

DECISION-MAKER:	CABINET COUNCIL
SUBJECT:	CHANGES TO EXISTING REVENUE AND CAPITAL BUDGETS
DATE OF DECISION:	11 SEPTEMBER 2012 12 SEPTEMBER 2012
REPORT OF:	CABINET MEMBER FOR RESOURCES
STATEMENT OF CONFIDENTIALITY	
NOT APPLICABLE	

BRIEF SUMMARY

The purpose of this report is to set out further savings in advance of the budget for 2013/14 and to outline the main issues that need to be addressed in considering the Cabinet's recommendations to Council on 12 September 2012.

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

RECOMMENDATIONS:

Cabinet recommends Full Council to:

- (i) Note the Consultation process that was followed as outlined in Appendix 1.
- (ii) Note the Equality Impact Assessment process that was followed as outlined in paragraphs 6 to 8.
- (iii) Approve the efficiencies, income and service reductions as set out in Appendix 2.
- (iv) Note the high level forecast for the General Fund for 2013/14 to 2015/16 as detailed in paragraphs 24 to 28.
- (v) Delegate authority to the Chief Financial Officer to action all budget changes arising from the approved efficiencies, income and service reductions and incorporate any other approved amendments into the General Fund estimates.
- (vi) Note that after taking these items into account, there is an estimated General Fund balance of £5.3M at the end of 2015/16 as detailed in paragraph 30.
- (vii) Delegate authority to the Chief Financial Officer, in consultation with the Executive Director of Corporate Services, to do anything necessary to give effect to the recommendations in this report.

COUNCIL

It is recommended that Council:

- (i) Notes the Consultation process that was followed as outlined in Appendix 1.
- (ii) Notes the Equality Impact Assessment process that was followed as outlined in paragraphs 6 to 8.
- (iii) Approves the efficiencies, income and service reductions as set out in Appendix 2.
- (iv) Notes the high level forecast for the General Fund for 2013/14 to 2015/16 as detailed in paragraphs 24 to 28.
- (v) Delegates authority to the Chief Financial Officer to action all budget changes arising from the approved efficiencies, income and service reductions and incorporate any other approved amendments into the General Fund estimates.
- (vi) Notes that after taking these items into account, there is an estimated General Fund balance of £5.3M at the end of 2015/16 as detailed in paragraph 30.
- (vii) Delegates authority to the Chief Financial Officer, in consultation with the Executive Director of Corporate Services, to do anything necessary to give effect to the recommendations in this report.

REASONS FOR REPORT RECOMMENDATIONS

- 1. The recommendations have been put forward to ensure that proposals are advanced as early as possible as part of the budget process for 2013/14.
- 2. The current medium term financial forecast highlights the challenges facing the Authority. This combined with the potential impact of reductions in future funding levels for Local Government and a continuing weak economic position make it imperative that proposals for 2013/14 onwards are developed and savings achieved as early as possible.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- 3. The option to not consider changes to existing revenue and capital budgets is not compatible with the need to ensure effective and robust financial planning given the financial challenges facing the Authority. There are almost limitless options that can be applied to budget changes in the year most of which are driven by political priorities. In formulating the final options to present in this paper the Executive have taken into account the relevant impact of all options that were under consideration and as a result some have not been progressed.

DETAIL (Including consultation carried out)

CONSULTATION

4. The draft proposals in the report presented to Cabinet on 10 July 2012 were published on 2 July 2012 in order to help facilitate consultation with a wide range of stakeholders, including councillors, residents, affected organisations, the business community, staff and Trade Unions who were all invited to submit comments on the detailed proposals. More detail is provided in Appendix 1 on the methods used to consult with staff, residents and other stakeholders.

STAFF CONSULTATION

5. The draft budget proposals were published on 2 July 2012 and this signalled the start of an extensive and ongoing consultation process with staff and Trade Unions which continued until 31 August 2012. More detail is provided in Appendix 1 on the methods used to consult with staff and Trade Unions.

EQUALITY IMPACT ASSESSMENT

6. The Equality Duty is a duty on public bodies which came into force on 5 April 2011 and requires the Council to show that it has 'had regard' to the impact of its decisions on its equality duties and the need to advance equality of opportunity between people who have protected characteristics and those who do not.
7. While the Equality Duty does not impose a legal requirement to conduct an Equality Impact Assessment (EIA), it does require public bodies to show how they considered the Equality Duty and that they have been consciously thinking about the aims of the Equality Duty as part of the process of decision-making. To comply with these requirements as well as the Community Safety legislation, the Council has used its existing Impact Assessment framework so that it can ensure the use of a consistent, council wide mechanism to evidence how decision making took into account equality and safety considerations.
8. Individual EIAs have been completed by Directors and Senior Managers for those proposals contained in Appendix 2 that they identified require such an assessment, as they could have an adverse impact on a particular group or individuals. The individual EIAs have been updated by Directors following consideration of relevant consultation feedback. EIAs have been completed for the following proposals and are available in Members' Rooms:
 - AS 1
 - CS 1
 - HLS 5

EFFICIENCIES, INCOME AND SERVICE REDUCTIONS

9. The scale of the financial challenge facing the Council combined with the potential impact of an ongoing difficult economic position make it imperative that proposals for 2013/14 onwards are developed and savings achieved as early as possible.

10. The report to Cabinet and Council on 10 and 11 July 2012 respectively set out draft proposals for consultation and Appendix 2 sets out the Executives recommendations for efficiencies, income and service reductions in detail.
11. Where possible these will be implemented as soon as practicable in the current financial year, leading to savings of £833,000 in 2012/13 which can be added to balances and utilised to make a one off contribution to reduce the gap in 2013/14.
12. For the majority of the proposals contained in Appendix 2, however, the intention is to take steps during 2012/13 to implement the saving so that they become effective from 1 April 2013 leading to savings of just under £2.0M in 2013/14 rising to just over £2.5M in 2014/15 and future years.

STAFFING IMPLICATIONS

13. It is inevitable when the Council is faced with such a significant funding shortfall, that the savings proposals put forward by the Council will have an impact on staff cost and staff numbers.
14. Being aware of this fact, the Council has continued to have in place a carefully planned approach to recruitment, ensuring that vacant posts have only been recruited to where absolutely necessary. This has been overseen by the Management Board of Directors, chaired by the Chief Executive.
15. Based on the savings proposals contained in this budget report 20.13 FTE are affected of which 4.00 are currently vacant and 16.13 are in post and are at risk of redundancy.
16. The City Council has an excellent past record of using its redeployment policies to minimise any compulsory redundancies arising out of the budget proposals. The Executive is committed to minimising the impact on staff and will seek to strengthen the support for employees who find themselves on the redeployment register as a result of savings implemented as part of the proposals contained in this report.
17. Moving forward, the Executive remain committed to minimising job losses within the Council, and through the consultation process the Executive have been keen to explore all avenues with the Trade Unions and staff to minimise the level of staffing redundancies.
18. The Executive have formulated proposals for a revised redeployment policy which will be applied to any proposed redundancies which arise as a consequence of the implementation of the savings contained in this report. The revised policy will also apply to any savings which were agreed for 2012/13 as part of the February 2012 budget, but which have not yet been progressed.
19. These proposals will be presented to Cabinet on 18 September 2012 and the new arrangements will be managed through the Southampton Transition Employment Programme (STEP). STEP will provide a revised holistic approach to the retention, redeployment and recruitment of staff and the use of agency and temporary staff. The aim of the programme is to provide enhanced measures for staff displaced in the organisation and to ensure that priority is given to existing staff when vacancies arise by providing a superior level of training, assistance and support options.

TERMS AND CONDITIONS CHANGES

20. Proposals have been agreed with the Trade Unions for a phased reinstatement of the pay cuts which were implemented in July 2011. The Trade Unions will ballot their members during the period 14 September 2012 to 4 October 2012, and are recommending to their members that they accept the offer which they have agreed with the Council. The terms of the proposed settlement are set out in Appendix 3
21. The estimated cost of the proposed settlement in the current year to the General Fund is £727,000, (of which £235,000 relates to the cost of funding an increment for staff earning less than £17,500), and this will be funded from the Pay Reserve, which was set up to fund any costs, (including legal costs), arising from defending the Council's position at the employment tribunal. The Pay Reserve currently totals £850,000. As part of the 2012/13 budget a recurring budget of £600,000 was set aside to contribute to the Pay Reserve, however the cost of the proposed settlement from 2013/14 over and above this amount cannot be met from within existing budgets. Therefore, if the offer is accepted the unfunded element of the proposal will need to be added to the budget gap for 2013/14 onwards, and additional savings will need to be found to meet the increased costs. The progressive financial impact is shown below:

	2013/14	2014/15	2015/16
	£000's	£000's	£000's
Cost of Settlement	1,245.0	2,093.0	2,830.0
Current Budget Provision	(600.0)	(600.0)	(600.0)
Unfunded Cost of Settlement	645.0	1,493.0	2,230.0

22. As this report updates the budget forecast to take account of the savings and spending proposals set out in this report, the updated forecast as set out in paragraph 27 has also been updated to reflect what the budget gap will be if the proposed settlement of the Terms and Conditions dispute is agreed collectively by Trade Union members and then implemented.
23. It should also be recognised that if agreement is reached, the Trade Unions will withdraw their Employment Tribunal Claims against the Council. These claims have a maximum value of circa £12M. This potential liability will therefore be negated if the proposed settlement is agreed.

BUDGET DEVELOPMENT FOR 2013/14 AND FUTURE YEARS

24. The report to Cabinet and Council on 10 and 11 July 2012 respectively, highlighted the challenges facing the Authority and identified an updated roll forward gap for 2013/14 of £28.0M rising to £57.7M in 2015/16, before taking into account any further revenue developments, pressures or savings.
25. This forecast provides an indication of the likely gap that will be faced by the Council each year, but there remains a significant element of uncertainty in

forecasting the position for future years. There are a range of variables which can impact on the budget, and in particular the actual grant funding position for individual authorities will not be known until December 2012. Nevertheless our current assumptions provide the medium term financial forecast to inform the financial strategy for tackling the overall position that is presented for future years.

26. The savings proposals for 2012/13 and future years will be taken into account in the development of the budget for 2013/14 but early decision making will enable implementation to be progressed in advance of the February 2013 budget meeting.
27. The overall impact of the savings proposals, as set out in paragraphs 9 to 12, (and detailed in Appendix 2), and the Terms & Conditions changes set out in paragraphs 20 to 23, is shown below:

	2013/14	2014/15	2015/16
	£000's	£000's	£000's
Roll Forward Gap	28,000.5	43,226.2	57,746.0
Savings Proposals	(1,997.0)	(2,537.0)	(2,537.0)
Contribution from Balances	(833.0)		
Revised Current Gap	25,170.5	40,689.2	55,209.0
Proposed Terms & Conditions Changes	645.0	1,493.0	2,230.0
Potential Gap if Proposed Settlement is agreed	25,815.5	42,182.2	57,439.0

28. Given the forecast for future years a fundamental review of all service areas is underway to consider what changes could be made to deliver up to £57.4M of additional savings over the next three years with £25.8M to be delivered for 2013/14. Options are being developed by Officers and the Cabinet with a view to producing a consultation report for publication in October.

GENERAL FUND BALANCES

29. It is important for Cabinet and Council to consider the position on balances. Balances are used either to:
 - support revenue spending,
 - support the capital programme, or
 - provide a 'working' balance at a minimum level suggested by the CFO with any projected excess being available to fund any one-off expenditure pressures or to reduce the council tax on a one-off basis.

The latter option is not recommended by the CFO.

30. The table below shows the position for balances after taking into account the outturn for 2011/12, items approved in July and the savings proposals set out in this report.

	2012/13	2013/14	2014/15	2015/16
	£000's	£000's	£000's	£000's
Opening Balance	23,529.6	7,433.6	5,448.7	5,565.0
(Draw to Support) / Contribution from Revenue	(4,302.2)	3,167.0	4,000.0	4,000.0
Draw to Support Capital	(352.6)			
Draw for Strategic Schemes	(11,441.2)	(5,151.9)	(3,883.7)	(4,305.0)
Closing Balance	7,433.6	5,448.7	5,565.0	5,260.0

31. The uncommitted level of balances forecast by 2015/16 currently totals £5.3M which is £260,000 above the minimum level recommended by the Chief Financial Officer following a risk assessment of the required level to be maintained. This will be available to contribute to the revenue budget in future years subject to the outturn position for 2012/13.
32. This position assumes that the outturn position for 2012/13 will be break even and if this is not achieved then any shortfall will need to be addressed as part of the development of the budget for future years in order to replenish balances.

RESOURCE IMPLICATIONS

Capital/Revenue

33. There are no capital implications and the revenue implications are set out in the report

Property/Other

34. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

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

Other Legal Implications:

36. Not applicable.

POLICY FRAMEWORK IMPLICATIONS

37. This report proposes variations to the budget that was approved by Council on 15 February 2012.

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KEY DECISION? Yes/No

WARDS/COMMUNITIES AFFECTED:	
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SUPPORTING DOCUMENTATION

Appendices

1.	Budget Consultation Report
2.	Summary of Efficiencies, Income and Service Reductions
3.	Terms of Proposed Settlement

Documents In Members' Rooms

1.	Budget Proposals - Equality and Safety Impact Assessments
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Integrated Impact Assessment

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

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

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1.	GENERAL FUND REVENUE BUDGET 2012/13 TO 2014/15 – Council 15 February 2012	
2.	CHANGES TO EXISTING REVENUE AND CAPITAL BUDGETS – Cabinet 10 July 2012 and Council 11 July 2012	