

DECISION-MAKER:	CABINET		
SUBJECT:	MEDIUM TERM FINANCIAL STRATEGY UPDATE 2018/19 TO 2022/23		
DATE OF DECISION:	16 OCTOBER 2018		
REPORT OF:	CABINET MEMBER FOR FINANCE AND CUSTOMER EXPERIENCE		
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STATEMENT OF CONFIDENTIALITY
N/A
BRIEF SUMMARY
<p>This report provides an update on the approved Medium Term Financial Strategy (MTFS) for the period 2018/19 to 2022/23.</p> <p>The report identifies new pressures on the General Fund that have been identified and how it is currently proposed to fund those additional pressures.</p> <p>The report outlines the next set of the Executive's draft budget proposals for 2019/20 and 2020/21 to address the budget gap for those years. These will be used as the basis for consultation with a range of stakeholders over the coming months.</p> <p>Analysis on consultation feedback will be considered by the Cabinet before they finalise their budget proposals that will be recommended to Council on 20th February 2019 when it will set the General Fund and HRA budgets.</p> <p>The Government will announce its latest Budget assumptions in the Autumn Statement on 29th October 2018. The implications of any announcements made on the Councils position will therefore need to be included in the update to Council in February 2019.</p> <p>Table 1 identifies the current summary position for the General Fund for the period of the Medium Term Financial Strategy (MTFS) after allowing for the details and proposals included within this report. Further details can be found in paragraphs 20 to 78.</p>

Table 1 – General Fund Summary

	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Budget Gap - February 2018	0.00	6.95	14.10	10.94	10.94
2018/19 Pressures and Mitigations	6.32	6.16	4.87	4.17	3.93
Future Pressures	0.00	4.85	4.85	6.85	7.85
Savings Proposals	0.00	(6.44)	(10.45)	(10.60)	(10.60)
Review of central resources & Non recurrent funding	0.00	(11.53)	(8.77)	(7.41)	(7.41)
Amended Budget Gap - November 2018	5.32	(0.00)	4.60	3.95	4.71

Table 2 below identifies the current summary position for the HRA for the period of the Medium Term Financial Strategy (MTFS) after allowing for the details and proposals included within this report. Further details can be found in paragraphs 91 to 99.

Table 2 – HRA Summary

	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Budget Gap - February 2018	0.00	3.15	3.42	3.68	3.68
2018/19 Pressures	0.90	0.00	0.00	0.00	0.00
Savings	0.00	(0.62)	(0.98)	(1.18)	(1.18)
Reduction in Contribution to Capital Funding	(0.90)	(2.53)	(2.44)	0.00	0.00
Amended Budget Gap - November 2018	0.00	0.00	0.00	2.70	2.70

Table 3 below identifies the additional Capital Investment that has been identified to support the Councils Outcomes & Priorities. Further details can be found in paragraphs 85 to 90.

Table 3 – Capital Investment Requirements

	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Southampton is an attractive and modern city where people are proud to live and work.	0.79	4.72	0.00	0.00	0.00
Children & Young People get a good start in life	0.14	0.00	0.00	0.00	0.00
Total New Capital Investment	0.93	4.72	0.00	0.00	0.00

RECOMMENDATIONS:

Having complied with paragraph 15 of the Council’s Access to Information Procedure Rules.

Cabinet are recommended to:

i)	Note the high level forecast for the General Fund for 2018/19 onwards contained in paragraph 9.
ii)	To note and ratify that a Solent Business Rates Retention Pilot bid was submitted to the MHCLG as detailed in paragraph 19.
iii)	Note the pressures which have been included in the forecast which are set out in paragraphs 24 to 42.

iv)	Note the Executive's initial savings proposals put forward for consultation in Appendices 2 to 6 which amount to £10.45M by 2021/22.
v)	Note that the Executive's budget proposals for consultation are based on the assumption that they will recommend a Council Tax increase of 2.99% to Full Council as per paragraph 77.
vi)	To note the implications of the savings proposals on the Capital Programme and to approve the additions to the capital programme as detailed in paragraph 88 and give approval to spend.
vii)	Note that the Executive's initial savings set out in Appendices 2 to 6 propose the deletion of 123.04 Full Time Equivalent (FTE) posts, of which 18.33 FTE are vacant, leaving 104.71 FTE at risk of redundancy or TUPE transfer.
viii)	Note the consultation on the Executive's draft budget proposals will commence on 24 th October 2018 and note the consultation proposals and methodology set out in paragraph 108.
ix)	Note the additional specific consultations on: revising the Adult Social Care Charging policy, closure of two council owned residential care homes, and revising service charges for tenants (Housing Revenue account). These will be carried out under their respective statutory consultation and representation regimes and will commence on 24 th October 2018 and run in parallel with the main budget consultation.
x)	Delegate authority to the Chief Financial Officer (CFO), following consultation with the Cabinet Member for Finance and Customer Experience, to do anything necessary to give effect to the proposals contained in this report.

REASONS FOR REPORT RECOMMENDATIONS

1.	This report is submitted for consideration as a General Exception under paragraph 15 of the Access to Information Procedure Rules in Part 4 of the City Council's Constitution, notice having been given to the Chair of the relevant Scrutiny Panel and the Public. The matter requires a decision in order to enable full consultation, where relevant, of the proposals set out in this report to ensure that the Council Tax and Budget Setting Process for 2019/20 is concluded within the statutory deadlines.
2.	The production of a financial forecast and an outline timetable are a requirement of the Council's Budget and Policy Framework Procedure Rules.
3.	In addition, it is good practice for the Council to consult with a range of stakeholders on its proposals for developing the budget. The recommendations in this report have therefore been put forward to allow this process to formally begin.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

4.	The proposals presented in this report represent the Executive's draft budget for 2019/20 and 2020/21, that is being published for consultation. There are a number of variables and alternative options that could be implemented as part of the budget. The budget will be set by Full Council in February 2019.
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DETAIL (Including consultation carried out)**BACKGROUND**

5. Council approved a 4 year MTFS in February 2018, the objective of which is to provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the Council's priority outcomes.

6. There are 6 key aims of the Strategy:

- To provide financial parameters within which budget and service planning should take place;
- To ensure the Council sets a balanced budget;
- To focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources. Ensuring services are defined on the basis of a clear alignment between priority and affordability;
- To ensure the Council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area;
- To plan the level of fees, charges and taxation in line with levels that the Council regard as being necessary, acceptable and affordable to meet the Council's aims, objectives, policies and priority whilst gradually reducing the Council's reliance on Central Government funding; and
- To ensure that the Council's long term financial health and viability remain sound.

7. Table 4 below shows the MTFS position as reported in February 2018.

8. Table 4 – Funding Gap 2018/19 to 2021/22

	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M
Remaining Savings Requirement	0.00	6.95	14.10	10.94

2018/19 POSITION

9. The General Fund Revenue forecast position is an overspend on portfolios of £8.62M, offset by a release of reserves and contingencies of £2.3M bringing the position to a net overspend of £6.32M. Any pressures that expected to continue into 2019/20 have been accounted for in these proposals and are set out in paragraphs 24 to 42.

COMPREHENSIVE SPENDING REVIEW AND FAIR FUNDING REVIEW

10. 2019/20 marks the final year of the Comprehensive Spending Review (CSR) and the final year of the 4 year settlement that the council agreed with central government.

11. Subsequent to agreeing to this settlement Southampton applied for and was successful in becoming part of a 100% Business Rates Retention pilot for 2018/19. This was as part of a pool with Portsmouth and the Isle of Wight. This was a one year only pilot and it was confirmed in July 2018, that the 100% pilot would not be continuing beyond this and Southampton, as part of a pool, along with other pilot areas would need to reapply to be considered for the 75% business rate retention pilots. There are further details on this paragraph 19.

12.	As yet it is unclear on what the next settlement will look like, with government proposing a radical overhaul of how local government funding is allocated via the fair funding review.
13.	Alongside this there has been recognition by central government that the provision and funding of adult social care needs to be reviewed as part of the overall review of health provision. A green paper is expected imminently regarding this issue, as yet we do not have any indications on the outcome of this review.
	<u>Recent Announcements</u>
14.	<u>Removal of the HRA Borrowing Cap</u> The Government have announced an intention to remove the HRA borrowing cap to allow additional borrowing for new developments. Further details will be forthcoming in due course but it is expected that this will form part of the Comprehensive Spending Review next year and will take effect from 2020/21.
15.	<u>Adult Social Care Monies - seasonal rise in demand over the winter months.</u> A further £240M of funding is to be made available to help fund the seasonal rise in demand over the winter months for hospital beds. These monies are to fund social care in order that that demand is mitigated. The allocation will be based on the Adult Social Care Relative Needs Assessment which for Southampton will be in the region of £1.00M. Uses of the funding will need to be confirmed but can be used to meet the cost of care packages to help reduced delayed transfers of care. Additionally, it has been announced that it could be used for home adaptations.
	<u>Autumn Budget 2019</u>
16.	The autumn budget date has been announced for the 29 th October 2018.
17.	Local authorities are dependent on funding allocations from the MHCLG, with the funding 'pot' being determined by the Treasury. There is heavy reliance on how that funding is distributed and what element of locally raised taxes can be retained by the local authority. As such there are a number of issues that need to be considered: <ul style="list-style-type: none"> • The overall size of the funding to be allocated to local government; • Council Tax and the allowable referendum limit; • Business Rates Retention assumptions, along with any other exemptions and changes; • Funding for services that are impacting local authorities nationally i.e. Adults and Children's Social Care; • Welfare decisions that affect demand for local services; • Any general infrastructure funding requirements such as affordable housing; and • The need to ensure that statutory services can be provided within the available funding.
18.	The implications of any announcements made on the Councils position will therefore need to be included in the update to Council in February 2019.
19.	<u>Business Rate Pilot</u> Whilst primary legislation for the implementation of 100% business rate retention has halted, the MHCLG have confirmed that the Government are still

	<p>committed to progressing towards this aim. In light of this work is continuing to establish the mechanism for how the system will operate including a review of a fairer funding system for need; appeals; growth incentives mechanisms; and potential reset periods.</p> <p>As part of this process, applications were sought from local authorities to apply to be a 'pilot' for 100% business rate retention in 2018/19.</p> <p>Southampton City Council were part of a successful bid application with Portsmouth City Council and the Isle of Wight Council, known as the Solent Pilot.</p> <p>The Government have again requested pilot bids for 2019/20 but to now run on a 75% retention basis as it is expected that due to the required legislative changes required, the most that will be achieved until that point is 75%.</p> <p>A bid was submitted, again for the Solent Region, on the 25th September 2018. Successful pilots will be announced in December 2018. If successful, the financial implications will be included in the MTFS update in February 2019.</p> <p>Cabinet are asked to note and ratify the decision taken to submit the application.</p>
	PROCESS OF FINDING SAVINGS
20.	The council adopted an outcome based planning and budgeting approach in 2017/18, to ensure that we are investing our reduced resources in activities that have the greatest impact on the delivery of our priority outcomes. In setting our budget for 2019/20 onwards, we have further developed this outcome based approach, introducing 'Business Academies'. Workshop sessions were held for groups of services, which help to deliver a particular outcome. This looked at a 2 year time horizon for areas to plan delivery.
21.	The business academy workshop sessions were held in groups of services, that help to deliver a particular outcome, so that the collection of services that contribute to delivering an outcome were able to talk overall redesign in the sessions.
22.	At the start of the process, the remit was given to try and close the £10.94M budget gap by 2021/22 as reported in February 2018.
23.	The current 2020/21 and future years budget gap still needs to be addressed, including further review of savings requirements and MTFS Funding Assumptions. Any update on this position will be included within the Budget Report to Council in February 2019.
	PRESSURES
24.	As part of in year budget monitoring and having gone through the business academy process a number of pressures have been identified. These pressures are detailed in paragraphs 24 to 42 and in Appendices 2 to 6.
25.	Current Year Pressures
	<u>Children and Young People Get a Good Start in Life</u>
26.	<p><u>Home to School Transport</u></p> <p>An increase in the number of children with high needs requiring transport to schools and legislative changes in the Home to School Transport (HTST) provision requiring Local Authorities to extend this service to Early years and Post 16, have caused a pressure. The HTST pressure is forecast increase in 19/20 due to the continuing impact of these changes. To mitigate this pressure</p>

	<p>extensive reviews of the provision to find efficiencies have been undertaken and which have included parent consultations and reviewing the provision provided by neighbouring authorities. The provision will also form part of the strategic transport review.</p> <p>In addition to this there is a saving proposal to retain modular classrooms at Bitterne Park Secondary School to increase the number of Special Educational Needs (SEND) placements to address demand and reduce the number of out of city placements.</p>
27.	<p><u>Looked After Children</u></p> <p>The number and cost of looked after children in the city is higher than initially expected, therefore a pressure has been included to bring the budget in line with current expenditure. Having a higher than expected number of placements also incurs costs on staffing for additional temporary social workers to deal with the caseload, and additional costs of expert fees. The service has reviewed the projected number, and costs of placements to forecast the budget requirement over the MTFS period, including a review of residential placements to alternative provision, where this is appropriate to the needs of the child. In order to deliver the reduced costs there is investment in the placements team required to deliver focussed targeted step down from residential care and identify suitable alternative provision.</p>
28.	<p><u>High Needs</u></p> <p>Due to the increase in the number of children with High Needs being placed in residential placements, there is a pressure within this area. Whilst these services are statutory, the Jigsaw Service is actively reviewing individual assessments to ensure that the provision provided is meeting need.</p>
	<p><u>People in Southampton lead safe, healthy, independent lives</u></p>
29.	<p><u>Long Term Care</u></p> <p>Savings proposals for this area focused on reducing the numbers of client care packages within the Older Persons and Physical Disabilities areas. Action plans to achieve these savings are still being developed to finalise the mechanisms for implementing this reduction. Integrated Better Care Funding has been used to offset overspends where appropriate.</p>
30.	<p><u>Adult Mental Health Clients</u></p> <p>There has been an increased number of high cost residential Adult Mental Health clients transferring from Health to Adult Social Care. The net number of clients has not increased, however the average cost per client has increased due to the increased number of clients with more complex needs.</p>
31.	<p><u>Provider Services</u></p> <p>There has been a significant increase in the use of temporary staffing at the Glen Lee and Holcroft residential care homes. This is due to Care Quality Commission recommendations being implemented following the recent inspection of Glen Lee; and long term sickness and vacancies at Holcroft care home.</p>
	<p><u>Southampton Is An Attractive And Modern City Where People Are Proud To Live And Work</u></p>
32.	<p><u>Parks and Open Spaces</u></p> <p>The Council has been working through a significant backlog of essential tree works since the previous contract was brought back in house in April 2017. This</p>

	has resulted in less ability to focus on income generating work, creating a pressure. The backlog will continue to be addressed throughout 2018/19 and 2019/20.
33.	<p><u>Waste Collection and Disposal</u></p> <p>A saving proposal regarding the introduction of CCTV was expected to reduce the security costs at the depot however this has not proved realisable.</p> <p>Post February Budget report saw a significant change in market values for dry & mixed recyclables, particularly for cardboard and mixed paper commodity. Indications are that market prices are set to continue to decrease due to the uncertainty pertaining to export markets for recyclables, particularly within the fibre markets.</p> <p>Due to the age of the refuse collection vehicles the cost of repair has increased and with this the cost of hire vehicles. The Council Capital Board will be recommending to full council the purchase of new refuse collection vehicles see paragraph 91.</p> <p>Offsetting these pressures is a £0.6M saving that has been achieved from the successful implementation of Alternate Weekly Collections.</p> <p>It is proposed to review the charges for garden waste, and find alternative bin storage facilities in order to mitigate these pressures.</p>
34.	<p><u>Local Authority Trading Company</u></p> <p>Whilst some of the income generating ideas that were part of the Local Authority Trading company proposals have been progressed it has not been possible to take forward all the ideas as quickly as originally envisaged for a variety of reasons. This has created a pressure in 2018/19 and a small pressure in 2019/20, however the services that were in phase 1 do go on to achieve more than the original amount allocated to them.</p>
35.	<p><u>Regulatory Services</u></p> <p>Cemeteries and Crematorium has a forecast reduction in income since the new crematorium in Romsey opened. A marketing plan is being developed and a fee increases are proposed to mitigate this impact.</p> <p>The introduction by government of an online service for Nationality Checks has caused a loss of income to the service as applicants are no longer obliged to take this service from the registration office, resulting in a reduction in income.</p>
	<u>Southampton is a City with Strong Sustainable Economic Growth</u>
36.	<p><u>Property Rationalisation & Disposal Saving</u></p> <p>A saving proposal linked to rationalisation of service properties was approved in February 2016 which increases to £2.25M by 2019/20. This saving has not been achieved. This is due in part to the need to review the whole of the Council's estate and in part due to a high level of vacancies in the Property Services Team. To date, in year mitigations have been identified but these are one off in nature and not forecast for future years.</p>
	2019/20 PRESSURES
	<u>Children and Young People Get a Good Start in Life</u>
37.	<p><u>Looked After Children</u></p> <p>In 2019/20 further reductions in the number and cost of looked after children had been modelled into the MTFs, however these projections have now been revised following the increased demand and cost in this financial year.</p>

People in Southampton lead safe, healthy, independent lives

38.

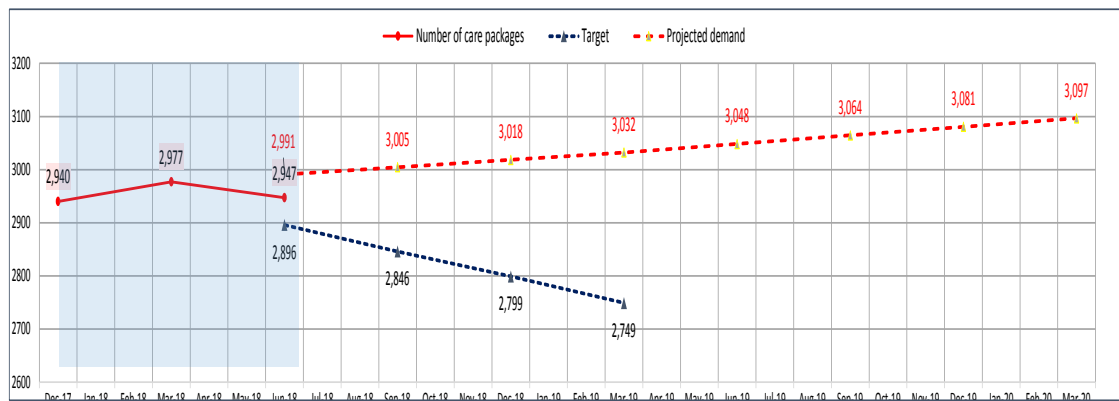
Kentish Road

The ongoing budget for the Kentish Road respite home was removed as part of an approved budget saving proposal in February 2017. Following further discussion and consultation a decision has been made to re provide a service at Kentish Road to enable wider choice.

Demographic Pressures

A projection has been completed on the likely number of people needing adult social care services over the life of the MTFS. This shows a continued rise in the number of potential clients over this period, with likely demand being in excess of that already included in the MTFS assumptions. Graph 1 below shows the expected trajectory of client numbers. An additional pressure has therefore been added in 2021/22 and 2022/23 to recognise this likely increase in demand for services. This has been based on an assumed package cost which has been uplifted for inflation.

Graph 1 – Adult Social Care No of Care Packages



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39.

Investment in Flood Risk Management Service

Additional resources are required to ensure that essential priority flood prevention schemes can be delivered.

40.

Local Authority Trading Company (LATCo)

At its meeting in July, Council approved the decision to delay the implementation of a LATCo to allow for other priority projects to be progressed. A pressure had been recognised within the current financial year when setting the budget for 2018/19 and as a result of this the pressure has been recognised over the period of the MTFS. This will be updated once further decisions are taken and work has continued around commercialisation.

Southampton is a City with Strong Sustainable Economic Growth

41.

Cultural Trust

In order to progress initiatives in and development of the cultural quarter and creation of the Cultural Trust additional resources are required.

A Modern Sustainable Council

42.	<p><u>Social Media Contact</u></p> <p>As a result of an increase in demand for communication with the council through social media platforms investment in resources to meet this need is required, and to provide a better customer experience.</p>																																			
CLOSING THE GAP																																				
43.	In order to close the budget gap following the business academy and the identification of pressures, some central resources have been released.																																			
44.	<p><u>Funds for increasing demand</u></p> <p>A sum of money is held centrally each year for increasing costs in those services that are demand led. These pressures have become evident as the budget setting process has progressed, therefore it is appropriate to release this funding to meet the identified pressures. However it does mean that if demand pressures occur over the next two years over and above those already factored in, we will need to find mitigations quickly or will have to look to reserves to provide one off relief to the pressure. If this scenario happens there will need to be further savings identified in the following years to offset the pressure.</p>																																			
45.	<p><u>Non-contractual inflation</u></p> <p>£1M of non-contractual inflation has been released to offset pressures as a result this will not be distributed to services they will need to absorb inflation pressures outside of previously agreed contractual increases.</p>																																			
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46.	Appendices 2 to 6 show the savings proposals by outcome and these are summarised in Table 5.																																			
47.	<p><u>Table 5 – Summary of Savings Proposals by Outcome</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Outcome</th> <th style="text-align: center;">2019/20 £M</th> <th style="text-align: center;">2020/21 £M</th> <th style="text-align: center;">2021/22 £M</th> <th style="text-align: center;">2022/23 £M</th> </tr> </thead> <tbody> <tr> <td>Children and Young People get a good start in life</td> <td style="text-align: center;">(1.73)</td> <td style="text-align: center;">(2.57)</td> <td style="text-align: center;">(2.57)</td> <td style="text-align: center;">(2.57)</td> </tr> <tr> <td>People in Southampton lead safe , healthy, independent lives</td> <td style="text-align: center;">(1.33)</td> <td style="text-align: center;">(3.09)</td> <td style="text-align: center;">(3.09)</td> <td style="text-align: center;">(3.09)</td> </tr> <tr> <td>Southampton is an attractive and modern city where people are proud to live and work.</td> <td style="text-align: center;">(0.26)</td> <td style="text-align: center;">(0.31)</td> <td style="text-align: center;">(0.36)</td> <td style="text-align: center;">(0.36)</td> </tr> <tr> <td>Southampton is a City with Strong, Sustainable, Economic Growth</td> <td style="text-align: center;">(1.24)</td> <td style="text-align: center;">(1.74)</td> <td style="text-align: center;">(1.94)</td> <td style="text-align: center;">(1.94)</td> </tr> <tr> <td>A Modern Sustainable Council</td> <td style="text-align: center;">(1.87)</td> <td style="text-align: center;">(2.73)</td> <td style="text-align: center;">(2.64)</td> <td style="text-align: center;">(2.64)</td> </tr> <tr> <td>Total Savings 2019/20 and Future Years</td> <td style="text-align: center;">(6.44)</td> <td style="text-align: center;">(10.45)</td> <td style="text-align: center;">(10.60)</td> <td style="text-align: center;">(10.60)</td> </tr> </tbody> </table>	Outcome	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	Children and Young People get a good start in life	(1.73)	(2.57)	(2.57)	(2.57)	People in Southampton lead safe , healthy, independent lives	(1.33)	(3.09)	(3.09)	(3.09)	Southampton is an attractive and modern city where people are proud to live and work.	(0.26)	(0.31)	(0.36)	(0.36)	Southampton is a City with Strong, Sustainable, Economic Growth	(1.24)	(1.74)	(1.94)	(1.94)	A Modern Sustainable Council	(1.87)	(2.73)	(2.64)	(2.64)	Total Savings 2019/20 and Future Years	(6.44)	(10.45)	(10.60)	(10.60)
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48.	<p>As in previous years the budget proposals have been grouped into three categories:</p> <ul style="list-style-type: none"> • <u>Business as Usual Savings</u> – these are minor savings that do not impact on outcomes and are part of the normal review of service budgets • <u>Income Generation Savings</u> – as a part of the business academy process a commercial aspect was introduced to service planning and 																																			

	<p>where possible minor income generating opportunities have been introduced</p> <ul style="list-style-type: none"> • <u>Service Delivery and Redesign</u> – these are areas where there are redesign in delivery of services to ensure there is minimal impact of savings on outcomes.
49.	The following paragraphs provided more detail for the Service Delivery and Redesign proposals.
	<u>Children and Young People Get a Good Start in Life</u>
50.	<p><u>Locality Based Service</u></p> <p>In 2017, a Locality Based 0-19 Early Help and Prevention service was introduced that included a mix of universal services and more targeted, intensive support for children and young people with additional needs, or whose home life makes them vulnerable to poor outcomes.</p> <p>The service has been successful in offering advice and support to children and families, the proposal is to extend the model by bringing in more specialist and targeted health and social care which can provide early help and outreach preventative services.</p> <p>These specialist and targeted services are currently available, but have to be accessed separately. By delivering more services locally for families, the aim is to make them part of a community resource that is practical, holistic and easy to access. We also want to increase our partnership working with local community and voluntary services.</p> <p>This will enable engagement with families at an early stage when they are facing difficulties, challenges or need advice. It will also help to enhance the Families Matter service which focuses on strengthening and turning around families who are experiencing issues. Providing the right help early can stop problems getting worse or avoid issues altogether. Evidence shows that this can deliver better outcomes for children and families as well as saving money in the longer term as it avoids the need for more intensive, long term support. Therefore, it should ultimately reduce the number of children coming into statutory services with escalated needs, requiring the intervention of the council.</p>
51.	<p><u>Play Offer</u></p> <p>The council currently sets up, runs and facilitates play sessions in 7 centres across the city and these are staffed by council employees (approximately 20 staff). The proposal is to explore opportunities for some play services to be run or co-run by local community volunteers and/or parent volunteers. The council and its partners will continue to coordinate and support the running of these groups, though will seek to hand over some facilitation to capable and trained members of the community. Council staff will continue to run some targeted sessions if there are areas where it is not viable to deliver a community led play offer; in that case, these will be targeted to those areas with the greatest need. The council will also support work to develop the availability of play areas across the city.</p>
52.	<p><u>Looked After Children Contact Service</u></p> <p>The Contact Service facilitates contact for our Looked After Children (LAC) with their birth families. The current service is costly in terms of staffing, time and physical resource. The proposal is to review, scope and assess the benefits of the current Contact Service, with a view to it being delivered by a partner</p>

	organisation. In doing so, the service has the potential to become more flexible, with a 7 day a week service across extended hours.
53.	<p><u>Special Educational Needs (SEN) - Compass School Reduction in places in line with demand</u></p> <p>Compass School is a Pupil Referral Unit (PRU), providing transitional, full time education and support for up to 160 pupils aged 5 - 16 who are not accessing mainstream schools. In September 2018, there were only 67 pupils on the school roll. Although this number is likely to rise as the academic year progresses, the school has never reached its capacity of 160. Therefore, the current funding for 160 pupils is not required.</p>
54.	<p><u>SEN - Reduce Early Intervention Fund</u></p> <p>The Early Intervention Fund supports early years and childcare providers to expand or to set up new provision. The proposal is to reduce this fund by £0.1M, and encourage providers to seek funding from elsewhere.</p>
55.	<p><u>Education - Income from Sugar Tax through Healthy Pupils Fund Bid</u></p> <p>The proposal is to submit a bid to the Healthy Pupils Fund which has been created by income from the tax on sugary drinks. This money will be utilised to offset existing expenditure on health related matters.</p>
	<u>People in Southampton lead safe, healthy, independent lives</u>
56.	<p>Shared Lives is a scheme in which a person, or a family, provides care in their home for up to three adults with learning disabilities, mental health needs, physical disabilities and/or older people. The proposal is to expand this scheme, by investing in additional council staff and support, as well as marketing, so that more people are able to be supported through Shared Lives. We are also proposing to review current residential placements, to see whether anyone in a residential home might benefit from moving into a Shared Lives placement. No changes will be made to current placements without thorough, person-centred assessments or reviews being undertaken, which will take into account the views and preferences of the person as well as their families and where appropriate their independent advocates.</p>
57.	<p><u>Revise the Adult Social Care Charging Policy</u></p> <p>Under the Care Act 2014, the council has discretion to choose whether to charge for services to meet both eligible and non-eligible needs, except where it is required to arrange care and support free of charge.</p> <p>Southampton City Council has an Adult Social Care Charging Policy which sets out the charges that apply for non-residential care and support. Under this policy, the council charges for some services provided (care and support) where it is permitted to do so under the Care Act 2014 and carries a financial assessment (means test) to determine the amount an individual has to contribute towards the cost of their care and support.</p> <p>When carrying out a financial assessment, the council follows the rules on the treatment of income and capital laid down in The Care and Support (Charging and Assessment of Resources) Regulations 2014 and in compliance with the Care Act 2014 and the statutory guidance.</p> <p>The council has, to date, exercised its discretion to not charge at all for some services and for other services has not charged the full amount to cover the actual service being delivered.</p>

	<p>In light of the increasing demand for services to meet needs for care and support and the need to deliver savings the council has to look at how we are organised and how we provide services to continue to ensure that we provide the highest quality of services possible. We need to consider how we can make sure that this is sustainable and will meet the needs of local people, now and in the future. We are therefore proposing to increase the income from non-residential care charges, charging for services from date of commencement and for deferred payment agreements.</p>
58.	<p><u>Increase in use of Urgent Response Service</u></p> <p>The urgent response service provides rehabilitation and reablement for adults. The proposal is to further invest in this service to reduce the need for more expensive longer term health and care packages.</p>
59.	<p><u>Closure of two council owned residential care homes</u></p> <p>The council runs two residential homes, Holcroft House and Glen Lee. Although demand for Adult Social Care is increasing, the demand for residential care has decreased as more people are supported to live independently in their own homes. National and local research has found that older people would prefer to continue living at home for as long as possible. Research also tells us that the demand for residential care is likely to continue to decrease as alternatives such as housing with care become the preferred option. The local home care market is better placed to provide care and support where residential care is needed, leaving the council to focus on the development of housing with care and community-based services.</p> <p>The proposal is therefore to close both of these homes subject to consultation and individual needs assessment.</p>
	<p><u>Southampton Is An Attractive And Modern City Where People Are Proud To Live And Work</u></p>
60.	<p><u>Refuse and Recycling</u></p> <p>The refuse and recycling service are proposing to review the waste collection schedules and routes across the city, to make these more efficient, meaning we will be able to reduce the total number of crews by one and reduce agency expenditure.</p>
61.	<p><u>Street Cleaning</u></p> <p>We are proposing to review and rationalise the provision of litter bins in the city, and introduce smart compactor bins where appropriate. These smart bins use sensors to alert the service when bins needs emptying, meaning collection vehicles only need to go out when necessary. They also compact waste, allowing five times as much waste to be placed in a bin before emptying is required. It is proposed to undertake a trial of these bins in 2019/20, by replacing some existing bins with smart compactor bins. If the trial is successful, a wider review will be undertaken with a view to introducing more smart compactor bins, and reducing the overall number of bins in the city.</p>
	<p><u>Southampton is a City with Strong Sustainable Economic Growth</u></p>
62.	<p><u>Car Parking - Introduce charges for blue badge holders in council owned off street car parks</u></p> <p>The proposal is to withdraw free parking in off-street car parks for Blue Badge holders, meaning that Blue Badge holders who choose to park in off-street car parks will be subject to the same charges, terms and conditions as other users.</p>

	<p>Many other local authorities already charge blue badge holders for parking in off-street car parks, as do private sector providers.</p> <p>The introduction of charges for Blue Badge holders will apply to all council owned surface car parks and to the West Park Road Multi-story Car Park (MSCP). All other MSCPs in the city already have barrier systems in place, meaning that those with Blue Badges pay for parking in these car parks.</p> <p>Blue Badge holders will still have designated spaces within off-street car parks, however they will be expected to pay the same parking charge as all users of that car park and be subject to any time restrictions in place in that car park.</p> <p>Blue Badge holders will continue have the option to make use of on-street parking for free, and these changes will apply to off-street car parks only.</p>
63.	<p><u>Review & increase Itchen Bridge fees for non-residents</u></p> <p>The proposal is to increase the Itchen Bridge Toll charges by 20p for vehicles in classes 2 and 3 and above crossing the bridge, who are not eligible for a concession. This will impact on non-residents, whether using a smart card or paying in cash, who are driving cars, small vans, small 4x4 and large vans, which include large transit and 4x4 vans.</p> <p>The increase in the toll would not apply to residents who receive a concessionary toll through use of a Smart Card. Residents who do not currently have a free to issue Smartcities card would need to apply for one in order to avoid paying the increased charges.</p> <p>Those that currently qualify for free use of the bridge would continue to do so, which includes motorcycles, electric vehicles and blue badge holders.</p>
64.	<p><u>Advertising on Bus Shelters</u></p> <p>Additional marketing to increase income from bus shelter advertising.</p>
65.	<p><u>Transport Review</u></p> <p>It is proposed to undertake a strategic review of the transport the council provides and subsidises across the city. This should identify efficiencies and savings compared the current service provision.</p>
66.	<p><u>Investment Property Rationalisation</u></p> <p>A review of the investment property estate will be undertaken with a view to maximising rental income.</p>
<u>A Modern Sustainable Council</u>	
67.	<p><u>Debtors & Creditors - Increase fees to cover the cost of Universal Deferred Payment Scheme (UDPS)</u></p> <p>The Care Act 2014 gave powers to councils to enter into deferred payment agreements (DPA) to prevent people from being forced to sell their homes in their lifetime to meet the costs of their care. Local Authorities can offer a DPA to an individual who meets the criteria set out in the Care Act 2014.</p> <p>The UDPS is intended to be run on a cost-neutral basis with Local Authorities being able to recoup the costs associated with deferring the fees by charging interest and by recouping administration charges. Administration charges and interest can be added onto the total amount charged or customers can choose to pay for them separately.</p> <p>The proposal is to increase the charges that council makes to cover the cost of the service.</p>

68.	<u>Contract Management</u> Efficiency savings from a review of all contracts.
69.	<u>HMRC Investigations</u> Investigations, resulting in backdated claims to HMRC will be undertaken by in house staff, rather than external organisations, allowing us to save on commission charges.
70.	<u>Review of Capital Funding & Treasury Management</u> Review and reprioritisation of capital funding programme, ensuring alternative sources of funding are used in preference to borrowing and review of Treasury Management due to slippage in the capital programme.
71.	<u>Democratic Services – Members Expenses Budgets</u> A review of the member's expenses budgets has been undertaken and a reduction in the expenses budget for Councillors is proposed.
72.	<u>Major Projects</u> Efficiency gains from the implementation of major projects, such as the introduction of the Business World Enterprise Resource Platform (ERP) is expected. This will be further reviewed once the projects have been implemented and have had time to embed.
	<u>Implementation Costs</u>
73.	Implementation costs will be funded by existing resources where possible or from a contribution from the MTFS reserve.
	FUNDING CHANGES
74.	<u>Business Rate Retention Pilot</u> Paragraph 19, describes the current pilot, and the forecast non recurrent benefit from this is £2.5M, £2.45M in 2019/20 and £0.05M in 2020/21. This has been utilised to offset pressures within the MTFS plans.
75.	<u>Business Rates and Council Tax Growth</u> As is the usual process at November budget setting a review of business rates and council tax forecasts for future years has been undertaken. This considers all future developments and the stage they are at over the period of the MTFS. Where completion dates can be reasonable determined an estimate of the likely income has been included in the funding available on a recurring basis. These estimates have been revised downwards to take account of potential reduced income from: <ul style="list-style-type: none"> • Council tax reduction scheme; • Demolitions; • Potential appeals to business rates valuations and resultant refunds; and • To offset any cost of empty properties due to business displacement.
76.	<u>Collection Fund Surplus</u> The collection fund reported a surplus at the end of 2017/18 of £3.3M pertaining to the council. This is available to use to support the 2019/20 position.
77.	<u>Council Tax Increase</u> In order to assist with financial sustainability the proposal is to increase council tax by 2.99%. This assumes that the referendum limit will be set at this level,

	as per indications from central government. This will be confirmed either at the Autumn Budget Statement or via the Provisional Local Government Finance Settlement in December.																																										
78.	<p><u>Release of Direct Revenue Contributions Capital</u></p> <p>A review of capital funding sources has identified a one off sum of monies earmarked as a direct revenue contribution to capital, can be released of £1.44M to support the 2020/21 financial position.</p>																																										
	SUMMARY GENERAL FUND POSITION																																										
79.	Table 6 and below summaries the details set out in the above paragraphs. Additionally the full MTFS model is shown in Appendix 1.																																										
80.	<p><u>Table 6 – MTFS Summary Position</u></p> <table border="1"> <thead> <tr> <th></th> <th>2018/19 £M</th> <th>2019/20 £M</th> <th>2020/21 £M</th> <th>2021/22 £M</th> <th>2022/23 £M</th> </tr> </thead> <tbody> <tr> <td>Budget Gap - February 2018</td> <td>0.00</td> <td>6.95</td> <td>14.10</td> <td>10.94</td> <td>10.94</td> </tr> <tr> <td>2018/19 Pressures and Mitigations</td> <td>5.32</td> <td>6.16</td> <td>4.87</td> <td>4.17</td> <td>3.93</td> </tr> <tr> <td>Future Pressures</td> <td>0.00</td> <td>4.85</td> <td>4.85</td> <td>6.85</td> <td>7.85</td> </tr> <tr> <td>Savings Proposals</td> <td>0.00</td> <td>(6.44)</td> <td>(10.45)</td> <td>(10.60)</td> <td>(10.60)</td> </tr> <tr> <td>Review of central resources & Non recurrent funding</td> <td>0.00</td> <td>(11.53)</td> <td>(8.77)</td> <td>(7.41)</td> <td>(7.41)</td> </tr> <tr> <td>Amended Budget Gap - November 2018</td> <td>5.32</td> <td>(0.00)</td> <td>4.60</td> <td>3.95</td> <td>4.71</td> </tr> </tbody> </table>		2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	Budget Gap - February 2018	0.00	6.95	14.10	10.94	10.94	2018/19 Pressures and Mitigations	5.32	6.16	4.87	4.17	3.93	Future Pressures	0.00	4.85	4.85	6.85	7.85	Savings Proposals	0.00	(6.44)	(10.45)	(10.60)	(10.60)	Review of central resources & Non recurrent funding	0.00	(11.53)	(8.77)	(7.41)	(7.41)	Amended Budget Gap - November 2018	5.32	(0.00)	4.60	3.95	4.71
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81.	<p><u>2020/21 Budget Gap</u></p> <p>Table 6 shows there is a budget gap in 2020/21 of £4.60M. Proposals to close this gap will be presented in the February council tax setting papers that are put before Full Council. If these proposals require consultation this will be detailed at this time, however it is the intention to minimise this wherever possible. Hopefully at this stage there will be more information available regarding the central government proposals to address the adult social care funding gap at a national level, and the proposed fair funding review for overall local government funding.</p>																																										
	PUBLIC HEALTH																																										
82.	Table 7 below show the current public health grant funding gap along with the proposed savings that have been proposed to close the gap.																																										
83.	<u>Table 7 – Public Health Funding Gap</u>																																										

	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Cumulative Grant reduction	0.45	0.90	0.90	0.90	0.90
Inflation and Pay Award Pressure	(0.00)	0.01	0.01	0.01	0.01
Total Public Health Grant Funding Gap	0.45	0.90	0.90	0.90	0.90
<u>Public Health grant savings</u>					
Redesign of Behaviour Change provisions	(0.02)	(0.05)	(0.05)	(0.05)	(0.05)
2% annual reduction in Sexual Health Service contract	(0.04)	(0.09)	(0.09)	(0.09)	(0.09)
Transfer responsibility for funding health services to the NHS as previously agreed.	(0.32)	(0.64)	(0.64)	(0.64)	(0.64)
Solent University PhD students	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Other Savings and Staffing amendments	(0.04)	(0.09)	(0.09)	(0.09)	(0.09)
Total Savings	(0.45)	(0.90)	(0.90)	(0.90)	(0.90)
Funding Gap	0.00	0.00	0.00	0.00	0.00
84.	<p>It should be noted the savings identified above are a continuation of previous agreed proposals.</p> <p>They relate in the main to:</p> <ul style="list-style-type: none"> • Redesigned contract savings; • Cessation of support to Solent University PhD Students; and • Health Services that will transfer to and be funded by CCG. 				
	CAPITAL INVESTMENT				
85.	<p>The capital strategy details the process for approving new bids for investment for future years. Linked to outcomes based planning and budgeting, new initiatives can be put forward that either enable the achievement of ongoing revenue savings i.e. invest to save, or that will achieve the outcomes and priorities of the council.</p>				
86.	<p>Table 8 and 9 below details the new additions to the capital programme that have been identified and the source of financing. All schemes will be added to the Transport & Public Realm Portfolio.</p>				

87.

Table 8 – New Capital Investments

	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Fleet Electric Vehicles	0.00	0.82	0.00	0.00	0.00
Refuse Collection Vehicles	0.00	2.90	0.00	0.00	0.00
Solar Powered Compactor Bins	0.00	1.00	0.00	0.00	0.00
Replacement Of Pay & Display Machine Card Readers	0.46	0.00	0.00	0.00	0.00
Integrated Transport - S106	0.33	0.00	0.00	0.00	0.00
Play Area Improvement Programme - S106 Contributions	0.14	0.00	0.00	0.00	0.00
Total New Capital Investment	0.93	4.72	0.00	0.00	0.00

Table 9 – Capital Funding

Financed by:	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Council Resources	0.00	(3.72)	0.00	0.00	0.00
Direct Revenue Financing	(0.46)	0.00	0.00	0.00	0.00
S106 & CIL Contributions	(0.47)	(1.00)	0.00	0.00	0.00
Total Financing	(0.93)	(4.72)	0.00	0.00	0.00

88.

Cabinet is asked to approve the addition to the capital programme and to approval for spend for the following schemes:

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Electric Vehicles - £0.82M

Replacement of council owned fleet vehicles with electric vehicles in order to meet Euro 6 emission standards, with potential ongoing savings in fuel, vehicle excise duty and other running costs. The scheme is to be added to the Transport and Public Realm Portfolio in 2019/20 to be funded from council resources.

Solar Powered Compactor Bins - £1.00M

A review the provision of litter bins, introducing smart compactor bins where appropriate, which will reduce collection costs has been put forward as a revenue saving. In order to achieve this investment of £1.00M is requested to purchase circa 200 bins. It is anticipated that as well as running cost savings (£0.1M in a full year) capacity could be released which would enable additional street cleansing work to be undertaken across the city. The scheme will be added to the Transport & Public Realm Portfolio in 2020/21 to be funded from the Community Infrastructure Levy.

	<p><u>Replacement Of Pay & Display Machine Card Readers £0.46M</u></p> <p>Changes to Payment Card Industry (PCI) banking regulations require all card readers in the pay & display machines to be replaced to improve protection against card fraud. The current card readers are not compliant with the changes to legislation. The scheme will be added to the Transport & Public Realm Portfolio in 2018/19 to be funded from a direct revenue contribution to capital from the On Street Parking Account.</p> <p><u>Integrated Transport - £0.33M</u></p> <p>Site specific transport S106 developer contributions have been received totally £0.33M. This funding can be utilised to extend the Integrated Transport Programme where schemes can be extended to include newly identified works from approved planning applications. The additional works will be added to the Integrated Transport Scheme within the Transport & Public Realm Portfolio in 2018/19 to be funding from S106 contributions.</p> <p><u>Refuse Collection Vehicles - £2.90M</u></p> <p>There is a requirement to replace 17 Refuse Collection Vehicles (RCV's) that do not meet Euro 6 emission standards. Additionally these vehicles are nearing or past the end of the expected asset life. The replacement of the vehicles will also ensure that ongoing repair and maintenance costs are kept to a minimum. This will also be supportive of the council's commitment to air quality within the city, and reduce the pressure described in paragraph 33. Cabinet is asked to note this scheme at this time, as due to the value it will need to approved by Full Council.</p>
89.	<p><u>Children & Young People Get A Good Start In Life</u></p> <p><u>Play Area Improvement Programme - £0.14M</u></p> <p>The council receives S106 developer contributions to improve play areas and facilities and are site specific. A review of the available contributions in 2018/19 has identified 16 play areas where ongoing improvements to the play facilities can be completed which will ensure that they are safe, up to date and fit for purpose. Additionally, the replacement of loose bark chippings with rubber mulch, reduces maintenance costs. The scheme will be added to the Transport and Public Realm Portfolio in 2018/19 to be funded from site specific S106 developer contributions.</p>
90.	<p>The revenue implications of the schemes have been included within the Medium Term Financial Strategy.</p>
	<p>HOUSING REVENUE ACCOUNT</p>
91.	<p>Since the current MTFs position was approved in February 2018, a further review of internal recharges to the HRA has been completed. This has resulted in a reduction in the ongoing budget gap by £1.00M per annum. This is reflected in Table 10.</p>

92.	<p>Table 10 – HRA Budget Position Update</p> <table border="1"> <thead> <tr> <th></th> <th>2018/19 £M</th> <th>2019/20 £M</th> <th>2020/21 £M</th> <th>2021/22 £M</th> <th>2022/23 £M</th> </tr> </thead> <tbody> <tr> <td>Budget Gap February 2018</td> <td>0.00</td> <td>3.15</td> <td>3.42</td> <td>3.68</td> <td>3.68</td> </tr> <tr> <td><u>Savings</u></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Business As Usual Savings</td> <td>0.00</td> <td>(0.10)</td> <td>(0.10)</td> <td>(0.10)</td> <td>(0.10)</td> </tr> <tr> <td>Reclassification Supported Housing Voids</td> <td>0.00</td> <td>(0.02)</td> <td>(0.02)</td> <td>(0.02)</td> <td>(0.02)</td> </tr> <tr> <td>Review of Service Charges</td> <td>0.00</td> <td>(0.50)</td> <td>(0.86)</td> <td>(0.86)</td> <td>(0.86)</td> </tr> <tr> <td>Reduction in Contribution to Capital Funding</td> <td>0.00</td> <td>(2.53)</td> <td>(2.44)</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>Amended savings requirement</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>2.70</td> <td>2.70</td> </tr> </tbody> </table>		2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	Budget Gap February 2018	0.00	3.15	3.42	3.68	3.68	<u>Savings</u>						Business As Usual Savings	0.00	(0.10)	(0.10)	(0.10)	(0.10)	Reclassification Supported Housing Voids	0.00	(0.02)	(0.02)	(0.02)	(0.02)	Review of Service Charges	0.00	(0.50)	(0.86)	(0.86)	(0.86)	Reduction in Contribution to Capital Funding	0.00	(2.53)	(2.44)	0.00	0.00	Amended savings requirement	0.00	0.00	0.00	2.70	2.70
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93.	<p><u>Business as Usual Savings</u></p> <p>These are minor savings that do not impact on outcomes and are part of the normal review of service budgets.</p>																																																
94.	<p><u>Reclassify Accommodation from 60+ to 50+ or 55+</u></p> <p>The proposal is to reclassify some council properties currently only available to those aged 60 and over, making them available to people over 50.</p> <p>The council has to make best use of the resources available to it in order to be able to house the maximum number of people from the Housing Register. This means there are strict rules about the type of property which applicants can apply for. In deciding on the type of property and degree of priority required, the council has to bear in mind the type of housing available and the demand for that housing.</p> <p>However, there are a number of properties that are currently ‘hard to let’. These are typically properties which are restricted to residents aged 60+, which are on the first floor or above in walk up blocks (without lifts). This proposal is to reclassify some properties which are currently restricted to residents aged 60+ (60+ properties) to make them available to those to aged 50+ or 55+.</p> <p>It is proposed that this would be a phased programme, and separate consultations would be undertaken with residents on a block by block basis as appropriate.</p>																																																
95.	<p><u>Review of Service Charges</u></p> <p>As a landlord, the council provides a range of services to tenants and leaseholders. These include block cleaning, concierge, heating, grounds and garden maintenance and other services. The council has legal powers to charge for these additional services so long as the charges are clear and transparent and represent the actual cost of the service.</p> <p>There are different processes for setting the charges for tenants and leaseholders, and this proposal relates to the charges that tenants pay. The proposal is to increase current service charges to tenants, and to introduce three new service charges to tenants. The new charges would be introduced in phases, with some increases in 2019/20 and others in 2020/21, subject to consultation.</p> <p>The council’s current charges are lower than the actual costs and in some</p>																																																

	cases the council has not previously made a charge, but has been providing a service to tenants. The council needs to have a viable and sustainable Housing Revenue Account (HRA) that enables the council to deliver effective services, invest in its properties to ensure homes are of a modern standard, and to provide new social housing to rent. If the council does not recover its actual costs for these services it has a detrimental effect on the HRA overall.
96.	<u>Direct Revenue Financing of Capital</u> There are proposed reductions in revenue contributions to capital as a result of slippage and reduced spend on current approved capital schemes. A further review of the capital programme and priorities is being undertaken to ensure that this is affordable.
97.	The above savings proposals are in the early stages of discussion and where relevant will be subject to public consultation. The final proposals will be included in the HRA Business Plan update that will be submitted to Council in February 2019.
98.	A review of the services held within the HRA ring fence is also being undertaken to ensure it is appropriate for these services to continue to be held within this ring fence, in particular with reference to Southampton First and the development of further trading opportunities. The impact of this review will also be included in the final proposals submitted to Council in February 2019.
99.	There are currently no new pressures identified however, further consideration is being given to the potential impact of Universal Credit on income levels from rents. This will be factored in as relevant in the update to Council in February 2019.
	RESERVES AND BALANCES
100.	To ensure proposals are considered in a full financial picture, it is important to set out the expected position on earmarked reserves and the General Fund Balance.
101.	<u>Earmarked Reserves</u>
102.	The Council has a number of earmarked reserves that have been set aside for specific reasons. These reserves can be split into two categories: <ul style="list-style-type: none"> • Those required to be kept by statute or accounting guidance. For example revenue grants reserve, School Balances. These reserves can only be utilised for the purpose for which they have been set aside. • Those set aside for a future event that has a high probability of occurring. For example Transformation Reserve.
103.	The financial risks facing the Council in the medium term are assessed within the MTFS. This includes assessing the risk of continuing reductions in Central Government Funding. The subsequent budget shortfalls that the Council then faces and overall local and national economic factors which can affect the financial stability of the council.
104.	In light of the increasing level of risk and uncertainty identified within the MTFS and the increased probability of resources being required to support its delivery, a full review of useable reserves and provisions will be undertaken to ensure that the level of reserves is appropriate given the level of risks identified.

105.	<u>General Fund Balance</u>
106.	The General Fund Balance is forecast to be £11.3M at the end of 2018/19 providing the current year financial overspend is addressed. The required level of balance is determined by assessing the level of risk the Council faces. This is currently assessed at £11.3M.
107.	Obviously when the Council is facing significant cuts in funding, increasing demand alongside a major Service Delivery & Redesign proposals the level of risk is heightened. The assessed minimum balance will be reviewed again for the MTFs update in February 2019, taking into consideration both risk and affordability.
	CONSULTATION
108.	<p>Where new proposals have been put forward these have been subject to consultation with the Council Management Team (CMT) and relevant Cabinet Members.</p> <p>The Executive will undertake an extensive consultation process on their initial draft budget proposals following the production of this report. The Leader and the Cabinet are keen to listen to any new ideas on how to reduce costs, to receive feedback on the proposals and on the potential impact of the proposals to help to finalise the Executive's budget to be recommended to Full Council in February 2019.</p> <p>The process used for public consultation is improved each year based on feedback from previous consultations. Consultation papers will be supported by an easy to read background to the budget, key information in themed information sheets and a set of frequently asked questions.</p> <p>Consultation will be undertaken with Trade Unions and staff affected by the proposals in line with the agreed Human Resources (HR) policies.</p> <p>Public consultation will be undertaken with any people or organisations affected by the proposals to ensure all options have been considered, as well as with residents at a wider level.</p> <p>Southampton City Council is in a challenging financial position with significant reductions in its funding from central government, at a time when demand for certain services such as adult and children's social care continues to increase.</p> <p>Therefore the aim of this consultation is to:</p> <ol style="list-style-type: none"> a. Communicate clearly and make residents aware of the financial pressures the council is facing b. Ensure residents understand what is being proposed in the draft 2019/20 budget and are aware of what this will mean for them c. Enable any resident, business or stakeholder who wishes to comment on the proposals the opportunity to do so, allowing them to raise any impacts the proposals may have d. Ensure that the results are analysed in a meaningful, timely fashion, so that feedback is taken into account when final decisions are made e. Provide feedback on the results to the consultation and how these results have influenced the final decision. <p>As the budget proposals mean that more than 100 members of staff are at potential risk of redundancy, a minimum 45 day statutory consultation period is required.</p>

	<p>For the public consultation on the draft 2019/20 budget a consultation will run from 24th October 2018 to 16th January 2019 where responses can be made. The overarching consultation will be based around an online questionnaire with information sheets grouping proposals into themes, paper copies will also be made available. As a part of the main budget consultation affected service user consultation will take place on a service by service basis led by respective service managers and will be conducted in a way that is proportionate and appropriate to the budget proposal and service.</p> <p>In addition to the overarching budget consultation, due to the nature of some of the proposals there will be three specific consultations which run in parallel to the budget consultation and are being carried out under separate statutory (Housing Act) and common law consultation requirements. This enables the appropriate information to be included and for materials and engagement to be targeted at those directly affected. The three additional consultations are:</p> <ul style="list-style-type: none"> - Revise the Adult Social Care charging policy - Closure of two council owned residential care homes - Review of service charges for tenants (HRA).
	<p><u>Equality and Safety Impact Assessments</u></p>
109.	<p>The Public Sector 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.</p>
110.	<p>While the Public Sector Equality Duty does not impose a legal requirement to conduct an Equality Impact Assessment, it does require public bodies to show how they considered the Equality Duty and that they have been consciously thinking about the aims of the Equality Duty as part of the process of decision-making. To comply with these requirements as well as the Community Safety legislation, the Council has used its existing Impact Assessment framework so that it can ensure the use of a consistent, Council wide mechanism to evidence how decision making took into account equality and safety considerations. In addition, the assessments take into account the impact on poverty and health and wellbeing.</p>
111.	<p>Draft individual Equality and Safety Impact Assessments (ESIAs) have been completed by the Council's Management Team for those proposals contained in Appendices 2 to 6 and as detailed in the report that they identified require such an assessment, as they could have an impact on a particular group or individuals. The draft individual ESIAs are available in Members' Rooms.</p>
112.	<p>The individual ESIAs have been analysed to consider the cumulative impacts the draft budget proposals may have on particular groups and the mitigating actions that could be considered. In order to give the right perspective to the draft budget proposals, the Cumulative Impact Assessment has to be considered in light of the available information on the City's profile, service user and non-user information and staffing profiles as well as the proportion of the Council's budget that is currently spent on targeted groups or communities. The cumulative ESIA is attached as Appendix 7.</p>

RESOURCE IMPLICATIONS**Capital/Revenue Implications**

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

HR Implications

114. Early indications are that the proposals set out in this report may result in a reduction of up to 123.04 full time equivalent (FTE) posts for the period 2019 – 2023 of which 18.33 FTE posts are currently vacant.

Outcome	FTE Post Reductions				Current Vacancies
	2019/20	2020/21	2021/22	2022/23	
Children & Young People get a good start in life	47 (Children & Families)	To be quantified			8.24
People in Southampton Lead safe, healthy independent lives	3 (Housing)	70.73 (Adults Service)			5.58 (Adults Service) 3 (Housing)
A modern sustainable council	1.51 (business support) 2 (ICT)	0.8 (business support)			1.51 (business support)
TOTAL	51.51	71.53			18.33

An additional reduction in posts is anticipated in Children and Families for the period 2021 - 2023 with the specific impact to be quantified at that time.

The possible post reductions in Adults Services all relate to the proposed closure of Glenlee and Holcroft care homes. Options for the redeployment of the staff affected will be actively pursued within the Adults Service and, in particular, there are likely to be opportunities for care staff to be redeployed to the Urgent Response Service to support service users in their own homes.

Opportunities will also be explored with University Hospital Southampton NHS Foundation Trust for affected staff to be considered for NHS vacancies.

Wherever possible the reduction in posts will be managed through natural wastage, deleting vacancies and through voluntary options including voluntary redundancy, early and flexible retirement, and voluntary reductions in hours.

115. Managing the Impact

The Council has a well-established framework for managing organisational change which has been agreed with the trade unions. The Council will consult with affected staff and trade unions in accordance with our statutory obligations and will carefully consider all options put forward to minimize the impact on staff, and lessen the potential for compulsory redundancies.

Property/Other

116. None, other than those detailed in the report.

LEGAL IMPLICATIONS**Statutory power to undertake proposals in the report**

117. It is important that Members are fully aware of the full legal implications of the entire budget and Council Tax making process, when they consider any aspect

	of setting the Council's Budget. Formal and full advice to all Members of the Council protects Members, both in their official and personal capacity, as well as the Council. If Members have received the appropriate professional legal and financial advice and act reasonably, generally the courts will not interfere in their decisions.
118.	The first and overriding legal duty on Members is their fiduciary duty to weigh the needs of service users against the interests of local taxpayers. In planning the budget, Members are under a fiduciary duty to act prudently, responsibly, in a business-like manner and in their view of what constitutes the best interests of the general body of local taxpayers. In deciding upon expenditure, the Council must fairly hold a balance between recipients of the benefits of services provided by the Council and its local taxpayers. Members should note that their fiduciary duty includes consideration of future local taxpayers as well as present local taxpayers.
119.	It is appropriate for Members to consider their own position as some Members may have expressed support publicly for policies that are not policies of the Council. Political documents do not represent a legal commitment on behalf of the Council. To treat any political document as a legal commitment by the Council would be illegal. Where there is a valid choice before Members, then, at that stage and only at that stage, Members may take political documents into account.
120.	The legal significance of the Annual Budget derives from the Council's duty under the Local Government Finance Act 1992 (the 1992 Act) to set a balanced budget. Failure to make a lawful Council Tax on or before 11 March 2017 could have serious financial results for the Council and make the Council vulnerable to an Order from the Courts requiring it to make a Council Tax. Information must be published and included in the Council Tax demand notice. The Secretary of State has made regulations, which require charging authorities to issue demand notices in a form and with contents prescribed by these regulations.
121.	There is also a duty under Section 65 of the 1992 Act to consult persons or bodies appearing to be representative of persons subject to non-domestic rates in each area about proposals for expenditure (including capital expenditure) for each financial year.
122.	Under Section 114 (2) and 114 (3) of the Local Government Finance Act 1988, the Chief Financial Officer is required to make a report, if it appears to him/her that a decision or course of action the Council or an officer has agreed or is about to make is unlawful, or that expenditure is likely to exceed resources available.
123.	Section 25 of the Local Government Act 2003 imposes a specific duty on the CFO (Section 151 officer) to formally report to Council at the time the budget is considered and the Council Tax is set on the robustness of the budget estimates and the adequacy of financial reserves. This report will be brought forward alongside the Budget and Council Tax Setting Report to Full Council in February.
124.	Of particular importance to the Council Tax setting process and Budget Meeting of the Full Council is the Council's Budget and Policy Framework Procedure Rules set out in Part 4 of the City Council's Constitution. These provide a legal framework for the decision making process whereby the Budget of the City Council is determined, and the Council Tax is set. In addition, Members need to be aware that these Rules provide a route whereby the Leader may require

	the Full Council to reconsider their position if they do not accept the Executive's recommended budget without amendment.
Other Legal Implications:	
125.	The financial forecasts contained in this report have been prepared and are submitted as part of the budget process set out in the Council's Constitution. As part of the review process by the Council's Management Team, the proposals contained in this report have been checked from a legal viewpoint.
RISK MANAGEMENT IMPLICATIONS	
Local Implications	
126.	It is proposed to allocate monies held for increasing costs in demand led services as detailed in paragraph 38. This reduces the financial resilience to meet further such pressures in the future.
127.	The decision was taken at the July 2018 Council meetings to bring outsourced services back in-house. There are inherent risks in doing so and these will need to be reviewed and assessed as the process progresses.
National Implications	
128.	<p><u>CIPFA – Financial Resilience Index</u></p> <p>The Chartered Institute of Public Finance and Accountancy (CIPFA) released a consultation on the 2nd July 2018, on its plans to launch an authoritative measure of local authority financial resilience through the creation of a new index.</p> <p>CIPFA is proposing to use a range of indicators for the index, including the rate of depletion of resources, level of resources generally, demographic and social services pressures and level of borrowing.</p> <p>CIPFA is working closely with the sector to decide how the index should work and what criteria should be included in the ratings and to do so is consulting widely.</p> <p>The consultation period closed on 24 August 2018, CIPFA expects to produce the first edition of the resilience index imminently.</p> <p>The index is to be used as an indicator for whether an appropriate and robust independent challenge and support could be given to some councils on financial strategy and trajectories which is intended to provide challenge where needed so that appropriate action can be taken at a local level.</p> <p>CIPFA believe that despite the financial strain, councils have been able to deliver core services and manage their balance sheets more actively than other parts of the public sector. But, unfortunately, financial management capabilities and sharing good practice have at times been hollowed out by the repeated need to cut budgets.</p> <p>The index forms part of a broader strategy the Institute has for ensuring council finance leaders have the support needed to achieve a balanced budget. In conjunction, CIPFA has also begun development of a new Financial Management Code to accompany the existing Prudential and Treasury Management Codes.</p> <p>In conjunction, CIPFA has also begun development of a new Financial Management Code to accompany the existing Prudential and Treasury Management Codes. The Code will be developed with help from treasurers' societies and relevant bodies including the National Audit Office, audit firms,</p>

	Local Government Association (LGA) and Ministry of Housing, Communities and Local Government (MHCLG). As yet it has not been possible to undertake any modelling around the index to look at where Southampton City Council will be placed in the index.
129.	<u>National Consultations</u> There are a number of national consultation either in progress or where the results are being considered. These include: <ul style="list-style-type: none"> • IFRS9 investment statutory override • Rents • Fair Funding Review The impact, where relevant, of the outcome of these consultations will be reported in due course and where relevant will be included in the update of the MTFS to Council in February 2019.
130.	<u>The United Kingdom's Exit from the European Union</u> There is still a risk from the economic climate due to Brexit and current levels of inflation. These are covered both by the MTFS reserve and by the contingencies (previously known as the risk fund). Additionally, any risks arising from no Brexit deal in place will need to be considered, with the implications reflected in the update of the MTFS to Council in February 2019.
131.	Any further impact from risk will be reviewed as part of the update of the MTFS to be reported to be approved by Council in February 2019.
POLICY FRAMEWORK IMPLICATIONS	
132.	The Medium Term Financial Strategy and the Budget are key parts of the Policy Framework of the Council and a Budget and Council Tax for 2019/20 must be proposed by the Cabinet for consideration by the Full Council under the Constitution.

KEY DECISION?	Yes/No
WARDS/COMMUNITIES AFFECTED:	
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Medium Term Financial Strategy – Forecast Model 2018/19 to 2022/23
2.	Outcome Summary - Children & Young People Get a Good Start In Life
3.	Outcome Summary - People in Southampton lead safe, healthy, independent lives
4.	Outcome Summary - Southampton Is An Attractive And Modern City Where People Are Proud To Live And Work
5.	Outcome Summary – Southampton is a City with Strong, Sustainable Economic Growth
6.	Outcome Summary – A Modern Sustainable Council
7.	Cumulative ESIA

Documents In Members' Rooms

1.	Individual ESIA's	
Equality Impact Assessment		
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.		Yes
Data Protection Impact Assessment		
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.		Yes/No
Other Background Documents		
Other Background documents available for inspection at:		
	Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.		
2.		