclose Ltd, for December 2013 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.

	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
<b>Official Bank Rate</b>													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	1.00
<b>Arlingclose Central Case</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>
Downside risk													
<b>3-month LIBID rate</b>													
Upside risk	0.20	0.25	0.30	0.35	0.40	0.50	0.55	0.60	0.65	0.70	0.75	0.90	0.95
<b>Arlingclose Central Case</b>	<b>0.45</b>	<b>0.45</b>	<b>0.50</b>	<b>0.55</b>	<b>0.65</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>
Downside risk			0.05	0.10	0.20	0.30	0.30	0.30	0.30	0.30	-0.35	-0.35	-0.35
<b>1-yr LIBID rate</b>													
Upside risk	0.35	0.30	0.35	0.40	0.45	0.50	0.60	0.70	0.75	0.75	0.75	0.80	0.80
<b>Arlingclose Central Case</b>	<b>0.90</b>	<b>0.95</b>	<b>0.95</b>	<b>0.95</b>	<b>1.00</b>	<b>1.05</b>	<b>1.10</b>	<b>1.15</b>	<b>1.20</b>	<b>1.25</b>	<b>1.30</b>	<b>1.40</b>	<b>1.40</b>
Downside risk	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>5-yr gilt yield</b>													
Upside risk	0.50	0.75	0.75	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>Arlingclose Central Case</b>	<b>1.45</b>	<b>1.50</b>	<b>1.55</b>	<b>1.60</b>	<b>1.65</b>	<b>1.70</b>	<b>1.75</b>	<b>1.85</b>	<b>1.95</b>	<b>2.10</b>	<b>2.30</b>	<b>2.50</b>	<b>2.50</b>
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.75	-0.80	-0.80	-0.80
<b>10-yr gilt yield</b>													
Upside risk	0.50	0.50	0.50	0.65	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>Arlingclose Central Case</b>	<b>2.55</b>	<b>2.60</b>	<b>2.65</b>	<b>2.70</b>	<b>2.75</b>	<b>2.80</b>	<b>2.85</b>	<b>2.90</b>	<b>3.00</b>	<b>3.10</b>	<b>3.30</b>	<b>3.50</b>	<b>3.50</b>
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.75	-0.80	-0.80	-0.80
<b>20-yr gilt yield</b>													
Upside risk	0.50	0.75	0.75	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>Arlingclose Central Case</b>	<b>3.25</b>	<b>3.30</b>	<b>3.35</b>	<b>3.40</b>	<b>3.45</b>	<b>3.50</b>	<b>3.55</b>	<b>3.65</b>	<b>3.75</b>	<b>3.85</b>	<b>4.05</b>	<b>4.15</b>	<b>4.15</b>
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80
<b>50-yr gilt yield</b>													
Upside risk	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>Arlingclose Central Case</b>	<b>3.45</b>	<b>3.50</b>	<b>3.55</b>	<b>3.60</b>	<b>3.65</b>	<b>3.70</b>	<b>3.75</b>	<b>3.80</b>	<b>3.85</b>	<b>3.95</b>	<b>4.05</b>	<b>4.15</b>	<b>4.15</b>
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80

### Underlying Assumptions:

- Growth continues to strengthen with the second estimate for Q3 growth coming in at an unrevised 0.8%. The service sector remains the main driver of growth, boosted by a contribution from construction.
- The unemployment rate has fallen to 7.6%. The pace of decline in this measure will be dependent on a slower expansion of the workforce than the acceleration in the economy, alongside the extent of productivity.
- The CPI for November has fallen to 2.1%, a much more comfortable position for the MPC. Utility price increases are expected to keep CPI above the 2% target in 2014, before falling back again.
- The principal measure in the MPC's Forward Guidance on interest rates is the Labour Force Survey (LFS) unemployment rate. The MPC intends not to raise the

Bank Rate from its current level of 0.5% at least until this rate has fallen to a threshold of 7%.

- The reduction in uncertainty and easing of credit conditions have begun to unlock demand, much of which has fed through to the housing market. In response to concerns over a house price bubble, the Bank of England announced a curtailment of the Funding for Lending Scheme, which will henceforth concentrate on business lending only.
- The MPC will not hesitate to use macro prudential and regulatory tools to deal with emerging risks (such as curtailing the FLS). Absent risks to either price stability or financial stability, the MPC will only tighten policy when it is convinced about the sustained durability of economic growth.
- Federal Reserve monetary policy expectations - the slowing in the pace of asset purchases ('tapering') and the end of further asset purchases - will remain predominant drivers of the financial markets. Tapering of asset purchases will begin in Quarter 1 2014. The US political deadlock over the debt ceiling will need resolving in Quarter 1 2014.
- The European backstop mechanisms have lowered the risks of catastrophic meltdown. The slightly more stable economic environment at the aggregate Eurozone level could be undone by political risks and uncertainty in Italy, Spain and Portugal (doubts over longevity of their coalitions). The ECB has discussed a third LTRO, as credit conditions remain challenging for European banks.
- China data has seen an improvement, easing markets fears. Chinese leaders have signalled possible monetary policy tightening.
- On-going regulatory reform and a focus on bail-in debt restructuring of is likely to prolong banking sector deleveraging and maintain the corporate credit bottleneck.

### **Forecast:**

- The projected path for short term interest rates remains flat. Markets are still pricing in an earlier rise in rates than warranted under Forward Guidance and the broader economic backdrop. The MPC will not raise rates until there is a sustained period of strong growth. However, upside risks weight more heavily at the end of our forecast horizon.
- Gilt yields are projected to continue on an upward path through the medium term. The recent climb in yields was overdone given the soft fundamental global outlook and risks surrounding the Eurozone, China and US.

### APPROVED INVESTMENT COUNTERPARTIES

#### **Current Account Bank**

These are not currently in use as our present providers the Co-operative Bank plc fall below investment grade rating. However a competitive tender exercise is to be held in 2014 for the provision of Authority's current accounts will be held with an institution which meets the minimum A- rating, so balances could be held up to the specified limits detailed in paragraphs 35-40 in the main report. Should the credit ratings subsequently fall below A-, the Authority may continue to deposit surplus cash with the bank providing that investments that can be withdrawn on the next working day, and that the bank maintains a credit rating no lower than BBB- (the lowest investment grade rating).

#### **Registered Providers**

Formerly known as Housing Associations, Registered Providers of Social Housing are tightly regulated by the Homes and Communities Agency and retain a high likelihood of receiving government support if needed. The Authority will consider investing with unrated Registered Providers with adequate credit safeguards, subject to receiving independent advice.

#### **Building Societies**

The Authority takes additional comfort from the building societies' regulatory framework and insolvency regime where, in the unlikely event of a building society liquidation, the Authority's deposits would be paid out in preference to retail depositors. The Authority will therefore consider investing with unrated building societies where independent credit analysis shows them to be suitably creditworthy. The Government has announced plans to amend the building society insolvency regime alongside its plans for wide ranging banking reform, and investments in lower rated and unrated building societies will therefore be kept under continuous review.

#### **Money Market Funds**

These funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Fees of between 0.10% and 0.20% per annum are deducted from the interest paid to the Authority. Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while funds whose value changes with market prices and/or have a notice period will be used for longer investment periods

#### **Other Pooled Funds**

For our core reserves, which are available for investments over the medium term, the Authority will consider using pooled bond, equity and property funds that offer enhanced returns over the longer term, but are potentially more volatile in the shorter term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

#### **Other Organisations**

The Authority may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment and on the specific advice of the Authority's treasury management adviser.

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## **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 Governance 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 Governance 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.

### GLOSSARY OF TREASURY TERMS

**Authorised Limit (Also known as the Affordable 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'.

**Basis Point:**

A unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent). In most cases, it refers to changes in **interest rates** and **bond yields**. For example, if interest rates rise by 25 basis points, it means that rates have risen by 0.25% percentage points. If rates were at 2.50%, and rose by 0.25%, or 25 basis points, the new interest rate would be 2.75%. In the bond market, a basis point is used to refer to the yield that a bond pays to the investor. For example, if a bond yield moves from 5.45% to 5.65%, it is said to have risen by 20 basis points. The usage of the basis point measure is primarily used in respect to yields and interest rates, but it may also be used to refer to the percentage change in the value of an asset such as a stock.

**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.

**Capital Financing Requirement (CFR):**

The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need.

**Capital Receipts:**

Money obtained on the sale of a capital asset.

**CD's:**

Certificates of Deposits with banks and building societies

**Comprehensive Spending Review (CSR):**

Comprehensive Spending Review is a governmental process in the United Kingdom carried out by **HM Treasury** to set firm expenditure limits and, through public service agreements, define the key improvements that the public can expect from these resources. Spending Reviews typically focus upon one or several aspects of public spending while the CSR focuses upon each government department's spending requirements from a zero base (i.e. without reference to past plans or, initially, current expenditure).

**Constant Net Asset Value (CNAV)**

These are Money Market Funds which maintain a stable price of £1 per share when investors redeem or purchase shares which means that that any investment will not fluctuate in value.

**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.

**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%.

**Counterparty List:**

List of approved financial institutions with which the Council can place investments with.

**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.

**Department for Communities and Local Government (DCLG) :**

The DCLG is the UK Government department for Communities and Local Government in England. It was established in May 2006 and is the successor to the Office of the Deputy Prime Minister, established in 2001.

**Debt Management Office (DMO):**

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.

**Diversification /diversified exposure:**

The spreading of investments among different types of assets or between markets in order to reduce risk.

**Federal Reserve:**

The US central bank. (Often referred to as "the Fed").

**FTSE 100 Index:**

The FTSE 100 Index is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalisation. It is one of the most widely used stock indices and is seen as a gauge of business prosperity for business regulated by UK company law. The index is maintained by the FTSE Group, a subsidiary of the London Stock Exchange Group.

**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.

**Gross Domestic Product (GDP):**

Gross Domestic Product measures the value of goods and services produced within a country. GDP is the most comprehensive overall measure of economic output and provides key insight as to the driving forces of the economy.

**The G7:**

The G7, is a group consisting of the finance ministers of seven industrialised nations: namely the US, UK, France, Germany, Italy, Canada and Japan. They are seven of the eight (China excluded) wealthiest nations on Earth, not by GDP but by global net wealth. The G7 represents more than the 66% of net global wealth (\$223 trillion), according to Credit Suisse Global Wealth Report September 2012.

**IFRS:**

International Financial Reporting Standards.

**International Labour Organisation (ILO):**

The ILO Unemployment Rate refers to the percentage of economically active people who are unemployed by ILO standard and replaced the Claimant Unemployment Rate as the international standard for unemployment measurement in the UK. Under the ILO approach, those who are considered as unemployed are either out of work but are actively looking for a job or out of work and are waiting to start a new job in the next two weeks. ILO Unemployment Rate is measured by a monthly survey, which is called the Labour Force Survey in United Kingdom. Approximately 40,000 individuals are interviewed each month, and the unemployment figure reported is the average data for the previous three months.

**LIBID:**

The London Interbank Bid Rate (LIBID) is the rate bid by banks on Eurocurrency deposits (i.e. the rate at which a bank is willing to borrow from other banks). It is "the opposite" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend). Whilst the British Bankers' Association set LIBOR rates, there is no correspondent official LIBID fixing.

**LIBOR:**

The London Interbank Offered Rate (LIBOR) is the rate of interest that banks charge to lend money to each other. The British Bankers' Association (BBA) work with a small group of large banks to set the LIBOR rate each day. The wholesale markets allow banks who need money to be more fluid in the marketplace to borrow from those with surplus amounts. The banks with surplus amounts of money are keen to lend so that they can generate interest which it would not otherwise receive.

**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.

**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.

**Minimum Revenue Provision (MRP):**

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.

**Money Market Funds (MMF):**

Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.

**Multilateral Development Banks:**

See Supranational Bonds below.

**Non Specified Investment:**

Investments which fall outside the CLG Guidance for **Specified investments** (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.

*\*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

**Public Works Loans Board (PWLB):**

This 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.

**Repo Rate:**

The interest rate at which the central bank in a country repurchases government securities (such as Treasury securities) from commercial banks. The central bank raises the repo rate when it wishes to reduce the money supply in the short term, while it lowers the rate when it wishes to increase the money supply and stimulate growth.

**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 one 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.

**Temporary Borrowing:**

Borrowing to cover peaks and troughs of cash flow, not to fund capital spending.

**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.

**Treasury Management Practices (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.

**Unsupported Borrowing:**

Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.



**Variable Net Asset Value (VNAV):**

Redemptions and investments in Money Market Funds (MMF's) are on the basis of the fund's Net Asset Value (NAV) per share. The NAV of any money market fund is the market value of the fund's assets minus its liabilities and is stated on a per share basis. The net value of the assets held by an MMF can fluctuate, and the market value of a share may not always be exactly the amount that has been invested.

**Yield:**

The measure of the return on an investment instrument.

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