

THE BUDGET CONSULTATION PROCESS

1. The Executive will undertake an extensive consultation process between 20 November and the end of January 2013 on the attached draft budget proposals. The Leader and the Cabinet are keen to listen to new ideas on how to reduce costs and to receive feedback on the potential impact of the proposals to help to finalise the Executive's budget to be recommended to Full Council in February 2013.

Financial Context

2. The Council is planning to spend more than £500M delivering hundreds of services to residents in 2013/14. These services range from the obvious, visible services such as street cleaning and repairs, housing, waste collection, care of vulnerable children and adults, libraries, leisure centres and schools, through to the less visible, but equally important services, such as trading standards, environmental health and tourism.
3. The Council is funded in a number of ways. It receives grant from central Government, it raises money by charging fees to people using certain services such as planning and licensing and it must fill the gap by raising council tax or reducing the cost of services. The financial landscape is tough and is likely to remain so for some time. It means the amount of money the council is able to raise has fallen while the pressures on its finances are considerable and growing. For example, the Council expects to spend extra money on care for older people, people with learning disabilities and young children. To make matters worse the Council's grant funding from Government will be cut again and is expected to be cut further in coming years.
4. Overall we need to save approximately £60M in the next three years. To put this significant challenge in perspective, removal of the subsidy for Oaklands Pool will save the council in the region of £250,000. In order to meet the savings required for 2013/14 alone, we need to reduce our costs by an amount equivalent to ending approximately 100 services of a similar size.
5. Our choices are exceptionally limited but this does not reduce **the Council's commitment or requirement to engage and consult before, during and after decisions are made. These tough decisions, which will have far reaching impact, mean that we must consult better than we have ever done previously.**
6. We want to ensure that we understand the views of our residents, service users, partners, businesses, community and voluntary sector organisations and other stakeholders, as well as those of our employees, before we agree our final budget in February 2013. We want to hear their views about:
 - The Council's approach to delivering savings while prioritising essential social services that protect vulnerable adults and children, ensuring that as many vital front line services as possible are protected, protecting those in most poverty and meeting our legal obligations.
 - Any suggestions for making savings and generating income that we have not yet considered
 - Any potential impacts, and action we could take to reduce impacts, that we have not already identified or explored

- Different ways in which the council could deliver services such as working with others, including partner organisations and local communities.

The Scale of the Problem

7. In a nutshell, we need to save approximately £60M in the next three years and the forecast funding position for 2013/14 is that there is an initial shortfall in the budget, after the use of one off funding sources to reduce the in year budget gap, of in excess of £20M. More detail is provided in Appendix 2 which deals with the financial position. This is based on delivering the same service levels in 2013/14 as in the current year, ensuring pressures and risks are adequately provided for and includes raising Council Tax by 2.0%. To balance the books and pay for all the things we are required to do some tough choices will have to be made.
8. This draft budget would help us to save almost £19.6M in 2013/14, the first of those three years. We spend more than £500M a year, however, large chunks of council spending are protected. For example, over £100M is for schools and we cannot take a saving here. Other amounts, totalling more than £50M, are tied up in multi-year contracts that are difficult, although not impossible, to renegotiate – but this will take time. Once we discount the funding that is protected or very difficult to reduce, we are left with spending of about £200M of targetable budgets from which we need to take £60M. This represents a reduction in council spending of 30% of targetable budgets in three years. This is unprecedented and a huge challenge but is by no means impossible to achieve. As explained earlier, in order to meet the required savings in 2013/14 alone, we would need to reduce our costs on a scale that is equivalent to ending approximately 100 services of a similar size to Oaklands Pool or increase council tax by more than 25% (or more than an extra £325 on a Band D property). We are not going to increase council tax by this amount and we would not be allowed to either but this does illustrate the scale of the challenge.

Why Do We Have a Budget Gap?

9. We get our funding from three main sources – council tax, government grants (including from next year retained business rates) and fees and charges. Of these, council tax increases are difficult politically, do not raise that much (a 1% increase delivers in the region of £840,000) and in any event increases are limited to a 2% unless the Council wishes to hold a referendum. Our grant from government is being significantly reduced again, (with the business rate element from next year difficult to predict with certainty) and in the main is beyond our control. Specifically, our budget gap is caused by the following factors:
 - Inflation and interest payments - **£9M**
 - Reduction in government grant - at least **£9.2M**, possibly as high as £12M
 - Impact of one-off funds to balance 2012/13 budget - **£6M**
 - Redundancy cost provision in 2013/14 - **£4M**
 - Other cost pressures - **£5.7M**
 - Impact of accepting one-off council tax freeze grant in 2012/13 - **£2.1M**
 - Cost of reinstating pay in 2013/14 - **£0.6M**

10. We have made some savings already, utilised one off funding where it is sensible to do so and made assumptions about the likely level of council tax increase which all serve to reduce this initial gap of £36.6M by £16.4M to just under £20.2M.
11. We are engaged in a change programme that aims to maintain essential services while reducing our costs but this will take time to deliver as it must involve major redesign of many services. In the meantime, our proposed budget has a number of ways for us to increase our income and make efficiencies. We are also proposing to increase council tax by 2.0%. However, it is inevitable that there will be service reductions. We do not want to be cutting services but we simply cannot afford to do everything that we currently do.

Our Priorities

12. In making difficult decisions we will have to focus on what is most important for our city. In making these decisions, the Cabinet has agreed that as a priority the Council will:
 - Try and ensure that we maintain essential social services that protect vulnerable adults and children.
 - Focus on making the council run efficiently to ensure that as many vital front line services as possible are protected.
 - Do all we can to ensure that those in most poverty are protected.
 - Meet our legal obligations.
13. The scale of the challenge we face means that while we want to encourage genuine ideas for achievable savings from everyone, we have to manage expectations. This is because decisions to protect one service will inevitably have a negative impact on another service. Our approach in the long term will be to raise awareness so that consultation is not just about saving a service but about prioritising within ever decreasing resources.
14. Staff and Councillors have been working throughout the year to identify opportunities to be more efficient, to make savings and to raise income to close the overall gap. New efficiency savings including corporate savings totalling almost £7.1M for 2013/14 that will not directly impact on residents' services have been identified. These savings include items such as:
 - Savings from improving the efficiency of the waste collections, policy changes at the Household Waste Recycling Centre and reductions in waste disposal costs rising to approaching £0.5M in future years.
 - Savings from reduced management as a consequence of the rationalisation of Directorates totalling almost £0.5M
 - Savings in reablement services within Adult Services of £0.6M linked to encouraging greater integration between health and social care resulting in better care and outcomes for people needing support or care at lower cost of provision.
 - Efficiencies in the operation of Children's Centres which it is anticipated will deliver more than £0.9M in 2013/14.

15. However, even after allowing for these efficiency savings, there is still a gap of almost £13.1M to be closed. The Council is therefore also proposing, to review some of the council tax exemptions and discounts currently in place in relation to second homes, empty homes and exempt properties and the local discounts offered to Pensioners and Special Constables.
16. This leaves approaching £11.6M still to be found through a combination of increases in fees and charges or service reductions. The draft budget proposals include ideas to increase income which will yield £1.4M and also some service reductions which will deliver more than £9.6M of savings. Where cuts have to be made the council will try to ensure they have the least impact on the most vulnerable in our society. Over the coming months, Cabinet Members will continue to explore with Directorate Management teams and partners, including Capita, other ideas for savings and efficiencies that could contribute to the 2013/14 budget position and close the remaining gap of almost £0.6M.
17. The development of the budget is important work as the council wants to focus on keeping residents safe and secure and consider the impact of its actions on poverty, whilst still continuing to improve services, in what are very difficult financial times.

Our Consultation Principals

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

Consultation Process and Methodology

19. The Executive intends to undertake a range of consultation activities to work with all organisations affected by the proposals, as well as providing opportunities for residents to provide feedback on the Council's approach to delivering savings and to make suggestions for making savings and generating income that we have not yet considered and any potential impacts and action we could take to reduce impacts, that we have not already identified or explored.

20. The consultation will involve the publication of information on the City Council web site. In addition, we will liaise with stakeholders through existing communication channels.
21. The local media will also be briefed on the overall process and specific proposals and will be updated as and when required throughout the process.
22. Formal meetings will be held on an ongoing basis with the Trade Unions, starting with a meeting on the day of publication of the draft budget (12 November 2012) in order to receive direct feedback on the Executive's proposals.
23. Organisations directly affected by the budget proposals will be contacted and there will be ongoing liaison to consider impacts, mitigating actions, alternatives or any new ideas.
24. There will also be feedback opportunities for all residents either through the web site or by post. Additional information will be available for staff to access through normal internal channels. This will be in addition to the council's overview and scrutiny processes and all councillors are welcome to make their comments in advance of the budget setting meeting in the new year.
25. The formal minimum 90 statutory consultation on savings proposals which impact on staff commenced on the 12 November and will run through till the 9 February 2013. A meeting was held with the recognised Trade Unions to launch the consultation, and they have been invited to provide feedback and to contribute to the consultation. They have also been invited to a consultation meeting every fortnight through out the consultation period.
26. In addition to the main consultation launch meeting held on the 12 November, individual briefing sessions were also held on the same day for all staff groups who are impacted by potential redundancies. The Council will ensure that for each individual saving proposal there is a meaningful consultation process undertaken during the consultation period.

Providing Consultation Feedback into the Decision Making Process

27.	Details	Timescales
	Collating the feedback and analysis of the results	By 21 January 2013
	Feedback to Cabinet	23 January 2013
	Cabinet meet to recommend budget to Council	5 February 2013
	Publish details of the consultation feedback with the budget papers	6 February 2013
	Full Council budget setting meeting	13 February 2013
	Information on how the council has taken into account the feedback when making the final decisions	By end of February 2013

Consultation Methods and Timescales

28.

Interest groups	Methods	Timescales	Lead
All stakeholders	Questionnaire available through the council's website	12 Nov 2012	Ben White, Senior Manager, Communications
Employees and Trade Unions	Staff questionnaire	Intranet and Management Brief: 12 Nov 2012	Ben White, Senior Manager, Communications
	Regular meetings to receive specific feedback on individual proposals	Individual and team meetings: From 12 Nov 2012	Directors and Senior Managers
	Open door sessions for staff	12 Nov 2012 – 7 Jan 2013	Leader, Cabinet, Chief Executive, Directors
Meetings with specific interest groups	Specially organised sessions and meetings on specific proposals and for groups of proposals identified in the Cumulative Impact Assessment	12 Nov 2012 – 7 Jan 2013	Senior Managers and Managers for different proposals
Southampton Connect, partners and external organisations	Letters to partners and meetings	12 Nov 2012	Alistair Neill, Directors and those who represent the council on other organisations
	Briefing at Southampton Connect	6 December 2012	Alistair Neill
Specific groups such as community and voluntary sector organisations	Letters to relevant organisations who may be affected in specific ways With questionnaire included	From 12 Nov 2012	Vanessa Shahani (for grants) Clients/ Commissioners (for contracted services)
	Ongoing regular meetings	To be agreed in response to specific requests	Service Managers

Interest groups	Methods	Timescales	Lead
Service users	Meetings using a variety of existing forums and user groups for relevant proposals	From 12 Nov 2012	Service Managers
Businesses	Letters to Business Solent, Chamber of Commerce, Business in the Community and others as relevant - with questionnaire included	From 12 Nov 2012	Alistair Neill and Dawn Baxendale
	Business briefing	To be agreed	
	Meetings with them as requested	To be agreed in response to specific requests	