



BUDGET BOOK

2016/17

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STATEMENT OF THE S151 OFFICER

I am pleased to bring you Southampton City Council's Budget Book for 2016/17 continuing on from its reintroduction in 2015/16 after listening to residents, colleagues and members for the need for a comprehensive budget book.

The following paragraphs outline the Council's operating environment and some of the major risks we currently face, as it is important to set the whole of the 2016/17 budget process in the context of the financial circumstances in which local government finds itself.

This year marks the start of a new Comprehensive Spending Review (CSR) period, bringing with it the opportunity to receive a 4 year settlement with indicative allocations already provided in the Provisional Local Government Financial Settlement (PLGFS) and unchanged in the Final Local Government Financial Settlement (FLGFS) in February 2016 for the period of 2016/17 to 2019/20.

Our forecasted 2016/2017 funding gap was £39.1M. During 2015/16, the Cabinet agreed savings of £9.4M in October 2015 with further proposals of £13M identified in November 2015. There have also been significant in-year pressures in 2015/16, including adults and children's social care and some extra funding amounting to a net addition of £4.7M. This left a further £12 million budget gap to resolve.

The 2016/2017 savings put forward were required due to a reduction in the council's government grant of £12.2 million in 2016/2017, following a 30% reduction in grants since 2012/2013, with more to come, and a significant increase in demand for services in adults and children's social care of £9 million.

Undesirable as these cuts are, they have given us the opportunity to look very closely at how we operate. Our ambitious transformation programme focuses on creating an organisation fit for the future. By concentrating on distinct priorities and developing new internal skills and behaviors, re-structuring, and changing our relationships with customers, communities, partners and contractors, we aim to both reduce our budget gap and deliver better outcomes. As an example, we know the way our customers want to contact us has changed a lot over recent years and we need to better meet their needs and capabilities so we have worked to improve our online and digital services, moving to a position where our digital services are so good that people prefer to use them.

Alongside the budget setting process, the Council regularly revises its Medium Term Financial Strategy (MTFS) and Medium Term Financial Model to enable the financial position to be clear for budget proposals to be drawn up for the forthcoming year and includes the various elements relating to the financial position that need to be considered and addressed.

This forecast forms part of the overall budget, together with unavoidable service pressures agreed by the Cabinet and the Councils Management Team (CMT) that need to be taken into account in the overall budget deliberations.

The forecast is set within the context of national economic and public expenditure plans, and takes into account the national legislation setting out the City's ability to borrow and raise income from council tax and other sources.

Council Tax

There were provisions within the Autumn Statement and PLGFS to allow Council's to implement an additional 2% increase in Council Tax specifically to fund Social Care pressures (Social Care 'Precept'). This 2% increase could be in addition to any Council Tax rise planned within the current referendum framework which allows Council Tax to be increased by 1.99%. In total, this new provision would allow Council tax to be increased by up to 3.99% in Social Care Authorities.

The Executive have considered the Council's overall financial position and the financial and demographic pressures faced by Social Care and have determined a Council Tax policy for a 2% increase in Council Tax for 2016/17 in total, specifically to contribute to funding Social Care pressures.

Budget Methodology

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 in this financial year, 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 2016/17 and beyond. As part of the budget setting process for 2017/18 and onwards a fundamental review of the way in which the Council identifies savings is being undertaken with a potential move to outcomes based commissioning and outcomes based budgeting.

Use of One Off Funding

The level of one off funding already included in the 'base position' totals circa £13M to balance the budget position in 2016/17. The consistent use of large one off sums to balance the budget is clearly not a sustainable position. Assuming a draw of £3.9M from General Fund balances as a contribution to balancing the 2016/17 budget, the remaining General Fund balance of £8.9M will be close to the minimum level recommended by myself of £5.5M, 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.

Medium Term Position

There are significant budget shortfalls in future years as set out in the MTFs and it is important not lose sight of the need to ensure that work is ongoing to redesign the

Council in order to build a sustainable organisation going forward and a necessary part of this work will be to develop recurrent savings proposals for future years. As part of addressing the medium term budget shortfall, the MTFS sets out the Councils Efficiency Strategy. We need to 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.

National & External Factors

Comprehensive Spending Review 2015 (Autumn Spending Review)

The Autumn Spending Review brought the announcement that the Government's intention was to radically change the way local authorities are funded by moving from 50% to 100% business rate retention and phasing out the Revenue Support Grant by 2020. Alongside this there would be additional responsibilities for local government to ensure the move was fiscally neutral to Central Government plans.

The Government also reiterated its earlier proposal, made in October 2015, to abolish Uniform Business Rates by 2020, giving local authorities the power to cut rates to boost growth, and giving directly elected mayors for combined authorities the power to levy a business rates premium for local infrastructure projects with the support of local business.

The current system of top ups and tariffs for redistributing revenues between local authorities will be retained.

The announcement also included a new flexibility allowing local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects. Instead of holding assets that could be made surplus, councils will be able to sell them and reinvest in their services.

In recognition of the increasing demand for local authority adult social care services, councils are able to levy a "social care precept" of up to 2% in council tax which must be spent exclusively on social care, with the potential to bring almost £2B more into the care system across the country. An announcement was also made that the Better Care Fund would be increased to support this and local authorities will be able to access an additional £1.5B by 2019-20.

Alongside savings in the Public Health grant, the Government announced it will consult on transferring new powers and the responsibility for its funding and elements of the administration, to local authorities.

The government will also consult on reforms to the New Homes Bonus, including means of sharpening the incentive to reward communities for additional homes and reducing the length of payments from 6 years to 4 years. This will include a preferred option for savings of at least £800M, which can be used for social care.

The national housing budget will be doubled, to £2Bn, and 400,000 affordable homes will be built, both to rent and to buy; almost half of these will be starter homes, while 135,000 will be available for the Help to Buy: Shared Ownership scheme.

Funding for the Troubled Families programme will continue, with efficiencies found from central budgets and current levels of funding will be maintained for community integration programmes, which will be targeted at supporting the recommendations made in Louise Casey's review of opportunity and integration in isolated and deprived communities.

The Chancellor confirmed that there will be 30 hours of free, funded early education for three and four year olds from 2017, for families working for more than 16 hours and whose incomes are below £100,000 per parent. Free childcare for the most disadvantaged two year olds will be maintained and funding for the sector will be increased by £300M to support more free places.

Funding for Free School Meals will be maintained, rates for the pupil premium will be protected and there will be an increase in the cash for the Dedicated Schools Grant.

The Government has expressed the view that local authorities will no longer run local schools, creating a governmental saving of £600M, on the Education Services Grant.

The government will phase out current school funding regime and create a new national funding formula to address the current inequities in funding, especially for the most disadvantaged pupils. Consultation for this will begin in the New Year, with a view to introducing the formula in 2017.

The Government reiterated its commitment to creating three million apprenticeships by 2020. It will also introduce an Apprenticeship Levy from 2017, set at 0.5% of employers' pay bill, in order to raise £3Bn a year.

Devolution – Hampshire and Isle of Wight

The Council is currently an active partner in the Hampshire and Isle of Wight Devolution Deal, along with 15 other councils, two Local Enterprise Partnerships and two national park authorities, to Central Government to have more powers devolved to the area.

The Deal includes a proposal to retain 100% of the business rates collected within the area, currently 50% of all business rates collected are passed over to Central Government. In return for foregoing Revenue Support Grants from Central Government, the prospectus asks to keep 100% of business rates generated in the area and assumes the proposal will be fiscally neutral to the Government.

The proposals focus around four key themes: boosting business and skills for work; accelerating housing delivery; investing in infrastructure; and transforming public services.

Plans for homes include delivery of 10,000 homes over the next 10 years including in the priority home categories of rural affordable, low-cost starter, council new-build and extra care, by making use of exception sites including redundant public land. A commitment has been made to develop at least 2,000 new starter homes within the city. This has been supported to date by additional government funding with the introduction of Help to Buy in 2013.

Help to Buy was created to ensure that working people who were doing the right thing and saving for a deposit could achieve their aspiration of buying their own home through Government support. Home ownership is a key part of the government's long term plan to

provide economic security for working people across the UK. To date this has been facilitated through Equity Loans and Mortgage Guarantee Schemes with 80% of completions to date being made by first time buyers with just under 50% of the properties being new build. The government announced two further initiatives in the Comprehensive Spending Review on 25th November 2015 which will further encourage this agenda.

- a) Help to Buy ISA introduced from 1st December 2015 whereby under the scheme, first-time buyers can save up to £200 a month towards their first home and the government will boost their savings by 25%, or £50 for every £200, up to a £3,000 bonus.
- b) New streams of funding, such as for low-cost home ownership are intended to be available for councils as well as housing associations and private developers. Councils are encouraged to think creatively about the homes they could deliver by accessing some of the new grants.

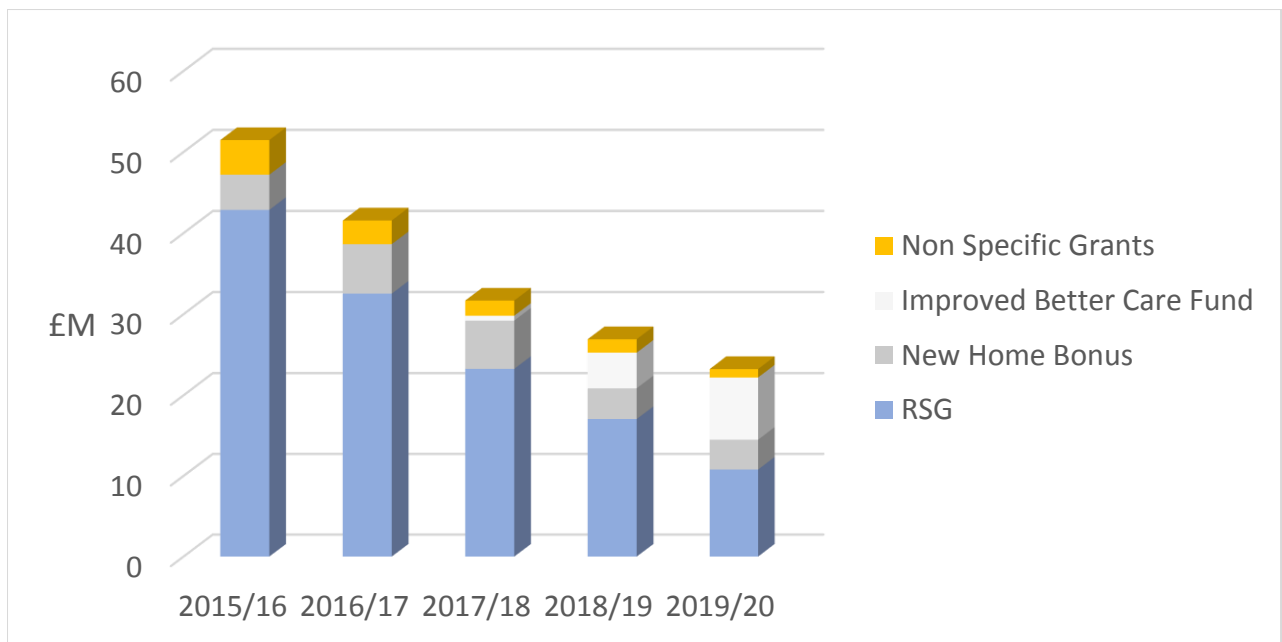
It is anticipated that future disposal or development decisions within the Council will be mindful of the need to consider opportunities to fully utilise all available funding streams and to meet the low-cost starter home commitments.

Local Government Finance Settlement

Following on from the Autumn Statement, the Government announced the Provisional Local Government Finance Settlement on the 17th December 2015, and the Final Local Government Finance Settlement on 8th February 2016.

These gave proposed local government funding figures for 2016/17 to 2019/20. It also came with the offer for local authorities to receive a four year funding settlement on the production of an Efficiency Strategy, and more detail regarding the flexible use of capital receipts. The settlement looked to redistribute funding to authorities that have social care responsibilities.

For Southampton the impact of the settlement in terms of grant funding can be seen in the graph below. This shows Southampton's grant funding reducing by 55% from 2015/16 to 2019/20



The financial impact of the Local Government Finance Settlement has been included in the Medium Term Financial Model included within this document on page 24.

Business Rate Retention Scheme

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.

Councils are 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. By the end of this Parliament it is expected there will be a 100% business rates retention alongside additional responsibilities to ensure fiscal neutrality for Central Government.

The scheme as it currently stands means whilst Southampton has no influence over the rateable value, rates charged or the percentage increase each year, it does retain almost half the risk from the volatile nature of the receipts. The one element that the local authority can influence is the economic growth within the region which may result in increased revenues from Business Rates.

The Valuations Office is undertaking a reset of rateable values from 2017/18. This means the level of volatility of business rates in 2017 is at the moment even higher until the outcome of the reset exercise is known.

Businesses can appeal against the rateable value given, and under the new scheme the Council carries approximately half the risk if values are reduced. Appeals can be backdated and as a consequence of this the Council has set aside a provision to deal with this element of the financial impact. In December 2014 the Government announced it was closing the appeals window and that appeals received on or after 1 April 2015 will only be backdated until this date.

During January 2016, a number of local authorities have received requests for 80% mandatory relief in respect of NHS trusts. The letter, which was sent by agents GVA is very detailed and is also accompanied by legal opinion from a QC.

The claim being made by agents on behalf of the hospital is for a refund of rates paid back six years (in line with s9 Limitation Act 1980).

In Southampton there are 34 business rated properties which are occupied by NHS trusts, and a letter in respect of local trust has recently been received.

If the agents are successful it would potentially result in up to £9.6M business rates being refunded to NHS trusts locally and a loss of £2.6M business rates pa in future years.

The LGA, supported by SCC, will instruct Leading Counsel this week for advice, to assist local authorities to determine how to deal with the applications.

The current assumption built into the MTFs is fairly neutral, with a 1% increase per annum reflecting the uplift set by the Government. At this stage, no assumptions have been made about growth. This is not because there will be no growth, but because it is difficult to model real growth against downside reductions for displacement, reduced gross rateable value overall due to impact of appeals and business closure. As our evidence base builds on business rates, we anticipate that our modelling will become more sophisticated over time.

Council Tax

The tax base for 2014/15 reflected the required adjustments as a result of the localisation of Council Tax Benefits and changes to associated funding which was implemented from 2013/14.

A new Local Council Tax Scheme (LCTS) was introduced in 2013/14 which, as a result of the localisation of Council Tax Benefits, allows the Council to set its own criteria for offering reduced Council Tax for those eligible.

The changes to discounts, exemptions and LCTS are now in place, and the LCTS administration grant has been confirmed and included in the forecast position.

For 2016/17 there has been a 0% increase in Council Tax. For 2017/18 onwards this is assumed at 1.99%, set just below the Governments referendum limit of 2%.

Adult Social Care Precept

As set out in the Autumn Spending Review local authorities with adult social care responsibilities can now increase Council Tax by a further 2% adult social care precept. The MTFs assumes this precept will be taken in all years as the calculated increase in funding needed for adult social care far outweighs the income gained from this precept.

Revenue Support Grant Update Post Settlement

Historically a major source of funding for the Council has been the Revenue Support Grant (RSG), however since the austerity measures have been introduced this grant has been reduced drastically with the Council seeing a 28.5% reduction in 2015/16, and a 24.1% reduction in 2016/17.

Housing Benefit Administration Subsidy

In addition to the changes resulting from the localisation of Council Tax Benefits, Housing Benefit is to be phased out and replaced by Universal Credit. As such there was an expectation that Housing Benefit Administration Subsidy, which is funding towards the cost of administering Housing Benefit, may cease from 2016/17.

Confirmation has now been received from the Department for Work & Pensions (DWP) that this funding will continue into 2016/17 whilst the delivery plans for the introduction of the Universal Credit are reviewed.

A further £1.2M of non-recurrent grant funding has therefore been assumed in setting the forecast position for 2016/17.

Public Health Grant

The Public Health Grant that was introduced in April 2013, will continue to be a ring-fenced grant to Local Authorities into 2016/17 and 2017/18. The allocation will be subject to a new formula and will incorporate the transfer of funding for Children's 0-5 Public Health services. The final allocation of Public Health grant for 2016/17 is still to be confirmed for local authorities. As part of the spending review it was announced that there would be further reductions in the grant, in addition to the £200M announced for 2015/16, through to 2020/21, as outlined in the table below.

Public Health Grant Reductions

	2016/17	2017/18	2018/19	2019/20	2020/21
Percentage reduction in total grant from 2015/16 baseline	2.2%	2.5%	2.6%	2.6%	0%

The Council is committed to identifying savings from within the total Public Health programme, comprising the delivery of internal and external services, in order to achieve the level of savings required.

Care Act

The Care Act 2014 came into force 1 April 2015. The Act deals with the reform of adult social care and support legislation. The introduction of the Act was to be phased over two years. Changes including the rights of Carers, a national eligibility criteria and universal Deferred Payments which came into force on 1 April 2015. However the changes programmed to come into force from 1 April 2016, including the funding reforms, have now been postponed until at least 2020. This decision was taken nationally in recognition of the overwhelming pressure, across the country, within Adult Social Care services. In recognition of this the government have announced the flexibility for local authorities to increase the council tax by a further 2% as an Adult Social Care precept above the 1.99% referendum limit.

It is currently viewed that the additional burdens introduced from April 2015 have been met within the additional funding provided during 2015/16. It is also assumed for 2016/17 that the continued contribution from the Better Care Fund and funding levels announced within the

settlement, although no longer subject to a specific grant, will be sufficient to meet the cost of these responsibilities in 2016/17.

New Homes Bonus

To encourage an increase in the number of homes available in the UK, in 2011 the Government brought in a grant payable to local authorities referred to as the New Homes Bonus. This grant was calculated based on the amount of extra council tax revenue raised for new build homes, conversions and long term empty homes brought into use, with an additional payment for affordable homes. This grant was payable for 6 years.

The PLGFS provided a further update on the scheme with funding confirmed up to and including 2019/20. The funding for 2016/17 will be allocated on the basis of the current methodology, however, consultation closed on March 10th 2016 to seek views on how the funding should be allocated from 2017/18. Additional funding assumptions have now been included in the medium term financial forecast but due to the uncertainty around methodology, has been included per the allocations provided for within the PLGFS. These are shown in the below:

New Homes Bonus Allocations

	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M
New Homes Bonus Assumption	5.96	5.96	3.80	3.70
Returned Funding	0.14	0.00	0.00	0.00
Total	6.10	5.96	3.80	3.70

Education Services Grant

The Education Services Grant received by local authorities will be reduced in 2016/17 as the per pupil rate has reduced from the 2015/16 level of £87 to £77 for 2016/17. For Southampton this will mean an estimated minimal reduction in grant of £0.30M. The grant is calculated based on several rates per pupil dependant on the type of educational establishment they attend. A decrease in the number of pupils attending maintained schools during the year will adversely affect the grant level. Assumptions regarding the number of schools converting to Academies during 2016/17 indicate that the reduction in grant is more likely to be £0.50M for Southampton.

The longer term view of the Government is that local authorities will no longer run local schools, forecasting this will create a governmental saving of £600M on the Education Services Grant. The estimated impact on Southampton will be a reduction in grant of £1.70M by 2018/19.

Other grants

The Council receives a variety of other grants from Government and the MTFs assumes these will decline over the life of the forecast to circa £0.3M, as per the PLGFS.

The result of these assumptions is that the Council will receive minimal levels of funding from Central Government by the end of the term of the MTF5. This is in line with the PLGFS and the Government's Autumn Statement.

Pay Inflation

Assumptions have been made in the forecast about the likely level of pay inflation that will apply from April 2016. As a large proportion of the Council's expenditure is pay related, this can have a significant impact if actual rates are much higher than predicated.

The previous MTF5 model was based on a pay award of 2% per annum, however following the Government's announcement in the summer budget to cap public sector pay awards at 1% this assumption has now been amended to 1% over the medium term.

National Living Wage

The Government's July 2015 budget announcement introduced a new premium for those aged 25 and over leading to a new National Living Wage (NLW) of £7.20 in April 2016. The Government's ambition is for the NLW to increase to 60% of the median earnings by 2020, and it will ask the Low Pay Commission to recommend the premium rate in light of this ambition going forward. Based on Office of Budget Responsibility forecasts, this means the NLW is expected to reach over £9 by 2020.

The Council has adopted the National Living Wage Foundation's recommended living wage, which is currently £8.25 (set in November 2015 but implemented by the Council from 1st April 2016), for payment of SCC employees, and this rate is presently higher than the initial NLW.

The Council is mindful of the impact of the NLW on its suppliers, in particular on social care providers, but at present does not intend to alter any of its existing contracts to take account of NLW.

Ending of Contracted out Pensions Schemes

Provision has also been made for the financial impact of changes made to the national pension arrangements which no longer allow National Insurance Rate reductions to public sector employees who opt out of SERPS from 2016/17.

This has been based on the assumption the current staffing levels will continue.

General Inflation

Assumptions have been made in the forecast about the likely level of general inflation that will apply from April 2016. If inflation were to increase at a higher rate than anticipated then this would have an impact on the Council, not least because the Council's major outsourced/partnership contracts are uplifted by indexation linked to inflation on an annual basis.

Current indications are that in the short term an increase is unlikely. However, the risk has been mitigated by the inclusion of amounts in the Risk Fund to cover key elements of inflation, for example in relation to fuel and energy costs, which can be volatile.

Beyond this provision, it is likely that this would be managed as an 'in year' issue and that services would be expected to absorb the difference.

Pension Fund – Past Service Pension Cost and Compulsory Added Years

Employer contributions to the Hampshire Local Government Pension scheme will be reviewed as part of the 2017 triennial revaluation process, with any resulting change in rates applying from April 2017. The position for past service costs and compulsory added years has been included within the forecast for 2016/17 to 2019/20, the using the current valuation from Hampshire County Council an 8.8% per annum increase for the six year period 2014/15 to 2019/20 is assumed within the MTFS Model.

Public Sector Employment – Restrictions on Exit Payments

The Enterprise Bill for 2015 sets up new restrictions on public sector exit payments with a cap of £95,000 being implemented in 2016/17. No date has been stated but is expected to be late summer/early autumn 2016. In addition to a cap being introduced new regulations come into force from April 2016 on the requirement to repay exit payments for up to 12 months after exit payment if further employment is undertaken within the public sector during that time.

In summary:

- Exit payment will be restricted to a cap of £95,000;
- This includes the pension strain costs for all employees aged 55 and over, it is expected that the LGPS regulations will also be amended to limit the liability to the local authority to £95,000;
- Includes redundancy payment, severance or ex-gratia payments, payments for outstanding entitlement such as annual leave owing, compensation under the terms of a contract and pay in lieu of notice; and
- Effective from the 1st April 2016, there will be sliding scale of repayment for any one earning £80,000 or more who returns to public sector employment after 1 day and up to 12 months after leaving.

The implications for these changes are currently being assessed by HR and Payroll and in consultation with Hampshire County Council. A review is being undertaken of the leavers process and paperwork and the required communication to current leavers earning in excess of £80,000.

The financial impact of these changes will be considered in due course and built into future updates of the medium term financial forecast.

INTRODUCTION TO THE BUDGET FOR 2016/17

The Council's budget for 2016/17 was approved by Full Council on 10th February 2016 following extensive consultation and consideration by the Members. An extract of the covering report is set out below detailing the budget package for 2016/17, the full report including the appendices can be found by following this link:

<http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=122&MId=3047&Ver=4>

The original budget gap for 2016/17 was £39.1M as detailed in the February 2015 Budget report. Changes to the roll forward position in 2015/16 reduced this budget gap for 2016/17 to £33.7M. Savings identified for 2016/17 total £29.8M with the balance of £3.9M being met from General Fund Balances.

Summarised below is the budget package that was put forward by the executive for consideration and approved by Full Council on 10th February 2016. The detailed analysis is reflected in the budget requirement set out in the Medium Term Financial Model on page 24. The proposals are based on a 0% Council Tax increase and a 2% Social Care Precept on Council Tax and include a draw from balances of £3.9M. Full details of the savings proposals can be found in appendices 6 and 7 of the full budget report. A summary is provided on page 26.

	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M
Net Revenue Expenditure (Incl. Savings)	181.0	190.4	192.4	200.4
Funded By:				
Grant & Other Income	(96.1)	(81.6)	(73.6)	(67.1)
Draw from Balances	(3.9)	0.0	0.0	0.0
Social Care Precept	(1.6)	(3.2)	(5.0)	(6.8)
Council Tax Requirement	(79.4)	(81.0)	(82.6)	(84.2)
Total Funding	(181.0)	(165.8)	(161.1)	(158.1)
Saving Requirement	(0.0)	24.6	31.3	42.3

COUNCIL TAX

The Executive are recommending no increase in Council Tax for 2016/17, with regard to the general power to increase council tax by 1.99% prior to referendum. They are recommending that council tax is increased by 2.00% for the Adult Social Care Precept, and all of this increase will be used to fund Adult Social Care. The Council Tax Requirement shown in Appendix 9 of the Budget Report, takes into account Government Grants and an assumed surplus on the Collection Fund at the end of 2015/16, £81M is the level of council tax required

to provide a balanced budget for 2016/17. This is then divided by the council tax base set by the S151 Officer, following consultation with the Cabinet Member for Finance, to give the basic amount of council tax for the year of £1,313.55 plus £26.27 for the Adult Social Care Precept making a council tax of £1,339.82, this is a 2.00% increase. The full calculation is set out in Appendix 9 of the Budget Report.

The estimates of the payments from the Collection Fund in the form of precepts for 2016/17 are set out in Appendix 10 of the Budget Report. This also details the increase in Council Tax by property band for 2016/17.

This includes figures for the Police & Crime Commissioner (PCC) and the Fire Authority, for council tax increases of 1.99% for a Band D property.

General Fund Balance

It is important for Cabinet and Council to consider the position on the General Fund Balance. Balances are used either to:

- support revenue spending,
- support the capital programme, or

provide a 'working' balance at a minimum level suggested by the S151 Officer with any projected excess being available to fund any one-off expenditure pressures or to reduce the council tax on a one-off basis.

Several years ago, CIPFA issued guidance on a risk based approach to setting an appropriate level of reserves. The S151 Officer 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; and
- VAT partial exemption risk.

This calculation is reviewed annually and updated to reflect current levels of expenditure, income, treasury management operations and any new considerations such as partnership arrangements. This level was reviewed in 2015/16 and the S151 officer recommended that the minimum level of balances be £5.5M in line with good practice guidance. Appendix 12 of the Budget Report Chief Financial Officer's Statement on the Budget sets out this review.

The table below shows the position for the General Fund balance after taking into account the budget proposals set out in the Budget Report and the current update of the Capital Programme.

	2015/16	2016/17	2017/18	2018/19
	£M	£M	£M	£M
Opening Balance	(19.9)	(12.8)	(8.9)	(8.9)
(Draw to Support) / Contribution from Revenue	7.1	3.9	-	-
Closing Balance	(12.8)	(8.9)	(8.9)	(8.9)

The current level of balances reflects the budget proposals set out in the Budget Report. £8.9M of these proposals will still be the subject of consultation at this stage, should as a result of the consultation the savings proposals not be progressed the shortfall will impact on the General Fund Balance and Reserves, until alternative proposals can be progressed.

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.

The minimum level of balances is currently set at £5.5M. The above prediction indicates that the level of minimum balances will be maintained in the medium term, subject to the consultation.

Presently, £3.4M is forecast to be available within balances above the minimum as a consequence of the position set out in the Budget Report. Given the fact that this is a forecast position and a number of proposals are subject to consultation it would not be prudent to utilise this amount at this stage of the financial year. However, any amount that is available within balances may be used to fund future initiatives, cover future liabilities or contribute to the revenue budget in future years.

Earmarked Reserves

As part of the Administration's November 2015 Council report £10.3M of savings in 2015/16 were identified. At the time of writing the report it was expected that these would be required to ensure a balanced position in 2015/16. However, current forecasts are showing a much lower projected overspend of £0.12M in 2015/16. This created some headroom in the overall 2015/16 financial position proposed, enabling a contribution to reserves (Medium Term Financial Risk Reserve). This is in recognition that the budget forecasts for 2016/17 onwards remains extremely challenging. It is expected that some of the Medium Term Financial Risk Reserve would need to be utilised if any of the savings subject to consultation are not taken forward.

PRESSURES

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 and cannot be addressed by savings/efficiencies. 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 is not adequate for the level of demand within the service. The pressures arising since the November 2015 Budget Report amount to £4M and are detailed in Appendix 5 of the Budget Report. The main areas are:

- Adults Social Care £1.2M – relating to the increase in demand and package costs
- Adult Social Care - £0.4M – relating to expected loss of government funding for Independent Living Fund (assuming 50% loss of grant) and Deprivation of Liberties grant (assuming 100% loss of funding). Whilst the expectation is the funding will be lost the council are still required to continue with these services
- Children’s Social Care £1.8M – relating to the cost of agency staff coupled with a higher than anticipated number of safeguarding cases and difficulties recruiting in this area.
- Other pressures – including waste disposal volumes, social workers market supplements to improve recruitment and retention.

OVERALL CHANGE IN ROLL FORWARD POSITION

The table below summarises the impact of the above on the 2016/17 position.

	2016/17
	£M
Original Savings Requirement as per February 2015 Report	39.1
<u>Previously Reported Changes</u>	
Reduced Pay Award Provision	(0.8)
Reduced inflation Provision	(0.4)
Adult Social Care Pressures	4.0
Children’s Social Care Pressures	5.0
Funding to Support Roads Capital Programme	0.4
Release of Pressures & Risk Provisions	(2.8)
New Homes Bonus	(4.5)
Increase in Business Rates and Council Tax	(1.8)
Collection Fund Surplus 2015/16	(3.8)

<u>Provisional Local Government Finance Settlement</u>	
Revenue Support Grant	(1.8)
New Homes Bonus	(1.6)
Business Rates	1.0
Improved Better Care Fund	0.0
Other Government Grants	(1.2)
Adult Social Care Council Tax Precept @2.00%	(1.6)
<u>Other Changes</u>	
Removal of Council Tax increase @1.99%	1.5
Increase in Council Tax Base	(1.0)
Further identified pressures (Appendix 5)	4.0
Revised Savings Requirement	33.7

SAVINGS PROPOSALS

The specific proposals in the General Fund Revenue Budget Report as set out in Appendices 6 & 7 and outlined in the following paragraphs represented the Executive's budget proposals for 2016/17.

The November 2015 Council report set out budget proposals post consultation of £9.4M relating to 2016/17 to be implemented during 2015/16.

Following further work on potential savings proposals a report was taken to November 2015 Cabinet, recommending that £13M of savings proceed to consultation stage. The results of the consultation are attached at Appendix 1 of the General Fund Revenue Budget Report 2016/17 to 2019/20.

The savings of £11.9M were approved leaving a remaining savings requirement of £12.4M to be addressed.

As a result of this remaining gap further work was undertaken identifying potential savings. These are detailed in Appendix 6 of the General Fund Revenue Budget Report 2016/17 to 2019/20 and totalled £8.5M. This report recommended that these savings progress to consultation and the results of this consultation be reported back to Cabinet in due course.

If all these savings are implemented this would leave a remaining savings requirement of £3.9M. It is proposed to utilise available General Fund Balance to address this.

This gives a total savings programme of £29.8M in 2016/17.

	2016/17
	£M
Revised Savings Requirement	33.7
Savings already implemented	(9.4)
November 2015 Savings Proposals	(11.9)
February 2016 Savings Proposals	(8.5)
Remaining Gap to be funded from General Fund Balance	3.9

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.

Change to Draw on Balances

The General Fund Balance in 2016/17 is expected to be £12.8M. The budget report details a requirement to maintain this balance at £5.5M. Therefore £3.9M of this balance was recommended for release to support to General Fund budget.

It was also recommended that should any of the savings being proposed for consultation be removed as a result of this consultation, the shortfall is initially drawn from balances, until alternative savings options are identified.

TREASURY MANAGEMENT

The Treasury Management Strategy is reviewed annually and provides the framework within which authority is delegated to the Service Director for Finance and Commercialisation to make decisions on the management of the City Council's debt and investment of surplus funds.

The City Council is able to borrow on a long term basis to finance capital and on a short term basis to manage cash flow fluctuations. The Council is also able to invest surplus funds.

The core elements of the 2016/17 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; and

To approve borrowing limits that provide for debt restructuring opportunities and pursue debt restructuring where appropriate and within the Council's risk boundaries.

Investment Strategy

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £92M and £125M. As at December 2015, the authority had internal investments amounting to £94.7M with an average rate of return of 1.30%.

The current strategy is to continue to diversify into more secure and/or higher yielding asset classes in 2016/17 as there is increasing risk and low returns from short term unsecured bank investments.

Investment limits are set as part of the strategy to help mitigate and spread risk across a number of financial institutions. The Service Director for Finance and Commercialisation has delegated authority to review these in year and they will be updated quarterly as relevant in line with advice received from the Council's treasury management advisors, Arlingclose.

STAFFING IMPLICATIONS

The City Council employs 3,450 non-school employees and their 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, the savings proposals put forward, (as set out in Appendices 6 & 7 of the Budget Report), will have an impact on staff cost and staff numbers.

The Council has therefore continued to have in place a carefully planned approach to recruitment, ensuring that vacant posts have only been recruited to where absolutely necessary and essential for key service delivery.

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

Based on the current savings proposals contained in the budget 194.60 Full Time Equivalent (FTE) posts are impacted, of which 37.01 FTE of posts are vacant. The post holders will either be at risk of being made redundant or be subject to TUPE transfer, and up to 158 individuals are impacted.

This adds 4.28 FTE posts to the previous proposals outlined at November 2015 Cabinet and Council. In addition to these the revised Operating Model and Children's Services efficiencies are to be extended to the next phase (2016/17) with a further impact on staff and overall staffing numbers. Any impact on

staffing and options for service re-design will continue to be fully explored with affected employees and trade union representatives to inform final proposals and minimise redundancies.

Through the consultation process the Executive has explored 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 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

CAPITAL

The Capital Programme Report details the capital programme for 2015/16 to 2019/20. Further information can be found on page 57. All revenue implications of the capital projects have been built into both the General Fund Estimates and the HRA Business Plan.

HRA

The national self-financing regime for the Housing Revenue Account (HRA) was introduced in April 2012. A 30 year HRA Business Plan, covering both capital and revenue expenditure projections, has been prepared using the planning principles agreed by Council in November 2011 and amended by subsequent budget reports.

The main points to note are:

- All HRA debt can be repaid over the 30 year life of the plan.
- The capital spending plans include provision to maintain and improve all existing dwellings 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 tenant's 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 limit of £199.6M, also known as the 'debt cap'. Additionally, a reserve of at least £6M borrowing headroom is retained throughout.
- A provision of £130M 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. This provision has been phased between year 9 and year 30 of the plan.

- In addition, the funding of £10M for Citywide Estate Regeneration is retained and now £7.7M is included to buy back properties as part of the Townhill Park Estate Regeneration.
- The revenue budget meets the minimum balances of £2M over the life of the plan.

The HRA Business Plan has consistently shown revenue balances that increase above minimum levels within the 30 year period. This remains the case, although in the proposed updated plan for 2016/17 onwards the year 30 projected revenue balance will be reduced to £18.8M compared to the equivalent figure of £80.6M in the previous approved plan, due to the impact of the 1% reduction in rents. The predicted revenue surpluses do not begin to significantly exceed minimum levels until 2026/27, rather than 2022/23 in the previous plan limiting capacity and flexibility for new schemes or additional expenditure for this period.

- 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. Further detail can be found on page 56.

CONCLUSION

The current forecast position for the Council remains very challenging, whilst it is better than previously expected as a result of the additional funding and flexibilities regarding Adult Social Care Precept. The Council will have seen a reduction in its grant funding of 55% between 2015/16 and 2019/20 alongside increasing demand for services and funding reducing at an unprecedented rate. This does however produce some opportunities to reshape how the Council currently operates and interact with its customers and this is being explored as part of the Efficiency Strategy and Transformation programme that is already in place.

If the Council is to achieve a £42.3M saving by the end of the period of this Medium Term Financial Strategy, it will need to stop carrying out some services, transform the way in which delivers services, provide less of other services and completely reshape the Council and the way it operates.

MEDIUM TERM FINANCIAL MODEL (PRIOR TO SAVINGS ALLOCATION)

GENERAL FUND REVENUE ACCOUNT

	2015/16 Budget £M	Base Changes £M	2016/17 Budget £M	Base Changes £M	2017/18 Budget £M	Base Changes £M	2018/19 Budget £M	Base Changes £M	2019/20 Budget £M
Children's Services	38.95	6.32	45.28	(0.75)	44.53	(0.50)	44.03	-	44.03
Communities Culture and Leisure	7.08	(1.70)	5.38	-	5.38	-	5.38	-	5.38
Environment & Transport	22.32	(1.45)	20.87	(0.04)	20.83	-	20.83	-	20.83
Finance	35.51	(0.17)	35.34	(0.20)	35.14	-	35.14	-	35.14
Health & Adult Social Care	57.85	4.37	62.22	3.15	65.36	2.20	67.56	2.40	69.96
Housing & Sustainability	1.81	0.78	2.58	-	2.58	-	2.58	-	2.58
Leader's Portfolio	11.04	1.94	12.99	1.32	14.31	(1.96)	12.35	-	12.35
Transformation	0.64	(7.16)	(6.52)	(3.82)	(10.34)	0.56	(9.78)	0.28	(9.51)
Pressures - Future Years	-	-	-	1.00	1.00	1.00	2.00	1.00	3.00
Base Changes & Inflation	-	0.30	0.30	8.58	8.88	9.35	18.23	9.52	27.74
Improved Better Care Fund	-	-	-	(0.60)	(0.60)	(3.80)	(4.40)	(3.30)	(7.70)
Portfolio Expenditure	175.20	3.23	178.43	8.64	187.07	6.84	193.91	9.89	203.80
Levies & Contributions	0.63	-	0.63	-	0.63	-	0.63	-	0.63
Capital Asset Management	1.96	2.57	4.53	5.65	10.18	-	10.18	-	10.18
Other Expenditure & Income	13.81	(7.85)	5.96	2.08	8.04	(0.70)	7.34	(0.70)	6.64
February Savings	-	(8.57)	(8.57)	(6.91)	(15.48)	(4.16)	(19.64)	(1.20)	(20.84)
Net Revenue Expenditure	191.60	(10.62)	180.98	9.46	190.44	1.98	192.43	7.99	200.41

	2015/16	Base	2016/17	Base	2017/18	Base	2018/19	Base	2019/20
	Budget	Changes	Budget	Changes	Budget	Changes	Budget	Changes	Budget
	£M	£M	£M	£M	£M	£M	£M	£M	£M
Funding									
Addition to / (Draw From) Balances	(7.13)	3.24	(3.89)	3.89	-	-	-	-	-
Council Tax	(77.27)	(2.16)	(79.43)	(1.57)	(81.00)	(1.55)	(82.55)	(1.63)	(84.18)
Adult Social Care Council Tax Levy	-	(1.58)	(1.58)	(1.64)	(3.22)	(1.76)	(4.99)	(1.83)	(6.82)
Other Government Grants	(4.27)	1.35	(2.92)	1.05	(1.87)	0.22	(1.65)	0.61	(1.04)
Revenue Support Grant	(42.86)	10.32	(32.55)	9.30	(23.25)	6.19	(17.06)	6.27	(10.79)
New Homes Bonus	(4.34)	(1.62)	(5.96)	0.00	(5.96)	2.16	(3.80)	0.10	(3.70)
New Homes Bonus Returned Funding	-	(0.14)	(0.14)	0.14	0.00	-	0.00	-	0.00
Business Rates	(46.55)	(0.92)	(47.48)	(0.47)	(47.94)	(0.47)	(48.42)	(0.48)	(48.89)
Top Up Grant	(1.60)	(0.02)	(1.62)	(0.03)	(1.65)	(0.05)	(1.70)	(0.06)	(1.76)
S31 Business Rates Grants	(0.80)	(0.08)	(0.88)	0.68	(0.20)	-	(0.20)	-	(0.20)
Other Business Rates Relief Grants	(1.20)	0.46	(0.74)	0.01	(0.73)	-	(0.73)	-	(0.73)
Collection Fund Surplus	(5.57)	1.77	(3.80)	3.80	-	-	-	-	-
Total Funding	(191.60)	10.62	(180.98)	15.16	(165.82)	4.73	(161.09)	2.98	(158.10)
Savings Requirement	0.00	0.00	0.00	24.62	24.62	6.71	31.34	10.97	42.31

SUMMARY OF SAVINGS PROPOSALS 2015/16 TO 2019/20

SAVING PROPSALS SUMMARY TABLE	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Implement- ation Cost	FTE In Post	FTE Vacant
Communities, Culture & Leisure	0	(332)	(332)	(332)	(332)	137	5.60	3.00
Education and Children's Social Care	0	(1,034)	(3,234)	(5,234)	(5,234)	0	0.00	2.00
Environment & Transport	0	(3,088)	(3,186)	(3,226)	(3,226)	40	22.08	19.93
Finance	(8,402)	(9,892)	(7,333)	(9,240)	(9,240)	0	10.00	3.15
Housing & Sustainability	0	(108)	(108)	(108)	(108)	0	1.41	0.93
Health & Adult Social Care	0	(2,800)	(3,975)	(5,100)	(5,540)	600	3.00	4.00
Leaders	(1,945)	(2,867)	(3,467)	(4,517)	(5,275)	0	2.50	3.00
Cross Cutting	0	(9,735)	(14,058)	(13,500)	(13,225)	500	113.00	1.00
Total August & November Savings Proposals	(10,347)	(29,856)	(35,693)	(41,257)	(42,180)	1,277	157.59	37.01

Revenue Budget 2016/17

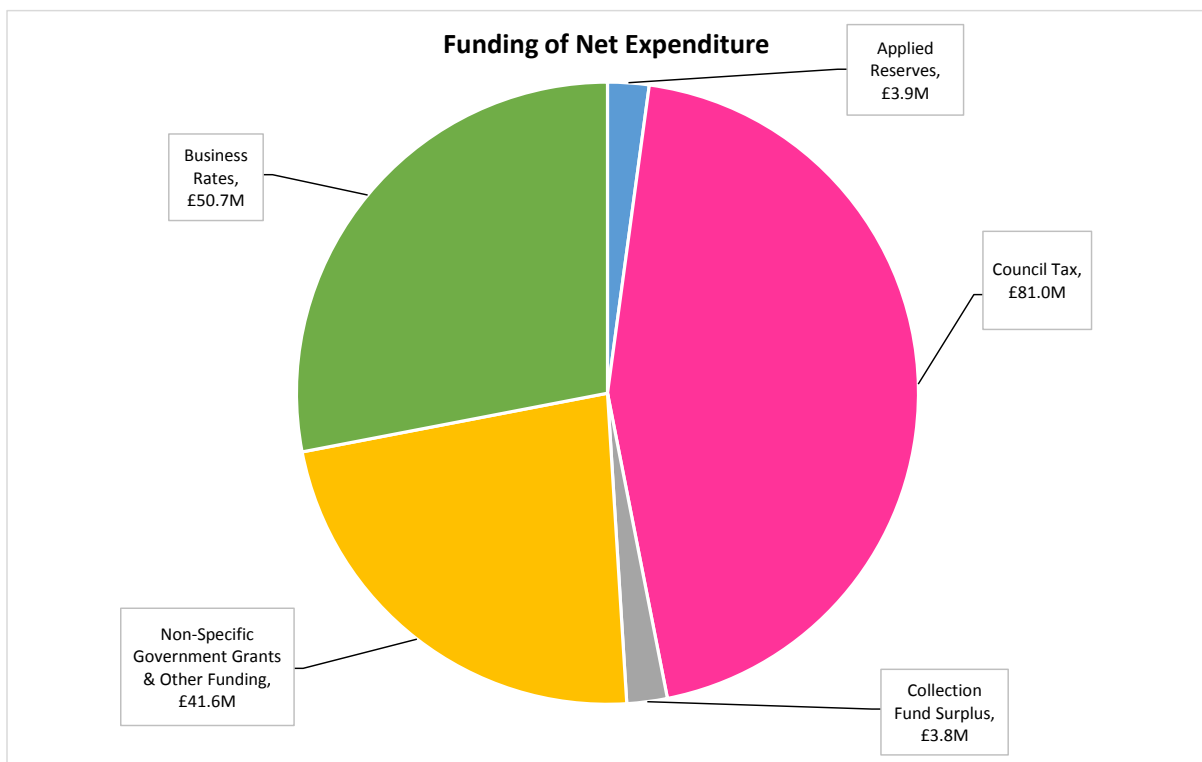
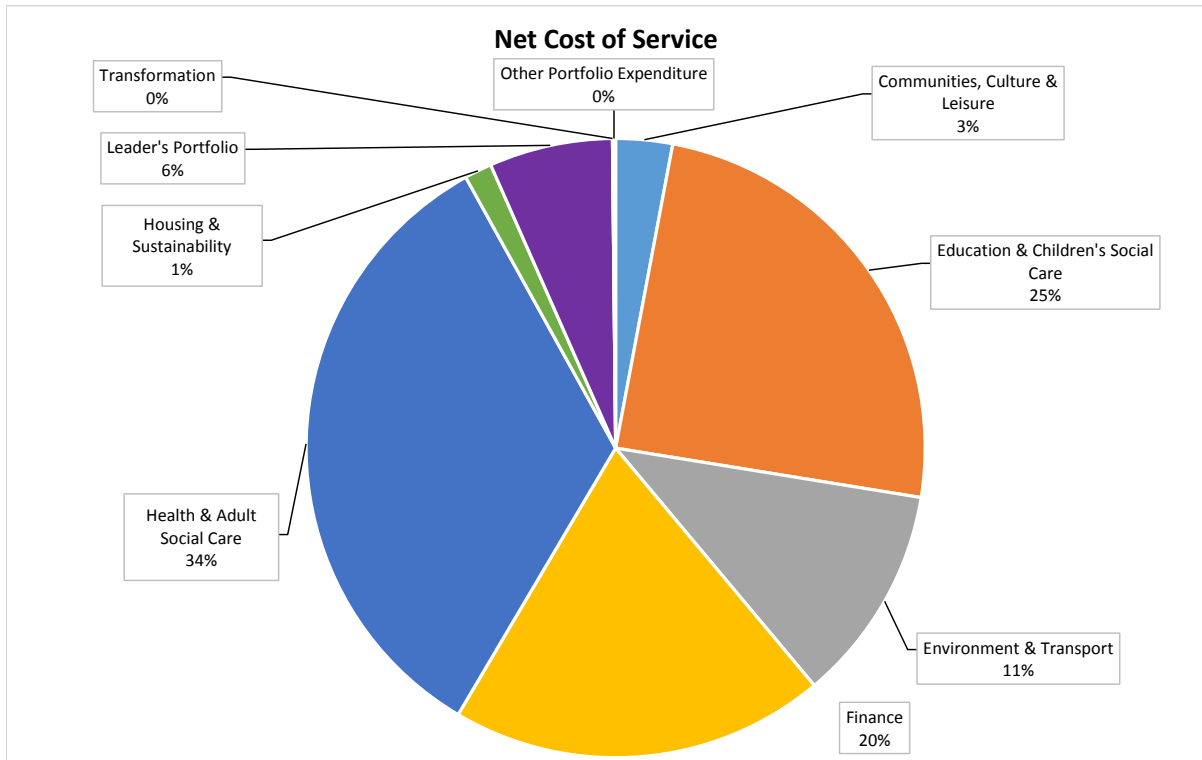
SOUTHAMPTON CITY COUNCIL

General Fund Functional Summary

Summary	2016/17 Original Estimate as approved by Council Feb 2016 £000	2016/17 Band D Equivalent £
Portfolios		
Communities, Culture & Leisure	5,340.0	40
Education & Children's Social Care	44,360.0	328
Environment & Transport	20,476.9	152
Finance	35,337.0	262
Health & Adult Social Care	60,339.0	447
Housing & Sustainability	2,584.1	19
Leader's Portfolio	11,637.6	86
Transformation	(10,016.0)	(74)
Base Changes & Other	296.2	2
Net Cost of Service	170,354.8	1,261
Cost of Capital	4,038.0	30
Levies & Contributions	632.2	5
Other Expenditure & Income		
Trading Areas (Surplus) / Deficit	(13.3)	(0)
Net Housing Benefit Payments	(192.2)	(1)
Open Spaces & HRA	435.7	3
Risk Fund	3,000.0	22
Contingencies	250.0	2
Other	19.5	0
	3,499.7	26
NET GF EXPENDITURE	178,524.7	1,322
Addition to / (Draw from) Reserves	2,455.5	18
Total Expenditure to be Funded	180,980.2	1,340

Revenue Budget 2016/17

SOUTHAMPTON CITY COUNCIL



Total £180.98M

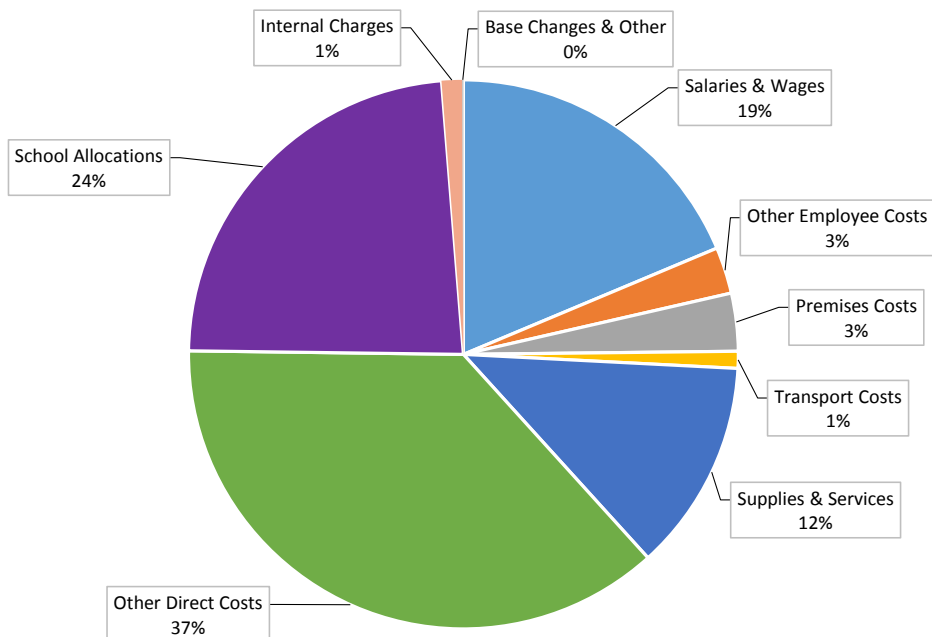
Revenue Budget 2016/17

SOUTHAMPTON CITY COUNCIL

Total Revenue Budget

Subjective Analysis	2016/17 Original Estimate as approved by Council Feb 2016	2016/17 Expenditure
	£000	%
Expenditure		
Salaries & Wages	79,255.7	18.7
Other Employee Costs	11,618.2	2.7
Premises Costs	14,452.1	3.4
Transport Costs	4,234.5	1.0
Supplies & Services	52,911.6	12.5
Other Direct Costs	156,695.9	36.9
School Allocations	99,808.6	23.5
Internal Charges	5,108.8	1.2
Base Changes & Other	296.2	0.1
Total Expenditure	424,381.6	100.0
Income		
Fees, Charges & Rents	(47,552.7)	
Grants / Contributions	(45,900.3)	
Education Funding	(136,511.8)	
Internal Income	(24,062.0)	
Total Income	(254,026.8)	
Net Cost of Service	170,354.8	

Net Cost of Service - Expenditure



Revenue Budget 2016/17

SOUTHAMPTON CITY COUNCIL

Council Tax Base

Properties per Band after discounts and exemptions:	
A - less than £40,000*	19,537
B - £40,000 to £52,000*	25,316
C - £52,001 to £68,000*	18,176
D - £68,001 to £88,000*	7,793
E - £88,001 to £120,000*	2,662
F - £120,001 to £160,000*	1,260
G - £160,001 to £320,000*	379
H - above £320,000*	1
TOTAL	75,124
Band D Equivalent	62,366
Collection Rate	96.95%
Tax Base	60,464

* Property Valuation at 01/04/1991

Key Statistics - Finance

Council Tax - Number of chargeable dwellings	99,860
Council Tax - Net collectable charge	£81.0M
Business Rates - Number of commercial properties	6,626
Business Rates - Net collectable charge (retained)	£50.7M
Local Council Tax Support Scheme 2014/15 -	
Number of people in receipt of a reduced bill	22,219
Total Council Tax foregone	£15.3M

Revenue Budget 2016/17

SOUTHAMPTON CITY COUNCIL

Summary of Charges to be Levied

CT Band	Council Tax Band Limits Property Value	2015/16 Council Tax £	2016/17 Council Tax £
A	Less than £40,000	1,021.51	1,041.91
B	£40,000 to £52,000	1,191.76	1,215.57
C	£52,001 to £68,000	1,362.01	1,389.22
D	£68,001 to £88,000	1,532.26	1,562.88
E	£88,001 to £120,000	1,872.77	1,910.19
F	£120,001 to £160,000	2,213.27	2,257.50
G	£160,001 to £320,000	2,553.78	2,604.79
H	Above £320,000	3,064.53	3,125.76

The Council Tax is a property-based charge with only one bill for each household. Every property is allocated a band according to its market value as at 1 April 1991. The band is not set by the council but by the Valuation Office Agency which is part of HM Revenue and Customs (HMRC).

Business Rates	2015/16 per £ rateable value	2016/17 per £ rateable value
Small Business Multiplier	48.0p	48.4p
Higher Multipliers	49.3p	49.7p

The council collects the business rates in Southampton; 50% is given to Central Government and 1% to the Fire and Rescue Authority and Police.

All occupiers of commercial properties pay business rates, called the Non-Domestic Rates (NDR).

The rate each business pays is based on the rateable value of the property.

Rateable values are assessed by the Valuation Office Agency, part of HM Revenue and Customs. They are not decided by the council.

Occupiers of small businesses with a rateable value of less than £6,000 will pay no rates in 2016/17. Ratepayers with a rateable value of less than £18,000 will be charged at a lower rate (under £12,000 may be eligible for a further discount) under Small Business Rate Relief.

Charities are entitled to receive rate relief if they meet certain criteria.

Revenue Budget 2016/17

SOUTHAMPTON CITY COUNCIL

Key Statistics - City of Southampton

Area	51.81km ²
Age Structure (estimate mid-year 2014)	
0 - 4	16,306
5 - 14	24,945
15 - 24	49,147
25 - 34	41,277
35 - 44	30,627
45 - 64	50,344
Over 64	32,644
	<hr/>
	245,290
	<hr/>
Number on Electoral Roll	159,272 *
Number of Councillors	48
Represented by:	**
The Labour Group	25
Conservative Party	20
Councillors Against Cuts	2
Independent Party	1

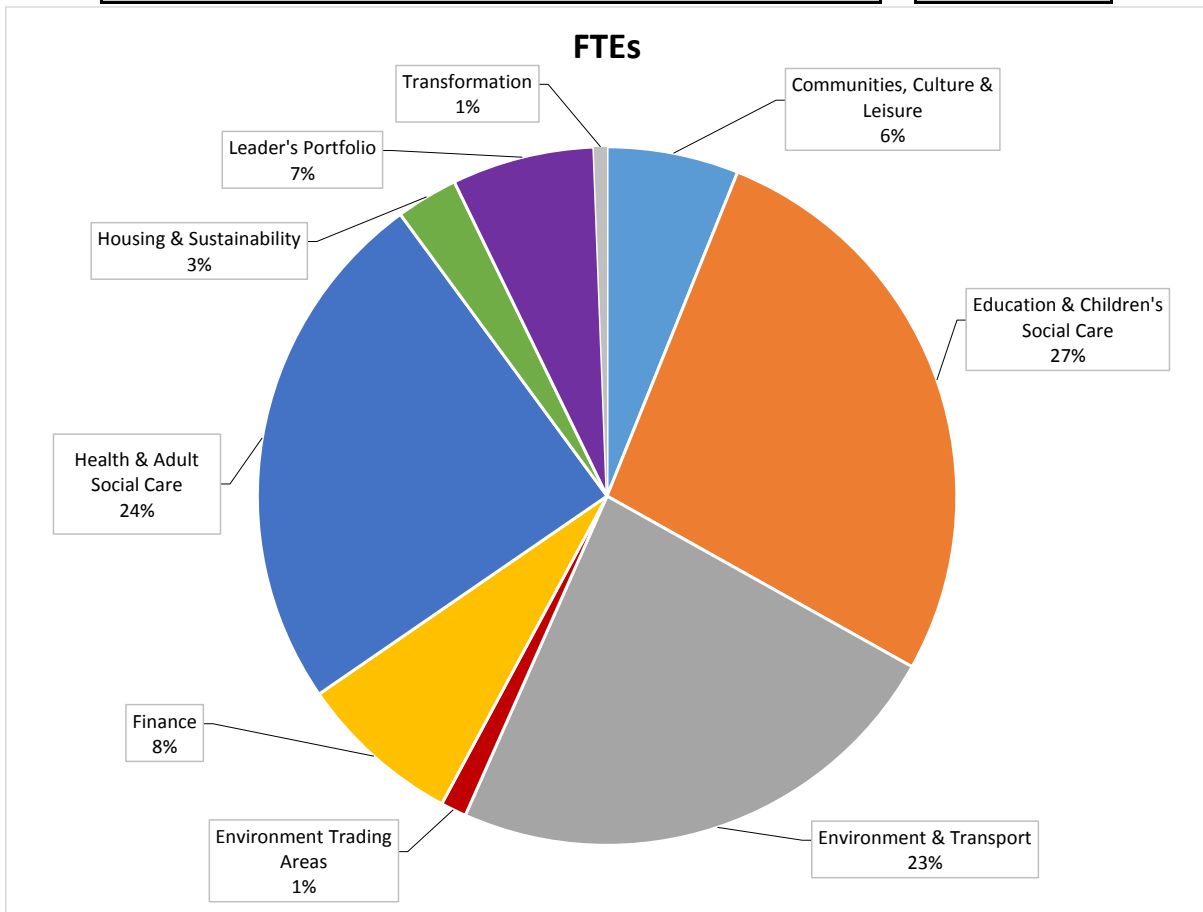
* 1st December 2015

** January 2015

Revenue Budget 2016/17

SOUTHAMPTON CITY COUNCIL STAFFING - ESTIMATED FULL TIME EQUIVALENTS

Service	2016/17 Estimate 01/04/2016
Communities, Culture & Leisure	127.2
Education & Children's Social Care	564.4
Environment & Transport	490.8
Environment Trading Areas	24.9
Finance	158.0
Health & Adult Social Care	512.0
Housing & Sustainability	60.0
Leader's Portfolio	137.6
Transformation	12.6
General Fund Total	2,087.4



COMMUNITIES, CULTURE AND LEISURE

This portfolio divided into 6 areas. These being:

COMMUNITIES

This area provides support to community centres

- Delivery of the landlord function on behalf of the council, for 16 council-owned community centres and two community buildings
- Support to voluntary management committees and volunteers running these community facilities with advice and help on governance and management

The area also encompasses the Regeneration and City Limits Employment service provides:

- Direct employment support for unemployed and vulnerable adults and young people
- Programmes to increase economic and social inclusion
- Community based regeneration initiatives
- External funding applications to meet strategic objectives

EMERGENCY PLANNING

This area provides responses to incidents in the city to ensure the welfare of the people and the environment. In order to do this the following are some of the plans in place for Southampton:

- Southampton City Council Major Incident Plan
- SotonSafe Off-site Reactor Emergency Plan (and the Radiation Emergency in the Port of Southampton leaflet)
- Southampton Multi Agency Flood Response Plan
- Oil and Chemical Pollution Plan
- Pandemic Influenza Plan
- Heatwave Plan
- Cold Weather Plan

The service works closely with other agencies and emergency services across Hampshire

LEISURE EVENTS

This area covers the management of leisure events in the city including park events and community events.

LEISURE

The strategic direction and client management of the City's Leisure, Culture and Libraries offer also falls within the remit of this portfolio. The Council currently runs 9 libraries, the Art Gallery, Sea City and Tudor House, as well as commissioning the management of the City's many leisure and sporting facilities.

Leisure Key Statistics

Number of facilities managed by Southampton Leisure:	
- Sports centres, swimming pools and Southampton International Climbing Arena	9
- Sports pitches	39
- Golf courses	1
- Bowling greens	2
Approximate number of Southampton Leisure visits (Apr-14 to Feb-15)	136,920
Number of museums and art galleries	3
Number of museum and art gallery visits (excl. learning) (Apr-13 to Mar-14)	134,471
Number of museum and art gallery visits (learning) (Apr-13 to Mar-14)	31,794
Approximate number of items in the collections of museums and galleries	>5,000,000
Number of scheduled monuments and listed buildings	107

SAFER COMMUNITIES

This area plays a role in the partnership work of keeping the City safe. It also hosts the services that are working to combat domestic violence within the City.

YOUTH OFFENDING SERVICE

Southampton Youth Offending Service provides support and interventions to a range of individuals. These are mostly young people aged 10 to 17 who have committed criminal offences. Our work reaches a range of people involved in or affected by youth crime.

Youth justice services we deliver include:

- Preventative work to reduce the number of young people in the criminal justice system
- Professional advice and the preparation of reports for court
- Assessment and supervision of young offenders
- Support for parents of young offenders
- Restorative work between offenders and the victims of youth crime.

We are overseen by a management board which:

- Coordinates the provision of youth justice services
- Consists of appropriate representatives who attend and participate in meetings
- Ensures the provision of accurate and timely data returns, for its own use and for the national Youth Justice Board.

Each youth offending team in England and Wales must set its priorities in a Youth Justice Strategic Plan.

Summary Revenue Budget 2016/17

Portfolio: Communities, Culture & Leisure

Responsible Officer: Heath Mark

Subjective Analysis	2015/16 Original Estimate as approved by Council Feb 2015	2015/16 Revised Budget as advised during budget monitoring	2016/17 Original Estimate as approved by Council Feb 2016	2017/18 Forecast Estimate as approved by Council Feb 2016	2018/19 Forecast Estimate as approved by Council Feb 2016	2019/20 Forecast Estimate as approved by Council Feb 2016
	£000	£000	£000	£000	£000	£000
<u>Expenditure</u>						
Salaries & Wages	3,629.7	3,529.7	3,354.1	3,354.1	3,354.1	3,354.1
Other Employee Costs	147.4	146.5	130.9	130.9	130.9	130.9
Premises Costs	1,163.0	1,129.8	1,118.8	1,118.8	1,118.8	1,118.8
Transport Costs	10.3	23.2	23.7	23.7	23.7	23.7
Supplies & Services	3,272.2	3,491.9	2,907.0	2,907.0	2,907.0	2,907.0
Other Direct Costs	-	31.0	65.9	65.9	65.9	65.9
Internal Charges	162.2	141.4	143.2	143.2	143.2	143.2
Total Expenditure	8,384.8	8,493.5	7,743.6	7,743.6	7,743.6	7,743.6
<u>Income</u>						
Fees, Charges & Rents	(2,089.3)	(1,903.9)	(1,890.3)	(1,890.3)	(1,890.3)	(1,890.3)
Grants / Contributions	(280.3)	(249.9)	(273.1)	(273.1)	(273.1)	(273.1)
Internal Income	(223.7)	(223.7)	(240.2)	(240.2)	(240.2)	(240.2)
Total Income	(2,593.3)	(2,377.5)	(2,403.6)	(2,403.6)	(2,403.6)	(2,403.6)
NET COST OF SERVICE	5,791.5	6,116.0	5,340.0	5,340.0	5,340.0	5,340.0

EDUCATION & CHILDREN'S SOCIAL CARE

The Education and Children's Social Care Portfolio ensures the Council meets its statutory requirements as an Authority in respect of Children and Young People. This includes supporting schools in raising educational standards, keeping children safe, looking after children in care and co-ordinating and developing help for children with special needs.

The Children Act 1989 Section 17 imposes a general duty on local authorities to safeguard and promote the welfare of children in need in their area and so far as is consistent with that duty to promote the upbringing of children by their families by providing a range and level of services appropriate to those children's needs.

Every local authority must protect and promote the welfare of children in need in its area, defined in law as children who are aged under 18 and need services;

- to achieve or maintain a reasonable standard of health or development;
- to prevent significant or further harm to health or development
- or are disabled.

The Children's Social Care area includes the following:

- Multi Agency Safeguarding Hub and Early help
- Child Protection and Investigation
- Looked After Children and Care Leavers
- Safeguarding including LSCB
- Local Authority Designated Officer

The Education and Early Years area includes the following:

- Early Years and childcare funding including the Start Point centres and Childrens Information Service.
- Education Psychologists
- Admissions
- Dedicated Schools Grant – this is the funding that is distributed to maintained schools.
- Virtual School Head Teacher
- Standards and School Improvement
- School Support Services – for example, Music Service
- SEND Service for 0-25 year olds
- Home to School Transport

Children's Services Key Statistics

Childcare Places	2014/15 Q4	2015/16 Q1	2015/16 Q2	2015/16 Q3
Number of childcare places including expansion/contraction of current settings	8,431	8,519	8,497	8,430
Number of 2 yr childcare places	3,845	4,226	4,167	4,414

Population (mid-year estimate 2015)	
Years of Age	No. of Children
0-2	9,983
3-4	6,323
5-16	29,643
0-16	45,949
17	2,634
0-17	48,583
18	3,078
0-18	51,661

Looked After Children (as per CLA Report 28/03/2016)	
Category	No. of Children
Looked after at home (placed with parent(s) or guardian(s))	35
Foster care	368
Residential care (hostels and residential homes/schools)	28
Kinship care (family friends and relatives)	94
With prospective adopters	54
Secure	0
Other	14
Total children looked after	593

SCC Maintained Education Provision		
Category	No. of Units	No. of Pupils
Nursery* (including primary-based)	8	460
Primary*	37	13,094
Secondary*	8	6,825
Special** (including primary- and secondary-based)	7	487
Alternative Provision**	1	160
Total	61	21,026

*As per October 2015 census

**Average at September 2015

Summary Revenue Budget 2016/17

Portfolio: Education & Children's Social Care

Responsible Officer: Drake Kim R

Subjective Analysis	2015/16 Original Estimate as approved by Council Feb 2015	2015/16 Revised Budget as advised during budget monitoring	2016/17 Original Estimate as approved by Council Feb 2016	2017/18 Forecast Estimate as approved by Council Feb 2016	2018/19 Forecast Estimate as approved by Council Feb 2016	2019/20 Forecast Estimate as approved by Council Feb 2016
	£000	£000	£000	£000	£000	£000
<u>Expenditure</u>						
Salaries & Wages	23,188.5	22,109.3	24,057.8	23,370.8	22,870.8	22,870.8
Other Employee Costs	474.9	418.2	561.9	561.9	561.9	561.9
Premises Costs	816.3	793.2	685.3	685.3	685.3	685.3
Transport Costs	2,415.7	2,372.3	2,697.8	2,637.8	2,637.8	2,637.8
Supplies & Services	9,047.4	10,046.1	10,040.5	10,040.5	10,040.5	10,040.5
Other Direct Costs	147,201.7	148,528.0	156,324.9	156,324.9	156,324.9	156,324.9
Internal Charges	120.8	111.7	128.8	128.8	128.8	128.8
Total Expenditure	183,265.3	184,378.8	194,497.0	193,750.0	193,250.0	193,250.0
<u>Income</u>						
Fees, Charges & Rents	(1,440.0)	(1,091.7)	(1,372.8)	(1,372.8)	(1,372.8)	(1,372.8)
Grants / Contributions	(138,652.9)	(140,237.6)	(144,146.7)	(144,146.7)	(144,146.7)	(144,146.7)
Internal Income	(4,208.5)	(4,110.0)	(4,617.5)	(4,617.5)	(4,617.5)	(4,617.5)
Total Income	(144,301.4)	(145,439.3)	(150,137.0)	(150,137.0)	(150,137.0)	(150,137.0)
NET COST OF SERVICE	38,963.9	38,939.5	44,360.0	43,613.0	43,113.0	43,113.0

Savings		(60.0)	-	-
Pressures		(687.0)	(500.0)	-
Total Movement		(747.0)	(500.0)	-

ENVIRONMENT AND TRANSPORT

The Environment and Transport Portfolio encompasses a range of functions dealing with both strategic and operational matters, and delivers many of the everyday functions. These functions are:

CITY SERVICES

City Services includes

- the management of the Council's open spaces, maintaining, enhancing and developing Southampton's green spaces,
- the provision of street cleansing services
- the provision of Waste management and Collection Services

CONTRACT MANAGEMENT

The portfolio includes responsibility for the management of some of the Council's major contracts including street lighting and highways.

PLANNING

This section incorporates building control and planning development control. The service area deals with all matters concerning planning, and building regulations. The area also develops planning policy at a local and wider level.

REGULATORY SERVICES

This area consists of a number of functions that work with and protect the public and businesses. It also incorporates Bereavement Services and Registration Services. The main functions include the following

- Port Health
- Provision of cemeteries and crematorium
- Animal Welfare
- Pest Control
- Trading Standards
- Air Quality Monitoring
- Food Safety
- Pollution Safety
- Registration Services

TRANSPORTATION

This area is concerned with the provision of all forms of transport within the City, and includes work that is carried out on the Integrated Transport Plan, traffic management, bus and concessionary fare provision, and bridges. The service area also manages the Council's parking provision and the school crossing patrols.

Environment & Transport Key Statistics

Approximate number of planning applications received annually	1,150
Approximate number of building warrant applications received annually	2,200
Number of bus lanes/bus roads	39
Number of full time 20mph zones	240
Area-wide residents parking zone	13
Stadium event parking zones	3
Other permit parking zones	8
Number of on-street Pay & Display parking spaces	1,600
Number of parking ticket machines	296
Number of infrastructure facilities maintained	
- Bridges	30
- Culverts	43
- Headwalls	3
- Surface water outfalls	22
- Surface water ditches	23
- Footbridges	53
- Underpasses	36
- Retaining walls (estimated)	37
- Signalised junctions	136
- Pedestrian crossings	91
- Variable message signs (driver information)	22
- Variable message signs (car park information)	20
- Reservoirs	4
- Flood storage reservoirs	1
Kilometres of public roads maintained	790
Approximate number of street lamps maintained	24,370
Number of illuminated signs	1,720
Number of Zebra crossing lights	40
Number of School crossing flashing signs	18
Number of illuminated bollards	124
Number of Solar powered bollards	494
Number of Solar powered signs	4
Approximate number of road related defects made safe annually	5,000
Approximate number of tonnes of waste collected annually (household and trade)	108,000
Approximate number of special bulky waste uplifts per year	3,250
Large household waste recycling centres	1
Number of community recycling centres	23
Number of parks and gardens	
- Parks	49
- Other amenity spaces	over 100
Number of play areas	105
Number of allotment sites	24
Approximate number of food hygiene interventions undertaken annually	630
Approximate number of health and safety enforcements per annum	50

Summary Revenue Budget 2016/17

Portfolio: Environment & Transport

Responsible Officer: Heath Mark

Subjective Analysis	2015/16 Original Estimate as approved by Council Feb 2015	2015/16 Revised Budget as advised during budget monitoring	2016/17 Original Estimate as approved by Council Feb 2016	2017/18 Forecast Estimate as approved by Council Feb 2016	2018/19 Forecast Estimate as approved by Council Feb 2016	2019/20 Forecast Estimate as approved by Council Feb 2016
	£000	£000	£000	£000	£000	£000
<u>Expenditure</u>						
Salaries & Wages	14,881.1	13,973.4	13,528.4	13,528.4	13,528.4	13,528.4
Other Employee Costs	237.1	226.6	198.8	198.8	198.8	198.8
Premises Costs	4,426.8	4,406.0	4,186.5	4,186.5	4,186.5	4,186.5
Transport Costs	953.3	945.4	930.4	930.4	930.4	930.4
Supplies & Services	11,721.2	11,636.0	10,344.0	10,344.0	10,344.0	10,344.0
Other Direct Costs	14,337.4	14,167.4	14,650.1	14,650.1	14,650.1	14,650.1
Internal Charges	3,396.5	3,276.3	3,266.4	3,266.4	3,266.4	3,266.4
Total Expenditure	49,953.4	48,631.1	47,104.6	47,104.6	47,104.6	47,104.6
<u>Income</u>						
Fees, Charges & Rents	(19,644.2)	(19,764.4)	(20,556.3)	(20,598.3)	(20,598.3)	(20,598.3)
Grants / Contributions	(3,543.2)	(3,650.8)	(3,134.1)	(3,134.1)	(3,134.1)	(3,134.1)
Internal Income	(3,161.5)	(3,071.4)	(2,937.3)	(2,937.3)	(2,937.3)	(2,937.3)
Total Income	(26,348.9)	(26,486.6)	(26,627.7)	(26,669.7)	(26,669.7)	(26,669.7)
NET COST OF SERVICE	23,604.5	22,144.5	20,476.9	20,434.9	20,434.9	20,434.9

Savings
Total Movement

(42.0)	-	-
(42.0)	-	-

HEALTH AND ADULT SOCIAL CARE

ADULT SOCIAL CARE

Adult Social Care is a statutory service that purchases and provides services to adults with assessed eligible social care needs. These include adults over the age of 18 with mental ill health, learning disabilities, sensory impairment and/or physical disabilities.

The services range from individual care packages to meet the needs of the people with complex and challenging needs, to preventative services that support people living independently in their community as well as a six week reablement service for people prior to entering long term care.

The 2016/17 financial year marks the second year of the Better Care Fund and increased integration with Health. Consequently, the Authority strives to achieve further integration with Health through an ambitious plan to operate an even greater number of services jointly with Health partners during 2016/17. These budgets will be included within the existing pooled budget arrangement under a section 75 (National Health Service Act 2006) agreement.

Nationally it has been recognised that there is an underlying pressure within Adult Social Care. To specifically address this, within the Spending Review, there have been two key announcements in respect of 2016/17:-

- 2016/17 heralds the introduction of the ability for Local Authorities with adult social care responsibilities to increase Council Tax by a further 2%, above the referendum limit, as an adult social care precept. For Southampton this precept totals £1.58M. This sum is being used to fund a proportion of the £5.9M underlying pressure within Adult Social Care.
- The government have also provided £1.5 billion additional funding for local authorities to spend on adult social care by 2019/20, to be included in an improved Better Care Fund. By 2019/20 this will represent an additional investment of £7.7M for Southampton. However, there is no additional allocation in 2016/17 or 2017/18.

Responsibilities given to local authorities in April 2015 under the Care Act 2014 remain in place and include:-

- Requirement to assess carers where it appears they may be in need of support.
- A new national single eligibility threshold to determine individual's entitlement to local authority funded care and support. This replaced the previous system whereby local authorities set their own eligibility thresholds based in Fair Access to Care Services (FACS) guidance.

Full detail can be found at the Southampton city council website

<http://www.southampton.gov.uk/health-social-care/the-care-act/default.aspx>

In respect of the Care Act 2014 further changes were programmed to come into force from 1 April 2016, including the funding reforms. These have now been postponed until at least 2020. This decision was taken nationally in recognition of the overwhelming pressure, across the country, within Adult Social Care services.

PUBLIC HEALTH

The Public Health Grant that was introduced in April 2013, will continue to be a ring-fenced grant to Local Authorities into 2016/17 and 2017/18. The allocation is subject to a new formula and for 2016/17 will incorporate the transfer of the full year's funding for Children's 0-5 Public Health services.

Public Health provides a wide range of services that focus on

- the promotion of wellbeing
- the management of health inequalities
- the facilitation of resilient communities.

The service area commissions and delivers a range of public health services, some of these are mandated services and include:

- National Child Measurement Programme
- NHS Health checks
- Public health advice to the Clinical Commissioning Group
- Sexual health commissioning
- Protecting the health of the local population
- Health Visiting and Family Nurse Partnership

The final allocation of Public Health grant for 2016/17 has been confirmed. In addition to a recurring reduction implemented in 2015/16 of £1.06M, a further reduction in grant of £0.41M, (2.2%) has been confirmed for 2016/17. The total reduction in grant is estimated to be £2.9M by 2019/20, in cash terms.

From the 1st October 2015 this area also encompassed the commissioning of health care services for 0-5 year olds (including Health Visitors and Family Nurse Practitioners), which was transferred from the NHS.

Health & Adult Social Care Key Statistics

Category	No. of Units	Volume
Residential care – older people*	3	105 places
Short term residential care for adults with learning disabilities	1	8 places
Day care for adults with learning disabilities / mental health problems per weekday*	2	120 places
Assessments carried out annually		5,251
Older people supported in care homes annually		380
Older people supported in nursing homes annually		250
Adults under 65 supported in care homes annually		287
Adults under 65 supported in nursing homes annually		31
People receiving domiciliary care annually		1,517
People receiving equipment annually		5,963

*Pre saving proposal closures.

Summary Revenue Budget 2016/17

Portfolio: Health & Adult Social Care

Responsible Officer: Law Derek R

Subjective Analysis	2015/16 Original Estimate as approved by Council Feb 2015	2015/16 Revised Budget as advised during budget monitoring	2016/17 Original Estimate as approved by Council Feb 2016	2017/18 Forecast Estimate as approved by Council Feb 2016	2018/19 Forecast Estimate as approved by Council Feb 2016	2019/20 Forecast Estimate as approved by Council Feb 2016
	£000	£000	£000	£000	£000	£000
<u>Expenditure</u>						
Salaries & Wages	19,719.1	18,233.5	17,362.9	17,362.9	17,362.9	17,362.9
Other Employee Costs	258.9	258.9	519.5	519.5	519.5	519.5
Premises Costs	641.0	598.5	292.9	292.9	292.9	292.9
Transport Costs	496.9	494.2	426.6	426.6	426.6	426.6
Supplies & Services	521.3	(123.4)	(1,064.0)	(1,064.0)	(1,064.0)	(1,064.0)
Other Direct Costs	75,063.1	78,896.9	83,466.7	86,616.7	88,816.7	91,216.7
Internal Charges	236.6	229.1	185.4	185.4	185.4	185.4
Total Expenditure	96,936.9	98,587.7	101,190.0	104,340.0	106,540.0	108,940.0
<u>Income</u>						
Fees, Charges & Rents	(10,880.4)	(9,541.3)	(10,825.4)	(10,830.4)	(10,835.4)	(10,835.4)
Grants / Contributions	(26,398.6)	(30,912.0)	(30,025.6)	(30,025.6)	(30,025.6)	(30,025.6)
Internal Income	(34.2)	(50.0)	-	-	-	-
Total Income	(37,313.2)	(40,503.3)	(40,851.0)	(40,856.0)	(40,861.0)	(40,861.0)
NET COST OF SERVICE	59,623.7	58,084.4	60,339.0	63,484.0	65,679.0	68,079.0
Savings				(255.0)	(5.0)	-
Pressures				3,400.0	2,200.0	2,400.0
Total Movement				3,145.0	2,195.0	2,400.0

HOUSING AND SUSTAINABILITY

This area is responsible for the strategic housing function in particular for developing a clear vision for planning and investment in housing and providing the Homelessness Service.

The Council remains committed to improving its housing services and housing provision within the city for the benefit of its customers and all Southampton residents. It will ensure the city offers the highest quality housing in respect of design, condition, choice, value for money, affordability and management.

The Sustainability element of the portfolio encompasses the areas that develop the policy element of the environmental sustainability of the City and the organisation including Carbon Reduction Certificates.

Summary Revenue Budget 2016/17

Portfolio: Housing & Sustainability

Responsible Officer: Heath Mark

Subjective Analysis	2015/16 Original Estimate as approved by Council Feb 2015	2015/16 Revised Budget as advised during budget monitoring	2016/17 Original Estimate as approved by Council Feb 2016	2017/18 Forecast Estimate as approved by Council Feb 2016	2018/19 Forecast Estimate as approved by Council Feb 2016	2019/20 Forecast Estimate as approved by Council Feb 2016
	£000	£000	£000	£000	£000	£000
<u>Expenditure</u>						
Salaries & Wages	2,396.6	2,259.4	2,151.1	2,151.1	2,151.1	2,151.1
Other Employee Costs	12.3	15.8	44.7	44.7	44.7	44.7
Premises Costs	55.6	55.6	56.8	56.8	56.8	56.8
Transport Costs	54.8	56.0	46.7	46.7	46.7	46.7
Supplies & Services	160.3	932.6	630.5	630.5	630.5	630.5
Other Direct Costs	674.7	674.7	454.2	454.2	454.2	454.2
Internal Charges	1,088.9	1,084.9	1,106.9	1,106.9	1,106.9	1,106.9
Total Expenditure	4,443.2	5,079.0	4,490.9	4,490.9	4,490.9	4,490.9
<u>Income</u>						
Fees, Charges & Rents	(950.2)	(1,445.0)	(1,291.4)	(1,291.4)	(1,291.4)	(1,291.4)
Grants / Contributions	(337.8)	(649.3)	(272.2)	(272.2)	(272.2)	(272.2)
Internal Income	(295.2)	(295.2)	(343.2)	(343.2)	(343.2)	(343.2)
Total Income	(1,583.2)	(2,389.5)	(1,906.8)	(1,906.8)	(1,906.8)	(1,906.8)
NET COST OF SERVICE	2,860.0	2,689.5	2,584.1	2,584.1	2,584.1	2,584.1

LEADER'S PORTFOLIO

This area encompasses the strategic management of the Council and the cost of the democratic process.

Areas include:

REGISTRATION OF ELECTORS AND ELECTION COSTS

This service provides all the electoral registration services in accordance with the law.

LEGAL SERVICES AND CUSTOMER RELATIONS

This area provides legal advice and representation, acting on behalf of the council.

LICENSING

This service deals with a range of licenses, permits, consents and registrations that are intended to safeguard the welfare and safety of the general public, animals and the environment.

HR SERVICES

The HR service develops the people strategies that will enable the organisation to deliver our corporate ambitions, ensuring we have a highly competent workforce. The service deals with operational HR services and advice including managing the Capita HR services for items such as recruitment, and payroll.

CORPORATE COMMUNICATIONS

Corporate Communications service is responsible for delivering the Council's marketing campaigns and communications.

DEVELOPMENT AND ECONOMY

This area promotes the physical development of the City, liaising with businesses to encourage investment in the City.

SKILLS, REGENERATION AND PARTNERSHIPS

The Skills, Regeneration and Partnerships service promotes the development of the people in the City, reviewing the skill mix of the workforce to ensure the City attracts jobs and has the workforce to fill them. This area also maintains the Partnership links with the Partnership for Urban South Hampshire (PUSH), and the Solent Local Enterprise Partnership (Solent LEP).

PROPERTY SERVICES

Property Services provide strategic management of the Council's operational property, management of the Capita property services and the investment property portfolio. It is currently undertaking a whole sale review of property with a view to reducing the amount of property the Council own.

Summary Revenue Budget 2016/17

Portfolio: Leader's Portfolio

Responsible Officer: Heath Mark

Subjective Analysis	2015/16 Original Estimate as approved by Council Feb 2015	2015/16 Revised Budget as advised during budget monitoring	2016/17 Original Estimate as approved by Council Feb 2016	2017/18 Forecast Estimate as approved by Council Feb 2016	2018/19 Forecast Estimate as approved by Council Feb 2016	2019/20 Forecast Estimate as approved by Council Feb 2016
	£000	£000	£000	£000	£000	£000
<u>Expenditure</u>						
Salaries & Wages	7,901.2	8,041.7	8,716.3	8,640.3	8,640.3	8,640.3
Other Employee Costs	268.0	267.0	235.6	235.6	235.6	235.6
Premises Costs	6,511.5	7,066.6	7,714.0	7,714.0	7,714.0	7,714.0
Transport Costs	56.2	55.9	94.3	94.3	94.3	94.3
Supplies & Services	14,099.3	14,764.6	14,617.1	14,617.1	12,660.1	12,660.1
Other Direct Costs	84.2	84.2	1,542.7	1,542.7	1,542.7	1,542.7
Internal Charges	68.8	254.3	178.1	178.1	178.1	178.1
Total Expenditure	28,989.2	30,534.3	33,098.1	33,022.1	31,065.1	31,065.1
<u>Income</u>						
Fees, Charges & Rents	(8,693.2)	(9,180.8)	(9,938.6)	(8,538.6)	(8,538.6)	(8,538.6)
Grants / Contributions	(992.3)	(1,408.8)	(2,993.1)	(2,993.1)	(2,993.1)	(2,993.1)
Internal Income	(8,197.6)	(8,383.2)	(8,528.8)	(8,528.8)	(8,528.8)	(8,528.8)
Total Income	(17,883.1)	(18,972.8)	(21,460.5)	(20,060.5)	(20,060.5)	(20,060.5)
NET COST OF SERVICE	11,106.1	11,561.5	11,637.6	12,961.6	11,004.6	11,004.6

Savings
Other Base Changes
Total Movement

(76.0)	-	-
1,400.0	(1,957.0)	-
1,324.0	(1,957.0)	-

FINANCE

The Finance Portfolio encompasses the Council's strategic support services, including Finance, IT and Business Support. It also includes other services such as Procurement and Contract Management.

FINANCE SERVICE

The finance service covers the following functions:

- Section 151 responsibilities including leading the financial planning processes and providing financial management information and advice to elected members, governors and managers
- Ensuring optimum use of available resources and management of revenue and capital budgets
- Treasury and cash flow management
- Internal audit via partnership arrangement with Hampshire, and risk management and insurance
- Debtors, income collection, creditors and payments teams
- Client function for the Capita service for revenues and benefits.
- Liaising with External audit
- Preparation of the Councils statutory accounts
- Specialist advice on major projects

BUSINESS SUPPORT

The Business Support service has recently brought together all the areas in the Council that provide administrative support to other Council services, and includes functions such as PA support

PROCUREMENT

The Procurement Service is responsible for procurement across the Council, including developing & updating and ensuring the adherence to the Council's Procurement Strategy and Contract Procedure Rules. This is alongside managing Capita Procurement and Property Services aiming to improve contract and performance management and the implementation of efficiencies and initiatives to improve the service.

IT SERVICES

The IT service looks at the strategic vision and commissioning of the IT systems and services that Council provides alongside managing the Capita Services that provide operational IT services.

CONTRACT MANAGEMENT

The contract management service manages the Council's major contracts including Capita, Balfour Beatty, Active Nation, and Tay Valley Lighting.

Summary Revenue Budget 2016/17

Portfolio: Finance

Responsible Officer: Baxendale Dawn

Subjective Analysis	2015/16 Original Estimate as approved by Council Feb 2015	2015/16 Revised Budget as advised during budget monitoring	2016/17 Original Estimate as approved by Council Feb 2016	2017/18 Forecast Estimate as approved by Council Feb 2016	2018/19 Forecast Estimate as approved by Council Feb 2016	2019/20 Forecast Estimate as approved by Council Feb 2016
	£000	£000	£000	£000	£000	£000
<u>Expenditure</u>						
Salaries & Wages	5,039.0	9,525.9	8,912.2	8,712.2	8,712.2	8,712.2
Other Employee Costs	9,404.0	9,376.8	9,924.8	9,924.8	9,924.8	9,924.8
Premises Costs	496.9	395.2	397.8	397.8	397.8	397.8
Transport Costs	22.1	20.1	14.5	14.5	14.5	14.5
Supplies & Services	25,994.2	25,509.6	26,158.7	26,158.7	26,158.7	26,158.7
Internal Charges	103.2	97.6	100.0	100.0	100.0	100.0
Total Expenditure	41,059.4	44,925.2	45,508.0	45,308.0	45,308.0	45,308.0
<u>Income</u>						
Fees, Charges & Rents	(1,568.8)	(1,568.8)	(1,677.9)	(1,677.9)	(1,677.9)	(1,677.9)
Grants / Contributions	(920.0)	(320.0)	(1,098.1)	(1,098.1)	(1,098.1)	(1,098.1)
Internal Income	(6,672.2)	(7,403.2)	(7,395.0)	(7,395.0)	(7,395.0)	(7,395.0)
Total Income	(9,161.0)	(9,292.0)	(10,171.0)	(10,171.0)	(10,171.0)	(10,171.0)
NET COST OF SERVICE	31,898.4	35,633.2	35,337.0	35,137.0	35,137.0	35,137.0

Savings
Total Movement

(200.0)	-	-
(200.0)	-	-

TRANSFORMATION

This area is responsible for the delivery of the Council's Transformation Programme.

The continued financial challenge facing the Council increases the need for fundamental, transformational change in both the services it delivers and how it delivers them. The transformation programme was established in 2013, the objectives of which are further detailed in the Medium Term Financial Strategy. A number of tactical and strategic projects have been developed to meet the Council's financial and operational objectives. These include:

- Service Excellence – aims to increase capacity and productivity through process improvement and revised organisation design;
- HR Policies and Procedures – redesign of redeployment and sickness policies and ongoing challenge and removal of vacant posts;
- Activity Analysis – Review of 'duplicate' activities across the organisation, streamlining and consolidation of activities;
- Service Cost Recovery – Income growth and cost avoidance;
- Procurement – Aim to achieve price and demand efficiencies;
- Digitalisation – reviewing processes and procedures to ensure we are using technological advances to minimise cost and maximise services both to customers and employees; and
- Operating Model – Reviewing the organisational structure to be fit for purpose and focusing on delivering outcomes and priorities.
- Commercialisation - investigating all opportunities for generating income to the council to replace reducing Government funding.

Summary Revenue Budget 2016/17

Portfolio:

Transformation

Responsible Officer:

Giacchino Stephen

Subjective Analysis	2015/16 Original Estimate as approved by Council Feb 2015	2015/16 Revised Budget as advised during budget monitoring	2016/17 Original Estimate as approved by Council Feb 2016	2017/18 Forecast Estimate as approved by Council Feb 2016	2018/19 Forecast Estimate as approved by Council Feb 2016	2019/20 Forecast Estimate as approved by Council Feb 2016
	£000	£000	£000	£000	£000	£000
<u>Expenditure</u>						
Salaries & Wages	395.4	749.8	1,172.9	1,172.9	1,172.9	1,172.9
Other Employee Costs	1.3	-	2.0	2.0	2.0	2.0
Transport Costs	-	0.5	0.5	0.5	0.5	0.5
Supplies & Services	1.5	7.8	(10,722.2)	(14,545.2)	(13,987.2)	(13,712.2)
Total Expenditure	398.2	758.1	(9,546.8)	(13,369.8)	(12,811.8)	(12,536.8)
<u>Income</u>						
Grants / Contributions	(383.2)	(117.0)	(469.2)	(469.2)	(469.2)	(469.2)
Total Income	(383.2)	(117.0)	(469.2)	(469.2)	(469.2)	(469.2)
NET COST OF SERVICE	15.0	641.1	(10,016.0)	(13,839.0)	(13,281.0)	(13,006.0)

Savings
Total Movement

(3,823.0)	558.0	275.0
(3,823.0)	558.0	275.0

HOUSING REVENUE ACCOUNT

The Council has a statutory requirement to maintain a separate Housing Revenue Account (HRA) from the General Fund. All expenditure incurred and income received in the provision of rented accommodation must be included in the HRA.

The General Fund should not subsidise the HRA and accordingly the HRA must be self-sufficient i.e. break even in its own right.

Most of the HRA income is derived from rents, this must be sufficient to cover the expenditure on the HRA.

Summary of Budgeted Expenditure & Income 2016/17	
	£000
Expenditure:	
Employee Costs	16,330
Premises Costs	1,611
Transport Costs	333
Supplies & Services	4,681
Third Party Payments	484
Support Services	12,010
Capital Financing Costs	41,424
Contribution to balances	1,006
Gross Expenditure	77,879
Income	
Fees & Charges	913
Service Charges	2,409
Dwelling Rents	72,521
Commercial Rents	1,185
Other Income	851
Total Income	77,879
Average Weekly Rent 2015/16	£86.81
Average Weekly Rent 2016/17	£85.94
Average Weekly Rent Decrease	£0.87
Change %	1.0%

Service	2015/16 Estimate 01/04/2015	2016/17 Estimate 01/04/2016	2016/17 Increase/ (Decrease)
Housing Operations	137.3	122.0	(15.3)
Housing Revenue Account	567.0	543.1	(23.9)
Total	704.3	665.1	(39.2)

CAPITAL PROGRAMME

The Council's General Fund and Housing Revenue Account Capital Programmes were approved by Council 10th February 2016. The link to the full reports can be found below:

<http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CIId=122&MIId=3047&Ver=4>

In addition the Council needs to have a fit for purpose Capital Strategy to ensure that all the priorities with the Council Strategy are accounted for in the allocation of resources to the capital programme. A review has been undertaken for the period 2015/16 to 2019/20 and this can be found as appendix 5 to the above linked General Fund Capital Programme report.

GENERAL FUND CAPITAL PROGRAMME

The capital programme for the period 2015/16 to 2019/20 totals £167.1M as detailed by programme in the table below:

	2015/16 £M	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	Total £M
City Services	0.87	1.58	0.00	0.00	0.00	2.45
Communities, Culture & Leisure	1.38	0.84	0.08	0.00	0.00	2.30
Education & Childrens Social Care	8.19	17.31	4.95	0.00	0.00	30.45
Finance	1.40	1.28	0.29	0.00	0.00	2.97
Health & Adult Social Care	0.35	0.25	0.00	0.00	0.00	0.60
Housing & Sustainability	3.17	2.45	0.00	0.00	0.00	5.62
Leaders	14.90	74.47	0.35	0.10	0.00	89.82
Transport	18.98	13.06	0.62	0.17	0.10	32.92
Grand Total	49.25	111.24	6.28	0.27	0.10	167.13

This has been financed as follows:

	2015/16 £M	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	Total £M
Council Resources	17.54	75.68	0.27	0.09	0.10	93.69
Contributions	6.66	3.51	0.60	0.08	0.00	10.85
Capital Grants	25.05	29.80	4.95	0.00	0.00	59.81
DRF from Portfolios	0.00	2.24	0.46	0.10	0.00	2.79
Total Financing	49.25	111.24	6.28	0.27	0.10	167.13

The table above shows that following the latest update that the programme continues to be fully funded based on the latest forecast of available resources.

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

The capital programme for the period 2015/16 to 2019/20 totals £207M. This is shown in the table below:

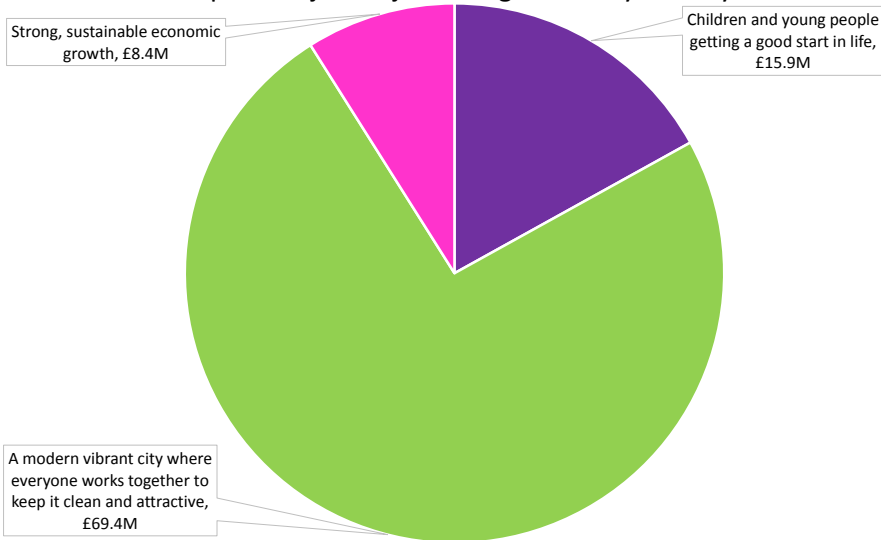
	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
Estate Regeneration & New Build	10,258	8,247	7,826	5,610	550	32,491
Safe Wind & Weather Tight	9,392	13,666	10,918	7,966	9,945	51,887
Modern Facilities	16,074	12,016	10,714	7,147	7,539	53,490
Communal Facilities	9,320	5,968	4,737	5,397	3,801	29,223
Warm & Energy Efficient	9,918	18,992	1,175	4,852	5,289	40,226
Grand Total	54,962	58,889	35,370	30,972	27,124	207,317

This has been financed as follows:

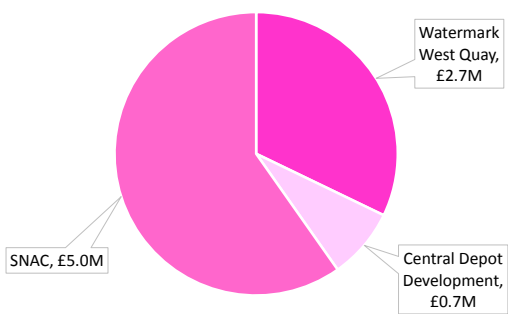
	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
Unsupported Borrowing	22,820	24,530	1,459	0	3,350	52,159
Capital Receipts	3,600	3,432	3,475	2,764	986	14,257
Contributions	199	300	0	0	0	499
Capital Grants	0	1,350	1,300	0	0	2,650
Direct Revenue Financing	28,343	29,277	29,136	28,208	22,788	137,752
Total Financing	54,962	58,889	35,370	30,972	27,124	207,317

The major priorities of the capital programme for 2015/16 to 2019/20 are shown in the chart below, the capital programme report gives full details of all schemes.

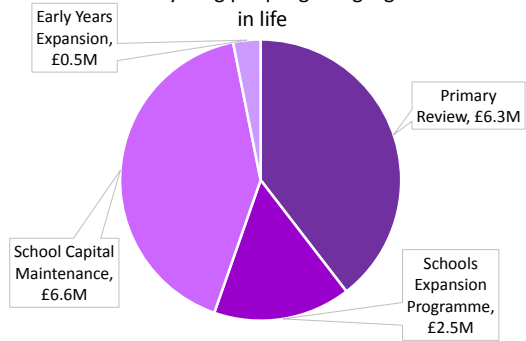
Capital Major Projects Programme by Priority



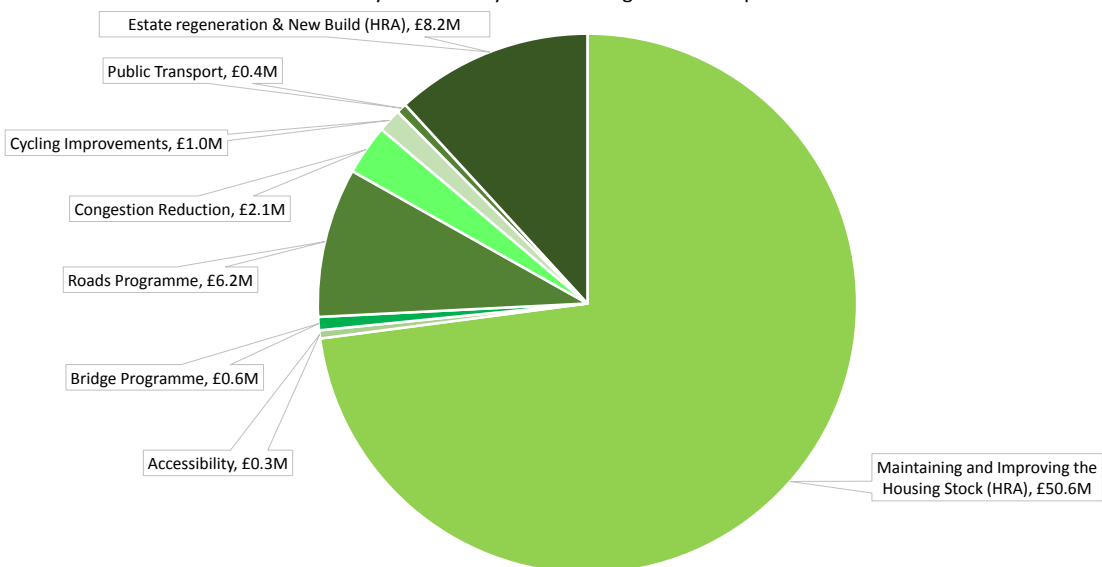
Strong, sustainable economic growth



Children and young people getting a good start in life



A modern vibrant city where everyone works together to keep it clean and attractive



PRUDENTIAL INDICATORS

Background

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 (CFR)

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. This view takes into account current commitments, existing plans and the proposals in the approved budget.

There is a significant difference between the gross external borrowing requirement and the net external borrowing requirement represented by the Council's level of balances, reserves, provisions and working capital. The Council's current strategy is only to borrow to the level of its net borrowing requirement. The reasons for this are to reduce credit risk, take pressure off the Council's lending list and also to avoid the cost of carry existing in the current interest rate environment.

The estimated gross debt and capital financing requirement are shown in the tables below:

Estimated Gross Debt

	31/03/2016 Revised	31/03/2017 Estimate	31/03/2018 Estimate	31/03/2019 Estimate
	£M	£M	£M	£M
Borrowing (Long Term)	110.84	186.5	187.2	187.8
Borrowing (Temporary)	30.0	30.0	30.0	30.0
Finance leases and Private Finance Initiative	64.8	62.3	60.4	58.3
Transferred debt	15.6	15.3	14.9	14.6
Total General Fund Debt	221.24	294.1	292.5	290.7
HRA	174.6	193.9	190.2	190.6
Total	395.8	488.0	482.7	481.3

Movement in CFR

	31/03/2016 Revised £M	31/03/2017 Estimate £M	31/03/2018 Estimate £M	31/03/2019 Estimate £M
Balance Brought Forward	274.1	284.1	352.1	345.4
New Borrowing	17.5	75.5	0.3	0.1
MRP	(4.5)	(4.7)	(4.8)	(4.8)
Appropriations	(0.6)			
Movement in Other Liabilities	(2.4)	(2.8)	(2.2)	(2.4)
Total General Fund Debt	284.1	352.1	345.4	338.3
HRA (see Table 15 for breakdown)	174.6	193.9	190.2	190.5
Total	458.7	546.0	535.6	528.8

Estimates of Capital Expenditure

The Authority's planned capital expenditure and financing is summarised below, further detail is provided in the General Fund and HRA Capital programme report submitted to Council in February 2016.

<http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=122&MIId=3047&Ver=4>

Capital Expenditure and Financing	2015/16 Estimate	2015/16 Revised	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
	£M	£M	£M	£M	£M
General Fund	46.78	49.25	111.08	6.28	0.27
HRA	65.55	54.96	58.89	35.37	38.67
Total Expenditure	112.33	104.21	169.97	41.65	38.94
Capital receipts	14.04	1.02	3.73	3.48	2.77
Capital Grants	28.02	25.05	31.15	4.95	0.00
Contributions	4.04	6.66	3.51	1.90	0.08
Major Repairs Allowance	18.97	18.98	19.89	20.33	20.71
Revenue	12.03	9.36	11.63	9.26	9.76
Total Financing	77.10	61.07	69.91	39.92	33.32
Temporary Financing	(1.00)	0.00	0.00	0.00	0.00

Unsupported borrowing	36.22	43.14	100.06	1.73	5.62
Total Funding	35.22	43.14	100.06	1.73	5.62
Total Financing & Funding	112.33	104.21	169.97	41.65	38.94

Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The ratio is based on costs net of investment income. The upper limit for this ratio is currently set at 10% 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.

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 Minimum Revenue Provision (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.

Ratio of Financing Costs to Net Revenue Stream

Ratio of Financing Costs to Net Revenue Stream	2014/15 Actual %	2015/16 Approved %	2015/16 Forecast %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
General Fund	5.76%	6.83%	4.7%	7.22%	8.38%	8.67%
HRA	14.61%	14.93%	14.18%	15.48%	15.60%	16.11%
Total	9.07%	10.17%	8.45%	10.74%	11.52%	11.98%

Incremental Impact of Capital Investment Decisions

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 shown below. These figures exclude any borrowing taken for Invest to Save schemes, as borrowing costs will be offset by income generation.

Incremental Impact of Capital Investment Decisions

Incremental Impact of Capital Investment Decisions	2015/16 Approved	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
	£	£	£	£
Increase / (Decrease) per average number of equivalent band D properties for Council Tax purposes	5.36	7.44	12.03	12.15
Increase in Average Weekly Housing Rents	57.92	58.89	35.37	38.67

It should be noted that these indicators are for illustrative purposes only and show the amount per equivalent band D properties that this change would equate to since the last capital update published in September 2016.

As per the General Fund these indicators are illustrative as HRA rent levels are currently set under the Government's rent restructuring formula, which is independent of the level of capital investment and borrowing. The calculation of the indicator ignores this factor.

Authorised Limit and Operational Boundary for External Debt

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.

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

Authorised Limit for External Debt	Actual 31 December 2015	2015/16 Approved	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
	£M	£M	£M	£M	£M	£M
Borrowing	244.2	640	651	779	943	929
Other Long-term Liabilities	78.8	87	87	84	81	79
Total	323.0	727	738	863	1,024	1,008

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

Operational Boundary for External Debt	Actual 31 December 2015	2015/16 Approved	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
	£M	£M	£M	£M	£M	£M
Borrowing	244.2	466	509	616	657	668
Other Long-term Liabilities	78.8	87	87	84	81	79
Total	323.0	553	596	700	738	747

The S151 Officer 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

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. The HRA is still within the HRA Debt Cap set CLG of £199.6M.

HRA Limit on Indebtedness

HRA Summary of Borrowing	2015/16 Approved	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
	£M	£M	£M	£M	£M
Brought Forward	157.5	153.5	174.6	193.9	190.2
Maturing Debt	(5.1)	(5.1)	(5.2)	(5.2)	(5.2)
New borrowing	34.4	25.6	24.5	1.5	5.5
Appropriations		0.6			
Carried forward	186.8	174.6	193.9	190.2	190.5

GLOSSARY

This Glossary explains some of the terms that are used within this Budget Book or which may be encountered during discussions concerning Local Government Finance. Definitions are intended to assist the reader, rather than reflect the exact technical sense in which the terms are used.

Accruals basis	The accounting concept which requires income and expenditure to be recognised as they are earned or incurred, and not as they are received or paid.
Actuals	Short for actual expenditure and income. The amount actually spent or received within a particular period, as compared to the estimated expenditure. Any difference between estimates and actuals is referred to as an over or (under) spend or a variance .
Appropriation	This is a transaction between the revenue budgets of the Council and its reserves. It is not permitted to transfer funds directly between revenue and reserves; an appropriation should always be used.
Balances & Reserves	Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.
Base Budget	The starting point for the budget process, the base budget is broadly in line with the budget that would be required to continue to provide services at the currently agreed level, i.e. the current budget plus any changes already agreed and any increase for inflation.
Billing Authority	A local authority empowered to set and collect Council Tax, and manage the Collection Fund , on behalf of itself and Precepting Authorities in its area.
Budget Requirement	The amount of net expenditure required to run the Service.
Capital Asset Charges	Charges to service revenue accounts to reflect the cost of depreciation of fixed assets used in the provision of services. These are reversed out below the Net Cost of Service line, so there is no impact on Council Tax.
Capital Expenditure	Expenditure on the acquisition of a fixed asset or expenditure, which enhances and not merely maintains the value or increased the life of an existing fixed asset.

Capital Receipts	Income that the Council receives from selling capital assets (buildings, land etc.). Such income may only be used to repay loan debt or to finance new capital expenditure.
CIPFA	Chartered Institute of Public Finance and Accountancy - the leading professional accountancy body for public services.
CIPFA Classifications	A standardised list defining income and expenditure into categories which the Council must follow. The standard groupings are Employees, Premises, Transport, Supplies & Services, Third Party Payments, Transfer Payments, Support Services, Capital Charges, Government Grants, Other Grants, Reimbursements & Contributions, Customer & Client Receipts, Interest and Recharges Income.
Collection Fund	An account kept by the Council as a Billing Authority into which Council Tax and NDR are paid. The Fund pays out money to the General Fund and the Precepts made by the Police and Fire Authorities', it also pays the Government its share of NDR collected.
Comprehensive Spending Review	Comprehensive Spending Review (CSR) is a governmental process in the UK 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).
Council Tax	The charge for individual properties is based on the value of the property. The Valuation Office Agency assesses the properties in each district area and assigns each property to one of eight valuation band (A to H). The level of Council Tax is set on the basis of the number of Band D equivalent properties. Council Tax levels for dwellings in other bands are set relative to the Band D baseline.
Depreciation	The measure of the reduction in the value of a capital asset from its use; i.e. through wearing out, consumption or other reduction in the useful economic life of a fixed asset.
DSG	Dedicated Schools Grant - A ring-fenced grant provided to local authorities by the Department for Education to fund revenue expenditure by schools.

Fixed Assets	Assets that are purchased for long-term use and are not likely to be converted quickly into cash, such as land, buildings, equipment, vehicles, plant and machinery, community assets and investment properties.
General Fund	The Council's main revenue account, covering the net cost of all services other than Council Housing.
Formula Grant	General government grant is a source of funding for local authorities. There are no restrictions on what it can be spent on.
Housing Revenue Account HRA	Housing Revenue Account - The Council has to maintain separate accounts for its landlord service . Special rules determine what charges can be made between the HRA & General Fund to ensure that rent payers do not subsidise Council Tax payers and vice versa.
Impairment of Fixed Assets	A reduction in the value of a fixed asset, as shown in the balance sheet, to reflect its true value.
LEP	Local Enterprise Partnership - is a joint initiative between the public and private sector brought forward by authorities themselves to promote economic development.
LSP	Local Strategic Partnership - brings together at a local level the different parts of the public sector as well as the private, business, community and voluntary sectors so that different initiatives and services support each other and work together.
NDR	Business rate levied on companies, firms etc., collected by Local Authorities and paid to Central Government (50%), Southampton City Council (49%) and Hampshire Fire & Rescue Authority (1%).
PFI	Private Finance Initiative - A form of public private partnership where local authorities pay for the use of assets held by the private sector.
Precept	The amount of money a Precepting Authority requires from the Collection Fund . This is used to pay for the services that they provide.
Precepting Authority	Local authorities, including fire and police authorities, which cannot levy a council tax directly on the public but have the power to precept a Billing Authority .
Provision	An amount of money set aside in the budget to meet liabilities that are likely to arise in the future because of a legal liability, but which cannot be quantified with certainty.

Prudential Code	Developed by CIPFA and introduced on 01/04/2004 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	These are 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.
Recharges	Charges to service revenue accounts for overheads, central support services and service management costs. Examples include accountancy, facilities management, legal services, property management and vehicle fleet management.
Reserves	See Balances .
Revenue Expenditure	Expenditure to meet the continuing cost of delivery of the services including i.e. the day to day running expenses e.g. salaries, premises and transport costs.
Ring-Fencing	Reserving a budget for a particular purpose, or preventing transfers between one budget and another.
RSG	Revenue Support Grant - A Government grant received to pay for expenditure from the General Fund based on the Council's needs.
Schools' Budget	A defined set of activities delegated to schools that are usually funded from a specific government grant, Dedicated Schools Grant.
Section 151	Section 151 of the Local Government Act 1972 requires Councils to nominate an officer to be responsible for the proper administration of their financial affairs. This officer must report to the Council any unlawful financial activity involving the authority or if they believe expenditure is likely to exceed resources. For Southampton City Council, The Chief Financial Officer is the Council's S151 Officer.
SeRCOP	Service Reporting Code of Practice - The framework devised by CIPFA that defines proper accounting practice with regard to consistent financial reporting for services, all local authorities in the United Kingdom are expected to adopt its requirements and recommendations.

Specific Grants	Grants paid to the council for a specific purpose such as the dedicated schools grant.
Statement of Accounts	A statutory financial document that sets out the financial position of the Council at 31 March each year, and the financial activities during the year.
Taxbase	The number of Band D equivalent properties in a local authority's area. This figure is used by the Council to calculate Council Tax and also by the Government to calculate the Council's grant entitlement.
Variance	When comparing the amount actually spent within a particular budget with estimated expenditure, any difference between estimates and actuals is referred to as a variance or an over/under spend.