

DECISION-MAKER:	CABINET		
SUBJECT:	CONSULTATION ON PROPOSED CHANGES TO THE GENERAL FUND REVENUE AND CAPITAL BUDGET		
DATE OF DECISION:	15 JULY 2014		
REPORT OF:	CABINET MEMBER FOR RESOURCES AND LEISURE		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY			
None			

BRIEF SUMMARY:

The purpose of this report is to ask for Cabinet's approval to consult on the first tranche of revenue budget savings for 2015/16 and beyond and make adjustments to the revenue budget to 2014/15.

Additionally it seeks approval to adjust the capital programme to provide £1.3m in 2014/15 to improve the condition of the unclassified roads network in Southampton, as set out in paragraphs 38 - 40.

It also asks members to note the spending pressures and initiatives outlined in paragraph 9 - 12.

Consultation will be undertaken on the savings proposals and the results will be reported alongside the Executive's proposals which will be presented to Cabinet and the Council in the autumn.

Further proposals may be brought forward to Cabinet and Council throughout the course of the year in order to continue to effect change at the earliest opportunity and ensure timely delivery in keeping with the principles of sound financial management.

RECOMMENDATIONS:

- (i) To add £1.3M to the Environment & Transport Capital Programme for a new scheme 'Unclassified Roads – Carriageway Resurfacing' to be funded from the following sources:-
 - (a) A grant of £233,000 awarded from the Department for Transport's Pothole Repair Fund 2014/15;
 - (b) Local Transport Plan grant for Highways Maintenance of £425,000 available from scheme under spends in 2013/14;
 - (c) Local Transport Plan grant for Integrated Transport of £295,000 available from the deletion of the 'Improved Safety 2014/15 – Engineering' project.

- (d) Direct Revenue Financing available from the Highways Strategic Partnership Third Party Income surplus for 2013/14 (£126,000) and a one-off contribution from the On Street Car Parking Surplus Account (£221,000) following a favourable outturn position in 2013/14 mainly due to staff savings.
- (ii) To approve, in accordance with Financial Procedure Rules, capital expenditure of £1.3M in 2014/15 on the 'Unclassified Roads – Carriageway Resurfacing' scheme within the Environment & Transport Capital Programme to help improve the condition of the roads network.
- (iii) Notes the high level revenue forecast for the General Fund for 2015/16 as detailed in paragraph 13.
- (iv) Note the Executive's proposals for savings as set out in the Appendix to this report and approve their release for consultation, where appropriate.
- (v) Note that formal consultation on the relevant proposals as set out in Appendix 1 will now commence with trades unions, affected staff and any people or organisations affected by the proposals to ensure all options have been considered.
- (vi) Note the spending pressure for Pay and Allowances as set out in paragraph 10.
- (vii) Note the spending initiative to support the Council's approach to Customer Services as set out in paragraph 12.
- (viii) Note the change to the council's minimum revenue provision as outlined in paragraphs 27 – 30 which released £4.5M of revenue in year benefit in 2013/14 and £0.6M in future years.
- (ix) Delegate authority to the Chief Financial Officer (CFO) following consultation with the Cabinet Member for Resources and Leisure to do anything necessary to give effect to the recommendations in this report.
- (x) To instruct officers to implement savings at the earliest date to secure benefits in 2014/15.

REASONS FOR REPORT RECOMMENDATIONS:

1. The recommendations have been put forward to ensure that savings proposals are advanced as early as possible as part of the budget process for 2015/16.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED:

2. The Executive could choose to only progress savings as part of the annual budget process through the November budget report leading to the setting of the Council Tax in February 2015. However, recognising the importance of seeking to effect change at the earliest opportunity, and to deliver savings in a timely fashion, the Executive are seeking to bring forward a range of savings proposals for early consultation.

This should allow some of the proposals to be implemented in the current financial year and thus deliver in year savings which can contribute to the

overall budget shortfall for 2015/16 onwards, and will also allow time to fully consult on other proposals which the Executive wish to implement from April 2015 onwards. Alternative options may be presented to Council at the meeting on September at which a decision on a number of the proposals will be taken after the end of the consultation process. Further options will also be brought forward as part of the November budget report.

DETAIL (Including consultation carried out):

CONSULTATION

3. Where new proposals have been put forward these have been subject to consultation with the Council's Management Team and relevant Cabinet Members.
4. Consultation will be undertaken with trades unions and staff affected by the proposals in line with the agreed HR policies.
5. Full consultation will be undertaken with any people or organisations affected by the proposals to ensure all options have been considered.

EQUALITY IMPACT ASSESSMENT

6. 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.
7. 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.
8. Individual EIAs have been completed by Directors and Senior Managers for those proposals contained in Appendix 1 that they identified require such an assessment, as they could have an adverse impact on a particular group or individuals. The individual EIAs will be published on the Council's website. For proposals that relate to contractual or commissioning arrangements, further work will be undertaken to assess the impact.

SPENDING PRESURES

9. There is a recurrent spending pressure that members need to be aware of for Pay and Allowances, as set out below.

Pay and Allowances Framework

10. Following consultation with the Trade Unions, a report is due to be considered by Full Council on the 16th July on the implementation of a new pay and allowances framework. Should Full Council agree, the best estimate of the general fund budget pressure in 2015/16 is £483k ongoing, with a part year effect in 2014/15 of £283k. If the proposals are agreed, it is proposed in the first instance that the part year effect will need to be absorbed within existing budgets. Should this lead to any particular budget issue in year, this could be

covered by either a draw from the Pay Reserve, a draw on contingencies or from General Fund reserves. From 2015/16 onwards, the full year cost to implement the proposed changes is estimated to be £483k ongoing. This cost will be built into the 2015/16 budget and managed through the budget process for that year.

SPENDING INITIATIVES

11. The Executive have been considering additional priorities that they wish to progress in the current year, and as part of supporting the Council's transformation programme, propose that a new post of Customer Services Manager is created, as set out below.

Customer Services

12. As part of the council's transformation agenda, as set out elsewhere on the Cabinet agenda, there will be an increasing drive to improve the way the council interacts with and delivers services to its customers. In recognition of this, a dedicated senior resource is required to help drive forward the customer services agenda in partnership with Capita. In the current financial year the cost will be met from contingencies. The ongoing cost of circa £80k will be met from the £1M allowance per annum for pressures, which is allowed for within the High Level Forecast for future years as set out below.

HIGH LEVEL FORECAST 2015/16 to 2016/17

13. The table below sets out an indication of the likely gap that will be faced by the Council each year, but there remains a significant element of uncertainty in forecasting the position for future years. There are a range of variables which can impact on the budget. Nevertheless our current assumptions provide the medium term financial forecast set out below to inform the financial strategy for tackling the overall position that is presented for future years.

	2015/16 £000's	2016/17 £000's	2017/18 £000's
Cumulative Gap from February Budget Resolution	30,958.2	54,740.2	
Plus Estimated Gap 2017/18			75,197.5
Reduction in Pressure - Taxi Cab Cameras (Licensing Committee Decision)	(64.0)	(64.0)	(64.0)
Required Savings - Updated Position	30,894.2	54,676.2	75,133.5

OPTIONS FOR SAVINGS

14. The scale of the financial challenge facing the Council combined with the potential impact of an ongoing difficult economic position make it imperative that proposals for 2015/16 onwards are developed and savings achieved as early as possible.
15. Appendix 1 sets out savings proposals which have been developed and where possible these will be implemented as soon as practicable in the current financial year. The proposals would deliver savings of 1.3M in 2014/15 and recurrent savings of £7.7M in 2015/16 which will be utilised to reduce the budget

gap.

16. In addition, changes to the way in which the council provides for its Minimum Revenue Provision, as set out in paragraphs 27 – 30, will allow for a one off contribution of £4.5M to be made in 2015/16 towards reducing the budget gap.
17. For the majority of the proposals contained in Appendix 1, the intention is to take steps during 2014/15 to implement the saving so that they become fully delivered from 1 April 2015.
18. There are three proposed savings outlined in Appendix 1 which account for the majority of the proposed staff reductions, and these are within Adult Social Care Provider Services and Business Support. Further information is set out below.

Adult Social Care Provider Services

19. There are a number of specific proposals for consultation which are covered by the 'Adult Social Care Provider Services' report elsewhere on the Cabinet agenda. These are as follows:
 - Consultation on potential closure of Woodside Lodge residential home and re-provision
 - Consultation on potential closure and re-provision of Kentish Road Respite Unit and the review and potential re-provision of day services
20. The proposals referred to in the above paragraph will be the subject of extensive consultation with service users and stakeholders, and a 12 week consultation will be undertaken in line with Government guidance. Further information is set out in the Adult Social Care Provider Services report.

Business Support

21. Currently, Business Support services are primarily based within Directorates. The proposal is to develop a model whereby all business support services are provided and managed through a single team. This will mean bringing different teams from multiple locations together into one team, managed by a single Head of Service within the Corporate Services Directorate. Further information is set out in the 'Implementing the Council Strategy 2014 – 2017: Next Phase of the Council's Transformation Programme' Report on the Cabinet agenda.

Library Service

22. Whilst no specific proposals are brought forward in this report for the Library Service, initial informal consultation has taken place with Library Staff to set out that a Library Review is underway. The intention is that formal consultation will commence with both service users and affected staff in the autumn.

STAFFING IMPLICATIONS

23. 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.
24. 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.
25. Based on the savings proposals contained in this report 195.43 FTE posts are potentially affected of which 47.52 are currently vacant and 147.91 are in post

and would be at risk of redundancy, should the proposals for consultation set out in Appendix 1 subsequently be agreed for implementation.

26. Through the consultation process the Executive are keen to explore all avenues with the Trade Unions and staff to minimise the level of the proposed potential staffing redundancies. The City Council has an excellent past record of using its redeployment policies to minimise any compulsory redundancies arising out of the budget proposals, and the Executive will seek to strengthen the support for employees who find themselves on the redeployment register as a result a decision to the implement the savings as part of the proposals contained in this report.

MINIMUM REVENUE PROVISION (MRP)

27. Each year local authorities are required to set aside some of their revenue for the provision of debt. This is known as the MRP. The provision must be prudent but the regulations governing these arrangements do not define what “prudent provision” is. Whilst there is guidance on MRP produced by the government, it is made clear that it is the local authority’s decision as to what a prudent level of provision is.
28. A review of the Council’s calculation of the MRP has taken place and, following consideration of the guidance, the view is that the Council’s approach has not been consistent with the guidance. This is because the guidance states that the “Adjustment A” should not be varied from year to year. With this in mind the Council has recalculated its MRP retrospectively. Additionally, the guidance states that if the calculation of the MRP results in an anomalous or disadvantageous result it may modify its approach to achieve the intended neutrality.
29. In this case, by being “overly prudent” in the past, the Council has provided for a greater charge from the general fund to MRP. With the benefit of hindsight, this was not the most appropriate course of action and it is considered that action to adjust the position is justified
30. To resolve this, the Council has recalculated the MRP for the years 2006/07 to 2013/14, using the value attributed to “Adjustment A” in 2004/05 which gives a cumulative reduction in the Council’s MRP of £4.5M, and an ongoing reduction of £600k for 2014/15 onwards. The MRP for 2013/14 has therefore been reduced by £4.5M, and this will be taken into balances and drawn down in 2015/16 as a one off contribution to reduce the 2015/16 budget shortfall. The £600k is included as a recurrent saving for 2014/15 onwards. It should however be noted that this adjustment to MRP will be subject to external audit as part of the audit of the 2013/14 final accounts, and whilst no issues are anticipated in this regard, the MRP figure will only be finalised once the final accounts are signed off.

BUDGET DEVELOPMENT FOR 2015/16 AND FUTURE YEARS

31. The overall impact of the savings proposals, as set out in the Appendix to this report is shown below:

	2015/16	2016/17	2017/18
	£000's	£000's	£000's
Required Savings - Updated Position	30,894.2	54,676.2	75,133.5
Less Savings Proposals 2014/15	(1,322.5)		
Less Savings Proposals 2015/16	(7,710.5)	(8,416.5)	(8,566.5)
Contribution from Balances - MRP	(4,527.0)		
Remaining Gap	17,334.2	46,259.7	66,567.0

32. If the proposals contained in this report are subsequently implemented following consultation, there will be a revised budget shortfall for the 3 year medium term of £67M, and a shortfall to fund for next year of £17.3M.
33. The Executive continue to work with the Council's Management Team on the development of further options to deliver the remaining savings required. As part of this work the Executive set out elsewhere on the Cabinet agenda their plans to deliver significant transformation to the way the council will operate and deliver its services over the medium term, and the transformation programme will be a major contributor to helping the Council deliver the remaining savings required of £67M by 2017/18. Further information is set out in the 'Implementing the Council Strategy 2014 – 2017: Next Phase of the Council's Transformation Programme' Report on the Cabinet agenda.
34. To support the Transformation Programme, it is proposed that additional funding of £3M is set aside from the 2013/14 underspend, to fund Transformation investment in 2014/15. Agreement to release the £3M funding for Transformation is subject to Full Council approval as set out in 'General Fund Revenue Outturn 2013/14' report which will be considered by Full Council at its meeting on the 16th July.
35. Further options for delivering additional savings for 2015/16 and beyond will be included in the November budget report, and work will continue at pace on developing proposals.
36. It is also noted that there are one off sums which it is anticipated will be available to contribute to the budget shortfall in 2015/16 if required, for example, New Homes Bonus Grant, estimated to be in the region of £3-4M.
37. In addition, there may be flexibility across the medium term to draw on the General Fund Balances to help manage the financial position.

ADJUSTMENT TO CAPITAL BUDGET FOR HIGHWAYS RENEWAL

38. This report includes a recommendation to spend £1.3M in 2014/15 to help improve the condition of the unclassified roads network in Southampton. The proposed works are based on the most current available condition information.
39. The City's unclassified roads run for 281miles (452Km) and form 76% of the total network length. The percentage of the unclassified network that is failing is 17%, which equates to approximately 46 miles (75Km).
40. Whole scale carriageway resurfacing has only been considered and the list of roads, set out below, are focused to achieve as great a spread of treatments across the unclassified network taking into consideration the poorest roads,

bus routes and routes to schools.

Proposed Roads	Ward
College Street	Bargate
Hanley Road	Shirley
Belle Moor Rd (part)	Shirley
Prince of Wales Avenue	Millbrook
Perran Road	Redbridge
Cheviot Road (K& F)	Redbridge
Cromer Road	Redbridge

Property/Other:

41. None.

LEGAL IMPLICATIONS:

Statutory power to undertake proposals in the report:

42. Local Government Acts 1972, 2000 and 2003 and Local Government Finance Act 1992.

Capital/Revenue:

43. The revenue and capital implications are as set out in the report.

Other Legal Implications:

44. Not applicable.

POLICY FRAMEWORK IMPLICATIONS:

40. This report proposes variations to the budget that was approved by Council on 12 February 2014.

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KEY DECISION? Yes

WARDS/COMMUNITIES AFFECTED:	All
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SUPPORTING DOCUMENTATION

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

Appendix: Savings proposals

1.	Summary of Efficiencies and Service Reductions
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Documents In Members' Rooms:

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Integrated Impact Assessment

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

1.		
2.		