

DECISION-MAKER:		CABINET COUNCIL	
SUBJECT:		THE MEDIUM TERM FINANCIAL STRATEGY, BUDGET AND CAPITAL PROGRAMME 2020/21 to 2022/23	
DATE OF DECISION:		25 FEBRUARY 2020 (Cabinet) 26 FEBRUARY 2020 (Council)	
REPORT OF:		CABINET MEMBER FOR RESOURCES	
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STATEMENT OF CONFIDENTIALITY

N/A

EXECUTIVE SUMMARY

This report details the revenue budget for 2020/21 and the Medium Term Financial Strategy (MTFS) for the period 2020/21 to 2022/23. It provides detail to inform Council in setting Council Tax and rents for 2020/21.

The report also details the General Fund and Housing Revenue Account (HRA) Capital Strategy and Programme for the period 2019/20 to 2024/25.

Details of the budget and capital programme are included in the following appendices and annexes thereto:

Appendix 1 The Revenue Budget 2020/21 and Medium Term Financial Strategy 2020/21 to 2022/23

Appendix 2 The Capital Strategy & General Fund Programme 2019/20 to 2024/25

Appendix 3 The HRA Budget 2020/21 and Capital Programme 2019/20 to 2024/25

RECOMMENDATIONS:

CABINET

Cabinet are recommended to:

General Fund

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| i) | Note the position on the forecast outturn position for 2019/20 as set out in paragraphs 30 to 33 of Appendix 1. |
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	ii)	Note the revised Medium Term Financial Strategy 2020/21 to 2022/23 as detailed in paragraphs 72 to 77 of Appendix 1 and Annex 1.1 to Appendix 1.
	iii)	Note the aims and objectives of the Medium Term Financial Strategy which will be presented to council for approval on 26 th February 2020 as set out in paragraphs 24 to 26 of Appendix 1.
	iv)	Note that formal budget consultation began on 16 th October 2019 and ended on 7 th January 2020. The outcome of the consultation is outlined in paragraphs 37 to 42, with no changes to amounts put forward as savings proposals in October.
	v)	Note that the Executive's budget proposals are expected to lead to an overall investment in staffing within the council. Where staffing levels are impacted consultation will be undertaken in line with legislation and the Council's agreed processes before proposals are implemented.
	vi)	Note that the Executive's budget proposals are based on the assumptions detailed within the MTFs and that this includes an increase in the Adult Social Care precept of just under 2.00% and no increase in the general council tax, allowable under general powers to increase council tax without a referendum.
	vii)	Accept the award of £0.765M Access Fund Extension grant for 2020/21 as set out in paragraph 43 of Appendix 1.
	viii)	To note that the report identifies additional general fund pressures totalling £7.22M in 2020/21, rising to £9.82M in 2022/23, as detailed in paragraphs 47 to 51 of Appendix 1.
	ix)	To note that savings proposals totalling £7.61M are included in the 2020/21 General Fund Revenue Budget, rising to £11.42M in 2022/23, as detailed in paragraphs 52 to 55 of Appendix 1.
	x)	To note that investment proposals totalling £4.25M are included in the 2020/21 General Fund Revenue Budget, rising to £6.10M in 2022/23, as detailed in paragraphs 56 to 58 of Appendix 1.
	xi)	To note that further proposals will need to be considered to address the 2021/22 and future years budget gap.
	xii)	Notes and recommends to Council where appropriate, the MTFs and General Fund Revenue Budget changes as set out in Council recommendations i) to xv).

General Fund Capital Programme

	xiii)	Notes the revised General Fund Capital Programme, which totals £728.77M (as detailed in paragraphs 5 & 39 of Appendix 2) and the associated use of resources.
	xiv)	Notes that a further £320.46M has been added to the General Fund programme, requiring approval to spend, by Cabinet/Council subject to the relevant financial limits. These additions are detailed in paragraphs 9 of Appendix 2 and Annex 2.1.
	xv)	Notes the addition of £29.48M to the General Fund capital programme and the request for approval to spend £29.48M as detailed in paragraph 10 of Appendix 2 and Annex 2.1.
	xvi)	Notes the removal of schemes from the capital programme totalling £15.68M as set out in paragraph 11 of Appendix 2 and detailed in Annex 2.1.

	xvii)	Notes that the capital programme remains fully funded up to 2024/25 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 and the use of prudent assumptions of future Government Grants to be received.
	xviii)	Notes that a review of the Council's capital strategy has been undertaken as detailed in Annex 2.3.
	xix)	Notes that a review of the Council's MRP strategy has been undertaken as detailed in Annex 2.3(a).
	xx)	Notes that a review of the Council's investment strategy has been undertaken as detailed in Annex 2.3(b).

Housing Revenue Account

	xxi)	To note that, from 1st April 2020, a standard increase be applied to all dwelling rents of 2.7%, as set out in paragraph 10 of Appendix 3, equivalent to an average increase of £2.26 per week in the current average weekly dwelling rent figure of £83.46.
	xxii)	To note an increase in a number of weekly service charges, whilst others remain unchanged, as detailed in paragraph 11 of Appendix 3 from 1st April 2020 (including supported accommodation). This approach was previously agreed by Council at its meeting in February 2019.
	xxiii)	To note and recommend the Housing Revenue Account Revenue Estimates as set out in Appendix 3.
	xxiv)	To note the 40 year Business Plan for revenue and capital expenditure set out in Annexes 3.1 and 3.2 of Appendix 3 respectively, that based on current assumptions are sustainable and maintain a minimum HRA balance of £2.0M in every financial year.
	xxv)	To note that from 2020/21 onwards, following consultation, rents will now be charged on a weekly basis throughout the year, thus reducing the weekly payment and removing the four "rent-free" weeks.
	xxvi)	Notes the revised Housing Revenue Account (HRA) Capital Programme, which totals £251.97M (as detailed in paragraph 22 & 31 of Appendix 3) and the associated use of resources.
	xxvii)	Notes the addition of £73.71M to the HRA Capital Programme and the request for approval to spend £73.71M as detailed in paragraph 30 of Appendix 3.

COUNCIL

General Fund

	i)	Notes the general budget consultation process that was followed as detailed in paragraphs 37 to 42.
	ii)	Notes that the budget consultation feedback has been taken into consideration by the Cabinet and has informed their final budget proposals. Further details are contained within the Members Room document 3.

iii)	Notes the Equality and Safety Impact Assessment process that was followed as set out in paragraphs 44 to 47. The updated ESIA's and Cumulative Impact Assessment are available documents in the Members Room, documents 1 and 2.
iv)	Note the position on the forecast outturn position for 2019/20 as set out in paragraphs 30 to 33 of Appendix 1.
v)	Approves the revised Medium Term Financial Strategy (MTFS) for the period 2020/21 to 2022/23 attached as Annex 1.1 to Appendix 1.
vi)	Approves the 2020/21 General Fund Revenue Budget as detailed in Annex 1.1(a) of the MTFS at Annex 1.1 of Appendix 1.
vii)	Notes that the Executive's budget proposals are expected to lead to an overall investment in staffing within the council. Where staffing levels are impacted consultation will be undertaken in line with legislation and the Council's agreed processes before proposals are implemented.
viii)	Notes that the Executive's budget proposals are based on the assumptions detailed within the MTFS and that this includes an increase in the Adult Social Care precept of just under 2.00% and no increase in the general council tax, allowable under general powers to increase council tax without a referendum.
ix)	Approves additional general fund pressures totalling £7.22M in 2020/21, rising to £9.82M in 2022/23, as detailed in paragraphs 47 to 51 of Appendix 1.
x)	Approves savings proposals totalling £7.61M that are included in the 2020/21 General Fund Revenue Budget, rising to £11.42M in 2022/23, as detailed in paragraphs 52 to 55 of Appendix 1.
xi)	Approves investment proposals totalling £4.25M that are included in the 2020/21 General Fund Revenue Budget, rising to £6.10M in 2022/23, as detailed in paragraphs 56 to 58 of Appendix 1.
xii)	To delegate authority to the Executive Director – Finance & Commercialisation (S151 Officer), following consultation with the Cabinet Member for Resources, to do anything necessary to give effect to the proposals contained in this report and address any funding changes, if any, arising from the final Local Government Finance Settlement once agreed by Parliament. The funding as announced in the final settlement matches that as announced before Christmas in the provisional settlement and no further changes are anticipated.
xiii)	Sets the Band D Council Tax for Southampton City Council at £1,566.18 for 2020/21, the Net Budget Requirement at £190.82M and the Council Tax Requirement for 2020/21 at £102.53M as per Annex 1.2 to Appendix 1.
xiv)	Notes the estimates of precepts on the council tax collection fund for 2020/21 as set out in Annex 1.3 to Appendix 1, as well as the council tax band charges for Southampton City Council and the charges for the Police and Crime Commissioner for Hampshire and the proposed charges for Hampshire Fire and Rescue Authority.
xv)	Delegates authority to the Executive Director – Finance & Commercialisation (S151 Officer) to implement any variation to the overall council tax arising from the final notification of the Hampshire Fire and Rescue Authority precept and the Police and Crime Commissioner for Hampshire precept.

General Fund Capital Programme		
	xvi)	Approves the revised General Fund Capital Programme, which totals £728.77M (as detailed in paragraphs 5 & 39 of Appendix 2) and the associated use of resources.
	xvii)	Approves additions of £320.46M which has been added to the General Fund programme requiring approval to spend, by Cabinet/Council subject to the relevant financial limits. These additions are detailed in paragraphs 9 of Appendix 2 and annex 2.1.
	xviii)	Approves the addition of £29.48M to the overall capital programme and the request for approval to spend £29.48M as detailed in paragraph 10 of Appendix 2 and Annex 2.1.
	xix)	Approves the removal of schemes from the capital programme totalling £15.68M as set out in paragraphs 11 of Appendix 2 and detailed in Annex 2.1.
	xx)	Notes that the capital programme remains fully funded up to 2024/25 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 and the use of prudent assumptions of future Government Grants to be received.
	xxi)	Approves the Council's capital strategy detailed in Annex 2.3.
	xxii)	Approves the Council's MRP strategy detailed in Annex 2.3(a).
	xxiii)	Approves the Council's investment strategy detailed in Annex 2.3(b).
Housing Revenue Account		
	xxiv)	Approves that, from 1st April 2020, a standard increase be applied to all dwelling rents of 2.7%, as set out in paragraph 10 of Appendix 3, equivalent to an average increase of £2.26 per week in the current average weekly dwelling rent figure of £83.46.
	xxv)	To note an increase in a number of weekly service charges, whilst others remain unchanged, as detailed in paragraph 11 of Appendix 3 from 1st April 2020 (including supported accommodation). This approach was previously agreed by Council at its meeting in February 2019.
	xxvi)	Approves the Housing Revenue Account Revenue Estimates as set out in Appendix 3.
	xxvii)	Approves the 40 year Business Plans for revenue and capital expenditure set out in Annexes 3.1 and 3.2 of Appendix 3 respectively, that based on current assumptions are sustainable and maintain a minimum HRA balance of £2.0M in every financial year.
	xxviii)	To note that from 2020/21 onwards, following consultation, rents will now be charged on a weekly basis throughout the year, thus reducing the weekly payment and removing the four "rent-free" weeks.
	xxix)	Approves the revised Housing Revenue Account (HRA) Capital Programme, which totals £251.97M (as detailed in paragraph 22 & 31 of Appendix 3) and the associated use of resources.
	xxx)	Approves the addition of £73.71M to the HRA Capital Programme and the request for approval to spend £73.71M as detailed in paragraph 30 of Appendix 3.

REASONS FOR REPORT RECOMMENDATIONS

1. The Council is a large and complex organisation managing the delivery of a vast range of businesses either directly or through/with others. Its core purpose is to improve the quality of life for residents and effective financial management is key to this. It is important that Members are aware of the major financial opportunities and challenges and that they make informed decisions. The Council regularly revises its MTFS so that the financial position is clear for budget proposals to be drawn up for the forthcoming year.
2. The Capital Programme is reviewed on a quarterly basis in accordance with the Council's Capital Strategy. Programme updates are reported to Cabinet and Council for approval. This is required to enable schemes in the programme to proceed and to approve additions and changes to the programme. Major capital projects are undertaken over a number of years so by setting a clear 5 year programme works can be undertaken in timely manner to assist the Council in achieving its aims and priorities, over both the short and medium term.
3. 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 presented to full Council.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

4. Alternative options for revenue spending and MTFS assumptions form an integral part of the development of the overall MTFS that will be considered at the council budget setting meeting on 26th February 2020.
5. Part of setting the General Fund Budget and Medium Term Financial Strategy, requires a view to be taken on the revenue cost of capital to the Council and proposals have been considered in order to ensure the most appropriate use of capital resources in meeting the council's priorities. The Capital Strategy and an updated Capital Programme are included as Appendix 2 to the report, and the latest position is included in the MTFS Model.
6. This report sets out the HRA revenue budgets for 2020/21 and the 40 year HRA business plan covering the period 2020/21 to 2059/60. The proposed changes to rents and other charges are an integral part of the revenue estimates for 2020/21.
7. 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)

REVENUE BUDGET AND MEDIUM TERM FINANCIAL STRATEGY

8. Details of the Revenue Budget for 2020/21 and the updated Medium Term Financial Strategy 2020/21 to 2022/23 are given in Appendix 1 and annexes thereto.
9. A report providing an update on the Medium Term Financial Strategy for the period to 2022/23 was presented to Cabinet in October 2019. Appendix 1 provides an update to that report, giving details of the council's financial resources following the 2020/21 local government finance settlement and sets out the final proposals in respect of additional budgetary pressures, savings and investments following refinement of the initial proposals and taking into account feedback from the budget consultation exercise and the latest financial monitoring position.

10.	The position reported in October 2019 showed a balanced budget for 2020/21 and budget gaps for future years of £4.72M and £7.29M for 2021/22 and 2022/23 respectively. The updated position is a balanced budget for 2020/21 and budget gaps of £3.87M and £10.22M for 2021/22 and 2022/23 respectively. A summary of all of the changes since October 2019 is provided in paragraph 73 of Appendix 1.
11.	The budget strikes a balance with council tax by recognising the spending pressures faced in social care, and therefore invests to protect services via the 2% Levy, but also recognises the financial pressures our residents face and does not increase the core council tax. The budget proposals set out in October 2019 were based on a council tax increase of 1.99%. The recommended increase of just under 2.00% remains in line with the assumption in October 2019, however given the flexibility awarded through the local government finance settlement of up to 2% increase in the Adult Social Care Levy (as well as up to 2% increase in the core council tax), the proposed increase will be applied to Adult Social Care to protect this service.
12.	The Medium Term Financial Forecast does not reflect any changes that may arise through the reform of the business rates retention system or implementation of the fair funding review, both of which the Government delayed until 2021/22. These anticipated changes, together with the postponement of the multi-year spending review until later this year, mean there is much uncertainty about funding after 2020/21 and the MTFS will be kept under regular review to assess the impact of these changes as more details are known.
	<u>CAPITAL STRATEGY AND CAPITAL PROGRAMME</u>
13.	Executive Directors and other senior managers have been consulted in preparing the reasons for variations contained in this report. Each addition has been subject to the relevant governance process.
14.	Details of the capital programme for 2019/20 to 2024/25 and the updated Capital Strategy are given in Appendix 2 and annexes thereto.
15.	Appendix 2 highlights the proposed changes to the General Fund capital programme since the last reported monitoring position to Cabinet in February 2019. The net result of the changes is that the programme has increased by £334.26M. Appendix 3 highlights the proposed changes to the HRA capital programme since the last reported monitoring position to Cabinet in February 2019. The net result of the changes is that the programme has increased by £73.71M.
16.	The capital budget proposals put forward as part of this report reflect the anticipated needs of the Council over the next 5 years. The increased investment follows a fairly cautious capital programme in recent years due to economic uncertainty and is linked in part to measures aimed at providing additional income beyond costs generated (such as from commercial property).
17.	Annex 2.3 details the updated capital strategy for approval. The capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.
	<u>HOUSING REVENUE ACCOUNT BUDGET AND CAPITAL PROGRAMME</u>
18.	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 approximately 16,000 homes for Southampton tenants and their families and to over 2,000 homes for leaseholders. Further information can be found in Appendix 3 on the HRA revenue budget 2020/21 and capital programme. The proposals include any amendments

	needed, where necessary, in accordance with the decision made on two year service charge levels at the Council meeting in February last year, relating to general service charges and supported accommodation as well as HRA rents.
	<u>STATEMENT OF THE SECTION 151 OFFICER IN ACCORDANCE WITH THE LOCAL GOVERNMENT ACT 2003 – ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES</u>
19.	<p>There are a number of major sources of change and uncertainty arising from the external environment, which may impact on funding. These include:</p> <ul style="list-style-type: none"> • The economic effects, whether positive or negative, from leaving the European Union on overall public finances and the resources available for the next Spending Review. • The Government’s Fair Funding Review (FFR) of the relative spending need of all local authorities will influence the allocation of resources between authorities. • The Government’s implementation of the 75% business rate retention share for councils, up from the current 50% system. Though this should be neutral nationally, there will be an impact from the expected ‘reset’ of business rates whereby baseline funding levels will be re-established. This means a potential risk of a loss of the business rate growth the authority has benefitted from since 2013. • Both the Fair Funding Review and the increase to 75% allocation from business rate retention are expected to be implemented for 2021/22. Though the increased funding allocation from business rates provides an opportunity to benefit from future growth in business rates, it increases reliance on a volatile income source (business rates) which varies from year-to-year due to the economic cycle rather than a local council’s need to spend. • Repeated delay of the promised Green Paper on adult social care to place the service on a more sustainable footing. Assumptions have necessarily been made over the continuation of a significant degree of grant support to local authorities. • The implications of the Spending Review, expected later in the year, and which sets the national spending total for local government funding. • The adequacy of the provision made for inflationary costs, pay awards and also the potential for increases in interest rates which would impact on borrowing costs. The outlook for inflation is that it will remain low over the medium term, per the most recent Bank of England projections, and interest rate assumptions are informed by the independent advice from our Treasury management advisors. These areas will be kept under regular review for any potential adverse impact. • Anything arising from the expected budget announcement by the Chancellor on 11 March.
20.	The authority will continue to keep its MTFS under review given the high degree of uncertainty arising from the above matters. Detailed monitoring and considering the mitigation available forms a part of the quarterly in-year budget monitoring evaluation which is reported to Cabinet.
21.	<p>Section 25 of the Local Government Act 2003 requires each Chief Financial Officer to report to their authority about the robustness of estimates and the adequacy of reserves when determining their budget and level of council tax.</p> <p>Each authority is required to consider their Chief Financial Officer’s report when setting the level of council tax.</p>

22.	The financial position and pressures experienced in 2019/20 have been taken into account, which included during the year a rebasing of budgets to promote a more accurate estimation of the demand faced by service budgets. As reported to Cabinet on 25 th February 2020, at the end of quarter 3 the financial position was that the council's net General Fund position is projected as balanced, though at portfolio level there is an adverse position (overspend), strongly influenced by demand pressure across social care, offset by a favourable variance in non-portfolio spending. This has therefore been taken into account through the allocation in each year of the MTFS of an additional amount into reserves (£6.0M) for social care.
23.	The general fund balance is planned to remain at its current level (£10.07M) and safeguards against unexpected incidents (e.g. major flooding) and also potential overspending. At this level, it is regarded as an adequate minimum level.
24.	<p>By the end of 2019/20, reserves are expected to be £67.3M, However, the sum available when taking future expected commitments into account is around £34.7M. Of this £17.4M will be used as part of the strategy adopted to support the budget which includes helping to 'smooth' the savings needed over the next 2-3 financial years, allowing longer term plans to be made, and also offsetting a reduction in business rates compared with budget assumptions made this time last year.</p> <p>By the end of the three year planning horizon the unallocated (available) reserves are expected to be around £17.3M, without further allocation or drawdown. This sum will provide a safeguard against the risks identified above.</p>
25.	Against a challenging financial background, it will therefore be crucial that reserves, both earmarked and general, continue to be managed in the medium term in a way that gives due regard to the need to set a legally balanced budget and safeguard against risks. Reserve use will be carefully monitored and the strategy on their use kept under review during the year.
26.	On savings, the 2020/21 budget is balanced via £7.6M of savings assumed in budgets, with £4.1M arising from income generation proposals. Services have been actively working on their saving proposals for much of the year, and where not achieved in-year during 2020/21 the assumption will be mitigations can be found until the savings are realised, or equivalent sums found. The Council agreed in November 2019 to resume property investment, with an additional £200M made available, which as well as benefitting local residents economically and socially is also estimated to contribute to reducing the budget shortfall. Significant monitoring and governance safeguards have been put in place to ensure investments are made which are prudent and the controls in place comply with the recent CIPFA guidelines which promote management of risks.
27.	In the context of the overall net budget of £190.8M, and the reserves and contingencies available the savings plans should not present an excessive financial risk to the authority.
28.	Given the service pressures faced, as well as the other risks identified the budget contains a contingency level within centrally held funds of around £7M, which provides for added confidence when dealing with volatile budgets and uncertainty.
29.	Financial procedures to monitor and report on the forecast position versus the budget are well established and occurs frequently to both senior management and formally to members (via a quarterly Cabinet report). Robust processes will be needed to ensure any risks of overspending are identified and mitigations put in place, but there are well established mechanisms to promote this which have been enhanced by the business partnering of services approach adopted by Finance.
30.	For the reasons listed in this section, I am therefore content as the Council Chief Financial Officer that the Council is operating prudently and with sufficient financial resilience to deal

	with the risks highlighted within the budget report (John Harrison Executive Director – Finance and Commercialisation).
	<u>CIPFA Resilience Index</u>
31.	<p>The Chartered Institute of Public Finance and Accountancy (CIPFA) has introduced a resilience index, designed to support the local government sector as it faces continued financial challenge. It has a series of 13 measures that compare local authorities with each other across issues such as level of and movement in reserves, level of gross debt and proportion of budget spent in areas experiencing the most demand pressure (Adults and Children Services) and therefore most likely to be at risk of overspending. It applies current and past data rather than future estimates. Key headlines from this index, when comparing SCC with other unitary councils, are:</p> <ul style="list-style-type: none"> • SCC is low or very low risk on level of reserves and change in reserves and the reserves sustainability measures. Careful management of reserves and our General Fund balance is part of the risk management process, ensuring resources are available to cater for unexpected costs pressures or savings not delivered on time or to scale. • On some of the measures which look at our aspects of expenditure, we come out as a higher risk. For example, on the relative proportion we spend in Adult Social Care – which is led by demand and statutory requirements to meet client needs. This isn't a surprise, and a key part of budget planning is ensuring we have a robust budget to cater for rising demand pressure and plans to also manage and mitigate demand pressures.
32.	On none of the measures does SCC come out as an 'outlier' at the top end of the risk scale.
	<u>CIPFA Financial Management Code</u>
33.	CIPFA has also published a new Financial Management Code for authorities to adhere to. The Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time the FM Code sets out the standards of financial management for local authorities. The Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, this code requires that a local authority demonstrates that its processes satisfy the principles of good financial management.
34.	CIPFA considers that an implementation date of April 2020 should indicate the commencement of a shadow year and that by 31 March 2021, local authorities should be able to demonstrate that they are working towards full implementation of the code.
35.	The first full year of compliance with the FM Code will therefore be 2021/22, though early adoption is encouraged.
36.	More will be said about the code during 2020/21 as we approach the expected full implementation date of 2021/22.
	<u>BUDGET CONSULTATION</u>
37.	<p>The Cabinet's draft budget proposals for 2020/21 were set out in the Medium Term Financial Strategy report of 15th October 2019. The Budget consultation ran from 16th October 2019 to 7th January 2020. There were a total of 633 respondents to the consultation. This year the proposals in the questionnaire were arranged over 5 sections:</p> <ul style="list-style-type: none"> • Efficiencies • Investment • Priorities

	<ul style="list-style-type: none"> • Savings • Overall budget
38.	Any proposals put forward under 'savings' that could impact the way that residents or customers review or experience a service of the council were subject to an Equality and Safety Impact Assessment (ESIA). A Cumulative Impact Assessment was also developed in order to review the overall impact of the savings proposals on groups defined within the Protected Characteristics as set out in the Equality Act 2010, as well as the impacts on community safety, poverty and health and wellbeing. These impact assessments were published as part of the Budget consultation.
39.	In addition to the public consultation process, the unions have also been consulted on the budget proposals contained within this report.
	<u>Issues raised in the consultation feedback</u>
40.	<p>Following careful consideration of the feedback received through the consultation, the ESIA's were reviewed and updated as follows:</p> <p>a) Making best use of the full range of services that are currently available to support people to live independently in a community setting.</p> <ul style="list-style-type: none"> • Feedback identified concerns that some people may not receive the full support they need within a community setting. The ESIA has been updated to clarify that all customers will continue to have their assessed care needs met in line with the Care Act 2014, and community based alternatives to home care will only be offered where safe and appropriate to do so. • Feedback also identified concerns about potential impacts on spouses or civil partners. The ESIA has been used to reflect this risk and reflect mitigations that will be put in place. <p>b) Expanding the successful re-ablement service so more people benefit from short term, intensive support.</p> <ul style="list-style-type: none"> • Feedback identified concerns that some people may be pushed towards independence 'too quickly' and their needs may not be met through the re-ablement service. The ESIA has been updated to clarify that clients will continue to receive the care and support their need to meet their needs in line with the Care Act 2014, and that client's wishes and preferences will be taken into consideration. <p>c) The provision of better and earlier advice and information on adult social care and community support etc. to meet Care Act duties on promoting wellbeing and supporting independence.</p> <ul style="list-style-type: none"> • Feedback identified concerns that those for whom English is not a first language may not be able to engage with online and signposted support. The ESIA has been updated to reflect the risk in relation to race as a Protected Characteristic and outline mitigations that will be put in place.

41.	<p>In the following areas, following careful consideration, no change was recommended to the ESIA's:</p> <ul style="list-style-type: none"> a) Increasing availability of support and carrying out assessments more quickly to help people to return home after a short stay in residential care on discharge from hospital. b) Occupational Therapy (OT) reviews to identify where equipment can be used to enable care to be provided in the home by one carer. c) Increased availability of housing with care options ('extra care') across the city. d) Ensuring direct payments are being used in accordance with care and support plans to meet care needs. e) Developing a 'Level 4' Specialist Foster Care scheme in Southampton.
	<p><u>Summary of consultation feedback</u></p>
42.	<p>A summary of the consultation feedback is given in Members room document 3. The feedback from the consultation with residents and stakeholders has not led to recommendations that Cabinet change or remove any Budget savings proposals. As outlined above, feedback identified impacts to particular Protected Characteristic groups which had not previously been identified. These impacts were carefully considered and relevant mitigations will be put in place as outlined in the ESIA's. Other feedback demonstrated that clarification was required in the documentation to reassure residents that all assessed needs will continue to be met under the Care Act 2014, and the ESIA's have been updated to reflect this.</p>
	<p><u>STAFFING IMPLICATIONS</u></p>
43.	<p>The Executive's budget proposals are expected to lead to an overall investment in staffing within the council. Where staffing levels are impacted consultation will be undertaken in line with legislation and the Council's agreed processes before proposals are implemented.</p>
	<p><u>EQUALITY AND SAFETY IMPACT ASSESSMENTS</u></p>
44.	<p>The Equality Duty is a duty on public bodies which came into force on 5th April 2011. The Council will have due 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.</p>
45.	<p>While the Public Sector Equality Duty does not impose a legal requirement to conduct an Equality Impact Assessment, 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. In addition, the assessments take into account the impact on poverty and health and wellbeing.</p>
46.	<p>Updated Individual Equality and Safety Impact Assessments (ESIAs) have been completed for those proposals contained within this report and as detailed in the report that they identified require such an assessment, as they could have an impact on a particular group or individuals. The final individual ESIA's are available in Members' Rooms.</p>
47.	<p>The individual ESIA's have been analysed to consider the cumulative impacts the budget proposals may have on particular groups and the mitigating actions that could be considered. In order to give the right perspective to the budget proposals, the Cumulative Impact Assessment has to be considered in light of the available information on the City's profile,</p>

	service user and non-user information and staffing profiles as well as the proportion of the Council's budget that is currently spent on targeted groups or communities. The cumulative ESIA is available to view in the Members Rooms.
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RESOURCE IMPLICATIONS

Capital/Revenue

48. The capital and revenue implications are fully detailed within the report.

Property/Other

49. There are no specific property implications arising from this report other than the schemes already referred to within Appendix 2 and Appendix 3 of the report.

LEGAL IMPLICATIONS

50. 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.

51. 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 business-like 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.

52. 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. 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.

53. The legal significance of the Annual Budget derives from the council's duty under the Local Government Finance Act 1992 (the 1992 Act) to set a balanced budget. Failure to make a lawful Council Tax on or before 11th March 2020 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. 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.

54. 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.

55. Under Section 114 (2) and 114 (3) of the Local Government Finance Act 1988, 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.

56.	Section 25 of the Local Government Act 2003 imposes a specific duty on the CFO (Section 151 officer) to formally report to council at the time the budget is considered and the council tax is set on the robustness of the budget estimates and the adequacy of financial reserves. This report will be brought forward alongside the budget and council tax setting report to full council in February.
57.	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.
58.	Further detailed legal considerations relating to the setting of a lawful budget are set out appendix 4, which Members are directed to have regard to in reaching their decision.
59.	Unless otherwise stated the proposals within this report are authorised by virtue of S.1 Localism Act 2011 or the relevant statutory power relating to the function referred to within the budget proposal. The proposals within this report relating to Housing Service Charges are subject to additional legal considerations set out below.
60.	In relation to the Housing Revenue Account Service charges, the Council can make a charge for services it provides to council tenants in addition to a charge for rent pursuant to the Housing Act 1985 and also in compliance with paragraph 2 of the Council's standard tenancy agreement. The Council is permitted to introduce new charges and vary existing charges so long as it follows the procedure set out in the Housing Act 1985 and complies with the Rent Standard and Guidance produced by Homes England. In particular any service charges must reasonable transparent and are limited to covering the actual cost for providing the services.

Other Legal Implications

61.	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, the proposals contained in this report have been checked from a legal viewpoint.
62.	<p>Local Authorities have a duty under the Human Rights Act 1998, when carrying out any function, not to act incompatibly with rights under the European Convention for the Protection of Fundamental Rights and Freedoms. In particular Article 2 the right to life shall be protected in law, Article 8, the right to respect for private and family life and Article 25 the rights of elderly to lead a life of dignity and independence and to participate in social and cultural life.</p> <p>In reaching a decision on the proposals contained in this report the Council must have regard to the provisions of the Equality Act 2010, in particular s.149, the Public sector equality duty.</p> <p>The duty provides that:</p> <p>(1) A public authority must, in the exercise of its functions, have due regard to the need to—</p> <p>(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;</p> <p>(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;</p> <p>(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.</p>

	<p>Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to—</p> <p>(a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;</p> <p>(b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;</p> <p>(c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.</p> <p>Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to—</p> <p>(a) tackle prejudice, and</p> <p>(b) promote understanding.</p> <p>The relevant protected characteristics are—</p> <p>age;</p> <p>disability;</p> <p>gender reassignment;</p> <p>pregnancy and maternity;</p> <p>race;</p> <p>religion or belief;</p> <p>sex;</p> <p>sexual orientation.</p> <p>Details of how the Council has approached and considered its duty under to Equalities Act 2010 are set out in the accompanying EISA's which Members must have regard to in reaching their decision.</p>
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RISK MANAGEMENT IMPLICATIONS

63.	The council maintains a financial risk register which details the key financial risks that face the council at a given point in time. This is updated on a quarterly basis and forms part of the Financial Monitoring Report included elsewhere on this agenda.
64.	Details of the risk assessment of the budget are given with the Chief Financial Officer's statement on the robustness of the budget estimates at paragraphs 19 to 30.

POLICY FRAMEWORK IMPLICATIONS

65.	The Medium Term Financial Strategy and the Budget are key parts of the Policy Framework of the Council and a budget and council tax for 2020/21 must be proposed by the Cabinet for consideration by the full council under the Constitution. The update of the Capital Programme forms part of the overall Budget Strategy of the Council.
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KEY DECISION?	Yes	
WARDS/COMMUNITIES AFFECTED:	All	
<u>SUPPORTING DOCUMENTATION</u>		
Appendices		
1.	The Revenue Budget 2020/21 and MTFS 2020/21 to 2022/23	
2.	The Capital Programme and Strategy 2019/20 to 2024/25	
3.	HRA Revenue Budget 2020/21 and Capital Programme 2019/20 to 2024/25	
4.	Statutory Power to Undertake Proposals in the Report	
Documents In Members' Rooms		
1.	Updated Equality and Safety Impact Assessments (ESIAs)	
2.	Cumulative Impact Assessment	
3.	Budget Consultation Feedback Report	
Equality Impact Assessment		
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.		Yes
Privacy Impact Assessment		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.		No
Other Background Documents		
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.	Medium Term Financial Strategy to 2023/24 and associated matters	