

# Cabinet

**Tuesday, 4th February, 2014  
at 5.00 pm**

## **Council Chamber - Civic Centre**

This meeting is open to the public

### **Members**

Councillor Letts, Leader of the Council (Leader)  
Councillor Barnes-Andrews, Cabinet Member for  
Resources  
Councillor Jeffery, Cabinet Member for Education  
and Change  
Councillor Kaur, Cabinet Member for Communities  
Councillor Tucker, Cabinet Member for Economic  
Development and Leisure  
Councillor Rayment, Cabinet Member for  
Environment and Transport  
Councillor Shields, Cabinet Member for Health  
and Adult Social Care  
Councillor Payne, Cabinet Member for Housing  
and Sustainability  
Councillor Chaloner, Cabinet Member for  
Children's Safeguarding

(QUORUM – 3)

### **Contacts**

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## **BACKGROUND AND RELEVANT INFORMATION**

### **The Role of the Executive**

The Cabinet and individual Cabinet Members make executive decisions relating to services provided by the Council, except for those matters which are reserved for decision by the full Council and planning and licensing matters which are dealt with by specialist regulatory panels.

### **The Forward Plan**

The Forward Plan is published on a monthly basis and provides details of all the key executive decisions to be made in the four month period following its publication. The Forward Plan is available on request or on the Southampton City Council website, [www.southampton.gov.uk](http://www.southampton.gov.uk)

### **Implementation of Decisions**

Any Executive Decision may be “called-in” as part of the Council’s Overview and Scrutiny function for review and scrutiny. The relevant Overview and Scrutiny Panel may ask the Executive to reconsider a decision, but does not have the power to change the decision themselves.

**Mobile Telephones** – Please turn off your mobile telephone whilst in the meeting.

### **Southampton City Council’s Priorities:**

- **Economic:** Promoting Southampton and attracting investment; raising ambitions and improving outcomes for children and young people.
- **Social:** Improving health and keeping people safe; helping individuals and communities to work together and help themselves.
- **Environmental:** Encouraging new house building and improving existing homes; making the city more attractive and sustainable.
- **One Council:** Developing an engaged, skilled and motivated workforce; implementing better ways of working to manage reduced budgets and increased demand.

### **Executive Functions**

The specific functions for which the Cabinet and individual Cabinet Members are responsible are contained in Part 3 of the Council’s Constitution. Copies of the Constitution are available on request or from the City Council website, [www.southampton.gov.uk](http://www.southampton.gov.uk)

### **Key Decisions**

A Key Decision is an Executive Decision that is likely to have a significant

- financial impact (£500,000 or more)
- impact on two or more wards
- impact on an identifiable community

Decisions to be discussed or taken that are key

### **Procedure / Public Representations**

Reports for decision by the Cabinet (Part A of the agenda) or by individual Cabinet Members (Part B of the agenda). Interested members of the public may, with the consent of the Cabinet Chair or the individual Cabinet Member as appropriate, make representations thereon.

**Fire Procedure** – In the event of a fire or other emergency, a continuous alarm will sound and you will be advised, by officers of the Council, of what action to take.

**Smoking policy** – The Council operates a no-smoking policy in all civic buildings.

**Access** – Access is available for disabled people. Please contact the Cabinet Administrator who will help to make any necessary arrangements.

### **Municipal Year Dates (Tuesdays)**

| <b>2013</b> | <b>2014</b> |
|-------------|-------------|
| 21 May      | 21 January  |
| 18 June     | 18 February |
| 16 July     | 18 March    |
| 20 August   | 15 April    |
| 15 October  |             |
| 19 November |             |
| 17 December |             |

## CONDUCT OF MEETING

### **TERMS OF REFERENCE**

The terms of reference of the Cabinet, and its Executive Members, are set out in Part 3 of the Council's Constitution.

### **RULES OF PROCEDURE**

The meeting is governed by the Executive Procedure Rules as set out in Part 4 of the Council's Constitution.

### **DISCLOSURE OF INTERESTS**

Members are required to disclose, in accordance with the Members' Code of Conduct, **both** the existence **and** nature of any "Disclosable Personal Interest" or "Other Interest" they may have in relation to matters for consideration on this Agenda.

#### **DISCLOSABLE PERSONAL INTERESTS**

A Member must regard himself or herself as having a Disclosable Pecuniary Interest in any matter that they or their spouse, partner, a person they are living with as husband or wife, or a person with whom they are living as if they were a civil partner in relation to:

(i) Any employment, office, trade, profession or vocation carried on for profit or gain.

(ii) Sponsorship:

Any payment or provision of any other financial benefit (other than from Southampton City Council) made or provided within the relevant period in respect of any expense incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

(iii) Any contract which is made between you / your spouse etc (or a body in which the you / your spouse etc has a beneficial interest) and Southampton City Council under which goods or services are to be provided or works are to be executed, and which has not been fully discharged.

(iv) Any beneficial interest in land which is within the area of Southampton.

(v) Any license (held alone or jointly with others) to occupy land in the area of Southampton for a month or longer.

(vi) Any tenancy where (to your knowledge) the landlord is Southampton City Council and the tenant is a body in which you / your spouse etc has a beneficial interests.

(vii) Any beneficial interest in securities of a body where that body (to your knowledge) has a place of business or land in the area of Southampton, and either:

a) the total nominal value for the securities exceeds £25,000 or one hundredth of the total issued share capital of that body, or

b) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you / your spouse etc has a beneficial interest that exceeds one hundredth of the total issued share capital of that class.

### **BUSINESS TO BE DISCUSSED**

Only those items listed on the attached agenda may be considered at this meeting.

### **QUORUM**

The minimum number of appointed Members required to be in attendance to hold the meeting is 3.

## **Other Interests**

A Member must regard himself or herself as having a, 'Other Interest' in any membership of, or occupation of a position of general control or management in:

Any body to which they have been appointed or nominated by Southampton City Council

Any public authority or body exercising functions of a public nature

Any body directed to charitable purposes

Any body whose principal purpose includes the influence of public opinion or policy

## **Principles of Decision Making**

All decisions of the Council will be made in accordance with the following principles:-

- proportionality (i.e. the action must be proportionate to the desired outcome);
- due consultation and the taking of professional advice from officers;
- respect for human rights;
- a presumption in favour of openness, accountability and transparency;
- setting out what options have been considered;
- setting out reasons for the decision; and
- clarity of aims and desired outcomes.

In exercising discretion, the decision maker must:

- understand the law that regulates the decision making power and gives effect to it. The decision-maker must direct itself properly in law;
- take into account all relevant matters (those matters which the law requires the authority as a matter of legal obligation to take into account);
- leave out of account irrelevant considerations;
- act for a proper purpose, exercising its powers for the public good;
- not reach a decision which no authority acting reasonably could reach, (also known as the "rationality" or "taking leave of your senses" principle);
- comply with the rule that local government finance is to be conducted on an annual basis. Save to the extent authorised by Parliament, 'live now, pay later' and forward funding are unlawful; and
- act with procedural propriety in accordance with the rules of fairness.

## AGENDA

**Agendas and papers are now available via the Council's Website**

### **1 APOLOGIES**

To receive any apologies.

### **2 DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS**

In accordance with the Localism Act 2011, and the Council's Code of Conduct, Members to disclose any personal or pecuniary interests in any matter included on the agenda for this meeting.

NOTE: Members are reminded that, where applicable, they must complete the appropriate form recording details of any such interests and hand it to the Democratic Support Officer.

## **EXECUTIVE BUSINESS**

### **3 STATEMENT FROM THE LEADER**

## **MONITORING REPORTS**

### **4 CORPORATE REVENUE FINANCIAL MONITORING FOR THE PERIOD TO THE END OF DECEMBER 2013**

Report of the Cabinet Member of Resources, providing a summary of the General Fund and Housing Revenue Account (HRA) revenue financial position for the Authority for the nine months to the end of December 2013, attached.

## **ITEMS FOR DECISION BY CABINET**

### **5 GENERAL FUND REVENUE BUDGET 2014/15 TO 2016/17 (**

Report of the Cabinet Member for Resources, seeking to set out the latest estimated overall financial position on the General Fund Revenue Budget for 2014/15 to 2016/17 and to outline the main issues that need to be addressed in considering the Cabinet's budget and council tax proposals to Council on 12 February 2014, attached.

### **6 THE GENERAL FUND CAPITAL PROGRAMME 2013/14 TO 2016/17**

Report of the Cabinet Member for Resources seeking to set out the latest estimated overall financial position on the General Fund Capital Programme for 2013/14 to

2016/17, attached.

**7 HOUSING REVENUE ACCOUNT BUDGET REPORT AND BUSINESS PLAN (**

Report of the Cabinet Member for Housing and Sustainability seeking approval for the Housing Revenue Account budget proposals and long term business plan to be recommended to the budget setting Council meeting on 12 February 2014, attached.

Monday, 27 January 2014

Head of Legal and Democratic Services

# Agenda Item 4

|                               |   |  |                           |
|-------------------------------|---|--|---------------------------|
| <b>DECISION-MAKER:</b>        | CABINET   |  |                           |
| <b>SUBJECT:</b>               | CORPORATE REVENUE FINANCIAL MONITORING FOR THE PERIOD TO THE END OF DECEMBER 2013 |  |                           |
| <b>DATE OF DECISION:</b>      | 4 FEBRUARY 2014   |  |                           |
| <b>REPORT OF:</b>             | CABINET MEMBER FOR RESOURCES  |  |                           |
| <b><u>CONTACT DETAILS</u></b> |   |  |                           |
| <b>AUTHOR:</b>                | <b>Name:</b>  | Alison Chard   | <b>Tel:</b> 023 8083 4897 |
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| <b>Director</b>               | <b>Name:</b>  | Mark Heath   | <b>Tel:</b> 023 8083 2371 |
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|                                     |
|-------------------------------------|
| <b>STATEMENT OF CONFIDENTIALITY</b> |
| N/A                                 |

## **BRIEF SUMMARY**

This report summarises the General Fund and Housing Revenue Account (HRA) revenue financial position for the Authority for the nine months to the end of December 2013, and highlights any key issues by Portfolio which need to be brought to the attention of Cabinet.

## **RECOMMENDATIONS:**

### **General Fund**

It is recommended that Cabinet:

- i) Note the current General Fund revenue position for 2013/14 as at Month 9 (December), which is a forecast under spend at year end of almost **£3.0M** against the budget approved by Council on 13 February 2013, as outlined in paragraph 4. This can be compared against the forecast under spend at Month 6 of £1.2M which is an improvement of approaching £1.8M.
- ii) Note that the baseline forecast over spend for portfolios is just over £3.7M.
- iii) Note that portfolios plan to take remedial action to manage a number of the corporate and key issues highlighted in this report and that the financial impact is reflected in the forecast position.
- iv) Note that further remedial action has been maintained to rigorously control staff resource costs and to continue the moratorium on all non essential expenditure for the remainder of the financial year.
- v) Note that the Risk Fund includes £4.7M to cover further service related risks, (following the allocation of £1.0M to portfolios), and that the estimated draw at Month 9 is £3.9M to cover expenditure which is included within the baseline forecast portfolio over spend of £3.7M.

The portfolio position after the draw from the Risk Fund is an under spend of £159,800.

- vi) Note that the Risk Fund has been reviewed and it has been assumed that £301,600 of the Fund will not be required in 2013/14.
- vii) Note that it has been assumed that the remaining contingency, which stands at £410,700, will be fully utilised by the end of 2013/14.
- viii) Note the forecast includes an approved carry forward of £200,000 for Central Repairs & Maintenance as agreed by Full Council.
- ix) Note the forecast does not include the impact of potential carry forwards which at Month 9 total £308,000 and which, if approved by Full Council as part of the Outturn report to be presented in July 2014, would be a draw on balances.
- x) Note the forecast level of balances, which will not fall below the revised minimum level of £5.5M in the medium term based on the current forecast.
- xi) Note the performance to date with regard to the delivery of the agreed savings proposals approved for 2013/14 as detailed in Appendix 10.
- xii) Note the performance against the financial health indicators detailed in Appendix 11.
- xiii) Note the performance outlined in the Quarterly Treasury Management Report attached as Appendix 12.

#### **Housing Revenue Account**

It is recommended that Cabinet:

- xiv) Note the current HRA budget monitoring position for 2013/14, as at Month 9 (December) which is a forecast over spend at year end of **£246,800** against the budget approved by Council on 13 February 2013, as outlined in paragraph 46. This can be compared against the forecast over spend at Month 6 of £384,500 which is an improvement of £137,700.

#### **REASONS FOR REPORT RECOMMENDATIONS**

1. To ensure that Cabinet fulfils its responsibilities for the overall financial management of the Council's resources.

#### **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

2. Not applicable

#### **DETAIL (Including consultation carried out)**

3. Heads of Service, Budget Holders and Directors have been consulted in preparing the reasons for variations contained in the appendices.

## Financial Summary

4. Appendix 1 sets out a high level financial summary for the General Fund, and shows that the overall forecast outturn position for the Council is an under spend of almost **£3.0M**, as shown below:

|                                 | <b>Forecast<br/>Outturn<br/>Variance<br/>£000's</b> | <b>Forecast<br/>Outturn<br/>Variance<br/>%</b> |
|---------------------------------|---|--|
| <b>Baseline Portfolio Total</b> | <b>3,748.4 A</b>                                    | <b>2.0</b>                                     |
| Draw From Risk Fund             | 3,908.2 F   |  |
| <b>Portfolio Total</b>          | <b>159.8 F</b>                                      | <b>0.1</b>                                     |
| Approved Carry Forwards         | 200.0 A   |  |
| Levies & Contributions          | 40.0 A  |  |
| Capital Asset Management        | 1,200.0 F   |  |
| Non-specific Government Grants  | 1,538.4 F   |  |
| Risk Fund                       | 301.6 F   |  |
| <b>Net Total General Fund</b>   | <b>2,959.8 F</b>                                    | <b>4.1</b>                                     |

The above forecast takes account of the implications of the Capital Programme Update including additions to the Programme and slippage to future years for which Council approval will be sought in February 2014.

5. As shown in the above table, the forecast portfolio revenue outturn on net controllable spend for the end of the year compared to the working budget is an under spend of £159,800 and this is analysed below:

| <b>Portfolio</b>           | <b>Baseline<br/>Forecast<br/>Outturn<br/>Variance<br/>£000's</b> | <b>Risk Fund<br/>Items<br/>£000's</b> | <b>Forecast<br/>Outturn<br/>Variance</b> |            | <b>See<br/>Appendix</b> |
|----------------------------|--|---------------------------------------|--|------------|-------------------------|
|                            |  |                                       | <b>£000's</b>                            | <b>%</b>   |                         |
| Change & Communities       | 68.5 F   | 251.0 F                               | 319.5 F                                  | 8.4        | 2                       |
| Children's Services        | 4,326.9 A  | 2,800.0 F                             | 1,526.9 A                                | 4.3        | 3                       |
| Economic Dev. & Leisure    | 269.2 A  | 115.0 F                               | 154.2 A                                  | 2.6        | 4                       |
| Environment & Transport    | 429.8 A  | 47.0 F                                | 382.8 A                                  | 1.4        | 5                       |
| Health & Adult Social Care | 807.6 A  | 585.0 F                               | 222.6 A                                  | 0.3        | 6                       |
| Housing & Sustainability   | 160.9 A  | 110.2 F                               | 50.7 A                                   | 2.9        | 7                       |
| Leader's                   | 252.5 F  | 0.0                                   | 252.5 F                                  | 7.1        | 8                       |
| Resources                  | 1,925.0 F  | 0.0                                   | 1,925.0 F                                | 4.5        | 9                       |
| <b>Portfolio Total</b>     | <b>3,748.4 A</b>   | <b>3,908.2 F</b>                      | <b>159.8 F</b>                           | <b>0.1</b> |                         |

6. The corporate and key issues affecting each portfolio are set out in Appendices 2 to 9, as per the previous table.

### **Remedial Action**

7. Portfolios continue to take remedial action to manage a number of the corporate and key issues highlighted in this report. Specific actions are included within Appendices 2 to 9 where applicable and the financial impact is reflected in the forecast position.
8. In view of the difficult financial picture that is known for the medium term and which was exacerbated as a result of the further announcements made over the Summer as a result of the Comprehensive Spending Review 2013 (CSR 13), it is vital that further remedial action is taken in year. Plans have been developed, the financial impact of which is reflected in the latest position.
9. There was already in place a rigorous process for all requests to fill vacant posts prior to external recruitment but the need to adopt a very challenging approach to all recruitment was reiterated by the Chief Executive in a communication to all Managers, which effectively put in place a recruitment freeze for all but the most essential vacant posts.
10. In addition, it was agreed by the Council Management Team (CMT) and Cabinet to put in place a spend moratorium on non essential expenditure for the remainder of 2013/14. This was agreed in order to ensure that the support which can be given to the challenging financial position the Council faces in both 2013/14 and future years can be maximised and was again specifically communicated by the Chief Executive to all Managers.
11. The action taken has played a key part in the improvement in the financial position since Month 6 of approaching £1.8M.

### **Levies and Contributions**

12. Additional charges have been incurred from Hampshire County Council for the provision of the Coroner's Service and it is estimated that the full year impact of this will result in an over spend of £40,000. The Council bears a proportion of the cost of this service based on caseload statistics and this has increased above the originally estimated levels for 2013/14.

### **Capital Asset Management**

13. The favourable variance of £1.2M is due to forecast net interest payable being below that originally estimated, because of lower than anticipated borrowing costs, and forecast interest receivable being above that originally anticipated.
14. Investment income for the year is currently forecast to be £0.3M higher than originally estimated. Fixed term deposits to date have achieved an average return of 0.80%, which exceeds the performance indicator of the average 7-day LIBID rate (0.42%), mainly due to the rolling programme of yearly investments restarted in November 2012 which ran for 12 months until October 2013.

### **Non-Specific Government Grants**

15. Additional non-specific Government grant income is anticipated resulting in a forecast favourable variance of more than £1.5M. There are three main elements that contribute to this variance:
16. Firstly, the Government has reviewed the deductions made from local authority formula grant allocations for 2012/13 in respect of the funding top sliced for Academies, in order to attempt to better reflect the pattern of Academy provision across the country. As a consequence of this review, a “refund” of £391,400 has been paid to the Council as the amount top sliced from formula grant has been assessed as being bigger than it would have been had the deduction been based on the number of Academies during 2012/13.
17. Secondly, the Youth Justice Board has transferred responsibility to fund the costs of remand to Local Authorities from 1 April 2013 and grant income has been received totalling £137,800 to contribute towards these costs.
18. Finally, the Education Services Grant (ESG – formerly known as Local Authority Central Spend Equivalent Grant - LACSEG) is from 2013/14 allocated between the Council and Academies based largely on pupil numbers and is reviewed on a quarterly basis. This introduces an additional element of volatility and risk as schools transfer to Academy status and this will be exacerbated if the Council is not able to reduce its costs in line with reductions in funding. Therefore, when setting the budget for 2013/14 an extremely prudent view was taken. At this stage, we are forecasting additional net income of £1.0M in the light of experience to date and the known scale of Academy transfers now planned for the year.
19. In addition to this, there have been a small number of grant notifications, which have differed slightly from the initial assumed level of funding.

### **Risk Fund**

20. Potential pressures that may arise during 2013/14 relating to volatile areas of both expenditure and income are being managed through the Risk Fund. A balance of £4.7M remains in the budget, following the allocation of £1.0M to portfolios, to cover these pressures, and is taken into account during the year as evidence is provided to substantiate the additional expenditure against the specific items identified.
21. The Risk Fund, which previously stood at £5.7 M, now totals £4.7M following the allocation of just over £1.0m to the Health & Adult Social Care Portfolio as shown below:

| <b>Portfolio</b>                            | <b>Service Activity</b>      | <b>£000's</b>  |
|---|------------------------------|----------------|
| Health & Adult Social Care                  | Adult Disability             | 200.0          |
| Health & Adult Social Care                  | Learning Disability Services | 600.0          |
| Health & Adult Social Care                  | Continuing Care              | 245.0          |
| <b>Funding Allocated From the Risk Fund</b> |                              | <b>1,045.0</b> |

22. At Month 9, it is estimated that pressures within Portfolios will require the allocation of £3.9M from the Risk Fund, as shown in the table below which will leave a balance of approaching £0.8M:

| <b>Portfolio</b>                     | <b>Service Activity</b>             | <b>£000's</b>  |
|--------------------------------------|-------------------------------------|----------------|
| Change & Community                   | Youth Remand                        | 251.0          |
| Children's Services                  | Tier 4 Services                     | 2,200.0        |
| Children's Services                  | Safeguarding Mgt & Legal Services   | 200.0          |
| Children's Services                  | Child Protection Tier 3 Social Work | 400.0          |
| Economic Dev & Leisure               | Sport & Rec. Energy                 | 115.0          |
| Environment & Transport              | Waste Disposal Contract             | 43.0           |
| Environment & Transport              | Fuel                                | 4.0            |
| Health & Adult Social Care           | Adult Disability Care Services      | 185.0          |
| Health & Adult Social Care           | Learning Disability                 | 400.0          |
| Housing & Sustainability             | Sustainability – CRC Purchases      | 110.2          |
| <b>Portfolio Draw From Risk Fund</b> |                                     | <b>3,908.2</b> |

23. At this stage of the year, it has been assumed that a further draw of £450,800 may be required in 2013/14 which results in an overall forecast favourable variance on the Risk Fund of £301,600. The provision made within the Risk Fund has been reviewed as part of the development of the budget for 2014/15 to ensure that a sufficient allocation is included for such pressures in the future.

### **Contingency**

24. A sum of £410,700 now remains in the Contingency and it has been assumed that this will be fully utilised by the end of 2013/14.

### **Approved Carry Forward Requests**

25. Full Council has agreed to automatically carry forward any surplus/deficit on Central Repairs and Maintenance at year-end subject to the overall financial position of the Authority. Furthermore, Cabinet has approved the delegation of authority to the Chief Financial Officer (CFO), following consultation with the Cabinet Member for Resources, to allocate premises related resources (revenue and capital) in order to maximise the efficient use of resources in respect of general repairs and maintenance, major works to civic buildings and the implementation of the accommodation strategy.
26. Currently there is a forecast under spend of £200,000 due to a small number of planned schemes which will need to be deferred to the next financial year due to the seasonal nature of the works. The carry forward at year-end will enable the works to be carried out during the summer months.

### **Potential Carry Forward Requests**

27. Portfolios have highlighted the following potential carry forwards that may be submitted for approval as part of the outturn process. The carry forwards highlighted at Month 9 total £308,000 and are as shown below:

| <b>Portfolio</b>                              | <b>Service Activity</b> | <b>£000's</b> |
|---|-------------------------|---------------|
| Change & Communities                          | Social Fund             | 103.2         |
| Change & Communities                          | Welfare Reforms         | 128.8         |
| Economic Dev. & Leisure                       | New Arts Centre         | 76.0          |
| <b>Total Potential Carry Forward Requests</b> |                         | <b>308.0</b>  |

These requests are not reflected in the current forecast outturn position.

### **Key Portfolio Issues**

28. The corporate and other key issues for each portfolio are detailed in Appendices 2 to 9.
29. It is good practice to recognise that any forecast is based on assumptions about key variables and to undertake an assessment of the risk surrounding these assumptions. Having done this a forecast range has been produced for each corporate and key issue, where applicable, which represents the pessimistic and optimistic forecast outturn position. This range is included within the detail contained in Appendices 2 to 9.
30. There are, however, certain corporate issues which are highlighted in the tables below as being the most significant for Cabinet to note. The adverse variances are noted in the first table, with any significant favourable variances detailed in the second table:

### **Corporate Adverse Variances**

| <b>Portfolio</b>           | <b>Corporate Issue</b>                 | <b>Adverse Forecast<br/>£000's</b> | <b>See Appendix<br/>&amp;<br/>Reference</b> |
|----------------------------|--|------------------------------------|---|
| Change & Communities       | Prevention & Inclusion                 | 291.8                              | 2 – COMM 1                                  |
| Children's Services        | Tier 4 Safeguarding                    | 2,520.6                            | 3 – CS 1                                    |
| Children's Services        | Safeguarding Mgt & Legal               | 388.3                              | 3 – CS 2                                    |
| Children's Services        | Child Protection Tier 3<br>Social Work | 949.0                              | 3 – CS 3                                    |
| Children's Services        | Disability Services                    | 256.3                              | 3 – CS 4                                    |
| Children's Services        | Infrastructure                         | 232.7                              | 3 – CS 5                                    |
| Economic Dev. Leisure      | Gallery & Museums                      | 374.1                              | 4 – EDL 1                                   |
| Environment & Transport    | Off Street Car Parking                 | 683.5                              | 5 – E&T 1                                   |
| Health & Adult Social Care | Learning Disability                    | 764.4                              | 6 – H&ASC 1                                 |
| Health & Adult Social Care | Adult Disability Care                  | 865.4                              | 6 – H&ASC 2                                 |
| Health & Adult Social Care | Complex Care                           | 275.5                              | 6 – H&ASC 3                                 |

### **Corporate Favourable Variances**

| <b>Portfolio</b>           | <b>Corporate Issue</b>            | <b>Favourable Forecast<br/>£000's</b> | <b>See Appendix<br/>&amp;<br/>Reference</b> |
|----------------------------|-----------------------------------|---------------------------------------|---|
| Environment & Transport    | Regulatory Services               | 256.0                                 | 5 – E&T 2                                   |
| Environment & Transport    | Travel & Transport                | 280.9                                 | 5 – E&T 3                                   |
| Health & Adult Social Care | Adult Disability<br>Commissioning | 280.2                                 | 6 – H&ASC 4                                 |
| Resources                  | Contract Management               | 300.6                                 | 9 – RES 1                                   |
| Resources                  | Portfolio General                 | 630.0                                 | 9 – RES 2                                   |
| Resources                  | Property Portfolio<br>Management  | 551.0                                 | 9 – RES 3                                   |

31. Areas of ongoing concern have been fully reviewed, and appropriate action plans put into place where possible. In addition, any implications for the budget for 2014/15 and future years have been addressed as part of the development of the budget.

### **Revised Budget 2013/14**

32. The published budget proposals for 2014/15 to 2016/17 which are to be approved by Council on 12 February whilst being mainly concerned with the revenue estimates for 2014/15 also set out the revised budget for 2013/14. This takes into account the overall financial position highlighted in this Corporate Monitoring report for the nine months ending December 2013 as far as it is prudent to do so.
33. The revenue budget for 2013/14 currently assumes a general draw will be made from balances to support revenue of almost £1.0M. After reflecting elements of the forecast position from Month 9, the revised budget for 2013/14 which will be approved by Council on 12 February assumes that a net contribution will be made from revenue to balances of almost £2.0M, a movement of £3.0M. The table below summarises the main changes:

|   | <b>£000's</b>  |
|---|----------------|
| Levies & Contributions                              | (40.0)         |
| Net Decrease in Capital Asset Management            | 1,200.0        |
| Additional Non-Specific Government Grants           | 1,538.4        |
| Reduction in Risk Fund Provision                    | 301.6          |
| <b>Movement in Contribution (to) / from Revenue</b> | <b>3,000.0</b> |

34. It has been assumed that an element of this may be required to fund potential carry forwards of up to £0.5M, of which £0.3M have been highlighted as at Month 9, and so the net movement in balances will be £2.5M. Once approved these changes will be reflected in future monitoring information.

### **General Fund Balances**

35. It is important for Cabinet to consider the position on balances. The table below shows the latest predicted position after taking into account the outturn for 2012/13, the update of the capital programme and the published budget proposals to be approved by Council on 12 February and the forecast position for 2013/14 as outlined in this monitoring report.

|  | 2013/14         | 2014/15         | 2015/16         | 2016/17 &<br>2017/18 |
|--|-----------------|-----------------|-----------------|----------------------|
|  | £000's          | £000's          | £000's          | £000's               |
| <b>Opening Balance</b>                           | <b>29,923.5</b> | <b>25,673.4</b> | <b>16,970.5</b> | <b>10,908.2</b>      |
| Draw to Support Capital                          | (401.0)         | (100.0)         | 0.0             | 0.0                  |
| (Draw to Support) /<br>Contribution from Revenue | 3,419.9         | (3,362.0)       | (1,632.2)       | 4,332.0              |
| Contributions (to) / from<br>Other Reserves      | (1,400.0)       | 0.0             | 0.0             | 0.0                  |
| Draw for Strategic Schemes                       | (5,869.0)       | (5,240.9)       | (4,430.1)       | (8,740.2)            |
| <b>Closing Balance</b>                           | <b>25,673.4</b> | <b>16,970.5</b> | <b>10,908.2</b> | <b>6,500.0</b>       |

36. The current level of balances reflects the published budget proposals to be approved by Council on 12 February. These proposals include the use of £3.4M of balances in 2014/15 and £1.6M in 2015/16 to support the revenue budget. Should the budget proposals change the above forecast may change.
37. In view of the financial challenge facing the Authority however, the Council must not lose sight of the need to ensure that work is ongoing to develop sustainable savings proposals for future years and must be mindful of the need to carefully consider the extent to which one off funding is utilised in order to deliver a balanced budget in any one year.
38. The minimum level of balances is currently set at £5.5M. The above prediction indicates that the new level of minimum balances will be maintained in the medium term. Presently, approaching £1.0M is forecast to be available within balances as a consequence of the position set out in this report. Given the fact that this is a forecast position it would not be prudent to utilise this amount at this stage of the year. However, any ultimate amount at outturn which is available within balances may be used to fund future initiatives, cover future liabilities or contribute to the revenue budget in future years.

### **Implementation of Savings Proposals**

39. Savings proposals of £16.5M were approved by Council in February 2013 as part of the overall budget package for 2013/14. The delivery of the savings is crucial to the financial position of the authority. Below is a summary of the progress as at the end of the third quarter to highlight the level of risk associated with delivery and Appendix 10 contains further details:

|   | %            |
|---|--------------|
| Implemented and Saving Achieved                             | 84.4         |
| Not Yet Fully Implemented and Achieved But Broadly on Track | 11.7         |
| Saving Not on Track to be Achieved                          | 3.9          |
|   | <b>100.0</b> |

40. Where savings are not on track to be achieved and a high level of risk is associated with delivery then this is due to non implementation in some cases but also due to the impact of factors (such as rising demand for services) which have meant that despite being implemented; the estimated level of financial savings have not materialised.
41. The overall financial shortfall in the delivery of the savings proposals is currently forecast as £610,000 or 4% of the total to be delivered. The breakdown of the financial consequences is shown by Portfolio in Appendix 10.
42. In addition to the portfolio details shown in Appendix 10 a corporate saving of £105,000 was also approved from the deletion of a Director's post which has been achieved.
43. The financial implications of the delivery of these proposals are reflected in the current forecast position, areas of ongoing concern have been fully reviewed, and appropriate action plans put into place. In addition, any implications for the budget for 2014/15 and future years have been addressed as part of the development of the budget.

#### **Financial Health Indicators**

44. In order to make an overall assessment of the financial performance of the authority it is necessary to look beyond pure financial monitoring and take account of the progress against defined indicators of financial health. Appendix 11 outlines the performance to date, and in some cases the forecast, against a range of financial indicators that will help to highlight any potential areas of concern where further action may be required.

#### **Quarterly Treasury Management Report**

45. The Council approved a number of indicators at its meeting of the 13 February 2013 and Appendix 12 outlines current performance against these indicators in more detail, along with an economic update and key information about the Council's borrowing and investments.

#### **Housing Revenue Account**

46. The expenditure budget for the HRA was set at £71.25M and the income budget at £71.25M, resulting in no net draw from balances. The forecast position for the year end on income and expenditure items shows an adverse variance of £246,800 compared to this budget.

47. There are no corporate variances to report but the detail is set out in Appendix 13.

## **RESOURCE IMPLICATIONS**

### **Capital/**

48. There are no capital implications.

### **Revenue**

49. The revenue implications are contained in the report.

### **Property/Other**

50. None.

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

51. Financial reporting is consistent with the Chief Financial Officer's duty to ensure good financial administration within the Council.

### **Other Legal Implications:**

52. None.

## **POLICY FRAMEWORK IMPLICATIONS**

53. None.

**KEY DECISION?** Yes

|                                    |     |
|------------------------------------|-----|
| <b>WARDS/COMMUNITIES AFFECTED:</b> | All |
|------------------------------------|-----|

## SUPPORTING DOCUMENTATION

### Appendices

|     |  |
|-----|--|
| 1.  | General Fund Summary                     |
| 2.  | Change & Communities Portfolios          |
| 3.  | Children's Services Portfolio            |
| 4.  | Economic Development & Leisure Portfolio |
| 5.  | Environment & Transport Portfolio        |
| 6.  | Health & Adult Social Care Portfolio     |
| 7.  | Housing & Sustainability Portfolio       |
| 8.  | Leader's Portfolio                       |
| 9.  | Resources Portfolio                      |
| 10. | Implementation of Savings Proposals      |
| 11. | Financial Health Indicators              |
| 12. | Quarterly Treasury Management Report     |
| 13. | Housing Revenue Account                  |

### Documents In Members' Rooms

|    |      |
|----|------|
| 1. | None |
|----|------|

### Equality Impact Assessment

|  |    |
|--|----|
| Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out. | No |
|--|----|

### Other Background Documents

#### Equality Impact Assessment and Other Background documents available for inspection at:

| Title of Background Paper(s)   | Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable) |
|--|--|
| 1. General Fund Revenue Budget Report 2013/14 to 2015/16 (Approved by Council on 13 February 2013) |  |
| 2. General Fund Revenue Outturn 2012/13 (Approved by Council on 17 July 2013)                      |  |

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# Agenda Item 4

## GENERAL FUND 2013/14 - OVERALL SUMMARY

Appendix 1

| DECEMBER 2013  | Working Budget<br>£000's | Forecast<br>Outturn<br>£000's | Forecast<br>Variance<br>£000's |
|--|--------------------------|-------------------------------|--------------------------------|
| <b>Portfolios (Net Controllable Spend)</b>               |                          |                               |                                |
| Change & Communities                                     | 3,819                    | 3,750                         | 69 F                           |
| Children's Services                                      | 35,277                   | 39,604                        | 4,327 A                        |
| Economic Development & Leisure                           | 6,039                    | 6,308                         | 269 A                          |
| Environment & Transport                                  | 27,143                   | 27,573                        | 430 A                          |
| Health & Adult Social Care                               | 68,133                   | 68,940                        | 808 A                          |
| Housing & Sustainability                                 | 1,764                    | 1,925                         | 161 A                          |
| Leader's Portfolio                                       | 3,564                    | 3,312                         | 253 F                          |
| Resources  | 42,876                   | 40,951                        | 1,925 F                        |
| <b>Baseline for Portfolios</b>                           | <b>188,615</b>           | <b>192,363</b>                | <b>3,748 A</b>                 |
| Net Draw From Risk Fund                                  | 3,908                    | 0                             | 3,908 F                        |
| <b>Sub-total (Net Controllable Spend) for Portfolios</b> | <b>192,523</b>           | <b>192,363</b>                | <b>160 F</b>                   |
| Non-Controllable Portfolio Costs                         | 22,275                   | 22,275                        | 0                              |
| <b>Portfolio Total</b>                                   | <b>214,798</b>           | <b>214,638</b>                | <b>160 F</b>                   |
| Approved Carry Forwards                                  | 0                        | 200                           | 200 A                          |
| <b>Levies &amp; Contributions</b>                        |                          |                               |                                |
| Southern Seas Fisheries Levy                             | 31                       | 31                            | 0                              |
| Flood Defence Levy                                       | 32                       | 32                            | 0                              |
| Coroners Service   | 560                      | 600                           | 40 A                           |
|  | <b>623</b>               | <b>663</b>                    | <b>40 A</b>                    |
| <b>Capital Asset Management</b>                          |                          |                               |                                |
| Capital Financing Charges                                | 13,357                   | 13,569                        | 212 A                          |
| Capital Asset Management Account                         | (24,585)                 | (25,997)                      | 1,412 F                        |
|  | <b>(11,229)</b>          | <b>(12,429)</b>               | <b>1,200 F</b>                 |
| <b>Other Expenditure &amp; Income</b>                    |                          |                               |                                |
| Direct Revenue Financing of Capital                      | 401                      | 401                           | 0                              |
| Net Housing Benefit Payments                             | (882)                    | (882)                         | 0                              |
| Non-Specific Government Grants                           | (134,450)                | (135,988)                     | 1,538 F                        |
| Contribution to Pay Reserve                              | 1,400                    | 1,400                         | 0                              |
| Contribution to Transformation Fund                      | 1,000                    | 1,000                         | 0                              |
| Collection Fund Surplus                                  | (1,042)                  | (1,042)                       | 0                              |
| Open Space and HRA                                       | 436                      | 436                           | 0                              |
| Risk Fund  | 752                      | 451                           | 302 F                          |
| Contingencies  | 411                      | 411                           | 0                              |
| Surplus/Deficit on Trading Areas                         | 36                       | 36                            | 0                              |
|  | <b>(131,938)</b>         | <b>(133,778)</b>              | <b>1,840 F</b>                 |
| <b>NET GF SPENDING</b>                                   | <b>72,255</b>            | <b>69,295</b>                 | <b>2,960 F</b>                 |
| <b>Draw from Balances:</b>                               |                          |                               |                                |
| To fund the Capital Programme                            | (401)                    | (401)                         | 0                              |
| Draw from Balances (General)                             | (980)                    | 1,980                         | 2,960 F                        |
| Draw from Strategic Reserve                              | (825)                    | (825)                         | 0                              |
|  | <b>(2,206)</b>           | <b>754</b>                    | <b>2,960 F</b>                 |
| <b>COUNCIL TAX REQUIREMENT</b>                           | <b>70,049</b>            | <b>70,049</b>                 | <b>0</b>                       |

**CHANGE & COMMUNITIES PORTFOLIOS****KEY ISSUES – MONTH 9**

The Portfolios are currently forecast to under spend by **£319,500** at year-end, which represents a percentage under spend against budget of **8.4%**. This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

|                                  | <b>£000's</b>  | <b>%</b>   |
|----------------------------------|----------------|------------|
| Baseline Portfolio Forecast      | 68.5 F         | 1.8        |
| Risk Fund Items                  | 251.0 F        |            |
| <b>Portfolio Forecast</b>        | <b>319.5 F</b> | <b>8.4</b> |
| Potential Carry Forward Requests | 232.0          |            |

The CORPORATE issues for the Portfolios are:

**COMM 1 – Prevention & Inclusion Service (forecast adverse variance £291,800)**

**Transfer of costs of placing Young Offenders in remand from Youth Justice Board**

**Forecast Range £350,000 adverse to £275,000 adverse**

The Youth Justice Board has transferred responsibility to fund the costs of remand to Local Authorities from 1 April 2013. Due to the volatile nature of the need for remand and the range of costs at specific facilities (ranging from £177 to £607 per night) provision for this has been retained in the Risk Fund and the anticipated draw based on current demand is £251,000.

The OTHER KEY issues for the Portfolios are:

**COMM 2 – Communities, Change & Partnership General (forecast favourable variance £107,700)**

**Salaries and supplies and services spend reduced**

**Forecast range not applicable**

The favourable variance has arisen primarily due to salary under spends from vacancies together with anticipated under spends within supplies and services as a result of the moratorium on spend. Vacancies have been reviewed and where possible form part of future savings proposals.

**COMM 3 – Communities, Change & Partnership Social Fund (forecast favourable variance £232,000)**

**Revised implementation of planned transition of Social Fund to Local Welfare Provision**

**Forecast range not applicable**

A Government Grant of £654,000 was received for 2013/14 as funding for the transition of Social Fund to Local Welfare Provision. At this stage a forecast under spend of £103,200 is anticipated, the majority of which relates to the £100,000 set aside for contingency, the provision for which was agreed by Cabinet to enable a response to unpredicted gaps in provision.

Further to this a sum of £128,800 was allocated by Cabinet from the General Fund revenue budget contingency in response to the Overview and Scrutiny Management Welfare Reforms Inquiry. Detailed work is underway to develop and implement the recommendations made and this work is being overseen by the Welfare Reforms Monitoring Group. A forecast under spend of £128,800 is anticipated as implementation is now expected to commence during 2014/15 with the work to run over a two year transition period.

A carry forward request will therefore be submitted for these two items totalling £232,000 to enable full implementation to take place, although the final figure will be subject to the latest position at year-end.

**Summary of Risk Fund Items**

| <b>Service Activity</b> | <b>£000's</b> |
|-------------------------|---------------|
| Youth Remand            | 251.0         |
| <b>Risk Fund Items</b>  | <b>251.0</b>  |

**CHILDREN'S SERVICES PORTFOLIO**

**KEY ISSUES – MONTH 9**

The Portfolio is currently forecast to over spend by **£1,526,900** at year-end, which represents a percentage over spend against budget of **4.3%**. This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

|                                  | <b>£000's</b>    | <b>%</b>   |
|----------------------------------|------------------|------------|
| Baseline Portfolio Forecast      | 4,326.9 A        | 12.3       |
| Risk Fund Items                  | 2,800.0 F        |            |
| <b>Portfolio Forecast</b>        | <b>1,526.9 A</b> | <b>4.3</b> |
| Potential Carry Forward Requests | 0.0              |            |

**The CORPORATE issues for the Portfolio are:**

**CS 1 – Tier 4 Safeguarding Specialist Services (forecast adverse variance £2,520,600)**

**This budget funds the cost of children that have to be taken into care. The number of children in care is 20, (5.0%) over the budgeted position. A further increase of 15 placements (or 3.6% based on the current placement numbers) is anticipated by year end.**

**Forecast Range £3.0M adverse to £2.2M adverse**

The increasing number of children having to be taken into care has led to a forecast over spend on fostering of £1,927,100, and on residential placements of £389,600. In addition there are other various over spends, such as special guardianship allowances, staying put placements and adoption allowances totalling £203,900. The over spend on fostering of £1,927,100 includes a forecast over spend of £1,730,500 on Independent Fostering Agency (IFA) placements, and £84,400 on placements with local authority foster carers.

There has been an over spend of £168,700 on special guardianship and adoption allowances. The increasing numbers of lower cost special guardianship and adoption allowances has primarily resulted from the conversion of higher cost foster care. This results in a corresponding cost avoidance of between £3,000 and £13,000 per placement per annum.

A draw of £2.2M has been made from the Risk Fund reducing the over spend on Tier 4 Safeguarding Specialist Services to £320,600. The numbers of children in care have remained at a similar level as that at the start of the year, which has helped control the level of fluctuation in the over spend as experienced in previous years.

The table below outlines the changes in activity levels for 2013/14:

| Service   | Daily Rate Range | Children Numbers |                                 |            |            |            |                   |
|---|------------------|------------------|---------------------------------|------------|------------|------------|-------------------|
|   |                  | Budget           | Budget Plus Risk Fund Provision | Oct        | Nov        | Dec        | Year End Forecast |
| Fostering up to 18                              | £20 - £100       | 311              | 325                             | 306        | 300        | 299        | 311               |
| Independent Fostering Agencies                  | £86 - £270       | 62               | 91                              | 105        | 103        | 105        | 108               |
| Inter Agency Fostering Placements               | £56 - £136       | 0                | 0                               | 3          | 2          | 2          | 2                 |
| Supported Placements or Rent                    | £16 - £111       | 13               | 13                              | 1          | 1          | 1          | 1                 |
| Residential - Independent Sector                | £257 - £660      | 10               | 15                              | 11         | 11         | 10         | 10                |
| Civil Secure Accommodation                      | £707 - £806      | 1                | 1                               | 0          | 0          | 0          | 0                 |
| <b>Sub-total: Children in Care</b>              |                  | <b>397</b>       | <b>445</b>                      | <b>426</b> | <b>417</b> | <b>417</b> | <b>432</b>        |
| Residential (Not Looked After)                  | £108 - £333      | 0                | 0                               | 3          | 3          | 3          | 3                 |
| Supported Placements or Rent (Not Looked After) | £16 - £111       | 0                | 0                               | 5          | 5          | 5          | 5                 |
| Over 18's                                       | £8 - £153        | 17               | 17                              | 16         | 16         | 15         | 14                |
| Adoption Allowances                             | £4 - £38         | 91               | 91                              | 85         | 83         | 88         | 88                |
| Special Guardianship Allowances                 | £2 - £44         | 49               | 49                              | 76         | 82         | 85         | 94                |
| Residence Order Allowances                      | £7 - £18         | 18               | 18                              | 17         | 17         | 17         | 17                |
| <b>Total</b>                                    |                  | <b>572</b>       | <b>620</b>                      | <b>628</b> | <b>623</b> | <b>630</b> | <b>653</b>        |

Figures for CIC exclude disability placements, UASC's and children placed at nil cost (e.g., with parents)

### **CS 2 – Safeguarding Management and Legal Services (forecast adverse variance £388,300)**

**Additional legal costs of £352,700 are directly attributable to the increasing number of children in care. Safeguarding management and support services have increased by £35,600 over the budgeted position, mainly due to one off costs for staffing and systems audits and reviews.**

**Forecast Range £500,000 adverse to £200,000 adverse**

This adverse variance is due to unavoidable SCC and external legal costs associated with children having to be taken into care. The costs relate to court fees, legal expenses and external counsel. A draw of £200,000 has been made from the Risk Fund reducing the over spend on Safeguarding Management and Legal Services to £188,300.

### **CS 3 – Child Protection Tier 3 Social Work Teams (forecast adverse variance £949,000)**

**Additional cost of agency social work staff in respect of vacancy and absence cover and forecast additional costs of court ordered supervised parental contact with children who have been taken into care.**

**Forecast Range £1.2M adverse to £750,000 adverse**

There is a forecast over spend of £827,100 on child protection 'Tier 3' social work teams. Current market conditions have meant that the supply of social workers was insufficient and inexperienced to meet rising demand. This meant a continuing need for temporary staff, acquired from independent agencies at, on average, twice the cost of a permanently employed member of staff. The number of agency social workers has reduced considerably over the year, due to a successful recruitment campaign. However, there has been a continued need for agency senior practitioners and team managers during the year.

The forecast over spend on the Contact Scheme of £141,900 is a direct consequence of younger children having to be taken into care earlier, leading to an increase in court-ordered supervised parental contact. External contracts have had to be negotiated to cope with the increased demand.

There is a forecast under spend of £20,000 for payments to people without recourse to public funds, due to a reduction in demand levels against this budget.

A draw of £400,000 has been made from the Risk Fund reducing the over spend on Child Protection Social Work Teams to £549,000.

#### **CS 4 – Disability Services (forecast adverse variance £256,300)**

**New expensive packages of care for children with disabilities have commenced during the year, leading to a forecast over spend.**

**Forecast Range £350,000 adverse to £200,000 adverse.**

The requirement for packages of care for children with disabilities is difficult to predict with any certainty due to the volatility in the cost of care and the individual needs of each child with a disability. During the year, four new expensive placements have been included within the forecast, three of which relate to new residential placements and one of which is for an expensive IFA placement.

#### **CS 5 – Infrastructure (forecast adverse variance £232,700)**

**Additional costs associated with moving staff between council buildings**

**Forecast Range £330,000 adverse to £230,000 adverse.**

Costs of £125,000 have been incurred partly for moves taking place as part of the capital programme to expand Primary schools which were not budgeted for. In addition, relocation of the Compass Centre from Warren Avenue to the site of the old Millbrook School has resulted in a dilapidations charge from the landlord at the Warren Avenue of £60,000. In addition to this it is forecast that the business rates and security costs for vacant premises at Selborne Avenue will be £10,000.

These costs are being partially offset by vacant posts to the value of £22,000 in the ICT Strategy Team.

**The OTHER KEY issues for the Portfolio are:**

#### **CS 6 – Commissioning, Management & Directorate overheads (forecast adverse variance £128,000)**

**Additional costs for admin supplies and translation services**

**Forecast Range £150,000 adverse to £120,000 adverse.**

Directorate expenditure on storage, photocopying and postage is forecast exceed the budget originally set by £48,400 as planned savings have not been fully achieved. In addition, the increase in referrals to Safeguarding has led to more fostering and adoption panels with associated costs. The increase in referrals to Safeguarding has also led to more demand for translation services resulting in a forecast over spend of £51,600. Following a tendering exercise, the charge made by Oasis Academy Lord's Hill operating the sports hall at the old Millbrook school site is higher than budgeted by £35,500.

**CS 7 – Operations and Services – Transport (forecast adverse variance £105,600)**

**Additional school transport costs**

**Forecast Range £150,000 adverse to £100,000 adverse.**

An increase in the numbers of pupils with Special Educational Needs being transported to school and the Personal Travel Budget pilot (which allocates parents 45p per mile to transport their children to school) being less well received by parents than anticipated, has resulted in a forecast over spend of £291,400. This is partially off set by savings in other school transport areas and looked after children transport of £185,800.

**Summary of Risk Fund Items**

| <b>Service Activity</b>                    | <b>£000's</b>  |
|--|----------------|
| Tier 4 Services                            | 2,200.0        |
| Safeguarding Management and Legal Services | 200.0          |
| Child Protection Tier 3 Social Work Teams  | 400.0          |
| <b>Risk Fund Items</b>                     | <b>2,800.0</b> |

**ECONOMIC DEVELOPMENT & LEISURE PORTFOLIO****KEY ISSUES – MONTH 9**

The Portfolio is currently forecast to over spend by **£154,200** at year-end, which represents a percentage over spend against budget of **2.6%**. This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

|                                  | <b>£000's</b>  | <b>%</b>   |
|----------------------------------|----------------|------------|
| Baseline Portfolio Forecast      | 269.2 A        | 4.5        |
| Risk Fund Items                  | 115.0 F        |            |
| <b>Portfolio Forecast</b>        | <b>154.2 A</b> | <b>2.6</b> |
| Potential Carry Forward Requests | 76.0           |            |

The **CORPORATE** issues for the Portfolio are:

**EDL 1 – Gallery and Museums (forecast adverse variance £374,100)**

**Shortfall in venue income due to lower visitor numbers than anticipated**

**Forecast Range £400,000 adverse to £300,000 adverse**

Visitor numbers to SeaCity and Tudor House are lower than anticipated for the first nine months of the year which is expected to result in a shortfall in income of £394,800 and £29,400 respectively. This includes a reduction in forecast revenue from shop and café sales for both venues. Partially offsetting this is a forecast under spend on staffing of £60,000 which is mainly due to vacant catering assistant posts at both venues which are not expected to be filled due to low visitor numbers and the need to minimise expenditure.

Strategic marketing campaigns continue, for the fee paying venues in particular. A new exhibition (Ship to Shore) opens in January in the Pavilion in SeaCity Museum. The pricing strategy has been amended for this exhibition and there will be one price option to visit the museum and the exhibition and it is hoped that the perceived added value of including the exhibition in the ticket price will help to drive footfall.

The **OTHER KEY** issues for the Portfolio are:

**EDL 2 – New Arts Complex (forecast favourable variance £76,000)**

**Under spend on the match funding for Arts Council England (ACE)**

**Forecast Range £50,000 favourable to £100,000 favourable**

The Council has agreed ongoing revenue funding of £160,000 per annum for the arts complex project. In addition to this there is ACE funding of £80,000 in 2012/13 and £107,000 in 2013/14, increasing to £155,000 in 2014/15. The Council and ACE funding will transfer eventually to the operating company of the arts complex and it was the intention that the revenue funding would be novated partway through 2013/14 to the appointed operating company.

The arts complex project has been delayed substantially and the strategy for appointing an operating company was changed in agreement with ACE during this financial year. This has meant that it is expected that the operating company will not be appointed until the end of this financial year. Therefore there is a predicted sum of circa £151,000 which is unspent and could be carried over to 2014/15.

The principle of carrying forward the funding for the operating company has been established with ACE when £80,699 was carried forward as a combination of part of the ACE and council funding in 2012/13. There remain considerable revenue challenges for the arts complex and it is proposed that funding be carried forward into future years for the purpose of establishing a sound basis for its business operation, programme and marketing ensuring the best possible preparation for future financial viability. If this funding is not carried forward, it is highly likely that ACE will reduce its revenue funding in line with the Council's reduction for 2013/14.

### **EDL 3 – Leisure Client Team (forecast adverse variance £83,400)**

#### **Contractual utility inflation on the Active Nation contract**

#### **Forecast Range £150,000 adverse to £75,000 adverse**

Under the contract with Active Nation to run the Council's sports provision, the Council bears the risk of cost inflation on utilities over and above the Consumer Price Index. This is currently estimated to be £115,000 and provision has been made in the Risk Fund.

### **Summary of Risk Fund Items**

| <b>Service Activity</b>       | <b>£000's</b> |
|-------------------------------|---------------|
| Sport & Rec Contract - Energy | 115.0         |
| <b>Risk Fund Items</b>        | <b>115.0</b>  |

**ENVIRONMENT & TRANSPORT PORTFOLIO**

**KEY ISSUES – MONTH 9**

The Portfolio is currently forecast to over spend by **£382,800** at year-end, which represents a percentage over spend against budget of **1.4%**. The forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

|                                  | <b>£000's</b>  | <b>%</b>   |
|----------------------------------|----------------|------------|
| Baseline Portfolio Forecast      | 429.8 A        | 1.6        |
| Risk Fund Items                  | 47.0 F         |            |
| <b>Portfolio Forecast</b>        | <b>382.8 A</b> | <b>1.4</b> |
| Potential Carry Forward Requests | 0.0            |            |

**The CORPORATE issues for the Portfolio are:**

**E&T 1 – Off Street Car Parking (forecast adverse variance £683,500)**

**Parking pressures have been identified relating to reduced income of £709,000.**

**Forecast Range £800,000 adverse to £600,000 adverse**

There is an adverse forecast variance of £683,500 for off street car parking, due to a number of factors, the most significant being that income is forecast to fall short of the level anticipated during the budget setting process by £429,000. This variance may be attributed to an underlying reduction in parking across the whole of the city, including both Council and privately owned car parks.

In addition, the proposed introduction of evening charges, with a target income of £300,000 in the current year, is now forecast to generate, after set-up costs, a net income of only £20,000 and the shortfall of £280,000 in parking income is also shown in the overall forecasts. This will be partially offset as rates expenditure is forecast to be lower than originally estimate by £39,000.

**E&T 2 – Regulatory Services - Commercial (forecast favourable variance £256,000)**

**There is forecast additional income and reduced employee costs.**

**Forecast Range £200,000 favourable to £300,000 favourable**

There is forecast additional port health income from BIP Port Fees of £80,000 and other specialist income relating to imports from China/ Japan of £95,000. Also, the employee costs are forecast to be £21,000 favourable, due to staff turnover. There are additional external contributions received to fund Trading Standards work of £49,000.

### **E&T 3 – Travel & Transport (forecast favourable variance £280,900)**

**There is a forecast saving on the Concessionary Fares scheme and savings in senior management salaries.**

**Forecast Range £250,000 favourable to £350,000 favourable**

The total forecast number of Concessionary Fare journeys and the forecast average fare are being monitored closely throughout the year. At Month 9, based upon the current passenger journeys and the calculated average fare, it appears appropriate to forecast a favourable variance on the scheme of £234,600. In addition, there is a favourable forecast employee variance of £62,000 due to savings in senior management.

**The OTHER KEY issues for the Portfolio are:**

### **E&T 4 – Waste Collection (forecast adverse variance £192,000)**

**Commercial Waste Service income below budgeted level.**

**Forecast Range £250,000 adverse to £150,000 adverse**

The Commercial Waste Service is forecast to be £285,000 adverse, due to continuing adverse trading conditions and the cessation of the external skip hire service. This position is regularly reviewed by City Services management team and improvements to billing and debt recovery have been introduced.

There are forecast additional costs for employees of £105,000, mainly due to previous year savings proposals not being fully developed and implemented. Also, there are forecast additional costs of fuel for vehicles of £4,000, which may be met through a draw on the Risk Fund.

The Service was due to have 27 refuse freighters replaced at the start of this year. As they will be introduced throughout the year, a budgeted cost of approximately £204,000 will not be incurred by Fleet Transport, resulting in a saving for the Waste Collection service. However, there are forecast unbudgeted vehicle damage and repairs costs of £61,000.

There is forecast additional income from charging for green waste collections of £30,000 and £18,000 from additional sales of glass and there are savings of £22,000 on Bartec annual costs.

### **E&T 5 – Waste Disposal (forecast adverse variance £127,500)**

**There are various forecast changes with an overall adverse impact.**

**Forecast Range £150,000 adverse to £100,000 adverse**

There is a forecast additional cost of £158,000 at the Civic Amenity Waste Centres, due to increased volumes. In addition, the savings proposal to charge for school waste disposal cannot be implemented due to legislative reasons, at a cost of £100,000. However, there is anticipated to be an additional £100,000 income from the profit share at the Energy Recovery Facility (Marchwood incinerator) for 2012, additional disposal income of £40,000 from Housing and savings of £16,000 on lower general collected household waste all of which offset the position.

The Waste Disposal Contract has increased rates from January 2014, which are anticipated to increase overall costs by £43,000 in this financial year and this will be met through a draw on the Risk Fund.

## **E&T 6 – E&T Contracts Management (forecast favourable variance £92,900)**

**Savings on the street lighting PFI contract.**

**Forecast Range £50,000 favourable to £150,000 favourable**

A level of savings on the PFI Street Lighting contract sum were anticipated and these were planned for and factored in corporately as part of the budget setting process but there are forecast to be savings over and above the originally planned profile. These are not certain but are at present forecast to be £48,000. In addition, energy costs are forecast to be £71,000 favourable, based on the current prices.

The final third party income share with the Council's highways partner in respect of 2012/13 was £25,900 higher than estimated. However, this is partially offset as there are unbudgeted residual costs of £25,000 for CCTV that fall outside of the contract sum and a forecast of £14,000 for additional work monitoring CCTV at the Itchen Bridge.

## **E&T 7 – Development Control (forecast favourable variance £111,600)**

**Additional planning application fee income and reduced salary costs.**

**Forecast Range £50,000 favourable to £150,000 favourable**

Development Control is forecast to over achieve against the target for planning application income by £84,000. The income collected in the early part of the year was higher than usual, due to the introduction of the Community Infrastructure Levy (CIL) in August, which will mean an increased charge for some applicants. CIL administration income is forecast to be £57,000 adverse but this has been partly offset by Section 106 monitoring fees being £34,000 favourable. Pre-application income is forecast to be £33,400 adverse but there is a favourable variance on employees of £77,400, mainly due to a saving from the recent restructure within the Planning department.

## **Summary of Risk Fund Items**

| <b>Service Activity</b> | <b>£000's</b> |
|-------------------------|---------------|
| Waste Disposal Contract | 43.0          |
| Waste Collection Fuel   | 4.0           |
| <b>Risk Fund Items</b>  | <b>47.0</b>   |

**HEALTH & ADULT SOCIAL CARE PORTFOLIO****KEY ISSUES – MONTH 9**

The Portfolio is currently forecast to over spend by **£222,600** at year-end, which represents a percentage over spend against budget of **0.3%**. This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

|                                  | <b>£000's</b>  | <b>%</b>   |
|----------------------------------|----------------|------------|
| Baseline Portfolio Forecast      | 807.6 A        | 1.2        |
| Risk Fund Items                  | 585.0 F        |            |
| <b>Portfolio Forecast</b>        | <b>222.6 A</b> | <b>0.3</b> |
| Potential Carry Forward Requests | 0.0            |            |

**The CORPORATE issues for the Portfolio are:**

**H&ASC 1 – Learning Disability (forecast adverse variance £764,400)**

**There has been an increase in new clients / changes in client costs.**

**Forecast Range £1.0M adverse to £0.7M adverse.**

A budget pressure arising from the impact of an aging population and new transitional clients was identified as part of setting the 2013/14 budgets. A sum of £1.0M was allowed for within the Risk Fund of which ££0.6M has been added to the Portfolio in Month 8 after which a pressure of £1,075,800 remains. However this is offset by a decrease in the forecast spend for Supported Living/Day Care clients of £311,400. It has been assumed that there will be a draw on the Risk Fund for the remaining £0.4M.

It should be noted that this forecast position is based on an assumption that a further local savings target currently set at £120,000, from a combination of Operational and Commissioning savings, will be fully achieved.

**H&ASC 2 – Adult Disability Care Services (forecast adverse variance £865,400)**

**There has been an increase in new clients/changes in client costs.**

**Forecast Range £1.2M adverse to £0.8 M adverse.**

There are projected over spends of £701,500, £104,800 and £57,900 on Domiciliary, Direct Payments and Residential respectively.

The forecast over spend is due to greater volumes of clients than were assumed when the budget was set for 2013/14. This position was highlighted as a possible occurrence when setting the budget in February 2013 and so a provision was made within the Risk Fund of £630,000 of which £455,000 has been allocated to the Portfolio in Month 8. However it is still expected that there will be a draw on the remaining allowance within the Risk Fund of £185,000 for this service activity.

Due to a voluntary suspension by a block contract provider we have been unable to place clients since August 2012 and whilst we have paid the full value of the contract we have also incurred the cost of alternative provision. For the period April to August 2013, there was an average of ten vacant beds which would equate to £144,000. There are plans to seek recompense for vacant beds and work is being undertaken for the period September 2013 to date to establish the full extent of the claim.

The following table demonstrates the effect of these forecast changes on the equivalent number of units:

|                 | Net Budget<br>£000's | Unit Prices | Budgeted Units | Forecast<br>£000's | Forecast Units | Difference (Units) | Variance to Budget<br>£000's |
|-----------------|----------------------|-------------|----------------|--------------------|----------------|--------------------|------------------------------|
| Day Care        | 59.9                 | 59.59 pd    | 1,005          | 59.5               | 998            | (7)                | (0.4)                        |
| Direct Payments | 2,817.7              | 11.62 ph    | 242,487        | 2,922.5            | 251,506        | 9,019              | 104.8                        |
| Domiciliary     | 5,510.6              | 13.96 ph    | 394,742        | 6,212.1            | 444,993        | 50,251             | 701.5                        |
| Nursing         | 2,315.4              | 67.44 pd    | 34,333         | 2,317.0            | 34,356         | 23                 | 1.6                          |
| Residential     | 5,285.9              | 51.13 pd    | 103,382        | 5,343.8            | 104,514        | 1,132              | 57.9                         |
| <b>Total</b>    | <b>15,989.5</b>      |             |                | <b>16,854.9</b>    |                |                    | <b>865.4</b>                 |

(pd – per day ph – per hour)

### **H&ASC 3 – Complex Care (forecast adverse variance £275,500)**

**Additional cost of covering permanent posts with agency staff and non achievement of vacancy factor.**

**Forecast Range £300,000 adverse to £200,000 adverse.**

A review of the current complex care service is being undertaken. Whilst this review is underway all permanent posts are being recruited to on a fixed term basis only. However the service is experiencing difficulties in filling the posts on this basis and therefore, to meet service requirements, managers have used agency staff at an additional premium.

### **H&ASC 4 – Adult Disability Commissioning (forecast favourable variance £280,200)**

**Savings on contracts required for 2014/15 have been achieved ahead of schedule.**

**Forecast Range £200,000 favourable to £300,000 favourable.**

Savings of £190,000 have been secured through contract renegotiations within the Supporting People programme. This saving was required to meet the budget forecast from 2014/15 onwards. The early achievement of this saving with various other minor contract savings, £90,200, will be used to offset over spends elsewhere within the Portfolio in 2013/14.

The OTHER KEY issues for the Portfolio are:

**H&ASC 5 – Mental Health Commissioning (forecast favourable variance £174,300)**

**Savings on contracts and transition funding within Mental Health.**

**Forecast Range £170,000 favourable to £250,000 favourable.**

This under spend has occurred due to savings on the Independent Mental Health Advocacy, (IMHA) and the Improving Access to Psychological Therapies, (IAPT) contracts of £70,000. In addition the delay in the arrangement of a Peer Support contract, it will not commence until 2014/15, has generated a £100,000 saving.

**H&ASC 6 – Administration and Business Support (forecast favourable variance £122,500)**

**Salary savings resulting from vacant posts.**

**Forecast Range £100,000 favourable to £150,000 favourable.**

There are currently approx 8.5 FTE vacant posts within business support and whilst this has been offset in part due to the use of temporary staff, the overall saving is in excess of £120,000.

**H&ASC 7 – Directors Office (forecast favourable variance £181,000)**

**Various under spends.**

**Forecast Range £180,000 favourable to £200,000 favourable.**

Various minor under spends identified for 2014/15 savings proposals have been achieved, in part, within 2013/14 and are no longer required for any other specific purpose.

**H&ASC 8 – Public Health**

**Potential under spend of Public Health grant**

This is the first year that the Public Health grant has been allocated to local authorities and there is a risk that the grant will not be fully spent against the predetermined plans. Further work is underway to decide the most effective way of using this funding.

**Summary of Risk Fund Items**

| <b>Service Activity</b>        | <b>£000's</b> |
|--------------------------------|---------------|
| Adult Disability Care Services | 185.0         |
| Learning Disability            | 400.0         |
| <b>Risk Fund Items</b>         | <b>585.0</b>  |

**HOUSING & SUSTAINABILITY PORTFOLIO**

**KEY ISSUES – MONTH 9**

The Portfolio is currently forecast to over spend by **£50,700** at year end, which represents a percentage variance against budget of **2.9%**. This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

|                                  | <b>£000's</b> | <b>%</b>   |
|----------------------------------|---------------|------------|
| Baseline Portfolio Forecast      | 160.9 A       | 9.1        |
| Risk Fund Items                  | 110.2 F       |            |
| <b>Portfolio Forecast</b>        | <b>50.7 A</b> | <b>2.9</b> |
| Potential Carry Forward Requests | 0.0           |            |

**There are no CORPORATE issues for the Portfolio at this stage.**

**The OTHER KEY issues for the Portfolio are:**

**H&S 1 – Sustainability (forecast adverse variance £129,600)**

**Cost of purchasing Carbon Reduction Certificates.**

**Forecast Range £150,000 adverse to £100,000 adverse.**

It is estimated that the cost of purchasing CRCs for the authority in 2013/14 will be £110,200 and it is anticipated that this will be covered by a draw on the Risk Fund. In addition, there are minor adverse variances across Sustainability totalling £19,400.

**Summary of Risk Fund Items**

| <b>Service Activity</b>        | <b>£000's</b> |
|--------------------------------|---------------|
| Sustainability – CRC purchases | 110.2         |
| <b>Risk Fund Items</b>         | <b>110.2</b>  |

**LEADER'S PORTFOLIO****KEY ISSUES – MONTH 9**

The Portfolio is currently forecast to under spend by **£252,500** at year-end, which represents a percentage variance against budget of **7.1%**. This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

|                                  | <b>£000's</b>  | <b>%</b>   |
|----------------------------------|----------------|------------|
| Baseline Portfolio Forecast      | 252.5 F        | 7.1        |
| Risk Fund Items                  | 0.0            |            |
| <b>Portfolio Forecast</b>        | <b>252.5 F</b> | <b>7.1</b> |
| Potential Carry Forward Requests | 0.0            |            |

**There are no CORPORATE issues for the Portfolio at this stage.**

**The OTHER KEY issues for the Portfolio are:**

**LEAD 1 – Legal & Democratic (forecast favourable variance £210,500)**

**Salaries and supplies and services savings offset by licensing pressure.**

**Forecast Range not applicable**

The favourable forecast variance is due to a combination of factors including salary under spends from vacant posts, general under spends on supplies and services, an anticipated increase in Land Charges income and reduced spend on Elections. Vacancies have been reviewed and where possible form part of future savings proposals. However, this favourable position has been partly offset by increased costs within Licensing for the ongoing subsidy for cab cameras agreed by Licensing Committee on 19 September 2013. This pressure, which will be ongoing, has been reflected in the draft budget position for 2014/15 onwards.

**LEAD 2 – Corporate Communications (forecast favourable variance £42,000)**

**Salary savings**

**Forecast Range not applicable**

The favourable forecast variance has arisen from salary under spends resulting from the recent restructure of the Division.

**RESOURCES PORTFOLIO****KEY ISSUES – MONTH 9**

The Portfolio is currently forecast to under spend by **£1,925,000** at year-end, which represents a percentage variance against budget of **4.5%**. This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

|                             | <b>£000's</b>    | <b>%</b>   |
|-----------------------------|------------------|------------|
| Baseline Portfolio Forecast | 1,925.0 F        | 4.5        |
| Risk Fund Items             | 0.0              |            |
| <b>Portfolio Forecast</b>   | <b>1,925.0 F</b> | <b>4.5</b> |
| Carry Forward Requests      | 200.0            |            |

**The CORPORATE issues for the Portfolio are:**

**RES 1 – Contract Management (forecast favourable variance £300,600)****Capita contract savings achieved****Forecast Range not applicable**

The favourable variance reflects the benefit of ongoing changes made to the Capita contract through agreed contract amendments and savings achieved over and above the risk adjusted amount approved by Council in February. This forms part of a new budget savings proposal for 2014/15 and future years and, as there are transition costs associated with the savings approved in February, will deliver a higher gross saving for future years.

**RES 2 – Portfolio General (forecast favourable variance £630,000)****Salaries and supplies and services spend reduced****Forecast Range not applicable**

A detailed review of all budgets has been undertaken across the Portfolio resulting in the identification of salary under spends from vacant posts, together with anticipated savings within supplies and services as a result of the in-year moratorium on spend. Where possible these form part of future savings proposals.

**RES 3 – Property Portfolio Management (forecast favourable variance £551,000)****Additional Investment Property income and reduced professional fees****Forecast Range not applicable**

A favourable variance has arisen within the Investment Portfolio account of £297,000 due to higher than estimated income achieved through new lettings, together with a delayed disposal.

In addition, the rationalisation of the property portfolio has led to lower overall management costs and a reduction in the management fees payable to Capita of £254,000. This ongoing reduction is the subject of a new savings proposal for 2014/15 and future years.

**The OTHER KEY issues for the Portfolio at this stage are:**

**RES 4 – Central Repairs & Maintenance (forecast favourable variance £200,000)**

**Additional Investment Property income / Reduction in professional fees**

**Forecast Range not applicable**

A small number of planned schemes to the value of £200,000 will need to be deferred due to the seasonal nature of the works and this will form part of a carry forward request to enable these works to be carried out during the summer months to avoid disruption and increased costs. However, in light of the recent weather conditions and the impact on council properties, the forecast position on the reactive repairs budget will be kept under close review and may impact on the carry forward request at year-end. If insufficient funds are available at that time, this would have a knock-on effect to the planned programme for 2014/15.

**RES 5 – Property Services (forecast favourable variance £118,000)**

**Savings on rates and utilities**

**Forecast Range not applicable**

There is a favourable forecast variance due to an anticipated one-off under spend on rates as a result of the planned vacation of the Civic Centre to enable essential building works to be undertaken as part of the Accommodation Strategy.

**RES 6 – IT Services (forecast favourable variance £150,000)**

**Rationalisation of PCs**

**Forecast Range not applicable**

The favourable forecast variance has arisen from the managed rationalisation of PCs and laptops across the authority.

**RES 7 – Grants to Voluntary Organisations (forecast adverse variance £24,600)**

**Payment of Transitional Relief**

**Forecast Range not applicable**

The adverse forecast variance reflects the payment of transitional relief to organisations affected by the impact of the grants programme approved by Cabinet in February. As detailed in the Cabinet report, the Council was liable in some cases to provide this relief where the Council has either ceased or reduced funding to organisations that the Council has had a prior funding relationship with. The transitional relief scheme is now closed and the intention is to manage the cost within the overall Portfolio budgets.

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

| Portfolio                      | 2013/14        |                |                    |                 | Implemented and Saving Achieved | RISK TO DELIVERY  |                                    |
|--------------------------------|----------------|----------------|--------------------|-----------------|---------------------------------|---|------------------------------------|
|                                | Efficiencies   | Income         | Service Reductions | Total           |                                 | Not Yet Fully Implemented and Achieved But Broadly on Track | Saving Not on Track to be Achieved |
|                                | £000's         | £000's         | £000's             | £000's          |                                 | %   | %                                  |
| Change & Communities           | (33)           | 0              | (556)              | (589)           | 100.0%                          | 0.0%  | 0.0%                               |
| Children's Services            | (2,265)        | (97)           | (3,012)            | (5,374)         | 70.7%                           | 25.9%   | 3.4%                               |
| Economic Development & Leisure | 0              | (50)           | (617)              | (667)           | 100.0%                          | 0.0%  | 0.0%                               |
| Environment & Transport        | (604)          | (875)          | (2,588)            | (4,067)         | 81.0%                           | 11.6%   | 7.4%                               |
| Health & Adult Social Care     | (3,295)        | (185)          | (567)              | (4,047)         | 95.3%                           | 1.4%  | 3.3%                               |
| Housing & Sustainability       | (231)          | 0              | 0                  | (231)           | 100.0%                          | 0.0%  | 0.0%                               |
| Leader's Portfolio             | (481)          | 0              | (25)               | (506)           | 94.9%                           | 0.0%  | 5.1%                               |
| Resources                      | (29)           | 0              | (908)              | (937)           | 100.0%                          | 0.0%  | 0.0%                               |
| <b>Total</b>                   | <b>(6,938)</b> | <b>(1,207)</b> | <b>(8,273)</b>     | <b>(16,418)</b> | <b>84.4%</b>                    | <b>11.7%</b>  | <b>3.9%</b>                        |

| Portfolio                      | 2013/14        |                |                    |                 | Implemented and Saving Achieved | FINANCIAL ACHIEVEMENT                                       |                                    | Total           |
|--------------------------------|----------------|----------------|--------------------|-----------------|---------------------------------|---|------------------------------------|-----------------|
|                                | Efficiencies   | Income         | Service Reductions | Total           |                                 | Not Yet Fully Implemented and Achieved But Broadly on Track | Saving Not on Track to be Achieved |                 |
|                                | £000's         | £000's         | £000's             | £000's          |                                 | £   | £                                  |                 |
| Change & Communities           | (33)           | 0              | (556)              | (589)           | (589)                           | 0   | 0                                  | (589)           |
| Children's Services            | (2,265)        | (97)           | (3,012)            | (5,374)         | (3,798)                         | (1,334)   | (42)                               | (5,174)         |
| Economic Development & Leisure | 0              | (50)           | (617)              | (667)           | (667)                           | 0   | 0                                  | (667)           |
| Environment & Transport        | (604)          | (875)          | (2,588)            | (4,067)         | (3,295)                         | (427)   | (70)                               | (3,792)         |
| Health & Adult Social Care     | (3,295)        | (185)          | (567)              | (4,047)         | (3,857)                         | (55)  | 0                                  | (3,912)         |
| Housing & Sustainability       | (231)          | 0              | 0                  | (231)           | (231)                           | 0   | 0                                  | (231)           |
| Leader's Portfolio             | (481)          | 0              | (25)               | (506)           | (480)                           | 0   | (26)                               | (506)           |
| Resources                      | (29)           | 0              | (908)              | (937)           | (937)                           | 0   | 0                                  | (937)           |
| <b>Total</b>                   | <b>(6,938)</b> | <b>(1,207)</b> | <b>(8,273)</b>     | <b>(16,418)</b> | <b>(13,854)</b>                 | <b>(1,816)</b>  | <b>(138)</b>                       | <b>(15,808)</b> |

Shortfall

**610****4%**

**FINANCIAL HEALTH INDICATORS – MONTH 9**

**Prudential Indicators Relating to Borrowing**

|   | <b><u>Maximum</u></b> | <b><u>Forecast</u></b>   | <b><u>Status</u></b> |
|---|-----------------------|--------------------------|----------------------|
| Maximum Level of External Debt £M           | £898M                 | £361M                    | Green                |
| As % of Authorised Limit                    | 100%                  | 40.2%                    | Green                |
|   | <b><u>Target</u></b>  | <b><u>Actual YTD</u></b> | <b><u>Status</u></b> |
| Average % Rate New Borrowing                | 5.00%                 | 0.0%                     | Green                |
| Average % Rate Existing Long Term Borrowing | 5.00%                 | 3.34%                    | Green                |
| Average Short Term Fixed Investment Rate    | 0.43%                 | 0.80%                    | Green                |

**Minimum Level of General Fund Balances**

|   |        | <b><u>Status</u></b> |
|---|--------|----------------------|
| Minimum General Fund Balance              | £5.5M  |                      |
| Forecast Year End General Fund balance    | £25.7M | Green                |
| Medium Term Forecast General Fund balance | £6.5M  | Green                |

**Income Collection**

|  | <b><u>2012/13</u></b> | <b><u>Actual YTD</u></b> | <b><u>Status</u></b> |
|--|-----------------------|--------------------------|----------------------|
| Outstanding Debt:                              |                       |                          |                      |
| More Than 12 Months Old                        | 32%                   | 24%                      | Green                |
| Less Than 12 Months But More Than 6 Months Old | 10%                   | 6%                       | Green                |
| Less Than 6 Months But More Than 60 Days Old   | 12%                   | 10%                      | Green                |
| Less Than 60 Days Old                          | 46%                   | 60%                      | Green                |

**Creditor Payments**

|   |       | <b><u>Status</u></b> |
|---|-------|----------------------|
| Target Payment Days                                 | 30    |                      |
| Actual Current Average Payment Days                 | 21    | Green                |
| Target % of undisputed invoices paid within 30 days | 95.0% |                      |
| Actual % of undisputed invoices paid within 30 days | 89.3% | Amber                |

**Tax Collection rate**

|                             | <b><u>Target Collection Rate</u></b> | <b><u>Month 9 Collection Rate</u></b> |                         | <b><u>Status</u></b> |
|-----------------------------|--------------------------------------|---------------------------------------|-------------------------|----------------------|
|                             |                                      | <b><u>Last Year</u></b>               | <b><u>This Year</u></b> |                      |
| Council Tax                 | 94.90%                               | 82.90%                                | 81.00%                  | Amber                |
| National Non Domestic Rates | 98.70%                               | 88.80%                                | 88.30%                  | Amber                |

QUARTERLY TREASURY MANAGEMENT REPORT – MONTH 9

**1. Background**

Treasury Management (TM) is a complex subject but in summary the core elements of the strategy for 2013/14 are:

- To make use of short term variable rate debt to take advantage of the continuing current market conditions of low interest rates.
- To constantly review longer term forecasts and to lock in to longer term rates through a variety of instruments as appropriate during the year, in order to provide a balanced portfolio against interest rate risk.
- To secure the best short term rates for borrowing and investments consistent with maintaining flexibility and liquidity within the portfolio.
- To invest surplus funds prudently, the Council's priorities being:
  - Security of invested capital
  - Liquidity of invested capital
  - An optimum yield which is commensurate with security and liquidity.
- To approve borrowing limits that provide for debt restructuring opportunities and to pursue debt restructuring where appropriate and within the Council's risk boundaries.

In essence TM can always be seen in the context of the classic 'risk and reward' scenario and following this strategy will contribute to the Council's wider TM objective which is to minimise net borrowing cost short term without exposing the Council to undue risk either now or in the longer in the term.

The main activities undertaken during 2013/14 to date are summarised below:

- Investment returns during 2013/14 will continue to remain low as a result of low interest rates, with interest received estimated to be £0.6M. However, the average rate achieved to date for fixed term deals (0.80%) exceeds the performance indicator of the average 7 day LIBID rate (0.42%) mainly due to the rolling programme of yearly investments.
- In order to continue to balance the impact of ongoing lower interest rates on investment income we have continued to use short term debt which is currently available at lower rates than long term debt due to the depressed market. As a result the average rate for repayment of debt, (the Consolidated Loans & Investment Account Rate – CLIA), at 3.34% is in line with reported strategy. The predictions based on all of the economic data are that this will continue for an extended period. However, it should be noted that the forecast for longer term debt is for a steady increase and so new long term borrowing is likely to be taken out above this rate, leading to an anticipated increase in the CLIA. A PWLB 25 year fixed rate maturity loan is currently around 4.4%.

**2. Economic Background**

- **Growth:** The flow of credit to households and businesses slowly improved but was still below pre-crisis levels. The fall in consumer price inflation from the high of 5.2% in September 2011 to 2.1% in November 2013 helped consumers. There was hope it might allow real wage increases (i.e. after inflation) to slowly turn

positive, improve confidence and aid future consumer spending. Stronger UK growth data in 2013 (0.4% in Quarter 1, 0.7% in Quarter 2 and 0.8% in Quarter3) alongside a pick-up in property prices, mainly stoked by government initiatives to boost mortgage lending, led markets to price in an earlier rise in rates than warranted under Forward Guidance and the broader economic backdrop. Unemployment was 7.4% in the three months to October 2013. However, with jobs growth picking up slowly, many employees working shorter hours than they would like and benefit cuts set to gather pace, economic growth was likely to only be gradual.

- Monetary Policy:** There was no change to UK monetary policy with official interest rates and asset purchases maintained at 0.5% and £375 billion respectively. On the probability of unemployment reaching the 7% threshold under the Monetary Policy Committee's (MPC) Forward Guidance, the November Inflation Report attached only a two-in-five chance to the rate having reached the 7% level by the end of 2014. The corresponding figures for the end of 2015 and 2016 were around three-in-five and two-in-three respectively. These forecasts brought forward market expectations of a bank rate rise, although the MPC repeatedly emphasised that the 7% threshold was not an automatic trigger for a rate rise. A fragile economic recovery, subdued inflation and depressed bank lending resulted in the European Central Bank (ECB) cutting the repo rate from 0.50% to 0.25%. The ECB President strengthened the Bank's pledge to keep interest rates low for as long as necessary and warned that it was too soon to say the euro region is out of danger. In the US, following the clear momentum witnessed in its economy – despite the political impasse which resulted in a partial government shutdown during the quarter - the 'tapering' of asset purchases was announced by the Federal Reserve in December. Tapering will commence in January 2014 and with the Fed reducing its monthly purchases from \$85 billion to \$75 billion a month. Financial markets reacted in a predictably ebullient manner with risk assets such as equities rallying toward higher levels whilst government bond prices reversed, leading to higher yields.

### 3. Outlook for Quarter 4

The economic interest rate outlook provided by the Council's treasury advisor, Arlingclose Ltd, as at January 2014 is detailed below:

|                          | Mar-14 | Jun-14 | Sep-14 | Dec-14 | Mar-15 | Jun-15 | Sep-15 | Dec-15 | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Official Bank Rate       |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Upside risk              |        | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.50   | 0.50   | 0.50   | 0.75   | 0.75   | 0.75   | 1.00   |
| Arlingclose Central Case | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   |
| Downside risk            |        |        |        |        |        |        |        |        |        |        |        |        |        |

The outlook for UK economic growth is optimistic. Mortgage lending appears to have improved, but the picture is somewhat mixed for lending to the corporate sector. The Bank of England's recent changes to the Funding for Lending Scheme (FLS) are aimed at strengthening corporate credit growth whilst moderating household credit growth. Activity in the high street particularly over the all-important Christmas period has been mixed with some retailers including Tesco and Marks & Spencer experiencing weaker trading conditions.

Whilst some increase in inflation is expected during 2014 it will be modest as significant spare capacity in the economy exists.

Although the MPC left its policy stance unchanged at its January meeting, there is an increasing view that its forward guidance regime may need adjusting given the reasonably rapid improvements in the labour market. Whilst the MPC has consistently

emphasised that 7% threshold is not an automatic trigger for rate increases, the Committee could choose to do something to distance the debate from it once and for all and could use the opportunity of the Bank's Quarterly Inflation Report in February to do so.

#### 4. Debt Management

The tables below summarises activity during the year to date and provides an analysis by type:

|                        | Balance on<br>01/04/2013 | Debt<br>Maturing<br>or Repaid | New<br>Borrowing | Balance as<br>at<br>31/12/2013 | Increase/<br>(Decrease)<br>in<br>Borrowing |
|------------------------|--------------------------|-------------------------------|------------------|--------------------------------|--|
|                        | £M                       | £M                            | £M               | £M                             | £M   |
| Short Term Borrowing   | 34                       | (29)                          | 10               | 15                             | (19)                                       |
| Long Term Borrowing    | 276                      | (9)                           | 0                | 267                            | (9)  |
| <b>Total Borrowing</b> | <b>310</b>               | <b>(38)</b>                   | <b>10</b>        | <b>282</b>                     | <b>(28)</b>                                |

*Please note that these figures do not reflect the accounting convention of moving loans maturing in the year from long term to short term*

|   | 31-Mar-13<br>Actual | 31-Mar-14<br>Approved | Current<br>Portfolio | 31-Mar-14<br>Current<br>Estimate | 31-Mar-15<br>Current<br>Estimate | 31-Mar-16<br>Current<br>Estimate |
|---|---------------------|-----------------------|----------------------|----------------------------------|----------------------------------|----------------------------------|
|   | £M                  | £M                    | £M                   | £M                               | £M                               | £M                               |
| <b>External Borrowing:</b>                            |                     |                       |                      |                                  |                                  |                                  |
| Fixed Rate – PWLB Maturity                            | 139                 | 156                   | 139                  | 148                              | 184                              | 208                              |
| Fixed Rate – PWLB EIP                                 | 93                  | 90                    | 84                   | 81                               | 69                               | 58                               |
| Variable Rate – PWLB                                  | 35                  | 60                    | 35                   | 35                               | 35                               | 35                               |
| Variable Rate – Market                                | 9                   | 9                     | 9                    | 9                                | 9                                | 9                                |
| <b>Long Term Borrowing</b>                            | <b>276</b>          | <b>315</b>            | <b>267</b>           | <b>273</b>                       | <b>297</b>                       | <b>310</b>                       |
| <b>Short Term Borrowing</b>                           |                     |                       |                      |                                  |                                  |                                  |
| Fixed Rate – Market                                   | 34                  | 50                    | 15                   | 10                               | 20                               | 30                               |
| <b>Other Long Term Liabilities</b>                    |                     |                       |                      |                                  |                                  |                                  |
| PFI / Finance leases                                  | 57                  | 62                    | 57                   | 61                               | 66                               | 63                               |
| Deferred Debt Charges                                 | 17                  | 17                    | 17                   | 17                               | 16                               | 16                               |
| <b>Total Gross External Debt</b>                      | <b>384</b>          | <b>444</b>            | <b>356</b>           | <b>361</b>                       | <b>399</b>                       | <b>419</b>                       |
| <b>Investments:</b>                                   |                     |                       |                      |                                  |                                  |                                  |
| Deposits and monies on call and<br>Money Market Funds | (66)                | (50)                  | (49)                 | (40)                             | (50)                             | (50)                             |
| Supranational bonds                                   | (3)                 | (3)                   | (3)                  | (3)                              | (3)                              | (3)                              |
| <b>Total Investments</b>                              | <b>(69)</b>         | <b>(53)</b>           | <b>(52)</b>          | <b>(43)</b>                      | <b>(53)</b>                      | <b>(53)</b>                      |
| <b>Net Borrowing Position</b>                         | <b>315</b>          | <b>391</b>            | <b>304</b>           | <b>318</b>                       | <b>346</b>                       | <b>366</b>                       |

**Public Works Loan Board (PWLB) Certainty Rate:** The Council successfully qualified for borrowing at the 'Certainty Rate', following the submission of the Certainty Rate form to Central Government, which included details of the capital expenditure and borrowing plans for the Council over the next three years. PWLB borrowing from 1 November 2012 has been available at a 20bps reduction from the standard. In April the Council submitted its application to the Department for Communities and Local Government's (CLG) along with the 2013/14 Capital Estimates Return to access this reduced rate for a further 12 month period from 1 November 2013.

**PWLB Borrowing:** The PWLB remained an attractive source of borrowing for the Authority as it offers flexibility and control. Market expectations of an early commencement to the Federal Reserve's 'tapering' of asset purchases resulted in higher gilt yields and resulted in a corresponding rise in PWLB rates. Again, the most

pronounced increase was for 5-20 year loans with increases for these periods between around 0.3% and 0.5%.

As at the 31 March 2013 the Council used £52M of internal resources in lieu of borrowing which has been the most cost effective means of funding past capital expenditure to date. This has lowered overall treasury risk by reducing both external debt and temporary investments. However, this position will not be sustainable over the medium term and the Council will need to borrow to cover this amount as balances fall. Following the latest Capital Programme update, which is being submitted to Council on 12 February 2014, the Council is expected to borrow an additional £70M between 2013/14 and 2015/16. Of this £41M relates to new capital spend (£38M Housing Revenue Account (HRA) and £3M General Fund repayment) and the remainder to the refinancing of existing debt and externalising internal debt to cover the expected fall in balances and also to lock back into longer term debt prior to interest rises.

However due to the continued uncertainty in the markets and the expectations of interest rates staying lower for longer it may be appropriate to maintain the council use of internal resources for part or all of this amount; providing that balances can support it. No long term borrowing has been taken to date and none is expected to be taken until next year at which point the position will be assessed in conjunction with the Council's treasury advisor.

The Council has £35M variable rate loans which were borrowed prior to 20 October 2010 (the date of change to the lending arrangements of the PWLB post Comprehensive Spending Review) and are maintained on their initial terms and are not subject to the additional increased margin, they are currently averaging between 0.55% and 0.60% and are helping to keep overall borrowing costs down.

Whilst in the current climate of low interest rates this remains a sound strategy, at some point when the market starts to move, the Council will need to act quickly to lock into fixed long term rates which may be at similar levels to the debt it restructured. Furthermore, the volatility in the financial markets means that interest costs and investment income will continue to fluctuate for some time.

In order to mitigate these risks the Council approved the creation of an Interest Equalisation Reserve in 2009. At that point a major debt restructuring exercise was undertaken in order to take advantage of market conditions and produce net revenue savings. The Interest Equalisation Reserve was created to help to manage volatility in the future and ensure that there was minimal impact on annual budget decisions or council tax in any single year. However, it should be noted that the sum set aside in the Interest Equalisation Reserve is a one off sum of money to help manage the initial transitional period during which the Council will convert its variable rate loan portfolio to longer term fixed rate debt. The actual ongoing recurring revenue impact of switching to fixed rate long term debt will need to be factored in to the budget forecasts for future years. Based on the current predictions of lower for longer interest rate forecasts, it is unlikely that this pressure will emerge in the short term, but it is likely to become a reality towards the back end of the Council's current medium term forecast horizon.

**Debt rescheduling:** The increase in PWLB repayment rates during the quarter lowered the premium that would apply on premature redemption of loans, but the premiums remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. As a consequence no rescheduling activity was been undertaken in the year to date.

A year after their commencement, the £73.8M of loans borrowed on 28 March 2012 for the HRA self-financing settlement became eligible for rescheduling. These loans were borrowed at one-off preferential rates made available specifically for the settlement. If

the increases in gilt yields and PWLB redemption rates seen at the end of this quarter prevail in subsequent months, they may present early loan repayment opportunities at close to par. Early repayment or rescheduling will first be assessed against the requirements of the HRA business plan and any future borrowing requirements. Where rescheduling is appropriate, the Authority will consider alternative refinancing to achieve cost savings and a reduction in risk. (Conventional PWLB to PWLB debt restructuring is limited by the new borrowing and repayment spread).

## 5. Investment Activity

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles. The table below summarises activity during the year to date:

|                                    | Balance on<br>01/04/2013 | Investments<br>Repaid | New<br>Investments | Balance as<br>at<br>31/12/2013 | Increase/<br>(Decrease) in<br>Investment<br>for Year |
|------------------------------------|--------------------------|-----------------------|--------------------|--------------------------------|--|
|                                    | £M                       | £M                    | £M                 | £M                             | £M   |
| Short Term Investments             | 26                       | (25)                  | 23                 | 24                             | (2)  |
| Money Market Funds & Call Accounts | 40                       | (324)                 | 309                | 25                             | (15)   |
| EIB Bonds                          | 3                        | 0                     | 0                  | 3                              | 0  |
| Long Term Investments              | 0                        | 0                     | 0                  | 0                              | 0  |
| <b>Total Investments</b>           | <b>69</b>                | <b>(349)</b>          | <b>332</b>         | <b>52</b>                      | <b>(17)</b>  |

Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its TM Strategy Statement for 2013/14. New investments can be made with the following institutions:

- Other Local Authorities;
- AAA-rated Stable Net Asset Value Money Market Funds;
- Call Accounts, Certificate of Deposits (CDs) and term deposits with select UK and non-UK Banks and Building Societies. The non-UK banks comprised those domiciled in Australia, Canada, USA, Europe and Singapore.
- Treasury Bills and Debt Management Office.

Counterparty credit quality is assessed and monitored with reference to: Credit Ratings. The Council's minimum long-term counterparty rating is A- (or equivalent across rating agencies Fitch, S&P and Moody's); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; sovereign support mechanisms /potential support from a well-resourced parent institution; share price.

A break down of investments as at 31 December 2013 by credit rating and maturity profile can be seen in following table.

| Current Rating | Initial Rating | Less than 1 Month<br>£000's | 1 - 3 Months<br>£000's | 3 - 6 Months<br>£000's | 6 - 9 Months<br>£000's | 9 - 12 Months<br>£000's | Over 12 Months<br>£000's | Total<br>£000's |
|----------------|----------------|-----------------------------|------------------------|------------------------|------------------------|-------------------------|--------------------------|-----------------|
| A              | A              | 8,803                       | 7,000                  | 6,000                  | 6,000                  | 3,000                   |                          | 30,803          |
| A+             | A-             | 100                         |                        |                        |                        |                         |                          | 100             |
| A+             | A              | 50                          |                        |                        |                        |                         |                          | 50              |
| A+             | A+             |                             | 0                      |                        |                        |                         |                          | 0               |
| A+             | AA-            | 50                          |                        |                        |                        |                         |                          | 50              |
| AA-            | A+             | 50                          |                        |                        |                        |                         |                          | 50              |
| AA-            | AA-            | 18,049                      |                        |                        |                        |                         |                          | 18,049          |
| AA-            | AA             | 50                          |                        |                        |                        |                         |                          | 50              |
| AA             | AA-            | 50                          |                        |                        |                        |                         |                          | 50              |
| AA+            | AA+            |                             |                        |                        |                        |                         |                          | 0               |
| AAA            | AAA            |                             |                        |                        |                        |                         | 3,036                    | 3,036           |
|                |                | 27,202                      | 7,000                  | 6,000                  | 6,000                  | 3,000                   | 3,036                    | 52,238          |

### **Counterparty Update**

In July Moody's had placed the A3 long-term ratings of RBS and Natwest on review for possible downgrade. These ratings were affirmed in November following the announcement by the government that RBS will not be split into a good bank / bad bank. Instead, non-performing assets will be ring-fenced in an internal bad bank to be created in 2014, with non-core assets being run down on a tighter timescale than previously planned. Despite the ratings being affirmed by Moody's, the RBS Group share price showed little signs of recovery on concerns over implementation risks. The markets were less convinced by the internal ring-fence and viewed the shares as still too expensive. Arlingclose continues to monitor these creditworthiness indicators. Until such time there is an improvement, the Council will keep new investments with the banks to overnight or call investments, existing deposits will be allowed to run to maturity.

In November Standard & Poor's downgraded France's sovereign rating to AA. As this rating has fallen below the Authority's minimum sovereign rating threshold of AA+ in the strategy for 2013/14, the Council will not place new investments with French banks.

December was a busy month for the bank reform agenda:

- Co-operative Bank successfully completed a voluntary bail-in of junior bondholders, which goes part way to fill its capital shortfall;
- RBS exited the Contingent Capital Facility, under which it was previously eligible for a further £8 billion government bail-out if the need had arisen;
- The Financial Services (Banking Reform) Act 2013 gained Royal Assent, legislating for the separation of retail and investment banks, and for the introduction of mandatory bail-in in the UK;
- EU finance ministers agreed further steps towards banking union, including the introduction of bail-in from January 2016.

**Authority Banking Arrangements - Co-op Bank:** Co-operative Bank has announced the successful completion of its Liability Management Exercise as the cornerstone of their £1.5 billion Recapitalisation Plan. The exercise to raise £1 billion of Tier 1 Capital was completed on 20 December 2013 following court approval for the bail-in of bondholders on 18 December. The bank is confident that the full £1.5 billion capital requirement will be met in 2014 as planned. The Co-op nevertheless faces on-going challenges in returning to sustainable profitability and potential damage to the Co-op Bank's customer funding franchise remains a risk.

In addition, the Co-op announced in November that it is withdrawing from the local authority banking market. The Authority's contract with the Co-operative Bank ends in September 2014 and a project was already in place prior to the rescue package being agreed. This project is a joint tender with four other Local Authorities who are also with the Co-operative Bank and it is planned to move banks in October 2014 as the contract comes to a natural end.

**Budgeted Income and Outturn:** The Council does not expect any losses from non-performance by any of its counterparties in relation to its investments. The UK Bank Rate has been maintained at 0.5% since March 2009 and is not expected to rise until 2016/17; consequently, short-term money market rates have remained at very low levels. Investment income for the year is currently estimated to be £0.6M, with fixed term deposits to date having achieved an average return of 0.80%, which exceeds the performance indicator of the average 7 day LIBID rate (0.42%), mainly due to the rolling programme of yearly investments which ran from November 2012 to October 2013. This programme ceased due to falling balances plus the decision to unwind the rolling programme of yearly investments, following the implementation of the Banking Reform Act 2014 and the EU Bank Recovery and Resolution Directive that include bail-in provisions which could result in a lower likelihood that the UK and other governments will support failing banks.

## 6. Compliance with Prudential Indicators

The Council can confirm that it has complied with its approved Prudential Indicators up to the period ending 31 December.

### 6.1. Capital Financing Requirement and Gross Debt

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Council ensures that net external borrowing does not, except in the short term, exceed the CFR in the preceding year, plus the estimates of any additional capital financing requirement for the current and next two financial years. It differs from actual borrowing due to decisions taken to use internal balances and cash rather than borrow. The following table shows the actual position as at 31 March 2013 and the estimated position for the current and next two years based on the capital programme submitted to Council:

| Capital Financing Requirement                            | 2012/13 Actual | 2013/14 Approved | 2013/14 Forecast | 2014/15 Revised Estimate | 2015/16 Revised Estimate |
|--|----------------|------------------|------------------|--------------------------|--------------------------|
|  | £M             | £M               | £M               | £M                       | £M                       |
| <b>Balance B/F</b>                                       | <b>445</b>     | <b>437</b>       | <b>433</b>       | <b>430</b>               | <b>446</b>               |
| Capital expenditure financed from borrowing (inc PFI)    |                |                  |                  |                          |                          |
| <i>General Fund (GF)</i>                                 | 11             | 14               | 12               | 11                       | 4                        |
| <i>HRA</i>   | 0              | 7                | 9                | 23                       | 6                        |
| GF Temporary Funding (Repayment)                         | (3)            | (6)              | (6)              | (3)                      | 0                        |
| HRA Voluntary Repayment of Debt                          | (10)           | (6)              | (6)              | (5)                      | (5)                      |
| GF Revenue provision for debt Redemption.                | (8)            | (7)              | (9)              | (7)                      | (7)                      |
| Movement in Other Long Term Liabilities                  | (2)            | (2)              | (3)              | (3)                      | (3)                      |
| <b>Cumulative Maximum External Borrowing Requirement</b> | <b>433</b>     | <b>437</b>       | <b>430</b>       | <b>446</b>               | <b>440</b>               |

The Council reports that it has not borrowed in advance of need and that at the 31 March 2013 it had used internal resources in lieu of borrowing as this has been the most cost effective means of funding past capital expenditure to date.

In the Prudential Code (November 2011), it states 'Where there is a significant difference between the net and gross borrowing position the risks and benefits associated with this strategy should be clearly stated in the annual strategy'. The Council has had no difficulty in meeting this requirement so far in 2013/14, nor is there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

|                                      | 31/03/2013<br>Actual<br>£M | 31/03/2014<br>Approved<br>£M | 31/03/2014<br>Estimate<br>£M | 31/03/2015<br>Estimate<br>£M | 31/03/2016<br>Estimate<br>£M |
|--------------------------------------|----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| General Fund CFR                     | 269                        | 261                          | 263                          | 261                          | 255                          |
| Housing CFR                          | 164                        | 176                          | 167                          | 185                          | 185                          |
| <b>CFR</b>                           | <b>433</b>                 | <b>437</b>                   | <b>430</b>                   | <b>446</b>                   | <b>440</b>                   |
| Gross Long term Debt                 | 350                        | 394                          | 351                          | 379                          | 389                          |
| <b>Difference</b>                    | <b>83</b>                  | <b>43</b>                    | <b>79</b>                    | <b>67</b>                    | <b>51</b>                    |
| Short Term Debt                      | 34                         | 50                           | 10                           | 20                           | 30                           |
| <b>Difference</b>                    | <b>49</b>                  | <b>(7)</b>                   | <b>69</b>                    | <b>47</b>                    | <b>21</b>                    |
| Borrowing in excess of CFR?<br>(Y/N) | N                          | Y                            | N                            | N                            | N                            |
| Investments                          | (69)                       | (53)                         | (43)                         | (53)                         | (53)                         |

*\*Please note that borrowing is only in excess of the CFR as it includes assumptions for short term borrowing for cash flow purposes*

## 6.2. Balances and Usable Reserves

Estimates of the Council's level of overall Balances and Usable Reserves for 2013/14 to 2015/16 are as follows:

|                       | 2012/13 Actual<br>£M | 2013/14<br>Estimate<br>£M | 2014/15<br>Estimate<br>£M | 2015/16<br>Estimate<br>£M |
|-----------------------|----------------------|---------------------------|---------------------------|---------------------------|
| Balances and Reserves | 76                   | 42                        | 36                        | 33                        |

## 6.3. Authorised Limit and Operational Boundary for External Debt

The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached. The Council's **Affordable/Authorised Borrowing Limit** was set at £898M for 2013/14 (£817M for borrowing and £81M for other long term liabilities).

The **Operational Boundary** is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit. The Operational Boundary for 2013/14 was set at £857M (£779M for borrowing and £78M for other long term liabilities).

The Chief Financial Officer (CFO) confirms that there were no breaches to the Authorised Limit and the Operational Boundary and that borrowing at its peak was £310M.

The above limits are set to allow maximum flexibility within TM, for example, a full debt restructure, actual borrowing is significantly below this as detailed in paragraph 4.

#### **6.4. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate**

##### **Exposure**

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

|  | <b>Limits for<br/>2013/14</b> |
|--|-------------------------------|
| Upper Limit for Fixed Rate Exposure    | 100%                          |
| Compliance with Limits:                | Yes                           |
| Upper Limit for Variable Rate Exposure | 50%                           |
| Compliance with Limits:                | Yes                           |

The Upper limit represents the maximum proportion of borrowing which is subject to variable rate interest and was set at 50%, although in practice it would be unusual for the exposure to exceed 25% based on past performance, the highest to date is 15.7%. The limit was set at a higher level to allow for a possible adverse cash flow position, leading to a need for increased borrowing on the temporary market and to take advantage of the low rates available through the PWLB for variable debt. There has been no adverse cash flow to date but it is proposed that the limit remain at 50%, to allow for flexibility in case of any slippage in expected capital receipts.

#### **6.5. Total principal sums invested for periods longer than 364 days**

This indicator allows the Council to manage the risk inherent in longer term investments; the limit for 2013/14 was set at £50M. With the maximum maturity period for a number of banks being extended to 12 months, we reintroduced the rolling programme of yearly investments from November 2012 (although this has now ceased) and currently have £16M invested at an average rate of 0.87%.

#### **6.6. Maturity Structure of Fixed Rate Borrowing**

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

|                                | Lower Limit | Upper Limit | Actual Fixed Debt as at 31/12/2013 | Average Fixed Rate as at 31/12/2013 | % of Fixed Rate as at 31/12/2013 | Compliance with set Limits? |
|--------------------------------|-------------|-------------|------------------------------------|-------------------------------------|----------------------------------|-----------------------------|
|                                | %           | %           | £M                                 | %                                   |                                  |                             |
| Under 12 months                | 0           | 45          | 15                                 | 0.95                                | 6.45                             | Yes                         |
| 12 months and within 24 months | 0           | 45          | 0                                  | 0.00                                | 0.00                             | Yes                         |
| 24 months and within 5 years   | 0           | 50          | 0                                  | 0.00                                | 0.00                             | Yes                         |
| 5 years and within 10 years    | 0           | 75          | 84                                 | 3.23                                | 35.25                            | Yes                         |
| 10 years and within 15 years   | 0           | 75          | 0                                  | 0.00                                | 0.00                             | Yes                         |
| 15 years and within 20 years   | 0           | 75          | 0                                  | 0.00                                | 0.00                             | Yes                         |
| 20 years and within 25 years   | 0           | 75          | 0                                  | 0.00                                | 0.00                             | Yes                         |
| 25 years and within 30 years   | 0           | 75          | 10                                 | 4.68                                | 4.20                             | Yes                         |
| 30 years and within 35 years   | 0           | 75          | 5                                  | 4.60                                | 2.10                             | Yes                         |
| 35 years and within 40 years   | 0           | 75          | 42                                 | 3.99                                | 17.63                            | Yes                         |
| 40 years and within 45 years   | 0           | 75          | 51                                 | 3.62                                | 21.24                            | Yes                         |
| 45 years and within 50 years   | 0           | 75          | 31                                 | 3.56                                | 13.12                            | Yes                         |
| 50 years and above             | 0           | 100         | 0                                  | 0.00                                | 0.00                             | Yes                         |
|                                |             |             | <b>238</b>                         | <b>3.32</b>                         | <b>100.00</b>                    |                             |

Please note: the TM Code Guidance Notes (page 15) states: "The maturity of borrowing should be determined by reference to the earliest date on which the lender can require payment. If the lender has the right to increase the interest rate payable without limit, such as in a LOBO loan, this should be treated as a right to require payment".

For this indicator, the next option dates on the Council LOBO loans will therefore determine the maturity date of the loans.

## 6.7. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The definition of financing costs is set out at paragraph 87 of the Prudential Code. The ratio is based on costs net of investment income. The increase in the HRA financing costs is due to the reform of HRA of council housing finance which took effect from 28 March 2012.

The upper limit for this ratio is currently set at 10% for the General Fund to allow for known borrowing decision in the next two years and to allow for additional borrowing affecting major schemes. The table below shows the likely position based on the proposed capital programme. Please note that although there is no statutory requirement for the HRA to pay down their debt, they have chosen to make a voluntary payment which has resulted in the apparently high ratio of financing costs.

| Ratio of Financing Costs to Net Revenue Stream | 2012/13 Actual | 2013/14 Approved | 2013/14 Forecast | 2014/15 Estimate | 2015/16 Estimate |
|--|----------------|------------------|------------------|------------------|------------------|
|  | %              | %                | %                | %                | %                |
| General Fund                                   | 6.14           | 6.78             | 6.98             | 6.96             | 8.31             |
| HRA  | 24.95          | 17.51            | 16.36            | 16.33            | 16.46            |
| <b>Total</b>                                   | <b>12.06</b>   | <b>10.43</b>     | <b>10.32</b>     | <b>10.39</b>     | <b>11.81</b>     |

## 6.8. Credit Risk

The Council confirms it considers security, liquidity and yield, in that order, when making investment decisions. Credit ratings remain an important element of

assessing credit risk, but they are not the sole feature in the Council's assessment of counterparty credit risk.

The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum;
- Corporate developments, news, articles, markets sentiment and momentum.

The Council can confirm that all investments were made in line with minimum credit rating criteria set in the 2013/14 Strategy.

## 6.9. HRA Limit on Indebtedness

This purpose of this indicator is for the Council to report on the level of the limit imposed at the time of implementation of self-financing by the Department for Communities and Local Government. The following tables show this plus the actual level of debt and expected movement in year.

| HRA Summary of Borrowing            | 2012/13<br>Actual<br>£m | 2013/14<br>Approved<br>£m | 2013/14<br>Estimate<br>£m | 2014/15<br>Estimate<br>£m | 2015/16<br>Estimate<br>£m |
|-------------------------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Brought Forward                     | 174.2                   | 168.8                     | 163.8                     | 167.15                    | 185.1                     |
| Maturing Debt                       | (10.4)                  | (5.6)                     | (5.6)                     | (5.1)                     | (5.1)                     |
| New borrowing                       | 0                       | 12.5                      | 8.90                      | 23.06                     | 5.86                      |
| <b>Carried forward</b>              | <b>163.8</b>            | <b>175.7</b>              | <b>167.1</b>              | <b>185.1</b>              | <b>185.9</b>              |
| HRA Debt Cap (as prescribed by CLG) | 199.6                   | 199.6                     | 199.6                     | 199.6                     | 199.6                     |
| <b>Headroom</b>                     | <b>35.8</b>             | <b>23.9</b>               | <b>32.5</b>               | <b>14.5</b>               | <b>13.7</b>               |

## 7. Summary

In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the TM activity up to the 31 December 2013. As indicated in this report none of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield. We have also taken a number of precautionary steps in relation to the Authorities bankers following their downgrading.

For further information including a glossary of Treasury terms please see the following links:

*Treasury Management Strategy Statement for 2013 on 13 February 2013, Item 100.*

<http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=122&MId=2322&Ver=4>

The 2014 Treasury Management Strategy will be presented to Council on the 12 February 2014.

**HOUSING REVENUE ACCOUNT**

**KEY ISSUES – MONTH 9**

The Housing Revenue Account (HRA) is currently forecast to over spend by **£246,800** on income and expenditure items at year-end, which represents a percentage variance against budget of **0.3%**.

**There are no CORPORATE issues for the HRA at this stage.**

**The OTHER KEY issues for the HRA are:**

**HRA 1 – Responsive Repairs (forecast adverse variance £300,000)**

**There have been higher labour charges from Housing Operations.**

**Forecast Range £600,000 adverse to £200,000 adverse**

Responsive Repairs will cost £300,000 more than originally estimated. The budget has been corrected to reflect the actual cost of the work carried out by the Council's in-house team.

**HRA 2 - Housing Investment (forecast adverse variance £108,800)**

**Urgent repairs were required to the lifts at Wyndham Court.**

**Forecast range £150,000 adverse to £100,000 adverse**

After the 2013/14 estimates had been finalised, it was found that the four lifts at Wyndham Court were in need of urgent repair, at a cost of £80,000 each. Two were repaired in 2012/13 and two this year, resulting in an anticipated over spend of £160,000 on the 2013/14 lifts budget. In addition, the provision of Energy Performance Certificates has been re-assessed, and is forecast to be £22,700 lower than budgeted and other sundry variances, adverse and favourable, aggregate to a further £28,500 favourable variance.

**HRA 3 - Tenant Service Charges (forecast adverse variance £232,500)**

**The warden review implementation has been delayed.**

**Forecast range £250,000 adverse to £200,000 adverse**

Income associated with the warden review has been budgeted for the whole year however, due to delays in implementing the changes, income is not expected this year with the assumption that everything is in place for the start of April 2014.

**HRA 4 – Commercial Rents (forecast adverse variance £103,200)**

**Shop rent and parking space income was lower than expected.**

**Forecast range £150,000 adverse to £100,000 adverse**

Fourth quarter periodical invoicing for shops is expected to be lower than budgeted. In addition, there is a loss of income from the Holyrood parking site as part of a move to General Fund management.

#### **HRA 5 – Interest Payments (forecast favourable variance £246,400)**

**There was a delay in the need to borrow money to fund the Capital Programme.**

**Forecast range £200,000 favourable to £300,000 favourable**

Due to slippage on the programme, the borrowing of £5.1M, which was built into the 2012/13 estimates, was not required. This has resulted in savings on interest payments of £153,000. The 2013/14 estimates assumed that the borrowing to fund the capital programme would take place on the 1 October 2013 but due to the profile of capital spend the requirement to borrow money has been delayed. If this borrowing now takes place on the 1 January 2014, there will be a further saving on interest payments of £93,400 and any additional delay will serve to increase the saving.

#### **HRA 6 – Housing Services Development (forecast favourable variance £110,600)**

**There are development budget savings.**

**Forecast range £100,000 favourable to £150,000 favourable**

Savings have been identified in the development budget for Housing Services to help accommodate over spends in other areas.

# Agenda Item 5

|                               |   |  |                           |
|-------------------------------|---|--|---------------------------|
| <b>DECISION-MAKER:</b>        | CABINET<br>COUNCIL                                |  |                           |
| <b>SUBJECT:</b>               | GENERAL FUND REVENUE BUDGET 2014/15 TO<br>2016/17 |  |                           |
| <b>DATE OF DECISION:</b>      | 4 FEBRUARY 2014<br>12 FEBRUARY 2014               |  |                           |
| <b>REPORT OF:</b>             | CABINET MEMBER FOR RESOURCES                      |  |                           |
| <b><u>CONTACT DETAILS</u></b> |   |  |                           |
| <b>AUTHOR:</b>                | <b>Name:</b>                                      | Andrew Lowe  | <b>Tel:</b> 023 8083 2049 |
|                               | <b>E-mail:</b>                                    | <a href="mailto:Andrew.Lowe@southampton.gov.uk">Andrew.Lowe@southampton.gov.uk</a> |                           |
| <b>Director</b>               | <b>Name:</b>                                      | Mark Heath   | <b>Tel:</b> 023 8083 2371 |
|                               | <b>E-mail:</b>                                    | <a href="mailto:Mark.Heath@southampton.gov.uk">Mark.Heath@southampton.gov.uk</a>   |                           |

## STATEMENT OF CONFIDENTIALITY

N/A

## BRIEF SUMMARY

The purpose of this report is to set out the latest estimated overall financial position on the General Fund Revenue Budget for 2014/15 and to outline the main issues that need to be addressed in considering the Cabinet's recommendations to Council on 12 February 2014.

## RECOMMENDATIONS:

### CABINET

#### It is recommended that Cabinet:

- a) Note the position on the estimated outturn and revised budget for 2013/14 as set out in paragraphs 28 to 43.
- b) Note the position on the forecast roll forward budget for 2014/15 as set out in paragraphs 44 to 72.
- c) Note and approve the arrangements made by the Leader, in accordance with the Local Government Act 2000, for the Cabinet Member for Resources to have responsibility for financial management and budgetary policies and strategies, and that the Cabinet Member for Resources will, in accordance with the Budget & Policy Framework Rules as set out in the Council's Constitution, be authorised to finalise the Executive's proposals in respect of the Budget for 2014/15, in consultation with the Leader, for submission to Full Council on 12 February 2014.

- d) Recommends that Full Council:
- i) Notes the budget consultation process that was followed as outlined in Appendix 1 and notes that this year's process took into consideration feedback from last year on how to improve the process.
  - ii) Notes that the consultation feedback has been taken into consideration by the Cabinet and has informed their final budget proposals.
  - iii) Notes the Equality and Safety Impact Assessment process that was followed as set out in paragraphs 25 to 27 and the details contained in Appendix 2 which reflect the feedback received through the consultation process.
  - iv) Approves the revised estimate for 2013/14 as set out in Appendix 3.
  - v) Accepts grants which total £3.6M (£3.35M from the Cabinet Office and £250,000 from the Department for Work & Pensions) to support unemployed adults and young people into employment as part of the City Deal and approves in accordance with financial procedure rules revenue expenditure for the delivery of the programme over a period of three years.
  - vi) Approves the Council to act as Lead Accountable Body for the administration of the grant funding which totals £3.6M across the Solent LEP area.
  - vii) Delegates authority to the Assistant Chief Executive to undertake such actions necessary to enable the successful delivery of the programme.
  - viii) Notes the position on the forecast roll forward budget for 2014/15 as set out in paragraphs 44 to 72.
  - ix) Approves the revenue pressures and bids as set out in set out in Appendix 4 and 5 respectively.
  - x) Approves the efficiencies, income and service reductions as set out in Appendix 6.
  - xi) Approves the General Fund Revenue Budget as set out in Appendix 7, which assumes a council tax increase of 2.0%.
  - xii) Delegates authority to the Chief Financial Officer to action all budget changes arising from the approved pressures, bids, efficiencies, income and service reductions and incorporate any other approved amendments into the General Fund estimates.
  - xiii) Approves the allocation of up to £500,000 from the Organisational Development Fund which is part of the Strategic Reserve to fund the resourcing requirements to complete the Pay & Allowances Review.
  - xiv) Notes that after taking these items into account, there is an estimated General Fund balance of £6.5M at the end of 2017/18 as detailed in paragraph 106.
  - xv) Delegates authority to the Chief Financial Officer, in consultation with the Director of Corporate Services, to do anything necessary to give effect to the recommendations in this report.

- xvi) Sets the Council Tax Requirement for 2014/15 at £73,472,200.
- xvii) Notes the estimates of precepts on the Council Tax collection fund for 2014/15 as set out in Appendix 9
- xviii) Delegates authority to the Chief Financial Officer to implement any variation to the overall level of Council Tax arising from the final notification of the Hampshire Fire and Rescue Authority precept and the Police and Crime Commissioner for Hampshire precept.
- xix) Notes the Medium Term Forecast as set out in Appendix 10.
- xx) Authorises the Chief Executive and Chief Officers to pursue the development of the options for efficiencies, income and service reductions as set out in Appendix 6 for the financial years 2015/16 and 2016/17 and continue to develop options to close the remaining projected gaps in those years.

## **COUNCIL**

### **It is recommended that Council:**

- i) Notes the budget consultation process that was followed as outlined in Appendix 1 and notes that this year's process took into consideration feedback from last year on how to improve the process.
- ii) Notes that the consultation feedback has been taken into consideration by the Cabinet and has informed their final budget proposals.
- iii) Notes the Equality and Safety Impact Assessment process that was followed as set out in paragraphs 25 to 27 and the details contained in Appendix 2 which reflect the feedback received through the consultation process.
- iv) Approves the revised estimate for 2013/14 as set out in Appendix 3.
- v) Accepts grants which total £3.6M (£3.35M from the Cabinet Office and £250,000 from the Department for Work & Pensions) to support unemployed adults and young people into employment as part of the City Deal and approves in accordance with financial procedure rules revenue expenditure for the delivery of the programme over a period of three years.
- vi) Approves the Council to act as Lead Accountable Body for the administration of the grant funding which totals £3.6M across the Solent LEP area.
- vii) Delegates authority to the Assistant Chief Executive to undertake such actions necessary to enable the successful delivery of the programme.
- viii) Notes the position on the forecast roll forward budget for 2014/15 as set out in paragraphs 44 to 72.
- ix) Approves the revenue pressures and bids as set out in Appendix 4 and 5 respectively.
- x) Approves the efficiencies, income and service reductions as set out in Appendix 6.

- xi) Approves the General Fund Revenue Budget as set out in Appendix 7, which assumes a council tax increase of 2.0%.
- xii) Delegates authority to the Chief Financial Officer to action all budget changes arising from the approved pressures, bids, efficiencies, income and service reductions and incorporate any other approved amendments into the General Fund estimates.
- xiii) Approves the allocation of up to £500,000 from the Organisational Development Fund which is part of the Strategic Reserve to fund the resourcing requirements to complete the Pay & Allowances Review.
- xiv) Notes that after taking these items into account, there is an estimated General Fund balance of £6.5M at the end of 2017/18 as detailed in paragraph 106.
- xv) Delegates authority to the Chief Financial Officer, in consultation with the Director of Corporate Services, to do anything necessary to give effect to the recommendations in this report.
- xvi) Sets the Council Tax Requirement for 2014/15 at £73,472,200.
- xvii) Notes the estimates of precepts on the Council Tax collection fund for 2014/15 as set out in Appendix 9
- xviii) Delegates authority to the Chief Financial Officer to implement any variation to the overall level of Council Tax arising from the final notification of the Hampshire Fire and Rescue Authority precept and the Police and Crime Commissioner for Hampshire precept.
- xix) Notes the Medium Term Forecast as set out in Appendix 10.
- xx) Authorises the Chief Executive and Chief Officers to pursue the development of the options for efficiencies, income and service reductions as set out in Appendix 6 for the financial years 2015/16 and 2016/17 and continue to develop options to close the remaining projected gaps in those years.

## **REASONS FOR REPORT RECOMMENDATIONS**

1. The Constitution requires the Executive to recommend its budget proposals for the forthcoming year to Full Council. The recommendations contained in this report set out the various elements of the budget that need to be considered and addressed by the Cabinet in preparing the final papers that will be forwarded to Council.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

2. Alternative options for revenue spending form an integral part of the development of the overall Budget Strategy that will be considered at the budget setting meeting on 12 February 2014. Alternative options may be drawn up by opposition groups and presented to the same meeting.

## **DETAIL (Including consultation carried out)**

### **CONSULTATION**

#### **Introduction**

3. Southampton City Council's Cabinet published their draft budget proposals for 2014/15 for public consultation on 11 November 2013. The scale of the challenges faced by the Council meant that while the Cabinet wanted to encourage genuine ideas for achievable savings by consulting as widely as possible, they were keen to manage expectations. This is because decisions to protect one service will inevitably have an impact on another service. The Cabinet's approach in the long term is to raise awareness so that consultation is not just about saving a service but about prioritising within ever decreasing resources.
4. The draft budget for 2014/15 was used as the basis for extensive consultation with a range of stakeholders from 11 November 2013. The results of the consultation exercise were reported to the Leader and Cabinet Member for Resources prior to agreement of the Executive's final budget proposals which are now presented to Cabinet and Council.

#### **Consultation Process**

5. When planning for this year's budget consultation process the Council took into consideration the feedback received last year. The key points which related to accessibility of the budget information, engagement with stakeholders and improving the way in which we can better inform decision making, have been taken into consideration in planning for this year's budget consultation process.
6. Southampton City Council conducted a pre-budget survey of its priorities from 3 to 18 October 2013. The survey was Part 1 of the Council's budget consultation process and was undertaken to identify views on priorities so that the feedback could be considered in developing draft budget proposals.
7. Part 2 of the Council's budget consultation process commenced on 11 November 2013 and employed a variety of methods to assist a wide range of people to give their views to inform the final budget which is due to be agreed by Full Council on 12 February 2014. This included a second survey which was published on 19 November 2013. Consultation was split into two broad categories – internal and external. This included residents, service users, employees, Trade Unions, partners, businesses, community and voluntary sector organisations and other stakeholders. This is in addition to the Council's decision making processes which include feedback from the Overview and Scrutiny Management Committee (OSMC). Whilst consultation will continue until the 12 February, the Executive encouraged as much feedback from the consultation as possible to be made by the 10 January 2014, to allow the Executive to take account of the feedback prior to the publication of their final budget proposals.
8. Part 2 of the consultation process was undertaken to give residents and stakeholders an opportunity to comment on the proposals, identify any potential impacts and provide alternative suggestions. The consultation process was centred on an online survey which was made available to residents, businesses, partners and all council staff.

It was promoted in various ways including using the Council's website, Stay Connected (the Council's email alert system) and through a network of partners and community groups. Paper copies of the tick box and open ended question survey were also placed in the city's libraries, GP surgeries, and in local housing offices and Gateway, the Council's customer contact centre.

9. In addition to the online and paper survey, four area-based budget consultation meetings were held between 18 and 30 November 2013, to which nearly 500 community organisations, based in the west, east and central parts of the city, as well as city-wide organisations were invited. The Council also worked closely with partners and directly affected organisations ensuring they were aware of the proposals, had the opportunity to voice concerns and suggest alternatives.
10. The Leader and Cabinet Member for Resources led the consultation on the budget proposals supported by other Cabinet Members, the Council's Management Team (CMT), Heads of Service and staff in the Transformation and Performance division. This was complemented by service led consultation in areas where the managers considered this to be appropriate and necessary and details are attached at Appendix 1.
11. Comprehensive staff consultation was also undertaken by service managers, led by Human Resources. Guidance was issued to managers so that they had the necessary information to ensure full, meaningful and appropriate external consultation on specific budget proposals in their service areas. Separate guidance for internal staff consultation on specific budget proposals was also provided by Human Resources.
12. Given that the Council cannot afford to continue to do everything that it currently does, the consultation process was designed for Cabinet and senior managers to hear views about:
  - The Council's approach to delivering savings
  - Suggestions for making savings and generating income that we have not yet considered.
  - Potential impacts and action we could take to reduce impacts that we have not already identified or explored.
  - Different ways the Council could deliver services such as working with others, including partner organisations and local communities.

### **Consultation Feedback**

13. The Cabinet agreed that despite having limited resources to undertake consultation every effort would be made to ensure the consultation was inclusive, informative, understandable, appropriate, meaningful and reported.
14. To date, for the 2014/15 budget consultation more than 3,600 responses have been received and this includes a number of responses which have been made on behalf of individual organisations and their members and service users.
15. This compares with 478 responses for the 2012/13 budget proposals and 2,783 responses for the 2013/14 budget proposals of which around 1,800 were specifically about proposals relating to libraries. This year's greater response, compared to previous years, reflects the result of the 2 stage consultation process and more accessible information deployed.

16. The Cabinet have considered and reviewed proposals in response to the consultation feedback. The Council received its draft funding settlement from the Government for 2014/15 and 2015/16 just before Christmas 2013. Initial analysis of this and the anticipated impact of income levels from Business Rates confirm that the future financial forecast position continues to be extremely challenging. Changes to proposals have been considered in this context with a view to mitigating the greatest impacts whilst considering how best longer term and more sustainable solutions can be delivered.

### **Issues Raised**

17. The Cabinet's approach in developing the budget proposals was:
- Protecting frontline services, priority areas and vulnerable people.
  - Increasing our income and attracting investment.
  - Being as efficient as possible.
  - Focusing service reductions on services which are lower priority where possible.
  - Deleting vacancies and protecting jobs.
  - Transforming the way we work to provide better outcomes and services at lower cost.

Overall, this approach was supported, recognising the financial difficulties faced. However, there was a consensus that it remains important to maintain a balance between investment in prevention and managing current demand. The Cabinet have considered and reviewed proposals in response to the consultation.

18. Analysis of the feedback received has identified the following as the most frequently raised priorities, suggestions, responses to specific proposals and issues. In finalising their budget proposals, the Leader and Cabinet Member for Resources have taken into consideration the following areas of concern in relation to the budget proposals:
- The removal of the subsidy for the City Link bus and the affect on its sustainability. The subsidy paid by the Council is the only subsidy that will be removed and the Council has been working with partners (Red Funnel, Hammersons and South West Trains) to ensure the sustainability of the service.
  - Increases in parking charges as a source of revenue. In response to level of concerns expressed by residents and the business community, the Leader has confirmed that parking charges in Southampton will not rise for the next three years.
  - The impact of increasing charges for the museums and galleries education service and the reduction of staff in the Museums and Galleries Education Team. An alternative proposal from staff has been accepted and therefore, the original proposal has now been revised. At this stage it is not anticipated that charges will be substantially increased, however this will be kept under review. We will continue to explore external sources of funding to support free and subsidised sessions.

- The need for a Mayor's car. Contrary to perception, the renegotiation has resulted in an agreement at no cost to the Council. The car will be loaned from Southampton's local Jaguar dealership, HA Fox, free of charge which this year will save the council £6,000 on transportation costs for the Mayor.
- The impact on safety and health of reductions in community safety, enforcement and environmental health, particularly when taken together and in the context of other proposals. This will be considered with the Safe City Partnership, after we have received the recommendations of the Local Government Peer Review, to be conducted at the end of February 2014.
- Reduction in overtime for Town Sergeants. Both staff and respondents to the public consultation were concerned about this proposal and the consequent changes to Civic Centre public opening times. As a result of a proposal put forward by the Town Sergeants, this has now been revised to incorporate the deletion of a vacant post and consequently there will be no impact on the Civic Centre public opening hours.

19. In addition, the Council has progressed the following issues which were raised:

- **Late Night Levy** – In Part 1 of the consultation (priorities survey), 91% of all respondents were in favour of imposing the levy on licensed premises so that they contribute towards the cost of dealing with crime and anti-social behaviour in the night time economy. As a direct result of this feedback, a motion was agreed by Council to begin the process of statutory consultation required prior to Council deciding whether to bring in a Late Night Levy. Consultation on the levy will be undertaken during 2014/15.
- **Number of Councillors** – One of the most popular alternative suggestions for making savings put during both stages of the consultation, related to reducing the number of Councillors representing wards in the City, and the frequency of elections. The Leader has been working with the opposition groups and is establishing a cross party group to review both issues. To implement any changes to wards and or the number of Councillors the Local Government Boundary Commission for England (LGBCE) must conduct a review. The LGBCE is an independent and impartial advisory non-departmental public body. The Council will consider its electoral cycle prior to any boundary review. The LGBCE will be invited to examine the number of wards, ward boundaries and number of Councillors in the City. It is anticipated that the LGBCE review will be completed and make its recommendations towards the end of 2015 with a view to implementing any agreed ward changes as well as any electoral cycle changes through all out elections in 2016. These dates are currently provisional as the timeframe depends upon the LGBCE's workload.

20. Another key suggestion for saving money from residents was to move to a fortnightly waste collection. The Council is currently in receipt of a ring-fenced grant from the government to maintain weekly household waste collections until 2017.

The Council will undertake a review to consider the frequency of household waste and recycling collection that should be in place from 2017.

21. The Overview and Scrutiny Management Committee (OSMC) discussed the budget proposals at their meetings on 14 November 2013 and 12 December 2013. The December meeting focussed on the Health & Adult Social Care Portfolio proposals and members of the Health Overview and Scrutiny Panel (HOSP) were invited to attend for this discussion.
22. The actions recommended by the OSMC at their November 2013 meeting, and the Executive's response are as follows:
  - A. That the Cabinet consider supporting subsidising the Council Tax Reduction scheme (CTRS) for two additional years to delay the impact of the proposed 25% reduction on some of Southampton's residents.
    - *Response from the Cabinet Member for Resources:*  
*As agreed at Council, consideration will be given to this recommendation when all the relevant information has been received from the Government and in particular if specific additional grant is made available for CTRS. (Following the receipt of the provisional Government settlement this recommendation was rejected by the Executive as no transitional arrangements or additional grant were to be continued in 2014/15 with funding from Central Government).*
  - B. That the Cabinet give consideration to commencing the commissioning of additional services now so that the benefits can be realised in the short to medium term.
    - *Response from the Cabinet Member for Resources:*  
*This is part of ongoing work on commissioning.*
  - C. That the OSMC receives updates and reviews on the Transformation Programme at appropriate intervals.
    - *Response from the Cabinet Member for Resources:*  
*Accepted – Updates will be provided on a quarterly basis, commencing January 2014.*
23. The actions recommended by the OSMC at their December 2013 meeting, and the Executive's response are as follows:
  - A. That the Cabinet Member considers inviting members of the HOSP to the Integration for Transformation Workshop.
    - *Response from the Cabinet Member for Health & Adult Social Care:*  
*HOSP members have been invited to the workshop on 17<sup>th</sup> January 2014.*

An additional outcome from the December 2013 meeting was a commitment from the Chair of the HOSP to scrutinise the impacts and outcomes of the Health & Adult Social Care Portfolio budget proposals as part of the 2014/15 HOSP work programme

24. The consultation feedback included information on proposals which have impacts that had not previously been identified. This information is reflected in the Equality and Safety Impact Assessments and in the Cumulative Impact Assessment which are published alongside this report.

## **EQUALITY AND SAFETY IMPACT ASSESSMENTS**

25. The Equality Duty is a duty on public bodies which came into force on 5 April 2011 and requires the Council to show that it has 'had regard' to the impact of its decisions on its equality duties and the need to advance equality of opportunity between people who have protected characteristics and those who do not. While the Equality Duty does not impose a legal requirement to conduct an Equality Impact Assessment (EIA), it does require public bodies to show how they considered the Equality Duty and that they have been consciously thinking about the aims of the Equality Duty as part of the process of decision-making. To comply with these requirements as well as the Community Safety legislation, the Council has used its existing impact assessment framework so that it can ensure the use of a consistent, council wide mechanism to evidence how decision-making took into account equality and safety considerations.
26. Individual Equality and Safety Impact Assessments (ESIAs) have been completed by Heads of Service for those proposals contained in Appendix 6 where it is felt that proposed savings could have an adverse impact on a particular group or individuals. The first draft of the Cumulative Impact Assessment was completed by a central team of officers within the council, based on the initial ESIAs completed by service managers. This was published alongside the Executive's draft budget proposals on 11 November 2013 and the impact assessments detailed in Appendix 2 reflect the feedback received to date.
27. The feedback from residents, partners, community groups and council employees on the potential impact on equalities groups and mitigating actions has been reviewed. As a result, the following ESIAs have been amended and Heads of Service will be responsible for considering mitigating actions for these:
- Remove funding for City Centre Shuttle Bus:
    - Elderly and disabled customers need transport to get up the steep hill from the station.
    - Poverty impacts of additional costs to users.
    - Potential environmental impacts if current users revert to using their car if charges or lack of an integrated bus service are prohibitive.
  - Reduction in Museum and Gallery Education Team:
    - The budget proposal has been changed to provide more in-house delivery and diminishing use of freelancers. The scope and scale of the programme may reduce slightly, with less capacity to secure external funding. Charges are not expected to increase substantially although this will be kept under review.
    - EIA amended to reflect provision of sensory services.
  - Review above standard cost Residential and Nursing Packages:
    - Highlighted potential impact on other health providers and health services in the city as more patients return to the city for care.
  - Review of accommodation placements for acquired Brain Injury and Learning Disability:

- Highlighted potential impact on other health providers and health services in the city as more patients return to the city for care.
- Review day service provision for older people / Community Options to support reablement:
  - Highlighted how the service supports social isolation and vulnerable people.
  - Quality of care will be monitored.
  - Use of direct payments will give people alternatives.
  - Carer supported through carer assessments

#### **REVISED BUDGET 2013/14**

28. This report is concerned mainly with the revenue estimates for 2014/15. However, there are elements of the 2013/14 estimated outturn that will have an impact on the overall financial position. The planned draws from balances in the year have been reflected in the balances position shown in this report and take into account the overall financial position highlighted in the Corporate Monitoring report for the nine months ending December 2013 as far as it is prudent to do so.
29. The revenue budget for 2013/14 currently assumes a general draw will be made from balances to support revenue of almost £1.0M. After reflecting elements of the forecast position from Month 9, the revised budget for 2013/14 which will be approved by Council on 12 February assumes that the net contribution to be made from revenue to balances will increase by £3.0M. The table below summarises the main changes:

|   | <b>£000's</b>         |
|---|-----------------------|
| Levies & Contributions                              | (40.0)                |
| Net Decrease in Capital Asset Management            | 1,200.0               |
| Additional Non-Specific Government Grants           | 1,538.4               |
| Reduction in Risk Fund Provision                    | 301.6                 |
| <b>Movement in Contribution (to) / from Revenue</b> | <b><u>3,000.0</u></b> |

30. It has been assumed that an element of this may be required to fund potential carry forwards of £0.5M, of which £0.3M have been highlighted as at Month 9, and so the net movement in balances will be £2.5M. Once approved these changes will be reflected in future monitoring information.

#### **Capital Financing Charges**

31. The favourable variance of £1.2M is due to forecast net interest payable being below that originally estimated, because of lower than anticipated borrowing costs, and forecast interest receivable being above that originally anticipated.

32. Investment income for the year is currently forecast to be £0.3M higher than originally estimated. Fixed term deposits to date have achieved an average return of 0.80%, which exceeds the performance indicator of the average 7-day LIBID rate (0.42%), mainly due to the rolling programme of yearly investments restarted in November 2012 which ran for 12 months until October 2013.

### **Non Specific Government Grants**

33. Additional non-specific Government grant income is anticipated resulting in a forecast favourable variance of more than £1.5M. There are three main elements that contribute to this variance:
34. Firstly, the Government has reviewed the deductions made from local authority formula grant allocations for 2012/13 in respect of the funding top sliced for Academies, in order to attempt to better reflect the pattern of Academy provision across the country. As a consequence of this review, a “refund” of £391,400 has been paid to the Council as the amount top sliced from formula grant has been assessed as being bigger than it would have been had the deduction been based on the number of Academies during 2012/13.
35. Secondly, the Youth Justice Board has transferred responsibility to fund the costs of remand to Local Authorities from 1 April 2013 and grant income has been received totalling £137,800 to contribute towards these costs.
36. Finally, the Education Services Grant (ESG – formerly known as Local Authority Central Spend Equivalent Grant - LACSEG) is from 2013/14 allocated between the Council and Academies based largely on pupil numbers and is reviewed on a quarterly basis. This introduces an additional element of volatility and risk as schools transfer to Academy status and this will be exacerbated if the Council is not able to reduce its costs in line with reductions in funding. Therefore, when setting the budget for 2013/14 an extremely prudent view was taken. At this stage, we are forecasting additional net income of £1.0M in the light of experience to date and the known scale of Academy transfers now planned for the year.
37. In addition to this, there have been a small number of grant notifications, which have differed slightly from the initial assumed level of funding.

### **Risk Fund Provision**

38. Potential pressures that may arise during 2013/14 relating to volatile areas of both expenditure and income are being managed through the Risk Fund. A balance of £4.7M remains in the budget, following the allocation of £1.0M to portfolios, to cover these pressures and is taken into account during the year as evidence is provided to substantiate the additional expenditure against the specific items identified.
39. At Month 9, it is estimated that pressures within Portfolios will require the allocation of £3.9M from the Risk Fund. It has been assumed that a further draw of £458,200 may be required in 2013/14 which will result in an overall forecast favourable variance on the Risk Fund of £301,600. The provision made within the Risk Fund has been reviewed as part of the development of the budget for 2014/15 to ensure that a sufficient allocation is included for such pressures in the future.

## **CITY DEAL – ACCEPTANCE OF GRANT FUNDING**

40. In November 2013, Southampton and Portsmouth successfully negotiated a City Deal with Government. The Deal includes a range of measures to support local economic growth, skills and jobs through funding from a number of sources to the local authorities and wider agencies.
41. The Deal included specific funding to deliver programmes to support unemployed adults and young people in Southampton, Portsmouth and the wider Solent area under the lead accountability of Southampton City Council. Grants which total £3.6M (£3.35M from the Cabinet Office and £250,000 from the Department for Work & Pensions) along with up to £3.6M of European funding to support unemployed adults and young people into employment will be received by the Council, subject to acceptance as requested in the recommendations to this report. The detailed delivery plan and spend profile is currently under development, in consultation with local partners and government departments. Funds will be spent on the delivery of pre-employment support for unemployed people, the costs of paid work placements and on-going in-work support once the individuals move into sustained employment. Of the £3.6M of funding recommended for acceptance, £2.9M is for adults and the remainder for youth support.
42. it was agreed that Southampton City Council would be the Lead Accountable Body for this element of the City Deal. This involves receiving the funds, developing and overseeing the delivery of the programme to meet the specified outcomes and quality requirements, and financial administration. The grant is intended to test local approaches, and there is no risk to Southampton City Council of claw-back of funds against contract under performance.
43. Delegation of authority to the Assistant Chief Executive is required to ensure that the programme is effectively developed and managed to meet agreed outcomes, whilst remaining responsive to changing economic, social and policy contexts over a three year period.

## **FORECAST ROLL FORWARD BUDGET 2014/15**

44. The report to Cabinet on 19 November 2013 identified a roll forward gap for 2014/15 of approaching £16.2M after taking account of pressures but before any further initiatives or savings were taken into account. This figure has now been updated to reflect changes in the overall position since this date, including the outcome of the provisional Local Government Finance Settlement and changes highlighted in the Consultation Report. The revised roll forward gap is £14.4M, and the reasons which underpin this revised position are set out below.

### **Provisional Local Government Settlement**

45. The Autumn Statement made by the Chancellor early in December contained a number of key announcements and whilst the impact on the Council's medium term financial position appeared to be limited, experience has shown that the devil is in the detail. The provisional Local Government Settlement was received on 18 December 2013 and provided clarity on the financial impact for 2014/15. The Department for Communities and Local Government (DCLG) also announced an illustrative settlement for 2015/16.

The closing date for responses to DCLG was 15 January 2014 and the final settlement is anticipated in early to mid February.

46. Having now analysed the provisional settlement the key issues are:

- The provisional settlement confirms that councils will continue to face significant spending reductions up to 2016. Central government grant to run local services will fall by 8.5% over the next two years, when including NHS support for social care according to the Local Government Association. However, without including NHS support for social care the reduction is 15.9%.
- As a result of the Autumn Statement there will not be an additional reduction in 2014/15.
- The reduction of the money held back from councils for initiatives such as the New Homes Bonus reverses the position announced in the summer technical consultation on local government finance.
- New Homes Bonus for 2014/15 has been provisionally announced and for the Council is lower than anticipated. However, this is offset by an increase in the amount of Revenue Support Grant due to the decision by the DCLG to lower the amounts held back. The funding forecast for future years New Homes Bonus (2015/16 onwards) has been updated to reflect this but at this stage has not been built into the Council's forecast position due to uncertainty about any possible policy changes in respect of the use of this funding.
- The Government will reimburse local authorities for the cost of the proposed changes to Business Rates set out in the Autumn Statement. The impact of the decision to cap the rise in 2014/15 will be made up for through the payment of a section 31 grant in 2014/15 and future years. The value of this grant to the Council is estimated to be just under £0.5M. Other changes announced that impact the Business Rate income received by local authorities will also be compensated for through a grant payment made under section 31. This will feed through to the overall position on Business Rates which is addressed separately in paragraphs 53 to 64.
- Referendum limits have yet to be announced but based on the "mood music" it is possible that the increase in council tax which is allowable without holding a referendum will be reduced from 2% per annum. The impact of this on decisions about Council Tax is set out in paragraphs 97 to 98 and also in Appendix 12.
- The NHS funding to support social care in 2014/15 is in line with our assumptions. In order to receive our allocation of the additional £200 million of funding announced, which is £924,000, we need to ensure that we have jointly agreed and signed off two year plans for the Better Care Fund, (formerly the 'Integration Transformation Fund'), with our health partners. For 2015/16 the provisional settlement confirms the composition of the Better Care Fund and detail has been set out of the basis of the payment for the performance element of the fund and the capital allocations.

More detail will follow but at this stage we have made no assumptions about additional revenue funding but there is an expectation that the current level of funding transferred (Social Care Transfer funding) is maintained.

- The revenue impact of changes to school and children's services funding have been assessed as neutral, however, confirmation of the level of Education Services Grant (ESG) along with up to date information about anticipated Academy transfers has enabled us to update our estimates for 2014/15 resulting in an increase in anticipated grant of £0.4M.

47. The overall impact on the forecast revenue position is shown in the Table below:

|                                    | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> |
|------------------------------------|----------------|----------------|----------------|
|                                    | <b>£000's</b>  | <b>£000's</b>  | <b>£000's</b>  |
| Settlement Change in Grant Funding | 37.5           | (725.3)        | (679.5)        |
| Change in Forecast ESG             | (400.0)        |                |                |
| <b>Net Impact of Grant Changes</b> | <b>(362.5)</b> | <b>(725.3)</b> | <b>(679.5)</b> |

48. The final Local Government Finance Settlement has not been received prior to the publication of this report, but any changes resulting from the final settlement will be taken into account if necessary in a revised budget proposal for the Council meeting on 12 February.

#### **Council Tax Base**

49. The council tax base for 2014/15 has been set at 57,044.0 properties using delegated powers granted by Council on 17 January 2007. This is an improvement on the position assumed in November and reflects growth in the tax base and the required adjustments in respect of the Local Council Tax Reduction Scheme for 2014/15. The increased tax base leads to forecast additional income of £639,500.

50. Central Government transferred the responsibility for providing Council Tax Benefits to Local Authorities as from 1 April 2013. Previously Central Government set the criteria for Council Tax Benefits and funded 100% of the cost. Under the new arrangements, Councils set their own local Council Tax Reduction Scheme offering reduced Council Tax for those eligible for support. However, the Council received 10% less from central government to fund the new scheme in 2013/14 and there are additional costs in collecting the tax. On 16 January 2013 Council approved a long term scheme which comes into place from April 2014 and which reduces the support given to working age people by 25%.

#### **Collection Fund Surplus / Deficit**

51. No assumption was made about the estimated Collection Fund position at the end of 2013/14 for the purposes of the original forecast for 2014/15.

For Council Tax, collection rates during the year have been maintained, the bad debt provision has been reduced and there has been a continued review of exemptions and eligibility for discounts. In addition, the Council made changes to a number of discounts and exemptions offered in respect of Council Tax with effect from 1 April 2013; as allowed by new regulations contained in the Local Government Finance Act 2012. Prudent assumptions were made about the impact of these changes and when compared to the original forecast additional income is now anticipated. Due to these factors, the estimate of the surplus to be included is approaching £1.8M and goes some way to offsetting the seriously detrimental impact that the latest forecast in respect of Business Rates has had on the Council's financial position.

52. This is the first year of the new Business Rates Retention Scheme and the estimated position for the year is a deficit of £17.6M of which the Council's share is 49% or £8.6M. However, in January 2013 the Government announced its intention to make regulations allowing the liability for prior year appeals (which are a major factor in the deficit position) to be spread over five years from 2013/14 to 2017/18 – at the point of writing this report these regulations are still awaited. The forecast total provision relating to appeals and refunds relating to prior years (i.e. pre 2013/14) is almost £13.7M. Assuming the regulations allow this funding to be spread and that this is required to be an even profile then the impact to be taken into account when setting the Council Tax for 2014/15 is £4.6M and then £1.3M in future years as follows:

|   | £000's   | £000's         |
|---|----------|----------------|
| Southampton City Council (49%)          |          | 8,647.0        |
| Total Pre 2013/14 Refunds and Provision | 13,681.6 |                |
| SCC Share (49%)                         | 6,704.0  |                |
| Deferral to future years 3/5ths         |          | <u>4,022.4</u> |
| 2013/14 Deficit                         |          | <u>4,624.6</u> |
| Future Years                            |          | <u>1,340.8</u> |

### **Business Rates**

53. The Business Rate Retention (BRR) Scheme was introduced in April 2013 and represented a major change in the way in which local government is funded. It is seen by the government as providing a direct link between business rates growth and the amount of money local authorities have available to spend on local services. However, the reality is more complex and the new system introduces a high level of risk into the financial position for local authorities without the level of control the government suggests is possible
54. When estimating the income for 2013/14, the NNDR1 (which has been returned for many years) was completed following the accompanying guidance issued by the DCLG. We were mindful of the importance of this return as under the new funding arrangements the estimated level of NNDR income for the coming year had the potential to impact on the Council's budget position.

Going forward Councils will be able to retain a proportion of their growth in business rates and will also be taking the risk for reductions in business rates, although there are 'safety net' arrangements in place to protect against very large reductions

55. The estimate took into account the estimated rateable value of businesses within the City, adjusted for reliefs, transitional relief, appeals and a reduction in rateable value due to the impact of for example the closure of Fords. No assumption was made of any growth.
56. Estimating business rate income is complex, as there are many factors which can significantly affect the overall figure, including entitlement to reliefs and properties coming on to, or being taken off the rating list. The biggest uncertainty concerns revaluations arising from appeals against the Valuation Office (VO) determinations. These are very common and can lead to large refunds being backdated several years
57. The amount to be retained, and the amounts to be paid to central government and major precepting authorities are fixed at the start of the financial year on the basis of the billing authority's estimate of its business rate income for the year. Any variation is recognised as part of the end of year accounting process for the Collection Fund and any surplus can be utilised in the budget whilst any deficit must be made good.
58. Since the NNDR1 was submitted and the budget set for 2013/14 it has become apparent that there are two key issues that will impact our business rate income in 2013/14 which were not fully reflected in the original estimate.
59. The first of these is the provision for appeals which it is now clear needs to be sufficient not just to cover those appeals paid in year but all appeals which might be successful and reduce the rateable value of the local list whether the appeal decisions are in 2013/14 or later years. In addition, a significant allowance needed to be made for appeals prior to 2013/14 even though this related to the period prior to the introduction of the BRR Scheme.
60. The gross level of appeals provided for as part of the original estimate of business rates income was £5.8M and our latest forecast is that this provision needs to be increased by £15.6M primarily due to the need to account for prior years appeals but also due to a review of the likely level of appeals relating to 2013/14 and yet to be decided.
61. The second impact is that the level of appeals and other changes to the ratings list in fact lead to a reduction in the rateable value which far exceeds any realistic level of growth and which impacts not just 2013/14 but future years. The gross rate yield for Southampton has so far fallen by approaching £7.0M from £108.8M when the NNDR1 was submitted in January 2013 to £102.0M by the end of December 2013. These figures will continue to change.
62. In the light of this experience the forecast income from Business Rates for 2014/15 has been reduced by £3.7M after allowing for the receipt of section 31 grants which are to be paid to compensate Local Authorities for the measures set out in the Autumn Statement.

63. The anticipated level of grant the Council will receive under section 31 in respect of the decision to cap the increase in business rates at 2% is £487,000 and the value of the grant to compensate for the other measures announced is forecast to be £1,474,600.
64. The NNDR1 has to be submitted to the DCLG by 31 January each year and, while it is not anticipated, there may be late changes to the form and to the accompanying guidance that will lead to changes to the figures set out in this report. In addition, any changes as a consequence of the laying of regulations associated with the BRR Scheme, including the calculation of safety net payments, may impact the position presented. Any changes will be taken into account if necessary in a revised budget proposal for the Council meeting on 12 February.

#### **Actuarial Assumptions**

65. Employer contributions to the Hampshire Local Government Pension have been reviewed as part of the triennial revaluation process. The outcome of the review undertaken by the Actuary has resulted in rates for both past and future service being set which are lower than previously anticipated for the three year period, 2014/15 to 2015/17. This has had a favourable impact on the forecast for 2014/15 of £752,100.

#### **Detailed Estimates Changes and Net Interest Payable**

66. Other changes in the detailed estimates submitted by Portfolios and Trading Areas have also been reflected in the figures and show a small adverse variance however, this is more than offset by the favourable impact of reduced interest payable. Since November changes have been made to a number of key variables which impact the forecast of net interest payable. These include changes as a result of the Capital Programme update which is to be presented to Council on 12 February, an updated assessment of the outlook for interest rates and an assumption that in year borrowing will be delayed.
67. In addition, review of the planned programme funded by the Weekly Collection Support Scheme (WCSS) bid awarded to the Council by the DCLG last year has resulted in the re-profiling of spend with a corresponding increase in the allocation of funding in 2014/15 of £0.7M.

#### **Increased Draw From Balances**

68. In the light of the financial challenge facing the Council in future years the position presented in November 2014/15 assumed an addition to balances of £3.2M. This was in recognition of the fact that change takes time and investment to deliver and provided the Council with one off resources to allow for this.
69. Since that time the changes set out above, and most notably the impact of business rates, have meant that an additional draw of £5.9M is required to support the revenue position in 2014/15, compared with the balances position resulting from the November draft budget. This in conjunction with the re-profiled spending associated with the WCSS bid means that it is now planned to draw approaching £3.4M from balances (rather than add £3.2M to balances) which is an increase of £6.6M compared to the position reported in the November report.

70. The table below shows these net changes in the overall forecast position:

|   | <b>£000's</b>   |
|---|-----------------|
| <b>Forecast Deficit in November Cabinet Papers</b>            | <b>16,243.2</b> |
| Net Impact of Provisional Local Government Finance Settlement | (362.5)         |
| Council Tax Base  | (639.5)         |
| Collection Fund – Council Tax Surplus                         | (1,781.9)       |
| – Business Rates Deficit                                      | 4,624.6         |
| Reduced Business Rate Forecast                                | 3,662.1         |
| Actuarial Assumptions   | (752.1)         |
| Detailed Estimate Changes and Net Interest Payable            | (6.5)           |
| Increased Draw from Balances                                  | (6,586.4)       |
| <b>Revised Forecast Deficit</b>                               | <b>14,401.0</b> |

71. In arriving at this 'base' position a number of one off funding sources have been utilised which total almost £6.9M. These include contractual savings from the Street Lighting PFI project (£0.2M), the utilisation of the New Homes Bonus for 2014/15 (£3.3M) and a draw from balances (£3.4M). These one off elements, whilst serving to reduce the gap in 2014/15, by their very nature do not positively impact on the medium term financial position.

72. This position shown in the table above represents the 'base' position from which all four political groups may develop their own budgets taking into account the proposals for new spending and savings options put forward by Officers. The specific proposals in this report as set out in the appendices and outlined in the following paragraphs represent the Executive's budget proposals for 2014/15.

### **RISK BASED CONTINGENCY FUND**

73. In 2008/09 the Council established the Risk Fund as a financial planning mechanism to manage volatile risks within the budget. The Risk Fund includes a number of pressures which are volatile in nature, and which cannot be forecast accurately until data is collected during the financial year on the level of activity and costs (for example increasing numbers of older persons affecting care budgets).

74. The establishment of the Risk Fund means that not all the funding set aside to cover the estimated implications of pressures is allocated to Portfolios prior to the start of the financial year, but is instead retained centrally. The individual items retained within the Risk Fund are also risk adjusted, to reflect the fact that not all the volatile pressures will fully materialise during the year.

75. A sum of £4.4M is included in the budget for 2014/15, (unchanged from the draft position presented to Cabinet in November 2013), to cover these pressures and will only be released during the year if evidence is provided to substantiate the additional expenditure against the specific items identified.

### **REVENUE PRESSURES**

76. Part of the Budget process each year also looks at unavoidable pressures on services that will have a financial impact, many of which are outside of the control of the service itself. Examples of these would be contractual changes, which have a direct impact on costs (e.g. increase in service specification), legislative changes such as new functions and standards, or areas where the current budget simply does not reflect the level of activity within the service.
77. Pressures which services are required to address outside of the Risk Fund mechanism totalling £3,624,000 are being recommended for 2014/15 and are detailed in Appendix 4.

### **REVENUE BIDS**

78. Services are normally invited to put forward a series of bids in order to fund new spending initiatives. Unlike pressures, which are unavoidable, there is an element of choice in deciding whether to proceed or not with these items. The bids have been reviewed and the proposals for new expenditure put forward by the Executive total £50,000 in 2014/15. These are detailed in Appendix 5

### **EFFICIENCIES, INCOME AND SERVICE REDUCTIONS**

79. For the purposes of considering an overall budget package, it should be noted that the roll forward budget includes a 3% vacancy factor built in to all salary budgets as well as the ongoing effects of savings identified in previous budget rounds.
80. In arriving at the 'base' position presented in November it was recognised that a number of one off funding sources had been utilised which totalled almost £4.2M. Since that time the level of one off funding has been increased by £2.7M to almost £6.9M and is now effectively contributing approximately a third of the savings required to close the gap and balance the budget position in 2014/15.
81. The November Cabinet report set out draft budget proposals for consultation and at that point included efficiencies, income generation and service reductions to the value of more than £14.8M. This level of savings went most of the way towards bridging the draft budget gap which at that point in time was more than £16.2M. The changes summarised in paragraph 70 reduce this gap to £14.4M, and this is the level of savings therefore required to balance the draft budget for 2014/15 before any bids or initiatives, assuming a council tax increase of 2%.
82. In terms of closing the budget gap and setting a balanced budget, the Executive's recommendations for efficiencies, income generation and service reductions now total almost £14.5M and are set out in detail in Appendix 6.

These savings include £1.5M from the renegotiation of the Strategic Services Partnership contract with Capita which included changes to the contract and an extension of the contract for five years. They also include savings of £920,000 to be delivered through the programme of work to transform the People Directorate.

## **STAFFING IMPLICATIONS**

83. The City Council employs more than 3,900 FTE of non school staff of which approximately 3,050 are funded by the General Fund, and staffing costs constitute a significant element of overall expenditure. Given that this is the case, it is inevitable that when the Council is faced with such a significant funding shortfall, that the savings proposals put forward by the Council will have an impact on staff cost and staff numbers.
84. Aware of this fact, the Council has continued to have in place a carefully planned approach to recruitment, ensuring that vacant posts have only been recruited to where absolutely necessary.
85. This proactive approach has meant that the Council has been able to hold a significant number of posts vacant which can now be deleted in order to make savings as part of the budget process. The deletion of vacant posts reduces the impact on staff in post and reduces the actual number of employees who will be made redundant.
86. Based on the savings proposals contained in this budget report 48.75 FTE posts are affected of which 23.10 FTE are currently vacant and 25.65 FTE are in post and are at risk of redundancy, (up to 33 individuals).
87. In addition to this, the proposed reductions set out in the report approved on 18 September 2013 to progress the People Directorate Transformation have now been refined. Previously work was underway to understand the staffing implications of these proposals as at the time some of these posts were filled by agency staff or held as vacancies,. The savings proposals brought forward for consultation anticipated a maximum reduction of 38.51 FTE (of which 20.64 FTE were vacant) within Adult Services. Within Children's Services staffing reductions proposed in the same report were anticipated to equate to a reduction of up to 5.0 FTE. Following consultation it has now been confirmed that 32.58 FTE posts are affected of which 24.28 FTE are currently vacant and 8.30 FTE are in post and at risk of redundancy, (up to 10 individuals).
88. The overall FTE at risk of redundancy is therefore 33.95 and represents less than 1% of the overall FTEs employed.
89. Through the consultation process the Executive have been keen to explore all avenues with the Trade Unions and staff to identify wherever possible alternative options for delivering savings, in order that the level of proposed staffing reductions and redundancies can be reduced. The consultation has been extended to 12 February and any changes made after publication of this report will be highlighted to Council on 12 February 2014.
90. The Executive will also continue to ensure that impacted staff are aware of all the available options which can be used to avoid compulsory redundancies and this will include:

- Early retirement,
- Flexible retirement,
- Voluntary redundancy and
- Reduced hours.

91. In addition, the City Council has an excellent past record of using its redeployment policies to minimise any compulsory redundancies arising out of the budget proposals, and the Executive will seek to maintain the support for employees who find themselves on the redeployment register as a result of savings implemented as part of the 2014/15 budget.

### **PROPOSED BUDGET PACKAGE**

92. Summarised below is the proposed budget package put forward by the Executive for consideration. The detailed analysis is reflected in the General Fund Revenue Account set out in Appendix 7. The proposals are based on a Council Tax increase of 2% and include a draw from balances of £3.4M.

|   | <b>£M</b>       |
|---|-----------------|
| <b>Total GF Spending (After Addition to Balances &amp; Pressures)</b> | <b>87,873.2</b> |
| Bids (Appendix 5)   | 50.0            |
| Efficiencies, Income and Service Reductions (Appendix 6)              | (14,451.0)      |
| <b>Council Tax Requirement</b>  | <b>73,472.2</b> |

93. Any changes made to this proposed budget package, for example in response to the ongoing consultation with staff which will run until 12 February 2014, or in the light of changes to the proposed referendum limits in respect of council tax increases and regulations relating to business rates, will be highlighted to Full Council on 12 February 2014.

### **COUNCIL TAX**

94. The Executive are recommending a Council Tax increase of 2.0% for 2014/15. The Council Tax Requirement shown in Appendix 7, which takes into account Government Grants and an assumed deficit on the collection fund at the end of 2013/14 of more than £2.8M is the level of council tax required to provide a balanced budget for 2014/15. This is then divided by the council tax base set by the CFO, following consultation with the Cabinet Member for Resources, to give the basic amount of council tax for the year of £1,287.99, which is a 2% increase. The full calculation is set out in Appendix 8.

95. The estimates of the payments from the Collection Fund in the form of precepts for 2014/15 are set out in Appendix 9.

This includes preliminary figures for the Police & Crime Commissioner (PCC) and the Fire Authority, for whom proposed council tax increases of zero for a Band D property have been assumed at this stage. The Appendix therefore shows that when these items are added to Southampton's council tax, the overall percentage change falls from 2.0% to 1.71%.

96. The figures for both the PCC and the Fire Authority will not be approved until after the 12 February and therefore this report requests a delegation of authority to the Chief Financial Officer to implement any variation to the overall level of Council Tax arising from the final notification of the Hampshire Fire and Rescue Authority precept and the Police and Crime Commissioner for Hampshire precept.
97. At the time of writing this report the Government have yet to announce the Council Tax Referendum threshold for the 2014/15 budget year. The current referendum level is set at 2%, but the government have indicated that they are minded to consider representations for a lowering of the present threshold. There is therefore a distinct possibility that the referendum threshold will be lowered, and if this was the case the Administration would have to decide whether to proceed with the current proposed Council Tax increase of 2%, which would trigger a referendum, or to consider a lower Council Tax increase taking account of any revised referendum limit.
98. The government have said that any decision to change the Council Tax threshold will be made no later than the 12 February 2014, which is the date on which Full Council meet to set the budget. It is therefore possible that the referendum limit may not be known until budget day.

## **PAY & ALLOWANCES**

99. As set out in the report to Cabinet in November, a consultation process was launched across the Council on 11 November 2013 in respect of pay and allowances and corporate change proposals. It is proposed to introduce changes under the following headings:
  - Any modern organisation should have one consistent unitary pay scheme where appropriate based on the same objective system of evaluation throughout the organisation. There is a commitment to the Living Wage for those who are least well paid.
  - The system of allowances should be fair, transparent and consistent throughout the Council.
  - Payroll simplification - There are multiple payrolls paying at multiple dates on different systems. As part of the process of making payroll management efficient it is proposed that the dates and periods of payment are harmonised.
  - Policies should be efficient, fit for purpose, and capable of being changed to confront changing situations whilst still delivering fairness to employees.
100. Pay & Allowance proposals will be subject to a meaningful and detailed consultation and counter proposals will need full consideration.

The intention is to reach a collective agreement which by its definition will cover a wide range of issues. This is the aim, and to take that forward requires proposals (and counter proposals) to be fully assessed and costed. However, whilst the aim is to reach collective agreement this may not be achievable and a process of dismissal and re engagement may be required to achieve the Councils overall objectives of equity fairness affordability and modernisation. Eventual implementation (current aim October 2014) will be a significant undertaking including amending systems and processes and associated comprehensive communications.

101. Based on the latest plan for this review, the required funding to undertake and implement the project is £0.5M and this sum has been allowed for in the Organisational Development reserve and is reflected in the position set out for balances.

### **GENERAL FUND BALANCES**

102. It is important for Cabinet and Council to consider the position on balances. Balances are used either to:

- support revenue spending,
- support the capital programme, or
- provide a 'working' balance at a minimum level suggested by the CFO with any projected excess being available to fund any one-off expenditure pressures or to reduce the council tax on a one-off basis.

The latter option is not recommended by the CFO.

103. Several years ago, CIPFA issued guidance on a risk based approach to setting an appropriate level of reserves. The CFO at the time produced a calculation for the City which took into account factors such as:

- Exposure to pay and price inflation
- Volatile areas of income generation
- Demand led service expenditure
- Exposure to interest rate variations
- Contractual commitments
- Achievement of budget savings
- VAT partial exemption risk

104. This calculation is reviewed annually and updated to reflect current levels of expenditure and income and treasury management operations and also new considerations such as partnership arrangements. This level was reviewed last year and in recognition of the significant new risks facing the Council (in particular the introduction of the BRR Scheme and a local Council Tax Reduction Scheme) the CFO recommended that the minimum level of balances be increased from £5.0M to £5.5M in line with good practice guidance. Further consideration has been given this year as to whether the minimum level of balances should be increased further.

Whilst given the Council's financial position, the level of financial risk and the forecast budget shortfall for 2015/16 onwards it would be prudent to do so, the practicalities of the financial position mean that it has not been possible to provide for an increase in the minimum level of reserves. This is further set out in Appendix 12 – Statement on General Fund Budget Strategy by the CFO.

105. In light of experience during 2013/14 whilst provision for the BRR Scheme has been made within balances it is planned to review how best to manage the risk that this now presents to the Council. Consideration will be given to the use of a Business Rate & Revenue Equalisation Reserve as part of the development of the Medium Term Strategy for future years which could help to manage the impact of economic shocks and unanticipated decisions in respect of appeals, refunds and the composition of the rating list.
106. The table below shows the position for balances after taking into account the estimated outturn for 2013/14, the budget proposals set out in this report and the current update of the capital programme.

|  | 2013/14         | 2014/15         | 2015/16         | 2016/17 &<br>2017/18 |
|--|-----------------|-----------------|-----------------|----------------------|
|  | £000's          | £000's          | £000's          | £000's               |
| <b>Opening Balance</b>                           | <b>29,923.5</b> | <b>25,673.4</b> | <b>16,970.5</b> | <b>10,908.2</b>      |
| Draw to Support Capital                          | (401.0)         | (100.0)         | 0.0             | 0.0                  |
| (Draw to Support) /<br>Contribution from Revenue | 3,419.9         | (3,362.0)       | (1,632.2)       | 4,332.0              |
| Contributions (to) / from<br>Other Reserves      | (1,400.0)       | 0.0             | 0.0             | 0.0                  |
| Draw for Strategic Schemes                       | (5,869.0)       | (5,240.9)       | (4,430.1)       | (8,740.2)            |
| <b>Closing Balance</b>                           | <b>25,673.4</b> | <b>16,970.5</b> | <b>10,908.2</b> | <b>6,500.0</b>       |

107. The current level of balances reflects the budget proposals set out in this report to be approved by Council on 12 February. These proposals include the use of £3.4M of balances in 2014/15 and £1.6M in 2015/16 to support the revenue budget. The above projection includes an addition to the Organisational Development Reserve of £3.0M in 2014/15, £2.0M in 2016/17 and £4.0M in 2017/18 in order to ensure that adequate ongoing provision is made for the costs associated with the implementation of staff related savings and change.
108. In view of the financial challenge facing the Authority the Council must not lose sight of the need to ensure that work is ongoing to develop sustainable savings proposals for future years and must be mindful of the need to carefully consider the extent to which one off funding is utilised in order to deliver a balanced budget in any one year.
109. The minimum level of balances is currently set at £5.5M. The above prediction indicates that the new level of minimum balances will be maintained in the medium term.

Presently, approaching £1.0M is forecast to be available within balances as a consequence of the position set out in this report. Given the fact that this is a forecast position it would not be prudent to utilise this amount at this stage of the year. However, any ultimate amount which is available within balances may be used to fund future initiatives, cover future liabilities or contribute to the revenue budget in future years.

## **MEDIUM TERM FORECAST**

110. A roll forward forecast has been estimated for 2015/16 and 2016/17 taking into account the future years effects of the proposed pressures and savings as set out in this report.
111. It should be noted that there remain significant budget shortfalls in the medium term, with a forecast gap currently of £32.7M in 2015/16 rising to a cumulative gap of almost £54.7M in 2016/17. The medium term financial position is shown in Appendix 10 and illustrates the scale of the financial challenge facing the Council in the coming years. The funding gap will be reviewed and addressed as part of the ongoing development of longer term financial planning and Members are being asked to authorise CMT to pursue the development of future years options highlighted in Appendix 6.
112. Whilst the budget for future years does not need to represent a balanced position by the time that Full Council set the 2014/15 budget on 12 February 2014, Members should not lose sight of the need to ensure that work is ongoing to develop savings proposals for future years. Significant further work is required to ensure that savings can be delivered to balance the budget for these future years. It is imperative that plans are put in place as soon as possible in order that the Council can address the significant budget shortfall for 2015/16 onwards and this will include acceleration of the Council's Transformation Programme as set out in paragraphs 116 to 118.
113. The next CSR period starts in 2015 and is likely to contain another round of significant cuts to Local Authority funding. Various professional bodies and associations quote the potential loss of grant funding between 25% and 40%. The exact timings of these further reductions are unknown at present. The potential impact of this for Southampton will form part of the thinking necessary around the sustainable changes which will need to be made in the next few years to ensure the long term viability of service provision.
114. For planning purposes, provision has been made within the current medium term forecast for reduced government grant with an assumption that there will be a further reduction in central government grant of 12% in 2016/17. This reflects a continuation of the deficit reduction programme as announced by the Chancellor in the Autumn Statement and reiterated since. There is a risk that the actual reductions in government grant will be in excess of 12% for 2016/17.
115. The effect on local taxpayers is also a critical element in making decisions on council tax levels, particularly given the legislation for Council Tax referendum contained in the Localism Act. The Localism Act abolishes Whitehall capping in England and puts local referendums in its place.

If councils increase council tax above the level agreed by government, currently set at 2.0% for 2013/14, this will trigger a referendum and if people vote against the increase the local authority will have to revert to a lower council tax rise

## **TRANSFORMATION PROGRAMME AND SERVICE REVIEWS**

116. The draft budget report published in November 2013 highlighted the work that was being done to develop the Council's medium term Transformation Programme incorporating a number of strategic reviews. Following the recommendations of the Local Government Association (LGA) Peer Review, work undertaken to understand and learn from the transformation programmes in other councils shows that there is no "magic bullet" or formula to achieve the level of transformation that is needed. What the council has to do is to inject pace and investment for strands of work identified and started over the last two to three years. The Council's transformation work, led by the Assistant Chief Executive, will need to ensure that the Transformation Programme develops to support the delivery of the Council Plan and makes an identified contribution to future financial pressures, within agreed timescales.
117. Several respondents to the budget consultation process highlighted that there is scope to improve the way the Council communicates and interacts with residents electronically including increasing the number of services that can be accessed and transactions undertaken online. Work is underway to improve the Council's website, increase and make easy transactions that can be undertaken electronically and to improve business processes to ensure channel shift is effective. As not all residents have the skills or access to be able to transact with the council on-line, comprehensive impact assessments will be completed by the Head of Transformation to better understand their needs and views in relation to 'channel shift' and to ensure alternative processes for those who need them.
118. Progress since November includes:
- Work is underway to develop current transformation projects into a coordinated "One Council" Transformation Programme, including culture change, which is effectively programme managed.
  - Project Managers are working on the two inter linked reviews for Business Support and Policy & Performance, reporting to a single Project Board. It has been agreed that the delivery models for the new centralised functions will be "hub and spoke" and approval has been given to establish the high-level structures. Consultation with affected staff is expected to begin in February 2014 as soon as the list of staff in scope has been finalised.
  - The transformation programme within the People Directorate includes establishment of the joint Integrated Commissioning Unit with health to help reduce costs in the future; leaning of processes for assessments and billing within Adult Social Care; establishing integrated education and social care teams and a Multi Agency Safeguarding Hub (MASH) and assessing how IT can support the new roles and ways of working, including mobile and flexible working.

- Officers have been making contact with service managers across the council and with library managers in other councils as part of the preparatory work for the Library Service Review. The aim is to ensure that the library service meets the needs and priorities of the residents of Southampton into the future, delivering the required outcomes in a financially sustainable way.
- CMT have agreed HR transformation priorities and priority projects to build organisational resilience and achieve the level of HR transformation that is urgently required. The agreed HR projects will underpin front line service delivery and include simplification of HR policies and processes, implementing a resilient HR operating model, mechanisms to ensure establishment control and integrating individual performance management into the council's performance management framework for 2014/15.
- Work is also underway to establish a Programme Management Office (PMO) with an agreed project management framework, a pool of project managers and ongoing training for relevant staff.

## **RESOURCE IMPLICATIONS**

### **Capital**

119. The revenue implications of financing the General Fund Capital Programme are reflected in the 2014/15 estimates presented in Appendix 7.

### **Revenue**

120. As set out in the report.

### **Property/Other**

121. None.

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

#### **INTRODUCTION**

122. 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.

## **GENERAL POSITION**

123. 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 businesslike 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.
124. There is a general requirement in administrative law that a local authority decision must be rational, authorised by law and must take account of all relevant considerations, whilst ignoring any irrelevant ones. It should also be noted that the concept of proportionality, given great emphasis in the Human Rights Act 1998, is also becoming a relevant factor for determining the reasonableness of any decision and should be borne in mind by Members.
125. An authority commits an illegal act if it acts beyond or in abuse of its statutory powers or in breach of its fiduciary duty. It will also act illegally if it fails to take relevant considerations into account or acts in outrageous defiance of reason

## **OBLIGATION TO MAKE A COUNCIL TAX**

126. The legal significance of the Annual Budget and setting a Council Tax derives from the Council's duty under the Local Government Finance Act 1992 (the 1992 Act) to set a balanced budget and Part 5 Chapter 1 of the Localism Act 2011. This is achieved by calculating the aggregate of:
  - i. the expenditure it estimates it will incur in the year in performing its functions in the year (including an allowance for contingencies),
  - ii. the payments it estimates it will make in the year in defraying expenditure already incurred and
  - iii. expenditure it will incur in funding costs before a transfer of funds is made from the Collection Fund and then deducting such sums as will be paid into the General Fund, (i.e. income). Calculations made under this section must be made before 11 March in the preceding financial year.
127. In order to fulfil this duty, the Council must prepare detailed estimates of its expenditure for the coming year and of the resources which will be available to meet this expenditure. Account must be taken of any deficit brought forward from a previous year and the amount needed to cover contingencies. The resources include income from rents, fees and charges and any available balances. All of these issues must be addressed in the budget report. The estimation of the detailed resource and expenditure items is the main reason for the budget process. The budget must balance, i.e. proposed expenditure must be met from proposed income from all sources, with any shortfall being the precept on the Collection Fund.
128. Failure to make a lawful Council Tax on or before 11 March 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.

129. Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for 'the proper administration of their financial affairs'.
130. 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.
131. 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.
132. In order to fulfil this duty, the Council must prepare detailed estimates of its expenditure for the coming year and of the resources which will be available to meet this expenditure. Account must be taken of any deficit brought forward from a previous year and the amount needed to cover contingencies. The resources include income from rents, fees and charges and any available balances. All of these issues must be addressed in the budget report. The estimation of the detailed resource and expenditure items is the main reason for the budget process. The budget must balance, i.e. proposed expenditure must be met from proposed income from all sources, with any shortfall being the precept on the Collection Fund.

### **DEFICIT BUDGETING**

133. A deficit budget, one which does not cover all anticipated expenditure with resources reasonably expected to be available, is unlawful. Any Council Tax which rests on such a budget will be invalid. Councils are constrained to make a Council Tax before all the separate elements, which will constitute available resources or anticipated expenditure, have been identified and quantified fully. Best estimates have to be employed.
134. Where these best estimates include sums for unallocated savings or unidentified expectations of income, extreme care must be taken to ensure that the estimates are reasonable and realistic and do not reflect an unlawful intention to incur a deficit.  
  
It might be appropriate at budget setting time to require regular monitoring throughout the financial year of such estimated savings or income. Prompt action to reduce spending must be taken, if at any stage it seems likely that a balance between income and expenditure will not be achieved.

### **BORROWING**

135. The rules and regulations governing a local authority's ability to borrow money were altered significantly by the introduction of the Local Government and Housing Act 1989 and subsequent regulations. This has now been abolished and replaced by the self regulating Prudential Code.

## **OTHER RELEVANT LEGISLATION**

136. The Local Government Finance Act 1988 (the 1988 Act) created the (now repealed) Community Charge and the current National Non- Domestic Rating regime and deals with grants, funds, capital expenditure and the financial administration of a local authority.
137. Under Section 114 (2) and 114 (3) of the 1988 Act, the CFO 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.
138. Members have a duty to determine whether they agree with the CFO's statutory report issued under Section 26 Local Government Act 2003. If Members were to disagree, they would need to set out cogent reasons for so doing. Unless such reasons could be set forward, Members' action in disagreeing with the CFO's views on the basis of his/her professional judgement would be likely to be held unreasonable and constitute wilful misconduct. It should be noted that under the Members' Code of Conduct, Members are required to take account of any advice issued by CFO (and the Monitoring Officer) acting in their statutory capacities.
139. The Localism Act 2011 contains provisions (Part 5, Chapter 1) which relate to the setting of Council Tax, including the arrangements for Council Tax Referendums.

## **BEST VALUE: LOCAL GOVERNMENT ACT 1999**

140. The Local Government Act 1999 (the 1999 Act) introduced a duty of Best Value, which came into force on 1 April 2000. Members need to be aware of and take account of the impact on the Council of this duty.

## **THE CONSTITUTIONAL POSITION: LOCAL GOVERNMENT ACT 2000 (THE 2000 ACT)**

141. The 2000 Act has had a fundamental effect on the governance of the Council and in particular has resulted in a change to the working arrangements of Council, with the requirement for a Constitution setting out executive (Cabinet) and scrutiny and overview arrangements. The 2000 Act also provides a power for Councils to promote the economic, social and environmental well-being of their areas and develop community strategies. In addition, the 2000 Act establishes an ethical framework.
142. 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.

143. In addition, the Constitution contains a range of further material relevant to the setting of the Council Tax and the Budget Setting meeting:
- i. Article 12 contains guidance on decision making and the law;
  - ii. The Council Procedure Rules in Part 4 regulate the conduct of the Full Council meeting (although traditionally, some of the rules relating to the conduct of the debate are suspended to allow different arrangements during the budget debate);
  - iii. The Members' Code of Conduct must be followed by Members; and
- The Officer/Member Protocol contains guidance both on pre-budget discussions, but also on how officers and Members should interact with specific guidance about budget preparation issues.

### **PERSONAL LIABILITY AND SURCHARGE**

144. The 2000 Act abolished the local government surcharge provisions and replaced them with a new statutory offence of 'misuse of public office'. This new statutory offence covers two situations, namely unlawfully incurring expenditure or incurring expenditure as a result of wilful misconduct. It also covers the exercise of a public function in a manner that involves dishonesty or oppression or malice. The Courts (rather than the District Auditor) would impose penalties. The Council could sue for losses/deficiencies sustained.

### **LEGAL STATUS OF POLITICAL PROMISES AND DOCUMENTS**

145. 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.
146. 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.
147. All decisions must be taken within the framework of the formal decision making process of the Authority. Members must take into account all relevant matters and disregard all irrelevant ones. Decisions taken at a political meeting, such as a political group meeting, have no status within this process. A Member, who votes in accordance with a group decision which has been reached, having regard to relevant factors and who has addressed their mind independently to those factors and to the decision itself, will be acting within the law.
148. The Courts have also advised on the balancing exercise to be undertaken by a Council when deciding whether to pursue a particular policy:
- A local authority must exercise its statutory powers in the public interest and for the purpose of which those powers have been conferred. Political views, as to the weight to be attached to the various relevant considerations and as to what is appropriate in the public interest in the light of those considerations, may properly influence the exercise of a statutory discretion. A decision will not be*

*unlawful merely because some political advantage, such as electoral popularity, is expected to flow from it, so long as the decision is made for a legitimate purpose or purposes. Because at some stage in the evolution of a policy an improper political purpose has been espoused, does not mean that the policy ultimately adopted is necessarily unlawful. However, a political purpose extraneous to the statutory purpose can taint a decision with impropriety. Where there is more than one purpose:-*

- a) The decision will generally be lawful provided that the permitted purpose is the true and dominant purpose behind the act. This is so even though some secondary or incidental advantage may be gained for some purpose, which is outside the authority's powers.*
- b) The decision will be invalid if there are two purposes one ultra vires and one intra vires and the ultra vires purpose is a (even if not the) major purpose of the decision. Accordingly a decision substantially influenced by a wish to alter the composition of the electorate would be unlawful.*
- c) Where there is some evidence justifying enquiry, the Court will consider whether an apparently lawful purpose e.g. home ownership is merely a colourable device to conceal an illegitimate purpose e.g. electoral advantage.*

*Even if those voting for a particular policy at a Council meeting have perfectly proper reasons in mind, the policy can be tainted by the improper motives of others who have taken part in the formulation of that policy although not actually present to vote. As a matter of law it is possible for a corrupt principal to cause a result through an innocent agent.*

### **Other Legal Implications:**

149. 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 (CMT), the proposals contained in this report have been checked from a legal viewpoint.
150. It should be noted by both Cabinet and Full Council that the decisions they are making, in terms of 'Budget setting' are effectively preliminary decisions, setting the framework for anticipated spending by the Council for 2014/15 to 2016/17. That framework and the matters set out in the budget influence and inform the strategic direction the Council will take during the budget period but specific proposals will require further implementation decisions (either at Cabinet or Officer decision levels as appropriate) in order to be given effect.
151. The Council, as the decision-maker, will take a preliminary decision in relation to its budget, fully aware that the implementation of proposed policies may have an impact on the affected users, but is not committing itself to the implementation of specific policies within the budget framework until it has carried out a full and detailed assessment of the likely impact as and where necessary. Those decisions will in turn address further equalities, consultation and practical matters without their outcome having been 'predetermined' by the approval of the budget.

152. Decision makers may also receive further representations, and/or choose to undertake further consultation on specific proposals. Decision makers will, as a result of further representations, consultation and other material considerations, be free to approve or reject implementation of specific matters proposed as part of the overall budget framework and it will, as a result, be for Council to determine how to meet any budget gap that may arise as a result of such implementation decisions.

## **POLICY FRAMEWORK IMPLICATIONS**

153. The Medium Term Plan and the Budget are key parts of the Policy Framework of the Council and a Budget and Council Tax for 2014/15 must be proposed by the Executive (Cabinet) for consideration by the Full Council under the Constitution.

**KEY DECISION?** Yes/No

|                                    |     |
|------------------------------------|-----|
| <b>WARDS/COMMUNITIES AFFECTED:</b> | ALL |
|------------------------------------|-----|

## **SUPPORTING DOCUMENTATION**

### **Appendices**

|     |   |
|-----|---|
| 1.  | Budget Consultation Report  |
| 2.  | Equality and Safety Impact Assessment                             |
| 3.  | Revised General Fund Revenue Budget 2013/14                       |
| 4.  | Summary of Revenue Pressures                                      |
| 5.  | Summary of Revenue Bids   |
| 6.  | Summary of Efficiencies, Additional Income and Service Reductions |
| 7.  | 2014/15 General Fund Revenue Account                              |
| 8.  | 2014/15 Council Tax Calculation                                   |
| 9.  | 2014/15 Collection Fund Estimates                                 |
| 10. | Medium Term Financial Forecast                                    |
| 11. | Statutory Power To Undertake Proposals In The Report              |
| 12. | Chief Financial Officers View On The Budget                       |
|     |   |

### **Documents In Members' Rooms**

|    |  |
|----|--|
| 1. | Budget Proposals - Equality and Safety Impact Assessment |
|    |  |

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**Equality Impact Assessment**

|  |                    |
|--|--------------------|
| Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out. | Yes/ <del>No</del> |
|--|--------------------|

**Other Background Documents****Equality Impact Assessment and Other Background documents available for inspection at:**

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

|    |  |  |
|----|--|--|
| 1. | GENERAL FUND REVENUE BUDGET 2014/15 TO 2016/17 – APPROVED BY CABINET ON 19 NOVEMBER 2013 |  |
|----|--|--|

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**2014/2015 BUDGET PROPOSALS**  
**CONSULTATION FEEDBACK AND ANALYSIS**

**INTRODUCTION**

1. Southampton City Council's Cabinet published their draft budget proposals for 2014/15 for public consultation on 11 November 2013. Over the last four years the council has made savings of £57 million. In 2014/15 the Council again faces a significant decrease in the funding from central government. Costs are increasing and demand is rising for many of our services. The challenge faced by the council is to achieve an overall reduction of more than £60 million in the next three years.
2. The Council has difficult decisions to make which will impact on the city and has made a commitment to engage and consult before, during and after decisions are made. Reflecting previous feedback received the Cabinet was keen to consult more extensively than we have done previously and a two stage approach was implemented this year. The first stage was focused on resident priorities and helped inform the budget proposals. The second stage was on the proposals themselves.
3. This appendix provides details of the consultation undertaken on both the priorities for the budget and the draft budget proposals, the feedback received and how the feedback has been acted upon.

**THE CABINET'S APPROACH**

4. In this difficult financial climate the Cabinet want to protect front line services as much as possible, become fit for the future and deliver a balanced budget. In doing so, the Cabinet recognise that they have to take tough decisions about council services and future spending. They are determined to protect vital services and minimise the impact on residents, businesses, service users and employees by doing things differently. As such the approach the Cabinet took taken to developing the budget proposals was to ensure that we are:
  - Protecting frontline services, priority areas and vulnerable people;
  - Increasing our income and attracting investment
  - Being as efficient as possible
  - Focusing service reductions on services which are lower priority where possible
  - Deleting vacancies and protecting jobs
  - Transforming the way we work to provide better outcomes and services at lower cost.
5. The scale of the challenges faced by the council has meant that while the Cabinet wanted to encourage genuine ideas for achievable savings from everyone, they were keen to manage expectations. This is because decisions to protect one service will inevitably have an impact on another service. The Cabinet's approach in the long term is to raise awareness so that consultation is not just about saving a service but about prioritising within ever decreasing resources.
6. A variety of methods were used to assist a wide range of people to give their views to inform the final budget which is due to be agreed by Full Council on 12 February 2014. This included residents, service users, employees, partners, businesses, community and voluntary sector organisations and other stakeholders. This is in addition to the council's decision making processes which include feedback from the Overview and Scrutiny Management Committee and Health Overview and Scrutiny Panel (Annex 1).

7. The Leader and Cabinet Member for Resources led the consultation on the budget proposals supported by other Cabinet members, the Council's Management Team (CMT), Heads of Service and staff in the Transformation and Performance Division. This was complemented by service led consultation in areas where the managers considered this to be appropriate and necessary. Cabinet Members and managers also attended meetings with residents, employees and other stakeholders.

### **CONSULTATION PRINCIPLES**

8. Despite having limited resources to undertake consultation, every effort was made to ensure it was:
  - **Inclusive:** so that all sections of the city's local communities had the opportunity to express their views
  - **Informative:** so that people had adequate 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 used 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 more likely to be 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 had the full consultation feedback information so that they can make informed decisions.
  - **Reported:** by letting consultees know what we did with their feedback.

### **CONSULTATION METHODOLOGY**

9. Last year the Council received feedback on how the consultation documentation and process could be improved. Key points relating to accessibility of the budget information, engagement with stakeholders and improving the way in which we can better inform decision making were taken into consideration in this year's budget consultation process. As a result, in addition to the budget tables, covering paper and equalities impact assessments that are produced every year, a more comprehensive range of budget materials were developed and made available on the council website and used at consultation meetings. The additional materials included:
  - A pre budget survey on residents priorities
  - A summary on the background to the budget position
  - A summary document outlining the budget proposals
  - A video clip from the Cabinet Member for Resources
  - Summary sheets by theme with more detail of each of the proposals
  - A more detailed survey on the proposals
10. Given that the Council cannot afford to continue to do everything that it currently does, the consultation process was designed for Cabinet and senior managers to hear views about:
  - The council's approach to delivering savings.
  - Suggestions for making savings and generating income that we have not yet considered.
  - Potential impacts, and action we could take to reduce impacts, that we have not already identified or explored.

- Different ways the council could deliver services such as working with others, including partner organisations and local communities.
11. The consultation aimed to explain what the challenges were and why the council was in this financial position, influence the budget proposal and seek feedback on the proposals once they were published.
  12. The first stage of the consultation was a pre-budget survey of priorities which ran from 3 – 18 October 2013. The survey was undertaken to identify views on priorities so that the feedback could be considered in developing draft budget proposals. In total 2,617 people responded to the survey, of which 28% were Southampton City Council employees. This exceeded the number of responses the council received for last year’s budget consultation process. The results from the survey were considered by the Cabinet when developing the draft budget proposals published in November 2013.
  13. The second stage of the consultation was on the draft budget proposals and ran for 9 weeks from 11 November 2013 – 12 January 2014. This was undertaken to give residents and stakeholders an opportunity to comment on the proposals, identify any potential impacts and provide alternative suggestions.
  14. The draft budget proposals survey was conducted using a tick box and open ended question survey, which was available online and paper copies were placed in the city’s libraries, GP surgeries, local housing offices and in Gateway, the council’s customer contact centre. The online survey was promoted in various ways including using the council website, Stay Connected (the council’s email alert system) and through a network of partners and community groups. The survey was also made available to all council staff.
  15. Four area-based budget consultation meetings were held between 18 and 30 November 2013, with nearly 500 community organisations, based in the west, east and central parts of the city as well as city-wide organisations, invited. The meetings were attended by 32 people, representing 25 groups and organisations, alongside the Leader and other Cabinet Members. Discussions at the meetings centred on priorities for communities, the overall budget approach, the budget proposals and further ideas for savings and improvement.
  16. The Council also worked closely with partners and organisations directly affected by the proposals ensuring they were aware and had the opportunity to voice concerns and suggest alternatives.
  17. Comprehensive staff consultation was also undertaken by service managers, led by Human Resources. Guidance for internal staff consultation on specific budget proposals was provided by Human Resources.
  18. A full list of consultation activities is outlined in the table below:

**Table 1**

| <b>Consultees</b> | <b>Methods</b>  |
|-------------------|---|
| Members           | Various   |
| Scrutiny          | Two committee meetings  |
| Staff and unions  | Ongoing and co-ordinated dialogue with Trade Unions on the budget process               |
|                   | Regular meetings on service specific proposals  |
|                   | Meetings with individual members of staff to consult them on proposals that affect them |

| <b>Consultees</b>                              | <b>Methods</b>  |
|--|---|
| Residents and all stakeholders                 | Survey available on the council's website, paper copies in local housing offices GP surgeries and libraries. The survey was also available for all staff. |
|  | Area based meetings   |
| Partners                                       | Ongoing discussions with partners on proposals that have an impact on jointly provided services or where they serve a common population                   |
| Partners and external organisations            | Letters to partners and meetings at request   |
|  | Briefing for Southampton Connect  |
|  | Letters to relevant organisations who may be affected in specific ways and ongoing regular meetings   |
| Commercial partners and provider organisations | Letters, meetings, discussions  |
| Service users                                  | Meetings using a variety of existing forums and user groups for relevant proposals  |

Further details regarding these activities is available in the annexes to this report.

## **RESPONDENTS**

19. In the 2013/14 budget the council's consultation process resulted in approximately 2,785 responses from residents with around 1,800 of these specifically about proposals relating to libraries. In the 2014/5 budget consultation more than 3,600 responses have been received and this includes a number of responses which were made on behalf of individual organisations and their members and service users.
20. This is a greater response than in previous years, reflecting a wide range of methods deployed this year and the council's commitment to consultation.
21. The following table shows the number of responses received so far via particular consultation methods.

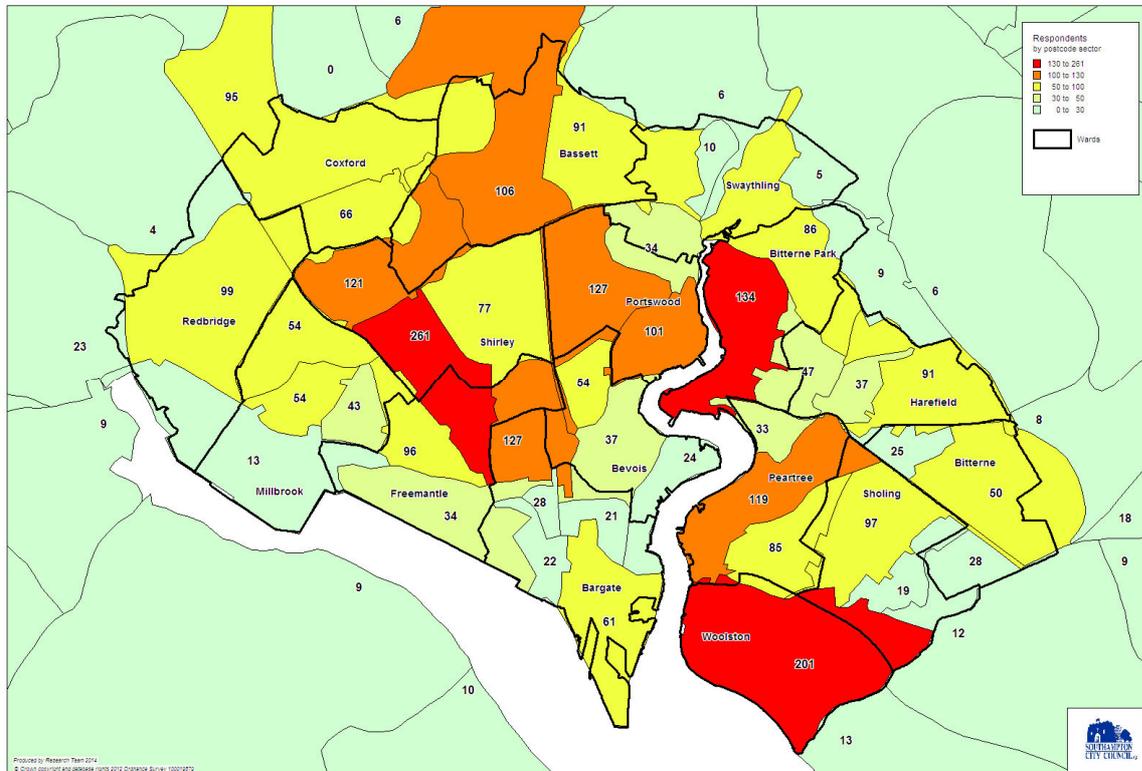
**Table 2**

| <b>Interest groups</b>  | <b>Approximate Number</b> |
|---|---------------------------|
| Priorities survey   | 2,617                     |
| Draft budget proposal survey  | 940                       |
| Area based meetings: Representatives of groups/ organisations working in local areas who attended meetings in: Shirley, Weston, Mount Pleasant and the city centre. | 32                        |
| Correspondence from residents and stakeholders  | 25                        |
| <b>Total</b>  | <b>3,614</b>              |

## **DEMOGRAPHIC DETAILS**

22. Of the 3,557 people who responded to the two surveys, at least 2,772 were Southampton city residents. Figure 1 below shows a map of respondents to the second part the budget consultation.

**Figure 1**



23. For the total responses to both surveys, the age distribution of respondents was as follows:

| Age of respondents | %  |
|--------------------|----|
| 11 – 21 years      | 3  |
| 22 – 29 years      | 9  |
| 30 – 49 years      | 39 |
| 50 – 69 years      | 42 |
| Over 70 years      | 7  |

The gender split for respondents was 56% female to 44% male. In total 28% of responses were from Southampton City Council staff.

**CONSULTATION RESULTS**

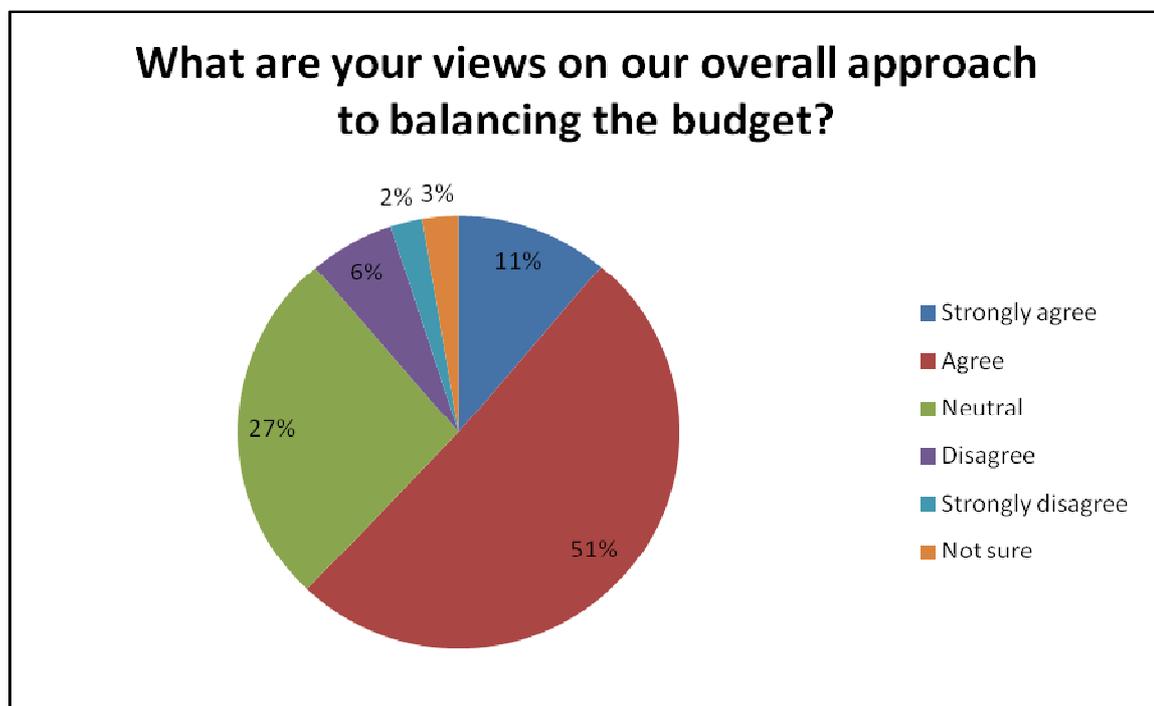
24. Overall, the Council’s budget approach was supported and there was recognition of the financial difficulties faced by the council. However, concerns were raised about several issues.

25. In Part 1 the priorities survey asked respondents to rank in order of importance to them, five top level priorities identified by the council. Protecting People and Education, Skills and Jobs,

were clearly identified as the two most important priorities for respondents. The survey also asked respondents to look at a list of service areas within each of the five priorities and select their three most and three least important service areas from the list. A full report on the results of the survey was published with the 2014/15 draft budget proposals and is available <http://www.southampton.gov.uk/modernGov/documents/s19240/Appendices.pdf>.

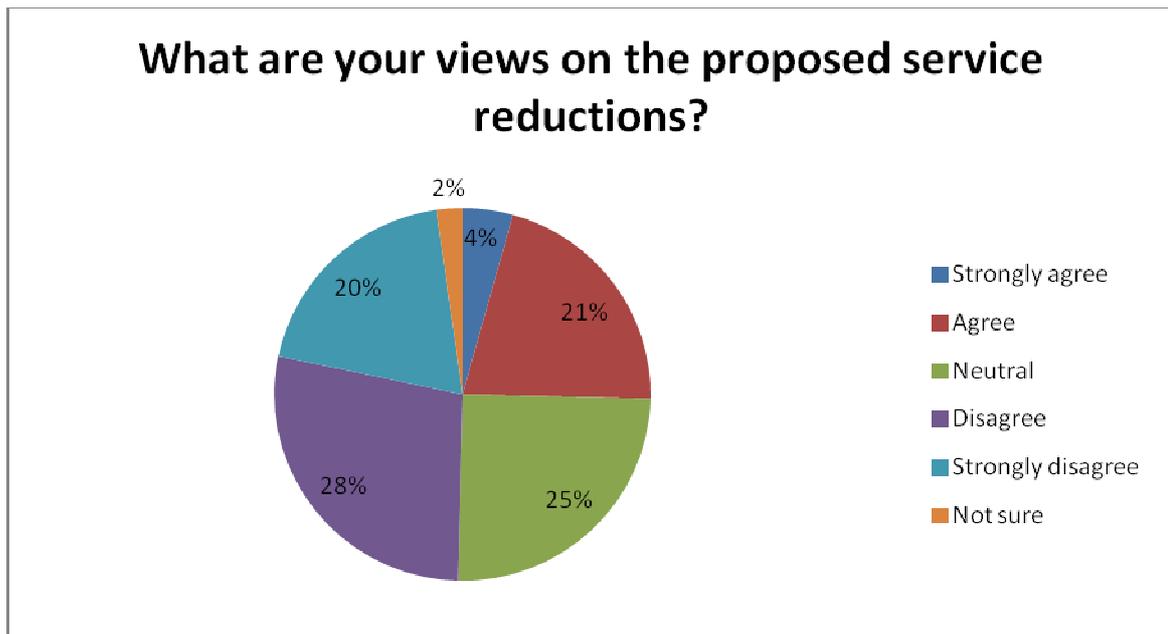
26. In Part 2 the survey on the budget proposals was split into seven sections. Each section asked the extent to which the various proposals were supported and also gave the opportunity to comment on why respondents disagreed with the proposals (if relevant) and to comment on the impacts of the proposals. There was also a further opportunity to provide comments at the end.
27. The first section asked about the Cabinet’s overall approach to balancing the budget. Overall 62% of respondents agreed with the approach with 8% disagreeing. The detailed responses are shown below in Figure 2.

**Figure 2**



28. The survey then asked about the budget proposals for the top two priorities in the City, there were 56% of respondents agreed or strongly agreed with the approach taken to protecting people; with 68% agreeing or strongly agreeing with the approach taken to education, skills and jobs.
29. In relation to the proposals to balance the budget using efficiency savings and income generation there was general support with 56% and 55% agreeing or strongly agreeing, and 12% and 14% disagreeing and strongly disagreeing respectively. There was more support for the proposals relating to internal savings with 63% giving a positive response.
30. The category in which the proposals received the least support from the public was in relation to service reductions. In this section 25% of people supported the proposals 48% were neutral about them or did not know and 27% disagreed or strongly disagreed. This is shown below in Figure 3.

**Figure 3**



31. Key highlighted areas of concern in relation to the proposals in the written comments in the survey were :

- The impact of increasing charges for museums and galleries education service;
- the removal of the subsidy for the city Link bus and effect on its sustainability;
- the effect on safety and health of reductions in community safety, enforcement and environmental health, particularly when taken together and in the context of other proposals;
- increasing charges for bulky waste collection and the potential impact in relation to fly tipping;
- streetlight diming including where and at what times this would take place;
- the need for a mayor's car and
- reductions in trading standards.

32. A summary of the comments received, including alternative suggestions in each section of the survey are at Annex 2.

33. The main feedback from the area based meetings was also supportive of the approach. However, there was a consensus that it remains important to maintain a balance between investment in prevention and managing current demand. The top priorities of those who attended were:

- Maintaining roads
- The need for continued community support and involvement
- Protecting older and vulnerable adults through day services and reablement
- Supporting young people through early intervention and prevention
- Reducing youth unemployment
- For the council to be more transformational and innovative in its approach

Key suggestions for improvements were

- To include the third sector and community groups as part of the future solution

- Rebuild relationships and enhance cohesion work in areas of tension

A full summary of the feedback from the area based meeting including details of attendees is at Annex 3.

34. Very little correspondence, around 25 items, was received in relation to the budget proposals this year, however key feedback was received from the NHS and Police. Hampshire Constabulary highlighted the importance of working together to ensure statutory requirements are met and the most vulnerable are protected. They requested more detail on the noise service reductions, support the proposal on street lighting and City Patrol but have some concerns around reductions to the community safety team.
35. The NHS, Southampton City CCG, Southern Health and Solent NHS Trusts, were broadly welcoming of the proposals. They were supportive of the need to protect areas with a focus on early help and support to keep vulnerable children safe. There was also support for the vision to put reablement at the centre of care and integrated commissioning.
36. Concerns about the impact if care packages are reduced and out of areas placements are returned to the City as this could lead to an increase in pressure on health services. More details have been requested about changes to public health services.
37. A summary of the correspondence received is at Annex 4.

#### **HOW THE CONSULTATION FEEDBACK WAS USED**

38. The Cabinet have considered and reviewed proposals in response to the consultation feedback. The Council received its draft funding settlement from the Government for 2014/15 and 2015/16 just before Christmas 2013. Initial analysis of this and the anticipated impact of income levels from Business Rates confirm that the future financial forecast position continues to be challenging.
39. The following paragraphs detail changes that have been made to the budget proposals as a result of the feedback and how suggestions for future savings have been acted upon.
40. **Museums and galleries education team** - Key issue of concern raised as part of the consultation on the budget proposals was the reduction of staff in the Museums and Galleries Education Team. The Staff have suggested an alternative proposal and the original proposal has now been revised. The staff reductions have now been removed from this proposal and instead there will be an increased level of direct delivery by the team and sessions delivered by freelancers will be reduced. At this stage it is not anticipated that charges will be substantially increased, however this will be kept under review. We will continue to explore external sources of funding to support free and subsidised sessions.
41. **City Link bus** - Withdrawal of the subsidy for the City Link bus was a key issue of concern raised during the consultation. The Bus subsidy paid by the Council is the only subsidy that will be removed and the Council have been working with partners to ensure the sustainability of the service. Red Funnel, Hammersons (the owners of West Quay) and South West Trains (SWT) have all been engaged in this proposal and intend to retender a service. Their intention is to retain a cheap service for their users and initial discussions have ventured to suggest a 50p or £1 a trip ticket. Existing Red Funnel or SWT commuters are likely to be protected from the introduction of a charge if they currently purchase a season ticket. Elderly and disabled customers with concessionary passes will still be entitled to free travel on any future service.

42. **Civic Centre opening hours** - Concerns were raised during the consultation from both staff and the public about the reductions in overtime for the Town Sergeants and the resultant changes to Civic Centre public opening times. A proposal put forward as part of the staff consultation by the Town Sergeants has been accepted and the proposal has been revised to incorporate the deletion of a vacant post and there will be no impact on the Civic Centre opening hours as a result of this proposal.
43. **Councillors / Elections** - One of the most popular alternative suggestions for making savings revived during both stages of the consultation, concerned the number of councillors representing wards in the City, and the frequency of elections. The Leader is pleased to announce that he has been working with the opposition parties and is establishing a cross party group to review both issues. To implement any changes to wards and numbers of councillors the Local Government Boundary Commission for England (LGBCE) must conduct a review. The LGBCE is an independent and impartial advisory non-departmental public body. The Council will consider its electoral cycle prior to any boundary review. The LGBCE will be invited to examine the number of wards, ward boundaries and number of Councillors in the City. It is anticipated that the LGBCE review will be completed and make its recommendations towards the end of 2015 with a view to implementing any agreed ward changes as well as any electoral cycle changes through all out elections in 2016. These dates are currently provisional as the timeframe depends upon the LGBCE's workload.
44. **Late night Levy** - The Council has the power to introduce a late night levy to raise a financial contribution from late opening alcohol suppliers towards policing the night time economy. Money raised would be split between the council and the police, who would receive at least 70%, and must be used for tackling alcohol related crime and disorder. In the priorities survey respondents were asked if they agreed that night time venues such as pubs and clubs should contribute more towards the cost of dealing with crime and anti-social behaviour in the night time economy. This question resulted in the highest level of overall agreement, with 91% of all respondents in favour of imposing the levy on licensed premises. As a direct result of this feedback, a motion has been agreed by the council to begin the process of statutory consultation required prior to Full Council deciding whether to bring in a Late Night Levy. This levy, should it be brought in, would be used to contribute towards the costs of keeping those using the night time economy safe. Consultation on the levy will be undertaken during 2014/15.
45. **Parking Charges** - Opposition to any further increases in parking charges as a source of revenue was an issue raised in both parts of the consultation. The Leader has confirmed his intention to freeze or reduce parking charges in Southampton for the next three years. A review will take place at the end of this period to see if any change is appropriate. A commitment has also been given to look into publishing an annual car parking account, which contains information on income and spending in relation to car parking.
46. **Mayor's car** - Several respondents to the budget proposals survey highlight concern with the renegotiation of the lease for the Mayor's car. We can confirm that the renegotiation has resulted in an agreement which will not cost the council any money. Southampton's local Jaguar dealership, HA Fox, has kindly loaned the Mayor of Southampton a Jaguar XF Luxury D (163) free of charge which this year will save the council £6,000 on transportation costs for the Mayor. The car is being sponsored by HA Fox for a period of 12 months (from 20 December 2013), after which the agreement will be reviewed.
47. **Fortnightly waste** collection - Another key suggestion for saving money from residents was to move to a fortnightly waste collection. The council is currently in receipt of a ring-fenced grant from the government to maintain weekly household waste collections until 2017. The Council will undertake a review to consider the frequency of household waste and recycling collection that should be in place from 2017.
48. **Working with the voluntary sector** - As a result of the discussion with the voluntary sector regarding the draft budget it has been agreed that there are three areas that we can work

together better on to help achieve better outcomes for the city in the long term. In relation to commissioning a longer lead in time for changes will be put in place by the Integrated Commissioning Unit (which is a joint unit with Southampton City Clinical Commissioning Group) which will follow the process of including the voluntary sector and other stakeholders in strategic reviews and this and only after this, will the procurement process start. As a result the voluntary sector is unlikely to have the kind of experience they had in the last round of budget cuts. In relation to procurement the council will work with Southampton Voluntary Service to improve the tendering processes for large contracts to enable the voluntary sector to work more closely with big contractors for elements of contracts. Given the voluntary sector are struggling to recruit people of the right calibre and experience and the council is making redundancies we will explore linking our redeployment and bumped redundancy processes with the wider public and voluntary sector.

49. **Improving on-line services** - Several respondents highlighted that there is scope to improve the way the Council communicates and interacts with residents electronically including increasing the number of services that can be accessed and transactions undertaken online. As part of the Council Transformation Programme a project is in place to improve the Council's website and increase transactions that can be undertaken electronically. However, it is acknowledged that not all residents have the skills or access to transact with the council on-line and we will be working with residents to better understand their needs and views in relation to 'channel shift' and ensure alternative processes for those who need them.
50. The consultation feedback also included information on the impact of some proposals that had not previously been identified. This information has been reflected in the Equality and Safety Impact Assessments and in the Cumulative Impact Assessment published with the council budget papers.

### **FEEDBACK ON THE CONSULTATION PROCESS**

51. In addition to feedback on the budget proposals themselves, comments were also received on the consultation documentation and process. Overall the feedback was welcoming of the approach but highlighted that there is still room for improvement.
52. The consultation process for the 2014/15 budget was more extensive than budget consultations carried out previously. The addition of the pre budget survey on priorities was welcomed by residents and feedback reflected a desire by residents to become more involved in council decision making.
53. There was also positive feedback on the additional supporting documentation published with the budget tables this year. The background presentation was welcomed and it was felt that it provided a comprehensive whilst easy to understand description of the issues faced. However, there was also criticism that further detailed information was needed on some of the proposals.
54. The budget survey generated more responses about the draft budget proposals and approach than have been received in the past. However, there were mixed views with some residents supporting the easy to understand presentation and others feeling there was not enough details or questions needed to be more specific. In most cases the detail requested was available in the supporting documentation but was not included in the survey itself. There were also requests for alternative proposals to be presented so that residents could choose between options.
55. There was also general support from partners that the process had been more inclusive with greater engagement and consultation with them prior to the publication of the draft budget.
56. The Council will consider these issues for next year's consultation process with a view to improving it.

**CONCLUSION**

57. The 2014/15 budget consultation exercise, and particularly the inclusion of the pre budget priorities consultation, generated significant interest compared to previous years.
58. Given the level of budget reductions and the difficulty of competing service priorities much of the feedback outlines potential impacts of proposals that the council was aware of. However, the consultation process and feedback has enabled the wider impacts of proposals to be identified, helpful suggestions to be put forward, and the level of feeling on specific proposals to be better understood.
59. The response to the consultation has been instrumental in enabling the Cabinet to better understand resident and stakeholder views on priorities and develop draft budget proposals in line with these, to consider the draft proposals with a view to mitigating impacts on the most vulnerable and consider saving proposals for the future.

**ANNEX 1 - FEEDBACK FROM SCRUTINY**

The Overview and Scrutiny Management Committee (OSMC) discussed the budget proposals at their meetings on 14 November 2013 and 12 December 2013. The December meeting focussed on the Health and Adult Social Care portfolio proposals and members of the Health Overview and Scrutiny Panel (HOSP) were invited to attend for this discussion.

The actions recommended by the OSMC at their November 2013 meeting, and the Executive's response are as follows:

- A. That the Cabinet consider supporting subsidising Council Tax Benefits for two additional years to delay the impact of the imposed 10% reduction on some of Southampton's residents.
- *Response from the Cabinet Member for Resources:*  
*As agreed at Council, consideration will be given to this recommendation when all the relevant information has been received from the Government. (Following the receipt of the provisional Government settlement this recommendation was rejected by the Executive as no transitional arrangements were to be continued in 2014/15 with funding from Central Government).*
- B. That the Cabinet give consideration to commencing the commissioning of additional services now so that the benefits can be realised in the short to medium term.
- *Response from the Cabinet Member for Resources:*  
*This is part of ongoing work on commissioning.*
- C. That the OSMC receives updates and reviews on the Transformation Programme at appropriate intervals.
- *Response from the Cabinet Member for Resources:*  
*Accepted – Updates will be provided on a quarterly basis, commencing January 2014.*

The actions recommended by the OSMC at their December 2013 meeting, and the Executive's response are as follows:

- A. That the Cabinet Member considers inviting members of the HOSP to the Integration for Transformation Workshop.
- *Response from the Cabinet Member for Health and Adult Social Care:*  
*HOSP members have been invited to the workshop on 17<sup>th</sup> January 2014.*

An additional outcome from the December 2013 meeting was a commitment from the Chair of the HOSP to scrutinise the impacts and outcomes of the Health and Adult Social Care portfolio budget proposals as part of the 2014/15 HOSP work programme.

**ANNEX 2: SUMMARY THE BUDGET PROPOSALS SURVEY**

| Question  | Key themes   | Alternative suggestions   |
|---|--|---|
| <p><b>What are your views on our overall approach to balancing the budget?</b><br/>                     Strongly agree = 11%, Agree = 51%, Neutral =27%, Disagree = 6%, Strongly disagree = 2%, Not sure = 3%</p> |  |   |
| <p><b>Why do you disagree with the overall approach to balancing the budget?</b></p>  | <ul style="list-style-type: none"> <li>• Several respondents are concerned about the reductions to environmental services and the museums and galleries education teams</li> <li>• Concern that continued staff cuts and the deletion of vacant posts are unsustainable</li> <li>• Concern that frontline staff are being affected more than managers</li> <li>• Concern that vulnerable adults are not being protected and should not face reductions</li> <li>• Dissatisfaction with increased parking charges which may have reduced income in the City</li> <li>• Disagreement with increasing income from residents</li> <li>• Not ground breaking. More salami slicing.</li> </ul> | <ul style="list-style-type: none"> <li>• The Council should (alone or with others) fight the reductions in council funding</li> <li>• Reduce the number of, and allowances for, councillors.</li> <li>• Reduce staff wages and staff and manager numbers.</li> </ul>  |
| <p><b>What are your views on our approach to Protecting People?</b><br/>                     Strongly agree = 8%, Agree = 48%, Neutral = 33%, Disagree= 6%, Strongly disagree = 2%, Not sure = 3%</p>             |  |   |
| <p><b>Why do you disagree with the proposals for protecting people?</b></p>   | <ul style="list-style-type: none"> <li>• The biggest area of concern highlighted was in relation to day care/centres</li> <li>• Concerns about retendering which could reduce the quality of services leading to increased costs and poor care in the long term</li> <li>• Why only protecting children’s safeguarding for 1 year rather than long term</li> <li>• Care/social services already over stretched</li> <li>• Cost of service redesign may outweigh any benefits</li> <li>• More detail on the proposals needed</li> <li>• Need investment in mental health services</li> <li>• Concern about money transferred from health</li> </ul>                                       | <ul style="list-style-type: none"> <li>• Need more focus on self/family reliance</li> <li>• Need more focus on early help and prevention</li> <li>• Parents to take more responsibility for their children</li> <li>• Social care need to be provided on a wider scale – i.e. jointly with the County and/or NHS</li> <li>• Need to manage expectations and ensure residents are realistic about what they are entitled to</li> </ul> |

| Question   | Key themes  | Alternative suggestions  |
|--|---|--|
| <b>Impacts</b>   | <ul style="list-style-type: none"> <li>• Concern day centre closure will increase loneliness, the costs to vulnerable[people (i.e. heating at home), reduce quality of life, and have a knock on effect to other services (i.e. NHS, residential care)</li> <li>• Concerns about increasing the burden on carers</li> <li>• Concerns about a reduction in the quality of care</li> <li>• People with mental health issues who have been affected by reductions in the past need protection</li> <li>• Impact on staff delivering the services who are already under strain</li> <li>• Concerns about 15 minute slots in domiciliary care</li> <li>• Contracted/outsourced staff need to be paid the living wage</li> <li>• Those who choose must have access to more 'traditional' models of care</li> </ul>  |  |
| <p><b>What are your views on our approach to Education, Skills and Jobs?</b><br/>           Strongly agree = 12%, Agree = 56%, Neutral = 24%, Disagree = 5%, Strongly disagree = 2%, Not sure = 1%</p>       |   |  |
| <b>Why do you disagree with the proposals for education skills and jobs?</b>   | <ul style="list-style-type: none"> <li>• Concern there is too much focus on support for young unemployed – nothing for older /long term unemployed people in an aging society</li> <li>• Lots of comments regarding apprenticeships in grounds maintenance and street cleansing – need to focus on high demand professions not low skilled occupations.</li> <li>• Concern about legal entry level position, not a priority, an area where jobs are being cut, needs to be open to older people, don't 'dumb down' the profession</li> <li>• Concerns regarding creation of seasonal gardener position. No chance of leading to full time work and will create benefits issues. Costs of training</li> <li>• Creating jobs in the council while also making people redundant</li> <li>• Concern that education is poor and needs investment</li> <li>• More focus on inward investment and job creation needed</li> </ul> | <ul style="list-style-type: none"> <li>• Use people on community service/payback for environmental jobs i.e. street cleaning</li> <li>• Need more radical approach to inward investment</li> <li>• Maximise potential for young people in the hospitality (cruise ships) and marine industries</li> <li>• Improve skills, training and staff numbers for funding applications</li> <li>• More support for adult education</li> <li>• Encourage entrepreneurship and provide more support for SMES/small businesses</li> <li>• More council apprenticeships for higher skilled jobs</li> <li>• Let empty council property as studio or small business space.</li> <li>• Force companies to let unoccupied property at 100 per month to enable small business to grow (Winchester/Brighton)</li> </ul> |
| <b>Impacts</b>   | <ul style="list-style-type: none"> <li>• Misuse of apprenticeships. Do not exploit young people – jobs need to be paid</li> <li>• Age discrimination towards older people</li> <li>• Impact on older, more expensive workers as a result of increased apprentices</li> <li>• Impact of reducing posts in ED in relation to city deal and attracting investment</li> </ul>   |  |
| <p><b>What are your views on our approach to saving money through efficiencies?</b><br/>           Strongly agree = 10%, Agree = 46%, Neutral = 29%, Disagree= 8%, Strongly disagree = 4%, Not sure = 3%</p> |   |  |
| <b>Why do you disagree</b>   | <ul style="list-style-type: none"> <li>• Because a post is vacant does not mean it is not needed</li> </ul>   | <ul style="list-style-type: none"> <li>• Move to fortnightly waste collections</li> </ul>  |

| Question  | Key themes  | Alternative suggestions   |
|---|---|---|
| <b>with our efficiency proposals?</b>   | <ul style="list-style-type: none"> <li>Concerns about the impact of changes to environmental health and bereavement services</li> <li>Opposition to post deletion at a time when people are already struggling</li> <li>Concerns about increased fly tipping and pest issues</li> <li>HRA needs to be used for housing</li> <li>More details required – what are the 22 vacant posts? What level?</li> <li>Why haven't these efficiencies been made previously?</li> <li>Cheapest is not always the best value for money</li> <li>Lot of comments that the same level of service cannot be provided for less</li> <li>Concern the frontline is being targeted</li> <li>Need to have a process to measure effects of efficiencies to ensure service levels are maintained</li> <li>Need to keep staff more informed via corporate emails about what is happening</li> <li>Concern about the effects of bereavement service changes</li> </ul>  | <ul style="list-style-type: none"> <li>Need to encourage behaviour change in relation to littering/enviro crime etc</li> <li>Save energy on council offices and residential properties i.e. solar panels/insulation</li> <li>Develop a volunteer programme to help people back into work and maintain services</li> <li>The internal recharging system is inefficient</li> <li>Privatise pest and kennel services</li> <li>Need to explore more shared services – Hampshire Council, Fire and Rescue and Constabulary</li> <li>New ways of working need to be shared across the council</li> <li>Modernise procurement to make it easier to bid for contracts</li> <li>Reduce inefficiency in on-line reporting systems</li> <li>Ask staff about efficiencies. I.e. staff having to pay for and claim back the cost of parking in council owned car parks when they could have a pass reducing time spent on admin.</li> <li>Use voluntary services for Substance Misuse</li> </ul> |
| <b>Impacts</b>  | <ul style="list-style-type: none"> <li>Lots of comments (both from staff and non staff) on the effects on remaining staff – stress, morale, quality and safety of services, increase costs from staff illness. More likelihood of errors being made.</li> <li>More difficult for the public to contact council staff</li> <li>Increasing unemployment in the city and demand for services</li> <li>Reduction in substance misuse services could increase in crime and pressure on NHS/ social care, impact on vulnerable children lead to higher costs. Particular concern for those who also have mental health issues.</li> <li>Rise in fraud, consumer cases and maladministration claims against the council</li> <li>Safety impacts in reducing enforcement – i.e. blocked roads and pavements (disabled, elderly, parents with prams) from fly tipping and increased vermin.</li> <li>Good staff will leave the council as a result of less promotion opportunities.</li> <li>Managers having to do own admin as a result of less staff. False economy</li> </ul> |   |
| <p><b>What are your views on the proposed income increases?</b><br/>           Strongly agree = 10%, Agree = 45%, Neutral = 28%, Disagree= 11%, Strongly disagree = 3%, Not sure = 3%</p> |   |   |
| <b>Why do you disagree</b>  | <ul style="list-style-type: none"> <li>The majority of comments in this section relate to either bulky waste collection or museums and galleries education service</li> </ul>   | <ul style="list-style-type: none"> <li>Attract income via tourists – i.e. cruise ships</li> <li>Negotiate a city wide insurance policy for groups to</li> </ul>   |

| Question   | Key themes  | Alternative suggestions   |
|--|---|---|
| <p><b>with the proposals for increasing income?</b></p>  | <ul style="list-style-type: none"> <li>• Many residents cannot afford to pay more for services</li> <li>• More details required</li> <li>• Charges should be means tested</li> <li>• Should not charge for educational services</li> <li>• Target benefit fraud</li> </ul>  | <ul style="list-style-type: none"> <li>• encourage volunteers and generate some income</li> <li>• Charges should be more flexible for small business to encourage investment</li> <li>• Offer a repairs service to non council tenants or offer tenants a chargeable service for non essential jobs.</li> <li>• Better signage to museums and galleries needed.</li> <li>• Increase bottle banks rather than collecting glass</li> </ul>  |
| <p><b>Impact?</b></p>  | <ul style="list-style-type: none"> <li>• Charging for museums and galleries education:               <ul style="list-style-type: none"> <li>○ will only allow access to those who can afford it</li> <li>○ schools will no longer use the education service</li> <li>○ demand will disappear completely</li> <li>○ affect those on low incomes</li> <li>○ even less culture in the city</li> <li>○ fewer people visiting the city</li> <li>○ children with learning disabilities affected</li> <li>○ impact on the blind who have no alternatives – i.e. touch tours</li> </ul> </li> <li>• Fly tipping, fires and safety issues as a result of bulky waste charges</li> <li>• Partners may purchase services elsewhere/op out</li> <li>• Charging more to partners may affect costs to residents, service levels and employment</li> <li>• Less people accessing services will be counter productive</li> <li>• People will access services in neighbouring authorities</li> </ul> |   |
| <p><b>What are your views on the proposed service reductions?</b><br/>           Strongly agree = 4%, Agree = 21%, Neutral = 25%, Disagree = 28%, Strongly disagree = 20%, Not sure = 2%</p> |   |   |
| <p><b>Why do you disagree with the proposals for service reductions?</b></p>   | <ul style="list-style-type: none"> <li>• Most highlighted areas of concern               <ul style="list-style-type: none"> <li>○ City Link bus</li> <li>○ Street lighting</li> <li>○ Enforcement</li> <li>○ Community safety</li> <li>○ Environmental health</li> <li>○ Trading standards</li> </ul> </li> <li>• General opposition to any service reductions</li> <li>• Public safety and security is considered very important. Need more enforcement and community safety not less</li> <li>• City patrol considered a visible deterrent to anti social behaviour particularly in council estates</li> </ul>  | <ul style="list-style-type: none"> <li>• Use volunteers and work with communities to replace service being reduced (several offers)</li> <li>• Archives should be scanned and made available on line. Use volunteers to this or partnership with organisations such as 'ancestry'. Hold paid workshops at the archives on palaeography</li> <li>• Work with the cruise liners to promote the museums in the city – e.g. establish history tours</li> <li>• Introduce a small charge for the city link bus or seek or increase subsidies from other businesses (Red Funnel, West Quay)</li> <li>• Close office at Wyndham court</li> </ul> |

| Question              | Key themes   | Alternative suggestions   |
|-----------------------|--|---|
|                       | <ul style="list-style-type: none"> <li>• City link is a popular and well used service, encourages people from out of the city to visit and spend money, supports green transport and has a good reputation.</li> <li>• Archives and community development have already been reduced</li> <li>• Community Development supports people to take responsibility and ownership for their areas</li> <li>• Reducing cultural service when trying to become a city of culture, developing the cultural quarter and invest in culture elsewhere (sea city etc).</li> <li>• Some concern about reducing both community and day centres</li> <li>• Concerns about the time of street light dimming.</li> <li>• Need to maintain a preventative approach – i.e. trading standards</li> </ul>  | <ul style="list-style-type: none"> <li>• Reduce traffic lights at night</li> <li>• Dim lighting in council buildings</li> <li>• Improve advertising of cultural events. Advertise the city in other Hampshire areas</li> <li>• Increase cycle lanes</li> <li>• Collaborate with others on registrars service</li> <li>• Re open the coffee shop in the art gallery to attract more people</li> <li>• Pool all admin staff in a central office</li> <li>• Increase/enforce penalties to make services self sustaining</li> <li>• Community development should be run by the community not the council</li> <li>• Provide training for other frontline staff in Council Development</li> <li>• Fit movement sensors to street lights</li> </ul> |
| <p><b>Impacts</b></p> | <ul style="list-style-type: none"> <li>• Concerns that taken together (community safety, enforcement, trading standards, environmental health, street lighting) many of these proposals will impact on the safety and cleanliness of the City. Could create public health issues and also decrease the attractiveness of the city and reduce inward investment and tourism</li> <li>• Could lead to increased costs and pressure elsewhere – i.e. police and health</li> <li>• Increased fear of crime especially for the elderly and vulnerable</li> <li>• Greater impact on more deprived areas of the city including a disproportionate effect of city patrol removal on council estates</li> <li>• Increased risk from reduction in trading standards of dangerous and counter fit goods given that we are a port city</li> <li>• City Link Bus               <ul style="list-style-type: none"> <li>○ removal could lead to increased traffic and environmental pollution,</li> <li>○ impact on commuters who already pay high prices,</li> <li>○ elderly and disabled use the bus particularly to get up the hill from the train station,</li> <li>○ will put more pressure on cyclists as a results of increased traffic,</li> <li>○ provides integrated travel for the less able bodied.</li> <li>○ encourages people from outside the area to visit and spend money</li> <li>○ removal will isolate the town quay area and shops at that end of town.</li> </ul> </li> <li>• Impacts on vulnerable people from community development and centres. Increase isolation and loneliness.</li> <li>• Removal of community services could undermine community cohesion</li> <li>• More trips and falls as a result of street light dimming given the poor condition of roads and pavements (walkers and cyclists). Increase in traffic accidents. Could increase costs</li> </ul> |   |

| Question   | Key themes   | Alternative suggestions  |
|--|--|--|
|  | <ul style="list-style-type: none"> <li>• Reductions in staff lead to increased reliance on the internet which elderly are less able to cope with.</li> <li>• Reducing hours at Tudor House and the Archives will reduce the number of users and the ability of people who work use these facilities.</li> <li>• Increased pressure on remaining staff in the council. Less responsive services</li> </ul>  |  |
| <p><b>What are your views on the proposed changes to the way the organisation works?</b><br/>           Strongly agree = 15%, Agree = 48%, Neutral = 26%, Disagree = 6%, Strongly disagree = 3%, Not sure = 2%</p> |  |  |
| <p><b>Why do you disagree with internal savings proposals?</b></p>   | <ul style="list-style-type: none"> <li>• The most opposition centred on the renegotiation of the Mayors Car lease. It was felt that he should either use a bike, bus, taxi, city patrols electric vehicle, walk or his own car. This was felt to be a luxury</li> <li>• Concern about reduction in opening hours and out of hours services in relation to access to the council for those that are in employment and in eth context of living more in a 24 hour culture.</li> <li>• Lots of concern about reductions to building maintenance costing more in the long run, causing accidents, false economy</li> <li>• Concern that restructures are expensive and do not achieve savings</li> <li>• Need to protect communication</li> <li>• Use empty council buildings for income rather than sell them.</li> </ul> | <ul style="list-style-type: none"> <li>• Reduce the CE pay</li> <li>• Share a CE with a neighbouring authority</li> <li>• Reduce staff pay</li> <li>• Reduce the number of councillors</li> <li>• Reduce councillor pay/allowances</li> <li>• Reduce frequency of elections</li> <li>• Reduce the number of mangers as the no of services/responsibilities reduce</li> <li>• Reduce charging and charging staff for council service whilst doing their jobs – i.e. parking and bridge tolls</li> <li>• Stop overtime except in exceptional circumstances. Reduce agency spend.</li> <li>• Improve internet access to services</li> </ul> |
| <p><b>Impact</b></p>   | <ul style="list-style-type: none"> <li>• Reduction in the maintenance budget will leader to poor quality buildings and greater costs in the future</li> <li>• Reduction communications could lead to less well informed residents</li> <li>• Restructures disrupt staff and reduce service quality</li> <li>• Reduced opening hours could led to lack of access to the council for working people and communities</li> <li>• Reduction in council buildings may mean vulnerable people having to travel further to access services</li> <li>• Reduce response time to queries</li> </ul>   |  |
| <p><b>Any further comments on the approach or suggestions for balancing the budget?</b></p>  | <ul style="list-style-type: none"> <li>• The council has a very difficult task. Good luck!</li> <li>• General opposition to the increased parking charges</li> <li>• Celebrate success more</li> <li>• Need to be more innovative/radical. Take the difficult decisions</li> <li>• Continue to protect the vulnerable</li> <li>• Don't cut libraries</li> <li>• Ensure all the relevant departments are involved in service reduction decisions. Decision are being made which are</li> </ul>  | <ul style="list-style-type: none"> <li>• Reduce staff salaries, numbers and managers</li> <li>• Reduce councillor allowances, numbers and election frequency</li> <li>• Improve and simplify recycling. Fortnightly bin collections</li> <li>• All non essential spending should be stopped</li> <li>• Maximise tourism income including cruise ships</li> <li>• Open source some or all of the budget in future so residents can input more</li> </ul>  |

| Question | Key themes   | Alternative suggestions   |
|----------|--|---|
|          | <p>impacting elsewhere in terms of costs/workability</p> <ul style="list-style-type: none"> <li>• Ensure strategies are not conflicting – selling off artwork and reducing museum opening hours while bidding to be city of culture and developing the cultural quarter</li> <li>• Please protect the good things. Make the most of what we have.</li> <li>• Don't just focus on cutting 'nice to have' and 'feel good' services. These are important too.</li> <li>• Preventative services reduce costs in the longer term.</li> <li>• Need to better inform residents</li> <li>• Establish a clean street award</li> <li>• Do not replace goods and property that does not need replacing – i.e. benches, fences, road signs, paths</li> <li>• Mixed response to the approach – easier to understand, welcomed the engagement, but more detail needed in place</li> <li>• Too many proposals grouped together – what are the alternatives?</li> <li>• Willingness to be involved but concern just a paper exercise – feedback won't be listened to.</li> </ul> | <ul style="list-style-type: none"> <li>• Increase strictness of council sickness policy</li> <li>• Seek and listen to staff ideas for money saving activity. Reward ideas that are used</li> <li>• More partnership working</li> <li>• Better use of the community, voluntary and faith sectors</li> <li>• Use the community as 'consultants'</li> <li>• Seek more income/support from ABP</li> <li>• Make better use of vacant space</li> <li>• Review workflows. Use lean approach</li> <li>• Increase geothermal energy production</li> <li>• Reduce internal bureaucracy</li> <li>• Empower residents to run community services</li> <li>• Seek more external and EU funding</li> <li>• Look for efficiencies in ring fenced budgets</li> <li>• Offer hedge cutting service to households. Sell bedding plants and shrubs from the cities nurseries.</li> <li>• Enforce fines for illegal activity parking/use of bus lanes/littering/ etc</li> <li>• Invest in IT. Improve on line services</li> </ul> |

**ANNEX 3: SUMMARY OF COMMENTS FROM AREA BASED MEETINGS**

**West consultation meeting – 18<sup>th</sup> November, Shirley Baptist Church**

**ATTENDEES:**

Cllr Letts (Leader); Cllr Barnes-Andrews; Cllr Payne; Cllr Shields  
Shirley Quitters; Warren Close Residents Association; Redbridge Residents Association;  
Southampton Club for the Blind; Polish Catholic Mission

**PRIORITIES**

- Protect grants related to older and vulnerable people
- Road and highways improvements
- Community support and involvement crucial

**ISSUES RAISED ON BUDGET PROPOSALS**

- Increasing apprentices important
- Supported the overall budget approach

**SAVINGS & IMPROVEMENTS PROPOSED**

- Review councillor numbers
- Engage communities on changes to voluntary sector grants.
- Increase community group engagement in community payback programme.

**East consultation meeting – 19<sup>th</sup> November, Weston Court**

**ATTENDEES:**

Cllr Letts (Leader); Cllr Barnes-Andrews; Cllr Payne  
Western Lighthouse Project; Communicare in Southampton; Cllr Hammond;

**PRIORITIES**

- Community support and solutions
- Tackling youth unemployment
- Rebuild community relationships
- Ensuring a safe environment

**ISSUES RAISED ON BUDGET PROPOSALS** City Deal supported

- Meeting shortfall from reserves supported
- Protection of day care supported although should ensure flexibility and accountability in approach

**SAVINGS & IMPROVEMENTS PROPOSED**

- Consider how to improve networks between the community and council services as part of the community development review

**Central consultation meeting – 26<sup>th</sup> November, Mount Pleasant School**

**ATTENDEES:**

Cllr Letts (Leader); Cllr Barnes-Andrews;  
Afghani Association; Age Uk; Clear; Herbert Collins Residents Association; St Mary's Residents Association; Newtown Residents Association; Southampton Mencap; Southampton Children's Play Assoc; Sonus; Stepacross;

**PRIORITIES**

- Community support is vital to groups
- Roads and highways
- Day services crucial to reduce social isolation
- Expand on participatory budgeting approach
- Be less risk averse
- Need a strategy to empower and work more effectively with third sector
- Training and support for young people and their parents
- Prevention and early intervention crucial

**ISSUES RAISED ON BUDGET PROPOSALS**

- Community support should be protected and increased
- Community groups should be consulted on what support they want/value

**SAVINGS & IMPROVEMENTS PROPOSED**

- Engage communities and voluntary sector in solutions and issues that affect them
- Improve voluntary sector access to bid for contracts
- Improve website to provide more user-friendly and simpler information
- Use community buildings as flexible working spaces

**City-wide meeting – 30<sup>th</sup> November, Civic Centre, Civic Centre**

**ATTENDEES:**

Cllr Barnes-Andrews; Cllr Matt Tucker; Cllr Kaur  
East Bassett Residents Association; Residents Action; Southampton Voluntary Services;  
West Itchen Community Trust' Community Organiser; Friends of Weston Shore;  
Neighbourhood Watch; Southampton Women's Aid; Cllr Turner;

**PRIORITIES**

- Jobs and skills, especially training for young people
- Early intervention and protecting children and vulnerable adults
- Community support must be maintained
- Balance between meeting needs and early intervention
- Support to front line services essential
- Use voluntary sector and communities in future solutions

**ISSUES RAISED ON BUDGET PROPOSALS**

- Concerns raised on the impact that reduction of city patrol on fly-tipping. Already a problem in some areas
- Difficult to say what the impact of years of public sector cuts will be– the cumulative affect on the community will be felt and at that point the community will respond
- Support keeping people in their home through reablement as long as possible

**SAVINGS & IMPROVEMENTS PROPOSED**

- City Link Bus subsidy – ensure West Quay involvement in they way forward
- Ensure that Commissioning supports smaller, simpler procurement packages enable voluntary sector solutions

**ANNEX 4: SUMMARY OF CORRESPONDENCE**

**Summary of correspondence received regarding the draft budget**

1. This annex provides a summary of the letters and comments received in relation to the budget proposals. Approximately 25 pieces of correspondence were received from partners, including Southern Health NHS Trust, Southampton City Clinical Commissioning Group, Solent Health NHS Trust and the Hampshire Constabulary and residents. The key themes are summarised below.

**Hampshire Constabulary**

2. The response from the police to the budget proposals made the following key points:
  - The importance of working together to ensure statutory requirements are met and the most vulnerable are protected
  - Require more detail on the noise service reductions. There may be scope to undertake more joint work on this issue. The importance of an out of hours service on the weekend.
  - The police work closely with trading standards who provide a values resource. Reduction in assets will have an impact on service delivery and joint initiatives.
  - Support the decisions around street lighting which will have little impact, with the provision that lighting is increased if crime /ASB increases. Maintaining lighting in the night time economy is essential.
  - The disbanding of City Patrol will have a limited impact.
  - Emergency planning is a statutory responsibility. Concern reduction in funding will impact on provision.
  - The biggest area of concern is around reductions to the community safety team. If the ability to provide advice is reduced it will affect both strategic and tactical delivery.

**NHS**

3. In addition to discussion held with NHS partners regarding the budget, written responses were received from Southampton City Clinical Commissioning Group, Southern Health, and Solent NHS Trusts. The key points raised were:
  - The creative approach to ensuring wide consultation and the attempt to gain wide involvement of residents, staff and partners in the prioritisation and decision making process was acknowledged.

**Children's services**

- There is an unresolved matter relating to funding to commission health visitors and school nursing which will need agreement between the CCG, SCC and Solent.
- The CCG support the need to protect areas with a focus on early help and support to keep vulnerable children safe.
- Improving safeguarding arrangements is supported as a high priority (by the CCG) and clinicians wish to emphasise the importance of improving communication efficiency.
- The CCG raised concerns in relation to any changes within Children's Services Transformation and the refocusing of investment within Public health (H&ASC11).

**Adult Health and Social Care**

- Solent and have concerns about the impacts of staff reductions on independence of those in care and potential hospital admissions.
- Solent and the CCG support the vision to put reablement at the centre of care.
- Solent health support the stated goals of H&ASC 1 and 2 and wish to remain closely engaged in developing these plans.
- Solent Health support the work on more integrated commissioning of Adult Health and Social Care and savings from more productive working.
- Southern Health have concerns about H&ASC9 if the reduction in funding relates to out of area placements, as this may also impact on the health service if more patients could return to the city
- Southern health also have concerns about the impact if care packages are reduced as this could lead to an increase in referrals. However it is acknowledged that this is difficult to predict.
- Southern Health does not foresee any significant impacts from changes to Adult Mental Health or Learning Disabilities services.
- The CCG whilst supportive of the approach to move clients with a Learning Disability (LD) back into the city (H&ASC 6) feel there needs to be recognition of the potential impact on other organisations, such as specialist LD health providers.

**Public Health**

- Solent Health urgently need to understand the review of money transferred between SCC and public health
- Solent Health support the plans for school nurses
- The CCG support a review of sexual health provision but ask the council to consider the need to continue the approaches that have contributed to a reduction in teenage pregnancies.

**Other**

4. The CCG raised the Better Care Fund work, which is being led by the Health and Wellbeing Board, has a key focus on developing community assets and working with the voluntary sector. They suggested it would be beneficial if the review of community development activities across the council (COMM 1) could be undertaken with other partners to look at alternative ways of building capacity and help develop the power of strong inclusive communities who can become part of the solution.
5. The majority of the remaining responses concerned either the museums and galleries education team or the archives. The comments were consistent with responses to the survey and the key points included:

**Museums and galleries education team**

- Impacts on schools access to the museums and art gallery
- Impacts on services on offer for people with visual impairments and learning disabilities

**Archives**

- Small amount of money for the potential impacts

- Service was reduced last year
- Loss of staff expertise
- Concern that the reduction of service will make it difficult for research activity to take place.
- Suggestions to explore a joint service with Hampshire Council
- The National Archives expressed a willingness to work with the council on the sustainability of the service and stated that within the next 4 years an accreditation scheme for archives will be introduced.

6. Another key issue was the City Link bus. Again the comments echoed those in the survey responses but also included reference to the Hythe ferry.

### **City Link Bus**

- None of the alternative bus services go to the pier so it is difficult for those travelling with luggage
- Will impact on commuters
- Lack of a joined up service will be people will spend money elsewhere
- Will make it difficult for the Hythe ferry to survive

7. Other issues raised relate to:

### **Street lighting**

- These reductions are a good decision as there are potential environmental benefits

### **Health and safety**

- The HSE recommends that SCC use the LA National Enforcement Code to ensure that services are provided in line with the statutory responsibilities

### **Trading standards**

- The Office of Fair Trading has commented on the budget proposal stating their continued support for the local Trading Standards team, but asking that the long term implications of a reductions are considered

### **Waste**

- Southampton is lagging behind other authorities (no tetra pak recycling)
- Opposition to charging for green waste is creating more fly tipping / inappropriate use of green bins

### **General comments**

- The importance of supporting the art and design sectors
- Comments regarding national policies that the council does not have control over

**ANNEX 5: TEMPLATE FOR LETTERS TO PARTNERS**

Southampton City Council  
Civic Centre  
Southampton, SO14 7LY



Direct dial: 023 8083  
Email:  
Please ask for:

Fax: 023 8083 3232  
Our ref:

Date:

Dear

I am writing to you as a key partner of Southampton City Council. Southampton City Council's Cabinet published their draft budget for next year (financial year 2014/15) on 11 November 2013 for consultation until 10 January 2014. 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 our employees, before we agree our final budget in February 2014.

Like most public sector organisations, we face unprecedented financial challenges. In our case, the council's funding from central Government, which is one of our main sources of funding, has been significantly reduced in recent years, and will be significantly reduced again for next year (2014/15) and for the foreseeable future. One other major source of funding is council tax but the maximum increase which the Council is able to propose by law (without the need for a referendum) is 2%, and so the ability to raise additional income from Council Tax is limited. This leaves us with a major shortfall adding to the pressures of increasing demand for some core services and rising costs. Based on the current position, we predict that demand for services will continue to grow and funding available continue to reduce. This will lead to an increasing funding gap in the coming years.

In this context we need to transform the way we deliver services and make difficult decisions about the services we continue to provide. We are working hard to change the way that we deliver services to become more customer focused, efficient and business-like. An example of this is the establishment earlier this year of the People Directorate. The People directorate will provide the foundation for delivering more customer focused, better value people services in the city, by creating closer working between Adult Services, Children's Services, Housing Services and Public Health.

As many of the people who use our services are also clients of your services, we are keen to continue to work closely with you to develop and deliver new ways of delivering services that

would reduce costs for both organisations and in some cases, improve outcomes for our service users. However, we know that transformational change takes time to deliver.

In the meanwhile we have to agree a balanced budget in February 2014 (for 2014/15) and consider how to make significant reductions of around £60 million in budgets we can influence over the next three years. For next year alone we need to find savings of £20 million. This is in addition to the £57 million saved since 2010.

Before making any proposals for service reductions, we have made efforts to identify ways of generating more income and making more efficiencies. We have also consulted with residents, staff and partners about their priorities. However, we simply cannot afford to do everything that we currently do and therefore will have to make some service reductions. As these may impact on your work and plans, we want to ensure you are fully aware of what we propose.

Details of our proposed budget can be accessed at [www.southampton.gov.uk](http://www.southampton.gov.uk). We would like to work with you to develop a city-wide approach to delivering public services. We must work smarter with you and we will be expecting suppliers and contractors to play their part too. However, unless alternative solutions can be found it is the Cabinet's intention to submit these proposals to Full Council for implementation next year.

[You may be particularly interested in the following specific proposals:.....]

We want to understand your views on our proposals and get your feedback on how the budget proposals may affect your organisation and its members and any actions we can take with our partners to reduce the impact. We would be grateful for your feedback either by email or if you would like to meet, please contact ....

Yours sincerely

**ANNEX 6: TEMPLATE FOR LETTERS TO ORGANISATIONS WHO MAY BE IMPACTED IN SPECIFIC WAYS**



Southampton City Council  
Civic Centre  
Southampton, SO14 7LY

Direct dial: 023 8083

Fax: 023 8083 3232

Email:

Our ref:

Please ask for:

Date:

Dear

I am writing to you regarding [your contract with/support from] the council.

The Cabinet published their draft budget proposals on 11 November 2013. It is important to note that at this stage they are proposals, not decisions. These proposals may be subject to changes when the final decisions are made at the annual budget setting meeting of the council on 12 February 2014. However, unless alternative solutions can be found, it is the Cabinet's intention to submit these proposals for agreement by council.

Like most public sector organisations, we face unprecedented financial challenges. In our case, the council's funding from central Government, which is one of our main sources of funding, has been significantly reduced in recent years, and will be significantly reduced again for next year (2014/15) and for the the foreseeable future. This leaves us with a major shortfall adding to the pressures of increasing demand for some core services and rising costs. Based on the current position, we predict that demand for services will continue to grow and funding available continue to reduce. This will lead to an increasing funding gap in the coming years.

In the meanwhile we have to agree a balanced budget in February 2014 and consider how to make significant reductions of around £60 million in budgets we can influence over the next three years. For next year alone we need to find savings of £20 million This is in addition to the £57 million saved since 2010.

This means that choices will be limited, but it does not reduce the council's commitment to engage and consult before, during and after decisions are made. We have consulted with residents, staff and partners about their priorities and the valuable feedback received has helped shape the budget proposals.

The draft budget includes a proposal/s to [add]. Full details of our proposed budget are be available on the council's website at [www.southampton.gov.uk](http://www.southampton.gov.uk).

We want to understand your views on our proposals and get your feedback on how the budget proposals may affect your organisation and its members and any actions we can take with our

partners to reduce the impact. We would be grateful for your feedback either by email or if you would like to meet, please contact ....

Should you wish to make any specific enquiries or to address Councillors in person at a Council or Cabinet meeting, please email [democratic.services@southampton.gov.uk](mailto:democratic.services@southampton.gov.uk).

Please bear in mind that our budget consultation has now started and that the final decision on our 2014/15 budget will be made by Full Council on 12 February 2014. We will consider each and every representation up to and including 10 January 2014. However, you may wish to make representations earlier in the process.

If you would like this or future correspondence sent to you in Braille, Large Print, on Tape or translated into another language please contact the number at the top of the page.

Yours sincerely

**ANNEX 7: LIST OF PARTNER ORGANISATIONS CONTACTED DIRECTLY**

**Partners Directly Connected Regarding the Budget Proposals**

- Solent Local Enterprise Partnership
- Partnership for Urban South Hampshire
- Southampton Connect
- Safe City Partnership
- Health and Wellbeing Board
- Business South
- Hampshire Chamber of Commerce
- Hampshire Constabulary
- Hampshire Fire & Rescue Service
- Hampshire Probation Trust
- Southampton Solent University  
University of Southampton
- Jobcentre Plus
- Southampton City Clinical  
Commissioning Group
- Skills Funding Agency
- Southern Health NHS Foundation  
Trust
- Solent NHS Trust
- Southampton University Hospitals  
NHS Trust
- Southampton Voluntary Services
- City College
- Itchen Sixth Form College
- Richard Taunton's Sixth Form  
College
- City Schools
- Safe City Partnership
- Transport for South Hampshire
- Housing Associations
- Road Safety Partnership
- Business in the Community
- Children's Trust
- Local Safeguarding Children's Board
- Southampton Care Association
- Age Concern
- Southern Market Traders  
management consultations limited
- Go South Coast
- Red Funnel
- First Hampshire &  
Dorset
- Black Velvet Travel
- Sustrans
- South West Trains

**ANNEX 8: DETAILS OF STAFF CONSULTATION**

1. The council takes its obligations under section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992 to provide our employees and their union representatives with information on budget proposals very seriously. In order for the council to meet its obligations as a good employer and also in order to start the process of discharging its obligations under s.188 of the Trade Union and Labour Relations (Consolidation) Act 1992, a detailed staff and union consultation document launched the statutory consultation process for the budget proposals published 11<sup>th</sup> November 2013, for implementation in April 2014.
2. 22 individual consultation documents with an overarching s188 cover notice included a range of information relating to the budget proposals with implications for employees. Detailed guidance on consultation was issued to managers and updated regularly. It is important to the council, that all employees and union representatives take the opportunity available in a minimum 45 days consultation period to discuss the proposals, including offering a wide range of alternative options to achieve the same budgetary reduction.
3. The council also takes its responsibilities under the Equality Act 2010 very seriously and therefore employees were advised to speak to their manager, HR Pay or their trade union representative at the earliest opportunity if they consider themselves disabled under the Act and required any reasonable adjustments to the consultation and/or the selection process
4. Employees and union representatives were made aware that during the consultation period further information would be given or updated. This reflected the fact that, by the very nature of consultation, not all of the proposals will be fully formed at the point of consultation and it is important that every opportunity is given to contributing to shaping the final proposals.
5. Views and comments from affected employees and trade union representatives were invited throughout the consultation process through a series of team and individual meetings.
6. A detailed consultation timeline was included in all consultation documents –

| <b>Indicative date</b>         | <b>Activity</b>  | <b>Responsibility</b>                        |
|--------------------------------|--|--|
| 11 <sup>th</sup> November 2013 | Collective consultation commences with trade union representatives   | Corporate consultation team and trade unions |
| 11 <sup>th</sup> November 2013 | Collective consultation commences with employees affected by proposals   | Directors and Senior Managers                |
|                                | Individual and service specific consultation meetings begin exploring:<br><br>voluntary solutions<br>restructure proposals<br>selection methods<br>selection criteria<br>All meetings to have a written record | Directors and Senior Managers                |

| <b>Indicative date</b>         | <b>Activity</b>  | <b>Responsibility</b>                        |
|--------------------------------|--|--|
|                                | Employees within specific services or functions that are proposed for deletion identified as 'at risk' and placed on the redeployment register   | Directors and Senior Managers                |
| 18 <sup>th</sup> November 2013 | Collective consultation meeting  | Corporate consultation team and trade unions |
| 17 <sup>th</sup> December 2013 | Collective consultation meeting  | Corporate consultation team and trade unions |
| 10 <sup>th</sup> January 2014  | End of statutory 45 day minimum consultation   |  |
| 20 <sup>th</sup> January 2014  | Collective consultation meeting  | Corporate consultation team and trade unions |
| 4 <sup>th</sup> February 2014  | Cabinet meet to recommend final budget proposals   | Executive                                    |
| 12 <sup>th</sup> February 2014 | Annual budget set at Full Council and decisions communicated to workforce  | Full Council                                 |
|                                | Selection process commences where a reduction in post arises from a restructure or reduction in a 'pool' of similar posts. Employees are selected for redundancy will be placed on the Redeployment register for a period of 4 months. | Directors and Senior Managers                |
|                                | Dismissal meetings. Employees given 4 months notice for CR (in line with period on redeployment register) and contractual notice for VR.   | Directors and Senior Managers                |

7. Meetings with unions have occurred at a council-wide level with Trade Union representatives and at a directorate and service-level with affected staff during a 45 day consultation period.

**Environment and Economy (Place) Consultation**

8. The majority of consultations within the Directorate have been concluded according to schedule and without any issues. However there are a small number where the consultations have been extended for a short period to allow consideration of further proposals where these have changed. These are within the Leisure and Culture, and Regulatory Services Divisions. The detail is:

9. Tudor House – a reduction of opening hours. This has resulted in a new staff rota where staff working hours may be reduced. Consultation is still ongoing as to a rota that will suit the needs of most staff and minimise the impact of loss of pay. The unions on this basis object to the reduction of opening hours at Tudor House and have raised this as part of the public consultation.
10. Out of Hours in Regulatory Services – as a result of feedback an alternative scheme has been proposed which staff are being consulted on.
11. Kennels – a proposal to delete a vacant Kennel Assistant post. Another idea has emerged during the consultation which could save the division more money through an VR application and the deletion of another post which is currently being considered.
12. Education Team, Arts and Heritage – a counter proposal to reduce spend on freelancers and supplies as an alternative to making redundancies has been accepted.
13. Environmental Health – applications for VR may result in further savings than those already proposed. These are currently being considered by the Head of Service and Director.

**People Consultation**

14. Budget related employee consultations have concluded with no issues or changes proposed.

**Corporate Services Consultation**

15. Finance: The consultation has concluded with no further changes to the original proposals.
16. Legal & Democratic Services: The consultation has concluded with no further changes to the original proposals.
17. Civic Buildings: A proposal was received during the consultation process for an alternative way to meet the proposed reduction in the overtime budget for the Town Sergeants. There was no change to the overall saving of £40,000, but instead of the saving being achieved through a reduction in the overtime budget it was suggested that a vacant Town Sergeant post (cost £21,000) be deleted with the overtime budget reduced by £19,000. The amendment was accepted with no other changes to the budget savings proposed in this area.
18. Property & Procurements: The consultation has concluded with no further changes to the original proposals

**ANNEX 9: BUDGET QUESTIONNAIRE**



**Consultation on draft budget 2014-2015**

**PART 2**

In the first part of the budget consultation we asked you about your priorities. The feedback you gave helped us shape the draft budget proposals. This survey is your opportunity to give your views on the budget proposals, suggest other areas for savings and tell us about the impact you think these proposals may have on the city.

This budget consultation survey contains a summary of the proposals in the draft budget, we would encourage you to look at the more detailed information available at [www.southampton.gov.uk/budget14-15](http://www.southampton.gov.uk/budget14-15) or at a library/housing office before you complete the survey. This will help you fully understand the budget proposals before giving your views.

**Please take a few moments to give us some feedback on the budget proposals**

You can also fill this survey in online at [www.southampton.gov.uk/budget14-15](http://www.southampton.gov.uk/budget14-15)

**Our approach to balancing the budget**

The budget proposals have been developed to ensure that we are:

- Protecting frontline services, priority areas and vulnerable people
- Increasing our income and attracting investment priority where possible
- Being as efficient as possible
- Focusing service reductions on services which are lower
- Deleting vacancies and protecting jobs
- Transforming the way we work to provide better outcomes and services at lower cost

**Strongly agree   Agree   Neutral   Disagree\*   Strongly\* disagree   Not sure**

What are your views on our overall approach to the balancing budget?

\*If you disagree or strongly disagree with the proposals please tell us why or tell us if you have any alternative suggestions?

**What were residents' top priorities?**

The priorities consultation that we recently conducted identified that there were two clear priorities for residents - Protecting People and Education, Skills and Jobs. Below we outline what we propose in these two priority areas.

**Proposals for Protecting People**

Within the Protecting People priority keeping vulnerable children safe and helping adults remain independent for longer were considered the most important services.

We are prioritising Protecting People in the following ways:

- Protecting children's safeguarding for one year
- Developing and embedding early help and prevention services (public health review)
- Providing reablement services to 300 more adults
- Helping up to 600 people to access services that delay the need for long term care
- Reducing costs and improving outcomes through retendering and review of some social care services (domiciliary care, residential care costs, learning disability and acquired brain injury)
- Reviewing day care provision (horticultural and woodwork, older peoples day services)
- Using money transferred from the NHS to maintain eligibility criteria and continue the redesign of health and adult social care services

**Strongly agree   Agree   Neutral   Disagree\*   Strongly\* disagree   Not sure**

What are your views on our approach to Protecting People?

\*If you disagree or strongly disagree with the proposals please tell us why or tell us if you have any alternative suggestions?

Are there any impacts from these changes that we should be aware of?

**Priorities continued**

**Proposals for Education, Skills and Jobs**

We are prioritising Educations, Skills and Jobs in the following ways:

- Signing the City Deal with Portsmouth City Council to bring over £300 million investment, creating jobs and opportunities to develop skills
- Continuing to apply for external funding Introducing apprenticeships in grounds maintenance and street cleansing
- Recruiting seasonal gardener positions from local young people who are Not in Education, Employment or Training
- Reviewing vacant posts to provide alternative entry level route into the legal profession for 16-19 year olds
- There are some vacant post deletions and service reductions in economic development but they ensure that inward investment services are maintained

|  | <b>Strongly agree</b>    | <b>Agree</b>             | <b>Neutral</b>           | <b>Disagree*</b>         | <b>Strongly* disagree</b> | <b>Not sure</b>          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| What are your views on our approach to Education, Skills and Jobs? | <input type="checkbox"/>  | <input type="checkbox"/> |

\*If you disagree or strongly disagree with the proposals please tell us why or tell us if you have any alternative suggestions?

Are there any impacts from these changes that we should be aware of?

**Efficiencies (same level of service for less money)**

Where possible we have focused on being more efficient in how we deliver services, so that we can deliver the same services for less. Our efficiency proposals include:

- Reviewing and renegotiating contracts without affecting services, including: - Waste disposal - External cleaning
- Remodelling substance misuse services
- Reducing costs, including: - Staffing - Energy
- New ways of working e.g. environmental health
- Doing things differently at lesser cost, including: - Bereavement services - Waste - Pest control - Kennels
- Deleting the full time equivalent of 22 vacant posts
- Using funding from other sources, including: - Housing Revenue Account - government grant income for trading standards

|   | <b>Strongly agree</b>    | <b>Agree</b>             | <b>Neutral</b>           | <b>Disagree*</b>         | <b>Strongly* disagree</b> | <b>Not sure</b>          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| What are your views on our approach to saving money through efficiencies? | <input type="checkbox"/>  | <input type="checkbox"/> |

\*If you disagree or strongly disagree with the proposals please tell us why or tell us if you have any alternative suggestions?

Are there any impacts from these changes that we should be aware of?

**Increasing income**

We are proposing to increase income in the following ways:

- Increasing charges to partners for services we provide to them
- Increasing volumes of activity for services that the council currently charges (port health, planning, textile recycling etc)
- Getting more from contract and partnership management
- Proposed changes to charges for residents:
  - Changes to charges for Bulky waste
  - Changes to charges for education workshops at museums and galleries

|   | <b>Strongly agree</b>    | <b>Agree</b>             | <b>Neutral</b>           | <b>Disagree*</b>         | <b>Strongly* disagree</b> | <b>Not sure</b>          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| What are your views on the proposed income increases? | <input type="checkbox"/>  | <input type="checkbox"/> |

\*If you disagree or strongly disagree with the proposals please tell us why or tell us if you have any alternative suggestions?

Are there any impacts from these changes that we should be aware of?

**Service reductions**

We have had to propose some service reductions. These include:

- Community development and community centres
- Community safety
- Enforcement (noise nuisance, enviro-crime and stopping City Patrol)
- Environmental Health (Staff reductions)
- Registration Services (Staff reductions)
- Museums and galleries (reduced opening hours at Tudor House and Archives; reducing the education team)
- Street light dimming
- Sustainability (Conservation, policy, air quality)
- Trading standards (Staff reductions)
- Removing subsidy for City Link shuttle bus

|   | Strongly agree  | Agree   | Neutral   | Disagree*   | Strongly* disagree  | Not sure  |
|---|---|---|---|---|---|---|
| What are your views on the proposed service reductions? | <input style="width: 30px; height: 20px;" type="checkbox"/> |

\*If you disagree or strongly disagree with the proposals please tell us why or tell us if you have any alternative suggestions?

Are there any impacts from these changes that we should be aware of?

**Internal savings (changing the way we do things as an organisation)**

A number of savings proposals come from changing the way the organisation works, providing the same service in a better way. These include:

- Reducing costs for vehicles, transport, overtime, management, learning and development, postage, photocopying, building cleaning, equipment purchase and insurance
- Completing restructures and reviews to get better results at lower costs (including parking and city design)
- Reducing:
  - Bureaucracy in democratic decision making
  - Repairs and maintenance costs
  - Overall spend in Communications,
  - Opening times and out of hours services
  - The number of council buildings
  - Supplies and services across the council
  - Finance and Chief Executive's budget
- Renegotiate lease for the Mayor's car
- Support to councillors

|  | Strongly agree  | Agree   | Neutral   | Disagree*   | Strongly* disagree  | Not sure  |
|--|---|---|---|---|---|---|
| What are your views on the proposed changes to the way the organisation works? | <input style="width: 30px; height: 20px;" type="checkbox"/> |

\* If you disagree or strongly disagree with the proposals please tell us why or tell us if you have any alternative suggestions?

Are there any impacts from these changes that we should be aware of?

**Other comments**

Do you have any further comments on our approach or suggestions for balancing the council budget?

**Finally a few questions about you**

Which age category do you fit within?

Under 10  11-16  17-21  22-29  30-39  40-49  50-59  60-69  70+

What is your gender? Male

Female

Do you work for Southampton City Council?

Yes

No

Please enter your home postcode\*

\*This will not be used to contact you in anyway

**Staying in touch**

Would you like the opportunity to regularly give your opinion on the council's services and local issues? We are setting up a new representative Resident's Panel to take part in consultation activities about a variety of subjects. Panel members will be able to take part in quick, snapshot polls, answer online questionnaires or get involved in more in-depth discussions. If you would like to take part tick the option below and add your details.

Stay connected is our free email alerts service will help keep you connected to the things that matter to you. If you would like to sign up tick the option below and add your details.

Please select sign up options: Stay connected

Residents panel

Contact details: \*e.g name and email or postal address

\*Your survey responses will not be connected to your contact details

Thank you for your time.

**Return address:**

Your City, Your Say  
Communications  
Southampton City Council  
Civic Centre, SO14 7LY



 Any personal information you give to us will always be processed in accordance with the UK Data Protection Act 1998. We will only use the personal information you provide to deliver the services you have requested, or for our lawful, disclosed purposes.

**ANNEX 10: LIST OF INVITEES TO AREA BASED MEETINGS**

| <b>West Consultation Meeting: 18<sup>th</sup> November, Shirley Baptist Church</b> |   |
|--|---|
| 11 Andover Road  | Malayalee Association of Southampton                  |
| 13th Sea Scout Group   | Malmesbury Road Neighbourhood Watch                   |
| Above Bar P&T Group  | Mansel Toy Library                                    |
| ACTS drama group   | Maybush and District Community Association            |
| All Saints Church  | Maybush Triangle Tenants Association                  |
| Belle Moor Road Neighbourhood Watch  | Melrose Road Neighbourhood Watch                      |
| Benefice Of Maybush & St Judes Church  | Millbrook 50+   |
| Bits and Bobs  | Millbrook Christian Centre                            |
| Blackbushe, Pembrey & Wittering Residents Association                              | New Evergreens Older People's Club                    |
| Blighmont Crescent Neighbourhood Watch   | No Soton biomass                                      |
| Buckley Court  | Oceana Boulevard Neighbourhood Watch                  |
| Citizen advice bureau  | Percy Road Neighbourhood Watch                        |
| Colebrook Avenue Neighbourhood Watch   | Percy Road Tenant and Residents Association           |
| Coxford and District Youth Project   | Perdue Papillion Foundation                           |
| Coxford Community Association  | Pirrie Close & Harland Crescent Residents Association |
| Creative Options art club  | Polish Catholic Mission                               |
| Eastchurch Close & Odiham Tenants Association                                      | Polygon CAF   |
| EU Welcome   | Rainbow Pre-School                                    |
| Filipino Association of Southampton  | Ranelagh Gardens Residents Association                |
| Freemantle Community Association   | Redbridge Hill Neighbourhood Watch                    |
| Freemantle time bank   | Redbridge Residents Association                       |
| Freemantle Triangle Residents Association  | Regents Park Community Association                    |
| Friends of Lordswood   | S.A.F.E   |
| Friends of Southampton Sports Centre   |   |

| <b>West Consultation Meeting: 18<sup>th</sup> November, Shirley Baptist Church</b> |  |
|--|--|
| Friends of St James's Park   | Seventh Day Adventist Church                       |
| Friends of Sure Start-West   | Shirley Baptist Church                             |
| Friends Of The Field   | Shirley Quilters                                   |
| Girl Guides  | Shirley Warren Community Garden                    |
| Golden Ring Boxing Club  | Southampton ADHD awareness group                   |
| Guernsey Close Neighbourhood Watch   | Southampton Afghani Shia Association               |
| Hanley Road Residents Association  | Southampton City Scouts                            |
| Hawfinch Close Neighbourhood Watch   | Southampton Club for the Blind (The Thursday Club) |
| Hawthorns Wildlife Association   | St Boniface Church                                 |
| Henry Road Neighbourhood Watch   | St Brelades Place Neighbourhood Watch              |
| Hill Farm Road Residents Association   | St Helier Place Neighbourhood Watch                |
| Hill Lane Neighbourhood Watch  | St Mark's Centre                                   |
| Hollybrook Tenants and Residents Association                                       | Stafford Road Neighbourhood Watch                  |
| Jamie's Playtime   | Supporters of the Warren Centre                    |
| LACE Tenant and Residents Association  | Thornbury Avenue & District Residents Association  |
| Latvian Community Group  | Thornbury Avenue & District Residents Association  |
| Lets Get Reading   | Trust Taplins childcare                            |
| Lewis Silkin and Abercrombie Gardens Residents Association                         | Turnstone Gardens Neighbourhood Watch              |
| Little Oak Road Neighbourhood Watch  | Twyford Avenue Neighbourhood Watch                 |
| Lordshill 10 Tenant Association  | Upper Shirley Residents Association                |
| Lordshill Church   | Warren Centre                                      |
| Lordshill community centre   | Warren Close Residents Association                 |
| Lordshill Youth Project  | Waverley Road Neighbourhood Watch                  |
| Lordswood Community Association  | Western Docks consultation forum                   |
| Lumsden Ave Residents Association  | York Road Neighbourhood Watch                      |

| <b>East Consultation Meeting: 19<sup>th</sup> November, Weston Court</b> |   |
|--|---|
| 14th Itchen South Scout Group  | Merryoak Computer Club                  |
| 23rd Itchen North Scout Group  | Midanbury Court Neighbourhood Watch     |
| 23rd Itchen North Scout Group  | Midanbury Lane Neighbourhood Watch      |
| 3rd Itchen North (Bitterne) Scout Group                                  | Middle Road Neighbourhood Watch         |
| Abbots Way Neighbourhood Watch   | Montgomery Road Neighbourhood Watch     |
| All Hallows Too Pre-school   | Moorhill to Woodlands group             |
| Bannister Gardens Neighbourhood Watch                                    | Moorlands Community Association         |
| Bassett Avenue Neighbourhood Watch                                       | Newtown Road Neighbourhood Watch        |
| Bassett Gardens Neighbourhood Watch                                      | Nigerian Community in Hampshire         |
| Bassett Green Village Lunch & Laughs                                     | Northcote Road Neighbourhood Watch      |
| Bassett Wood Drive Neighbourhood Watch                                   | Northfield Road Neighbourhood Watch     |
| Bitterne C of E Church   | Northlands Gardens Neighbourhood Watch  |
| Bitterne Crescent Neighbourhood Watch                                    | Obelisk Road Neighbourhood Watch        |
| Bitterne Local History Society   | Orchard Way Neighbourhood Watch         |
| Bitterne Manor Community Association                                     | Parents Support Link                    |
| Bitterne Police Station  | Peartree Community Action Forum         |
| Botley Gardens Neighbourhood Watch                                       | Pensioners Forum                        |
| Breamore Road Neighbourhood Watch  | Pilgrim Place Neighbourhood Watch       |
| Bridge Road Neighbourhood Watch  | Pinegrove Road Neighbourhood Watch      |
| Brownlow Avenue Neighbourhood Watch                                      | Pixies Day Nursery                      |
| Burgess Road Neighbourhood Watch   | Plus you Limited                        |
| Bursledon Road Neighbourhood Watch                                       | Pre-School Learning Alliance            |
| Busybees Toddler Group   | Priory Road Neighbourhood Watch         |
| Byron Road Neighbourhood Watch   | Ridgemount Avenue Neighbourhood Watch   |
| Castle Road Neighbourhood Watch  | Rockstone Lane Neighbourhood Watch      |
| Chapel Crescent Neighbourhood Watch                                      | Roselands Gardens Neighbourhood Watch   |
| Choices Advocacy   | Rosida Gardens, Hill Lane Neighbourhood |

| <b>East Consultation Meeting: 19<sup>th</sup> November, Weston Court</b> |   |
|--|---|
| Christ the King Church and St Colman Catholic Church                     | Watch   |
| City Life Church   | Rothbury Close Neighbourhood Watch                        |
| Collier Close Neighbourhood Watch  | Rothschild Close Neighbourhood Watch                      |
| Community Inclusion and Development Group                                | SACRE (Standing advisory council for religious education) |
| Constable Close Neighbourhood Watch                                      | Salvation Army  |
| Copenhagen Towers Neighbourhood Watch                                    | Scott Road Neighbourhood Watch                            |
| Courtland Gardens Neighbourhood Watch                                    | Scrapstore  |
| Crofton Close Neighbourhood Watch  | SEEDA   |
| Crowther Close Neighbourhood Watch                                       | Sherborne Road Neighbourhood Watch                        |
| Dean Road Neighbourhood Watch  | Sholing Community Association                             |
| Dean Road Neighbourhood Watch  | Sholing Road Neighbourhood Watch                          |
| Douglas Crescent Neighbourhood Watch                                     | Sholing Senior Citizen's Group                            |
| Drummond Court Neighbourhood Watch                                       | Sholing Valleys Study Centre                              |
| Dumbleton Close Neighbourhood Watch                                      | South East Road Neighbourhood Watch                       |
| Eynham Avenue Neighbourhood Watch  | Southampton Amateur Rowing Club                           |
| Eynham Avenue, Eynham Close, Eynheim Gardens Neighbourhood Watch         | Southampton Children's Play Association                   |
| Family Circle Club   | Southampton City Scouts                                   |
| First Wessex Housing Association   | Southampton Common & Parks Protection Society             |
| Firtree Way Neighbourhood Watch  | Southampton Sailing Club                                  |
| Fort Road Neighbourhood Watch  | Spring Road Neighbourhood Watch                           |
| Freemantle Common Play Association                                       | Squires Walk Neighbourhood Watch                          |
| Freemantle Common Road Neighbourhood Watch                               | St Mark's Church & St. Marys                              |
| Friends of Cobbett Road Library  | St Marks Institute  |
| Friends of Ludlow Junior School  | St Mark's Over 50s  |
| Friends of Mayfield Park   | Stanford Court Neighbourhood Watch                        |
|  | Stoddart Avenue Neighbourhood Watch                       |

| <b>East Consultation Meeting: 19<sup>th</sup> November, Weston Court</b> |  |
|--|--|
| Friends of Moorlands   | Stoneham Lane Neighbourhood Watch              |
| Friends of Peartree Green  | Tatwin Crescent Neighbourhood Watch            |
| Friends of Riverside Park  | Temple Road Neighbourhood Watch                |
| Friends of Southampton Youth Orchestras                                  | Temple Road Neighbourhood Watch                |
| Friends of Weston Shore  | The Bathing Service                            |
| Friends of Weston Shore  | The Birches Neighbourhood Watch                |
| Furze Road and Furze Close Residents                                     | The Oaks Neighbourhood Watch                   |
| Glen Eyre Road Neighbourhood Watch                                       | The Salvation Army                             |
| Hampshire Autistic Society   | The Shore Pre-school                           |
| Harefield Community Association  | The Woolston Directory                         |
| Harefield Tenants and Residents Association                              | Thornhill Baptist Church                       |
| Harrison Road Neighbourhood Watch  | Thornhill Lunch Club                           |
| Highcrown Mews Neighbourhood Watch                                       | Thornhill Plus You                             |
| Hill Lane Neighbourhood Watch  | Thorold Road Neighbourhood Watch               |
| Hinkler Road Neighbourhood Watch   | Ticonderoga Gardens Neighbourhood Watch        |
| Holland Road Neighbourhood Watch   | Townhill Action Group                          |
| Holly Hill Neighbourhood Watch   | Townhill Park 50 Plus Club                     |
| Holly Tree Nursery   | Townhill Park Community Association            |
| Holy Trinity Weston youth project  | Townhill Park Residents Association            |
| Hum Hole Project   | TRIP   |
| Itchen Estate Tenants and Residents Association                          | Vectis Court, Talbot Close Neighbourhood Watch |
| Kathleen Road Neighbourhood Watch  | Veracity Recreation Ground Trust               |
| Kingsdown Way Neighbourhood Watch  | Violet Road                                    |
| Knighton Road Neighbourhood Watch  | Waterside Park Residents Association           |
| Knighton Road Neighbourhood Watch  | Wellington Road Parent & Toddler Group         |
| Leigh Road Neighbourhood Watch   | West Road Neighbourhood Watch                  |

| <b>East Consultation Meeting: 19<sup>th</sup> November, Weston Court</b> |   |
|--|---|
| Lime Close Neighbourhood Watch   | West Wood Community Park Association            |
| Litchfield Road Neighbourhood Watch                                      | Weston Church Pre-School                        |
| Longmore Avenue Neighbourhood Watch                                      | Weston Court Community Group (Lunch and Laughs) |
| Ludlow Road Neighbourhood Watch  | Weston Youth Project                            |
| Lydgate Road Neighbourhood Watch   | Whistler Close Neighbourhood Watch              |
| Margam Avenue Neighbourhood Watch  | Winchester Road Neighbourhood Watch             |
| Marshall Square Neighbourhood Watch                                      | Woodstock Drive Neighbourhood Watch             |
| Mayfield Nurseries   | Woolston Camera Club                            |
| Mayfield Park Bowling Club   | Woolston Community Association                  |
| Mayfield Road Neighbourhood Watch  | Woolston Community Bus Service                  |
| Meadowhead Road Neighbourhood Watch                                      | Woolston United Reformed Church                 |
| Merryoak Community Association   | Wynter Road Neighbourhood Watch                 |

| <b>Central Consultation Meetings:<br/>26<sup>th</sup> November, Mount Pleasant School &amp; 30<sup>th</sup> November, Civic Centre</b> |   |
|--|---|
| ABC School of Languages  | Northam Tenants and Residents Association |
| Abu Bakr Jamia Masjid  | Oakmount Triangle Residents Association   |
| Action for blind people  | Old Bassett Residents Association         |
| Active Nation  | Open Friendship Azerbaijani Society       |
| Active Options for Health  | Outer Avenue Residents Association        |
| Afghans Community Centre   | Pakistan Welfare Association              |
| African Voices   | Pensioners Forum                          |
| African-Caribbean Centre   | Perdue Papillion Foundation               |
| Age Concern Southampton  | Portswood Central Residents Association   |
| Age UK Southampton   | Portswood Church                          |
| Al Nisaa Muslim Women's Group  | Portswood Gardens Resident association    |

| <b>Central Consultation Meetings:</b>   |   |
|---|---|
| <b>26<sup>th</sup> November, Mount Pleasant School &amp; 30<sup>th</sup> November, Civic Centre</b> |   |
| Albion Towers block rep   | Positive Action                                       |
| American Football Team  | PRADOS Tenants and Residents Association              |
| Apna Group  | Quakers Religious Society of Friends                  |
| Apples and Snakes   | Refugee Action  |
| Art Asia  | Relate Solent   |
| Art group   | Residents Action                                      |
| Art in the Community  | Ridgemount Area Residents Association                 |
| Aryana Afghan Women's Group   | RISE Community Trust                                  |
| ASL Training  | Riverview Residents Association                       |
| AWAAZ fm  | Rockstone Lane Residents Association                  |
| Bangladesh Jubo Chongo-uk   | Ropewalk Garden                                       |
| Bangladeshi Welfare Association   | Russian Speaking Community                            |
| Bellevue Residents Association  | Say OK School of English                              |
| Bits and Bobs   | Sikh Ladies Circle                                    |
| Black Heritage Association  | Society of St.James                                   |
| Business in the community   | SoCo music project                                    |
| Care UK   | Solent business growth network                        |
| Carers Together   | Solent Youth Action                                   |
| Castle House Residents Association  | Somali Women and Children Community Development Group |
| Catch 22/Baseline   | Something Special Association                         |
| Central and North Localities CMHT   | SONUS   |
| Central Baptist Church  | SOS Polonia   |
| Chapel Community Association  | Southampton Action for Access (SAFA)                  |
| Chapter 1   | Southampton Action for Employment                     |
| Chinese Arts Southampton  | Southampton Advice & Representation                   |
| Chinese Association of Southampton  |   |

| <b>Central Consultation Meetings:</b>   |  |
|---|--|
| <b>26<sup>th</sup> November, Mount Pleasant School &amp; 30<sup>th</sup> November, Civic Centre</b> |  |
| Christians Against Poverty  | Centre   |
| Chrysalis   | Southampton Afghan Cultural and Islamic Centre   |
| Church of the Immaculate Conception   | Southampton AI - Nisaa Assocation                |
| CIC   | Southampton area Co-op development agency        |
| City Centre Parish Office   | Southampton Asian Seniors group                  |
| City Eye  | Southampton Bangladeshi Society                  |
| City Life Church  | Southampton Carers Together                      |
| City Of Southampton Society   | Southampton Children's Play Association          |
| City Reach Youth Project  | Southampton Christian Fellowship                 |
| CLEAR   | Southampton Citizens Advice Bureau               |
| Clovelly Rd RA  | Southampton City Scouts                          |
| Common Sense  | Southampton Common & Parks Protection Society    |
| Communicare   | Southampton Council Of Faiths (SCOF)             |
| Community choir   | Southampton Federation of Residents Associations |
| Community Language Service  | Southampton Festivals                            |
| Community Organiser   | Southampton Iranian Association                  |
| Community Playlink  | Southampton Kurdish Community Association        |
| Confederation of African Caribbean Organisations  | Southampton Lighthouse International Church      |
| Crafts Revival  | Southampton Medina Mosque trust                  |
| Crafts Revival  | Southampton Mencap                               |
| DAIN - Disability Advice and Information Network  | Southampton Muslim Womens Group (SMWG)           |
| Discipline Taekwondo Club   | Southampton Natural History Society              |
| Do It Yourself Girl!  |  |
| E. Funkhouser   |  |
| East Bassett Residents Association  |  |

| <b>Central Consultation Meetings:</b>   |   |
|---|---|
| <b>26<sup>th</sup> November, Mount Pleasant School &amp; 30<sup>th</sup> November, Civic Centre</b> |   |
| Empress Road Business Association   | Southampton Natural History Society         |
| Fairbridge Solent   | Southampton Orienteering Club               |
| Federation of African Caribbean organisations(African Caribbean Centre)                             | Southampton Puja and Cultural Association   |
| Flower Roads Residents and Tenants Association  | Southampton Scrapstore                      |
| Friends of Monks Brook Village Green  | Southampton Sight                           |
| Friends of Portswood rec  | Southampton Sudanese Community Association  |
| Friends of Queen's Park   | Southampton Voluntary Services              |
| Friends of Ropewalk Community Garden  | Southampton Women's Aid                     |
| Friends of Southampton Old Cemetary   | Southampton Women's Forum                   |
| Friends of Town Quay  | Southampton Zimbabwe Association            |
| Girl Guiding Southampton Central Division   | Spectrum CIL                                |
| Golden Goa Association  | St Denys Church                             |
| Graham Road Residents Association   | St Deny's Community Centre Association      |
| Groundwork Solent   | St Denys Junior Youth Club                  |
| Gurdwara Nanaksar   | St Joseph and St Edmund Church Organisation |
| Gurdwara Tegh Bahadur Sahib   | St Mary's & Northam Interagency             |
| Guru Ravidass Shaba Gurdwara  | St Mary's Church                            |
| Hampshire Autistic Society  | St Marys Tenants & Residents Association    |
| Hampshire Latvian Society   | Stepaccross                                 |
| Hampshire Puja and Cultural Association   | Streets Alive                               |
| Hampshire Somali Community  | Suhana and Milan Group                      |
| Hampshire Somali Welfare Society Limited  | Sustrans                                    |
| Hampton Park Residents Association  | Swaythling Baptist Church                   |
| Herbert Collins Estates Residents Association   | Swaythling Methodist Church                 |
|   | Swaythling Neighbourhood Association        |

| <b>Central Consultation Meetings:</b>   |   |
|---|---|
| <b>26<sup>th</sup> November, Mount Pleasant School &amp; 30<sup>th</sup> November, Civic Centre</b> |   |
| Highfield Residents Association   | Swaythling Youth Club                       |
| Holly Hill Residents Association  | Taekwando club                              |
| Holyrood Estate Tenant and Residents Association  | The Art House                               |
| Home Safe Scheme  | The Bridge Project                          |
| International Cookery Exchange  | The Environment Centre                      |
| James Street Church   | The Gambia Society                          |
| Just Centre   | The Gate Christian Outreach                 |
| Kenyan Community Group  | The Wing Chun Federation                    |
| Kenyans in Hamshire   | Thrinjun Group                              |
| Kingsland Community Association   | Tower Gardens Residents Association         |
| Kurdish Group   | Transition Southampton                      |
| Kutchi Women's Group  | TWICS                                       |
| Latvian Community Group   | Two Saints                                  |
| Leaside Way Residents Association   | Tyrrell & Green Memory Project              |
| Lets Get Reading  | Ugandan CG                                  |
| Life Church Southampton   | UNA (United Nations Association)            |
| Lithuanian Community Group  | Underwood and Redhill Residents Association |
| Little Lullabies Music Group  | Unified Somali Parents                      |
| Macular Disease Society   | United Somali Community Association (USCA)  |
| Making a Scene  | Unity 101 Community Radio                   |
| Malayalee Association of Southampton  | Vedic Society                               |
| Mansbridge Residents Association  | Ventnor Court Residents Association         |
| Maybush Triangle Tenants Association  | Victory Highway Ministries                  |
| Middle Eastern Women's Group  | WEA   |
| MS Society  | Wednesday Women's Group/WEA                 |

| <b>Central Consultation Meetings:</b>   |                                     |
|---|-------------------------------------|
| <b>26<sup>th</sup> November, Mount Pleasant School &amp; 30<sup>th</sup> November, Civic Centre</b> |                                     |
| MSS Cricket Club  | West Itchen Community Trust         |
| Muslim Council  | Wheatsheaf Trust                    |
| Nepalise CG   | Whomademy pants Co-op               |
| New Azerbaijani Community Group   | Women Inspired                      |
| Newtown Residents Association   | Women's Wisdom                      |
| Nigerian Community in Hampshire   | Wyndham Court Residents Association |
| No Limits   | YMCA                                |
| North East Bassett Residents Association  | Youth Options                       |
| North Forum Residents Association   |                                     |
| Northam 521 Youth Project   |                                     |
| Northam Community Association   |                                     |
| Northam Community Link  |                                     |
| Northam Methodist Church  |                                     |

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SOUTHAMPTON CITY COUNCIL

**Budget Proposals 2014/15  
Equality and Safety Impact Assessment**

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## Equality and Safety Impact Assessment - Introduction and Overview

### Introduction

1. Southampton City Council, in line with its statutory responsibilities, undertakes Equality and Safety Impact Assessments (ESIAs) on all service developments. During the annual budget cycle, assessments are completed for all proposals that are identified as requiring impact assessments to inform decision making.
2. This document draws, into one place, a summary of the Equality and Safety Impact Assessments for the 2014/15 budget proposals that require them.
3. It should be noted that:
  - Some proposals are dependent on service reviews or wider policy changes. This means the full impact will not be known for some time.
  - The cumulative impact on staffing will be completed once all budget related structures and role changes have been developed and consulted on.
4. It is important to highlight that there have been fewer impacts identified in the Cumulative Impact Assessment compared to previous years. This is because:
  - A high percentage of the proposals are efficiencies and do not have any disproportionate impact for people, within the equalities legislation.
  - A large proportion of the budget proposals for 14/15 affect mainstream, universal or back office services by delivering efficiencies, service reductions, generating additional income and use of new funding streams. Mitigating actions include re-shaping services to target more efficiently to reduce the potential of disproportionate impacts on equalities groups and community safety.
  - ESIAs will be completed and made available for proposed reviews as part of each review process.
  - Consultation was undertaken with residents and stakeholders on priorities and on the draft budget proposals in two stages between October 2013 and January 2014. Feedback has been incorporated into the relevant individual Equality and Safety Impact Assessments and reflected in this Cumulative Impact Assessment.
  - Potentially the most significant impacts relate to proposals for adult social care which is part of the council's Transformation Programme. The service design for adults aims to help people remain independent for a longer period and improve outcomes. While there may be issues of getting used to changes and new services and new ways of accessing services, they are designed to have positive outcomes.
5. As the budget proposals seek to achieve savings in excess of £19.4M in 2014/15, it is important to fully understand the impact of this on equalities groups (identified in paragraph 12) and community safety. The City Council, working with others, will need to take action to mitigate the collective impact of any such proposals.
6. This assessment does not include those where savings are to be made in 2015/16 or new proposals (further options).
7. This assessment is being carried out against the backdrop of the welfare reforms, a number of which have been implemented since 2011 and the programme continues through to 2017, when the roll out of Universal Credit is scheduled to be fully implemented. In general, the welfare reforms affect households with working age people on benefits - including people in

work on low incomes. There are data limitations around claimant information which mean analysis of the cumulative impact of the reforms on households with particular characteristics is not possible but available evidence suggests that larger families, households with a disabled person and women are some of the 'hardest hit'. Southampton City Council is mindful of this and has completed a Scrutiny Inquiry into the impact of the reforms locally, has ring-fenced government funding to deliver a local model of welfare provision and identified an additional one-off sum of £128,000, as well as working with partners to access additional funds for advice and information services.

### **Legal Framework – Equalities**

8. The Equality Duty, section 149 of the Equality Act, came into effect on 5<sup>th</sup> April 2011 and places a duty on all public bodies and others carrying out public functions.
9. The Act was designed to ensure public bodies consider the needs of all individuals in their day to day work, including: shaping policy, delivering services, and employment of employees. It requires public bodies, such as local councils not to discriminate against any person on the basis of a protected characteristic such as disability. The legislation strengthened existing provisions about discrimination to also include associative and perceptive discrimination as well as direct and indirect discrimination.
10. Direct discrimination occurs when a rule, policy, practice offers less favourable treatment to a group and indirect discrimination occurs by introducing a rule, policy or practice that applies to everyone but particularly disadvantages people who have a protected characteristic. Direct discrimination will always be unlawful. Indirect discrimination will not be unlawful if it can be justified, for instance it can be shown that the rule, policy or practice was intended to meet a legitimate objective in a fair, balanced and reasonable way.
11. In considering whether or not any indirect discrimination is justified, the council must consider whether or not there is any other way to meet their objective that is not discriminatory or is less likely to disadvantage those with protected characteristics. This may well mean setting out clearly whether or not consideration has been given to other ways of achieving these savings. For instance raising charges across the board, cutting other services etc. The council must show that it has 'had regard' to the impact of its decision on equality duties and the need to advance equality of opportunity between people who have protected characteristics and those who do not.
12. The Public Sector Equality Duty (the Equality Duty replaced three previous public sector equality duties – for race, disability and gender, and broadened the breadth of protected characteristics to include:
  - Age
  - Disability
  - Gender reassignment
  - Marriage and civil partnership, but only in respect of the requirements to have due regard to the need to eliminate discrimination.
  - Pregnancy and maternity
  - Race – ethnic or national origins, colour or nationality
  - Religion or Belief – including lack of belief
  - Gender
  - Sexual orientation.

13. The Equality Duty does not impose a legal requirement to conduct an Equality Impact Assessment, rather it requires public bodies to demonstrate their consideration of the Equality Duty and the conscious thought of the Equality Duty as part of the process of decision-making. This entails an understanding of the potential effect the organisation's activities could have on different people and a record of how decisions were reached. Producing an Equality Impact Assessment post decision making is non compliant with the Equality Duty. For this reason the council requires adherence to the existing impact assessment framework.

#### **Legal Framework - Community Safety**

14. Community Safety is a broad term. It refers to the protection of local communities from the threat and consequence of criminal and anti-social behaviour by achieving reductions in relation to both crime and the fear of crime.

15. Section 17 of the Crime and Disorder Act 1998, as amended by the Police and Justice Act 2006, requires responsible authorities to consider crime and disorder, including antisocial behaviour and other behaviour adversely affecting the local environment; and the misuse of drugs, alcohol and other substances in the exercise of all their duties, activities and decision-making. This means consideration must be given to the likely impact on crime and disorder in the development of any policies, strategies and service delivery. This responsibility affects all employees of the council.

16. This responsibility is summed up by guidance issued by the Home Office. This guidance describes the legal responsibility as: *'a general duty on each local authority to take account of the community safety dimension in all of its work. All policies, strategies, plans and budgets will need to be considered from the standpoint of their potential contribution to the reduction of crime and disorder'*.

#### **Scope and our approach**

17. This assessment identifies areas where there is a risk that changes resulting from individual budget proposals for 2014/15, may have, when considered together, a negative impact on particular groups.

18. It is important to note that this is an ongoing process. As individual budget proposals are developed and implemented, they will be subject to further assessment. This assessment also describes mitigating actions that will need to be considered.

19. The council's approach on impact assessment is designed to demonstrate that the council has acted over and above its statutory duties, as the council is committed to considering the impact on poverty. In order to inform decision-making on the budget proposals the council has taken the following steps:

- Managers have identified which proposals they think require an Equality and Safety Impact Assessment (ESIA).
- All the budget proposals were screened independently by a group of officers to check whether or not an ESIA was required. This was based on an assessment of whether or not they were likely to have a disproportionate equalities impact on particular groups of residents, or have implications for community safety or increasing poverty.
- This resulted in a list of proposals for which an ESIA was clearly required and those for which further detail needed to be gathered before making a decision.

- As a result of the screening, ESIA's have been produced for every proposal that is deemed to have required one. These primarily focus on the impact of proposals on residents and service users.
- An initial high level Cumulative Impact Assessment of the budget proposals was presented to Cabinet and the Council's Management Team on 31<sup>st</sup> October 2013. This was based on proposals available as of 13<sup>th</sup> October 2013 to give Councillors and senior officers an early indication of likely cumulative impacts on particular groups, along with community safety and poverty implications.
- This Cumulative Impact Assessment has subsequently been developed based on final draft proposals and detail of individual ESIA's. It has also been informed by the feedback from residents and stakeholders as part of the public budget consultation.

## City Profile

20. This Cumulative Impact Assessment must be considered in light of the city's profile, service users and non-users, staffing profiles as well as the proportion of the council's budget that is currently spent on targeted groups or communities.

21. The 2011 Census provides a range of data about the city that is not collected elsewhere. This census was the first opportunity since the last census in 2001, to look at the ethnicity of residents in detail. Southampton has a diverse population with a higher proportion of residents born outside the UK than any of our comparator cities.

- The city's population profile comprises 236,900 total residents
- There are 117,400 females and 119,500 males, a 49.6% to 50.4% split
- 77.7% of residents are white British (compared to 88.7% in 2001)
- Our 'Other white' population, which includes migrants from Europe, has increased by over 200% (from 5,519 to 17,461)
- The largest percentage increase is in our 'other Asian' population, which has increased from 833 to 5,281 people
- It is estimated that there are 26,929 residents whose main language is not English; of these 717 cannot speak English at all and a further 4,587 do not speak it well
- 4,672 residents in Southampton are aged 85 or over, of whom 834 are in bad or very bad health AND have a long term illness or disability
- The proportion of households in privately rented accommodation has increased from 15.6% to 23.4%
- We have low rates of owner occupation and high rates of social housing and private renting: 3.6% of households are defined as overcrowded (compared to 8.7% nationally)
- The percentage of 16-74 year olds who were economically active increased from 64.4% in 2001 to 68.4% by 2011
- The city has low proportions in managerial and professional occupations; higher proportions in elementary occupations and relatively low proportions of unemployed people.

22. People's vulnerability to, and experience of, poverty differs significantly. The Index of Multiple Deprivation (IMD) 2010 focuses on the geographical profile of poverty but there is also a link between equality strands and risk factors for poverty. Overall, Southampton is ranked 81st out of 326 Local Authorities in England, with the rank of 1 being the most deprived. 23% of the city's population lives in the most deprived Lower Super Output Areas (LSOA) in England. Between 2007 and 2010, 63% of the Lower Super Output Areas have not changed, whilst 16% have become less deprived and 23% more deprived.

23. While it is recognised that the IMD 2010 is now dated and reflects 2008 data, the main features of deprivation are unlikely to have changed significantly and may have been compounded by the local impact of the current programme of welfare reforms. Therefore, it is assumed that the most deprived geographical areas are in Bevois, Redbridge, Millbrook, Woolston (Weston) and Bitterne (Thornhill) wards. Bevois ward has a higher percentage of people from Black and Minority Ethnic (BME) communities than other areas in the city.
24. Income deprivation is also identified in the IMD 2010, as a major factor affecting older people in Southampton, with seven geographical areas in the city falling into the worst 10% for England, with poverty being linked to isolation and poor health. The city also has a high proportion of 50 – 64 year old men in Southampton who are economically inactive, 33.2% compared to 24.6% nationally.
25. The city has high levels of child poverty. HM Revenue and Customs produces child poverty data at a local level. The most recent data is for August 2011 and estimates that 10,640 or 25.9% of children under 16 are living in poverty - in some areas of the city it is as high as 40%. This compares to an average of 20.6% in England. In Southampton, 89% of children in poverty in the city are in households claiming Jobseekers Allowance or Income Support and 71% are in lone parent households.
26. There is also a higher percentage of residents claiming out-of-work benefits, 11.2% (18,470) compared to the South East average of 8.2% (however, this is also lower than the national average of 11.7%). It is these groups who have been some of the hardest hit by changes to welfare benefits.
27. More detail about the city's population and analysis of needs can be found in the Southampton Profile <http://www.southampton-connect.com/about/profile/default.asp> and the Equalities Profile <http://www.southampton.gov.uk/Images/App%203%20Equalities%20Profileupdate11Sept%20m46-350378.pdf>

### **Services that matter most to local people – Consultation**

28. An extensive programme of consultation was undertaken between October 2013 and January 2014. A variety of methods were used including surveys, area based meetings and briefings, to enable a wide range of people to give their views to inform the final budget. Participants included residents, service users, employees, partners, businesses, community and voluntary sector organisations and other stakeholders.
29. Every effort was made to ensure consultation was:
  - **Inclusive**: so that sections of the city's local communities had the opportunity to express their views
  - **Informative**: so that people had adequate 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 used to communicate was simple and clear and that efforts were made to reach all stakeholders, for example people who are non English speakers or disabled people.

- **Appropriate:** by targeting people who are more likely to be affected and using a more tailored approach to get their feedback, complemented by a general approach to all residents
- **Meaningful:** by ensuring decision makers had the full consultation feedback information so they can make informed decisions.
- **Reported:** by letting consultees know what we have done with their feedback.

30. The full detail of the consultation aims, principles, timetable and methodology, along with the analysis of the feedback is now available. Comments on the potential impact on equalities groups and mitigating actions have been reviewed and the following ESIA's have consequently been amended:

| ESIA  | Summary of changes  |
|---|---|
| <b>E&amp;T 26</b><br>Remove funding for City Centre Shuttle Bus   | <ul style="list-style-type: none"> <li>• Elderly and disabled customers need transport to get up the steep hill from the station</li> <li>• Poverty impacts of additional costs to users</li> <li>• Potential environmental impacts if current users revert to using their car if charges or lack of integrated bus service are prohibitive</li> </ul>  |
| <b>EDL 6</b><br>Reduction in Museum and Gallery Education Team  | <ul style="list-style-type: none"> <li>• The budget proposal has been changed to provide more in-house delivery, reducing the use of freelancers. The scope and scale of the programme may reduce slightly, with less capacity to secure external funding. Charges are not expected to increase substantially although this will be kept under review.</li> <li>• ESIA amended to reflect provision of sensory services.</li> </ul> |
| <b>H&amp;ASC 5</b><br>Review above standard cost Residential and Nursing Packages                                     | <ul style="list-style-type: none"> <li>• Highlighted potential impact on other health providers and health services in the city as more patients return to the city for care.</li> </ul>  |
| <b>H&amp;ASC 6</b><br>Review of accommodation placements for<br>i) Acquired Brain Injury &<br>ii) Learning Disability | <ul style="list-style-type: none"> <li>• Highlighted potential impact on other health providers and health services in the city as more patients return to the city for care.</li> </ul>  |
| <b>H&amp;ASC 7</b><br>Review day service provision for older people / Community Options to support reablement         | <ul style="list-style-type: none"> <li>• Highlighted how the service supports social isolation and vulnerable people.</li> <li>• Quality of care will be monitored.</li> <li>• Use of direct payments will give people alternatives.</li> <li>• Carer supported through carer assessments</li> </ul>  |

31. These consultation findings build on the information the council has as a result of the consultation it carried out on its draft Equality Action Plan between December 2012 and March 2013. The consultation, which was open to all staff and residents, was carried out through an easy-read questionnaire and targeted meetings with key stakeholders. Across all the equality strands, some key themes, or areas of importance, emerged:

- Support and funding – organisations felt that service changes meant they were facing more pressures at a time when they are receiving less financial and networking support.

There was concern about the cumulative impact of this, in conjunction with service reductions, on vulnerable residents. Organisations felt that some commissioning and procurement procedures were barriers to accessing alternative funding sources.

- Employment and training – disability groups in particular were concerned that welfare benefit changes were placing a lot of pressure on individuals to find employment but that there was limited real support, training or vacancies available to them.
- Hate Crime and Discrimination – this was a particular area of concern to disability and sexual orientation groups who felt that promotion of the support available to victims needed to increase.
- Information and transparency – there was concern that the council, and other public bodies, should be accessible and accountable, especially in a time when economic pressures were leading to difficult decisions. Respondents wanted the council's actions to be clear, effective and proactive.

### **Proposals based on reviews of current services**

32. The following savings proposals within this report require reviews to be carried out before the exact impact is known. Each of these will have a separate ESIA:

- Review of community development activities across the council, including deletion of a vacant post
- Review of all community safety, youth offending and emergency planning activities across the council
- Review and redesign the way the out of hours noise service is delivered and reduce night shifts
- Review of current public health supported services
- Efficiencies from procurement sub £100k.

33. In addition, the main budget report outlines that given the scale of the financial challenge facing the council and the desire of the Executive to meet the aspirations of the residents of Southampton, work is underway to develop a Transformation Strategy and Plan covering the medium term, which will be presented to Full Council for approval. This will incorporate further strategic reviews. Reviews will be undertaken in many service areas such as Waste, Policy and Performance and Housing Operations. The three key areas are:

- Library service review
- Adult service review
- Business support review.

## Impact by equalities groups

### 34. Age – Older people

#### Potential positive impact

Specific proposals have positive impacts which can be summarised as:

- A review of placements for people with acquired brain injury (over 80's) - this aims to result in improved access to this specialist service and more appropriate 'move-on'.
- A suite of reablement proposals relating to domiciliary care. These proposals are primarily showing a positive impact on care as it will be based on individual needs including:
  - Promoting independence and allowing individuals to continue to live in the community in a home environment.
  - Increasing the number of people able to lead a life in the community in a family setting matched with the home that the family can offer and fully supported to live their everyday life.
  - Improving quality of life by maximising individual capability.
  - Reducing the number of people who need residential care to support their critical or substantial needs.

#### Potential negative impact

- The proposal to extend the Capita contract has highlighted the issue of digital exclusion for older people, which could affect their access to services, with the shift to online self-service and an automated switchboard. Mitigating actions include providing information about free internet access, supporting people in Gateway who need help with the self-service terminals, providing the option of telephone support and retaining face-to-face interviews on the same day for vulnerable people.

#### Next step:

A joint discussion will be held between the relevant Senior Managers or their nominated representatives on the potential impact and any mitigating action.

Action: Carol Valentine, Jane Brentor, Stephanie Ramsey, Rob Harwood

### 34. Age - Children and young people

Within the budget proposals, the Administration has made a conscious decision to protect Children's Services – to provide a period of stability in which to refocus and rebuild the service. In addition, the Administration is prioritising investment in Children's Services in order to support transformation and service improvement.

#### Potential positive impact

Specific proposals have positive impacts which can be summarised as:

- A review of placements for people with acquired brain injury (young men under 25) - this aims to result in improved access to this specialist service and more appropriate 'move-on'.

#### Potential negative impact

The proposal to increase efficiencies at two council run nurseries – Startpoint Northam and Sholing – was reviewed through an ESIA because of the equalities groups accessing the service. The efficiencies include deleting a vacant post and regrading others so that the services are more comparable with the rest of the sector. The equalities impacts considered in

more detail were the needs of disabled children and those for whom English is a second language as well as poverty. The proposals will not impact on the current continue the current additional support for disabled children, or those for whom English is a second language and the nurseries will continue to provide affordable places. Overall, the draft ESIA indicates no significant negative impact.

### 35. Disability

#### Potential positive impacts

Specific proposals have positive impacts which can be summarised as:

- A suite of reablement proposals relating to domiciliary care. These proposals should have a positive impact on care as it will be based on individual needs including:
  - Promoting independence and allowing individuals to continue to live in the community in a home environment.
  - Increasing the number of people able to lead a life in the community in a family setting matched with the home that the family can offer and fully supported to live their everyday life.
  - Improving quality of life by maximising individual capability.
  - Reducing the number of people who need residential care to support their critical or substantial needs.

#### Potential negative impacts

It must be noted that some of the proposals will also involve clients having to become used to new providers, different ways of working at potentially different locations. It is recognised that not all will find it easy to adapt to this change. The clients potentially affected tend to fall into the equality categories of age (older people), disability (adults with mental health problems and learning disabilities) and gender (clients are disproportionately women). This issue is also relevant to the proposal relating to services for clients with acquired brain injury (ABI) as it refers to moving clients from out of area placements back into the city. This has a potential equalities impact under the age strand as clients with ABI tend to be young men under 25 and older people over 80 years old.

The proposal to remove the funding/subsidy for the City Centre shuttle bus may impact on disabled people; however, promoting their entitlement to concessionary fares would provide free travel with other providers, effectively mitigating the impact of this change.

The proposal to extend the Capita contract has highlighted the issue of digital exclusion for disabled people, which could affect them accessing services, with the shift to online self-service and an automated switchboard. Mitigating actions include providing accessible information on the council website and through its phone services, providing self-service terminals at wheelchair height, transferring calls to the operator if someone has difficulty using the automated service, providing trained 'floor walkers' to help customers in difficulty, using the Readspeak speech system for web based information so people with visual impairments can access it, ensuring that web-based information complies with web accessibility guidelines and allowing for magnification of information on web pages by zooming in. In addition, the option of over the telephone and same day face-to-face appointments will be available.

Any review of the future programme of provision by the Museums and Gallery Team will assess the impact on disabled people.

Next step:

A joint discussion will be held between the relevant Senior Managers or their nominated representatives on the potential impact and any mitigating action.

Action: Carol Valentine, Jane Brentor, Stephanie Ramsey, Rob Harwood, Frank Baxter, Mike Harris

**36. Race**

Potential negative impact

The proposal to extend the Capita contract has highlighted that potentially it will be more difficult to access services for people for whom English is not their first language. In addition to providing information both on the phone and website that is easy to understand, the specific mitigating action is to provide interpreters via booked, face-to-face appointments. Survey information highlighted in the ESIA identified that people with difficulty reading and understanding English prefer face-to-face appointments. It also identified a disproportionate use of Gateway services by people from Black, Minority or Ethnic backgrounds.

Next step:

A joint discussion will be held between the relevant Senior Managers or their nominated representatives on the potential impact and any mitigating action.

Action: Suki Sitaram, Vanessa Shahani, Rob Harwood

**37. Poverty**

Potential negative impact

The proposals which have the potential to negatively impact people in poverty/on low income and increase risk of financial exclusion:

- The proposal to extend the Capita contract as this may mean that people have to spend longer on the telephone to make an appointment and they may have to visit Gateway twice (to book an appointment and to then attend the appointment). As these proposals are designed to increase use of the internet, it may have a negative impact on people who cannot afford to have internet access at home. It was also noted that homeless people, or those in imminent danger of becoming homeless, are often supported by third parties, who may find it inconvenient to use an appointment system. Mitigating actions include providing information about free internet sites across the city, continuing to provide telephone and face-to-face support (including same day interviews for vulnerable people) as well as supporting people to use the self-service terminals.
- Removal of funding/subsidy for the City Centre shuttle bus – however as the distance travelled is relatively short, this reduces the impact for those who are able to walk instead.
- Remodelling of substance misuse provision – people using these services have considerable issues around poverty, which treatment addresses.
- Disbanding City Patrol - some types of Enviro-Crime (graffiti, fly-tipping, littering etc) can be more common in deprived areas.

However, the cumulative impact needs to be considered within the broader context of the impact of the welfare reforms agenda.

Next step:

A joint discussion will be held between the relevant Senior Managers or their nominated representatives on the potential impact and any mitigating action.

Action: Suki Sitaram, Rob Harwood, Frank Baxter, Carol Valentine, Jane Brentor, Stephanie Ramsey, Vanessa Shahani, Mitch Sanders

### 38. Gender - Women

#### Potential positive impact

Specific proposals which have positive impacts can be summarised as:

- Some of the proposals affecting older people (those linked to reablement and retendering of the domiciliary care contract) and of these it is likely that a greater proportion will be women.
- Some of the proposals also affect carers (such as improved provision for adults with acquired brain injury and the reablement proposals), who are disproportionately more likely to be women.

#### Potential negative impact

Customer research relating to the proposal to extend the Capita contract has highlighted a potential negative impact for women, with survey respondents indicating a reluctance to use public computer terminals for people without access to the internet at home. The reason for this reluctance is unknown. 47.2% of visitors to Gateway are women and information from the Office of National Statistics shows that older women are less likely to use the internet than older men. The mitigating action is that further consultation and communication will take place to improve understanding of this issue and potentially identify further actions to reduce impact.

#### Next step:

A joint discussion will be held between the relevant Senior Managers or their nominated representatives on the potential impact and any mitigating action.

Action: Carol Valentine, Jane Brentor, Stephanie Ramsey, Rob Harwood

### 39. Gender - Men

#### Potential positive impact

- The proposals to change provision for clients with acquired brain injury have a potential positive impact for young men (as most are men, either 15-24 or over 80 years old). However, it must be noted the client numbers are low – at 8.

### 40. Other protected characteristics

We are aware that both community safety issues and some protected characteristics - namely gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief and sexual orientation - are not referenced often in this process. This may be because; some of these groups are not affected by our proposals; we have gaps in our information (as highlighted in our Equalities Profile) which we are seeking to fill; or because we have not yet identified these impacts. We welcomed any views on the impacts of our proposals on community safety and these equalities groups as part of our consultation on the budget. In parallel with this, we are looking at relevant national information and seeking to improve our local knowledge.

#### Next step:

Individual senior managers need to consider whether proposals in their service area may have an impact on people from these equalities groups.

## 41. Community Safety

### Potential negative impacts

A number of proposals have potential community safety implications:

- Increasing dimming of street lighting – although the ESIA highlights that this proposal could potentially have a negative impact on fear of crime levels, crime detection rates and road traffic accidents, evidence from Dorset Police has shown their dimming programme did not result in increased crime. The mitigating actions therefore relate both to perceptions around fear of crime through a communications programme and also monitoring the impact of dimming street lighting. It should be noted that this proposal is an extension of existing practice and the final decision about the locations in the city where additional dimming will take place has yet to be made.
- Disbanding the City Patrol team – the current I City Patrol team consists of four staff and contributes towards dealing with enviro-crime issues such as fly tipping, abusive graffiti (hate crimes), littering and dog fouling. The ESIA has identified a community safety impact with the proposed loss of this team and an increase in complaints, including those from more deprived areas of the city, as these tend to have higher levels of enviro-crime. General safety impacts have also been raised in relation to reducing enforcement – i.e. blocked roads and pavements. However, the mitigating action is that other council teams and partner agencies can deal with the higher priority community safety and enviro-crime issues, ensuring that the key problems in neighbourhoods continue to be effectively dealt with. This could be considered alongside a priority in the Your City, Your Say survey results where respondents highlighted local community action to improve neighbourhoods.
- Remodelling substance misuse provision - this proposal relates to reducing the commissioning budget of the Drug Action Team and re-tendering to achieve improvements in service at a lower cost. The ESIA highlights the link between a potential reduction in drug treatment services and community safety/crime rates as it is well documented that substance misuse is a significant contributor to crime. However, the risk of a service reduction due to this proposal is off-set by economies of scale that will be achieved by having a larger, more integrated service and a tender specification that focuses on achieving the same levels of service but at less cost. The other mitigating action is to work jointly with police, probation and other partners to assess impact and to oversee joint work and opportunities to share resources.
- Review of learning disability placements – the issue of personal safety has been highlighted as a potential impact linked to the proposal to review existing placements, which may result in people with learning disabilities changing providers. However, plans are already in place to ensure alternative provision is appropriate and therefore the risk is minimised.
- The public consultation also highlighted areas of concern about the effect on safety and health of potential reductions in community safety, enforcement, environmental health and Trading Standards, particularly when taken together. This will need to be considered as part of service reviews.

### Next step:

A joint discussion between the relevant Senior Managers or their nominated representatives on the potential impact and any mitigating action.

Action: Suki Sitaram, Linda Haitana, Mitch Sanders, Rob Harwood, Jane Brentor, Stephanie Ramsey and later with key players from the Safe City Partnership

## 42. Other significant impacts

Further analysis is being undertaken to assess if there are impacts on the voluntary and community sector.

**Next step:**

Individual senior managers need to consider whether proposals in their service area may have an impact on voluntary and community groups.

**43. Staffing**

As stated earlier, the cumulative impact on staffing will be completed once all budget related structures and role changes have been developed and consulted on. However, in the meantime, Tables 1 provides information about the council’s workforce by age, gender, disability. Table 2 provides a disability profile by Directorate.

Table 1: Employee Profile

| <b>Employee Profile</b>   | <b>Total</b> | <b>Percentage</b> |
|---------------------------|--------------|-------------------|
| Total Workforce           | 3731         | 100.00%           |
| No. of Women employees    | 2394         | 64.17%            |
| No. of BME employees      | 137          | 3.67%             |
| No. of Disabled employees | 101          | 2.71%             |
| No. under 22 years        | 45           | 1.21%             |
| No. over 55 years         | 762          | 20.42%            |

Table 2: Disability Profile by Directorate

| <b>Disability Profile</b> | <b>Total</b> | <b>Full Time</b> |             | <b>Part Time</b> |             |
|---------------------------|--------------|------------------|-------------|------------------|-------------|
|                           |              | <b>Female</b>    | <b>Male</b> | <b>Female</b>    | <b>Male</b> |
| Directorate               |              |                  |             |                  |             |
| Corporate Services        | 7            | 2                | 3           | 1                | 1           |
| Environment & Economy     | 28           | 4                | 16          | 7                | 1           |
| People                    | 65           | 25               | 18          | 18               | 4           |
| Grand Total               | 101          | 31               | 37          | 26               | 7           |

## GENERAL FUND 2013/14 - REVISED BUDGET

|                                       | <b>Working<br/>Budget<br/>£000's</b> | <b>Revised<br/>Budget<br/>£000's</b> | <b>Variance<br/>£000's</b> |
|---------------------------------------|--------------------------------------|--------------------------------------|----------------------------|
| <b>Portfolio Total</b>                | <b>214,798</b>                       | <b>214,798</b>                       | <b>0</b>                   |
| <b>Levies &amp; Contributions</b>     |                                      |                                      |                            |
| Southern Seas Fisheries Levy          | 31                                   | 31                                   | 0                          |
| Flood Defence Levy                    | 32                                   | 32                                   | 0                          |
| Coroners Service                      | 560                                  | 600                                  | 40 A                       |
|                                       | <b>623</b>                           | <b>663</b>                           | <b>40 A</b>                |
| <b>Capital Asset Management</b>       |                                      |                                      |                            |
| Capital Financing Charges             | 13,357                               | 13,569                               | 212 A                      |
| Capital Asset Management Account      | (24,585)                             | (25,997)                             | 1,412 F                    |
|                                       | <b>(11,229)</b>                      | <b>(12,429)</b>                      | <b>1,200 F</b>             |
| <b>Other Expenditure &amp; Income</b> |                                      |                                      |                            |
| Direct Revenue Financing of Capital   | 401                                  | 401                                  | 0                          |
| Net Housing Benefit Payments          | (882)                                | (882)                                | 0                          |
| Non-Specific Government Grants        | (134,450)                            | (135,988)                            | 1,538 F                    |
| Contribution to Pay Reserve           | 1,400                                | 1,400                                | 0                          |
| Contribution to Transformation Fund   | 1,000                                | 1,000                                | 0                          |
| Collection Fund Surplus               | (1,042)                              | (1,042)                              | 0                          |
| Open Space and HRA                    | 436                                  | 436                                  | 0                          |
| Risk Fund                             | 752                                  | 451                                  | 302 F                      |
| Contingencies                         | 411                                  | 411                                  | 0                          |
| Surplus/Deficit on Trading Areas      | 36                                   | 36                                   | 0                          |
|                                       | <b>(131,938)</b>                     | <b>(133,778)</b>                     | <b>1,840 F</b>             |
| <b>NET GF SPENDING</b>                | <b>72,255</b>                        | <b>69,255</b>                        | <b>3,000</b>               |
| <b>Draw from Balances:</b>            |                                      |                                      |                            |
| To fund the Capital Programme         | (401)                                | (401)                                | 0                          |
| Draw from Balances (General)          | (980)                                | 2,020                                | 3,000 F                    |
| Draw from Strategic Reserve           | (825)                                | (825)                                | 0                          |
|                                       | <b>(2,206)</b>                       | <b>794</b>                           | <b>3,000 F</b>             |
| <b>COUNCIL TAX REQUIREMENT</b>        | <b>70,049</b>                        | <b>70,049</b>                        | <b>0</b>                   |

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**SUMMARY OF REVENUE PRESSURES**

| Portfolio Ref                               | Service Activity | Description of Item | Impact / Issues  | Recurring or One Off (R or O) | 2014/15 | 2015/16      | 2016/17    | Head of Service |
|---|------------------|---------------------|--|-------------------------------|---------|--------------|------------|-----------------|
|   |                  |                     |  |                               | £000's  | £000's       | £000's     |                 |
| <b><u>Children's Services Portfolio</u></b> |                  |                     |  |                               |         |              |            |                 |
| CS 1  | Safeguarding     | CIC placements      | The transformation of the People Directorate will take time to implement and take effect. The projections for the reduction in costs of children in care have been amended to reflect the timeframe of this work which has an impact on the short term additional funding requirement. | R                             | 2,370   | 1,230        | 420        | Theresa Leavy   |
| CS 2  | Safeguarding     | Staffing            | The transformation of the People Directorate will take time to implement and take effect. The projections for the reduction in costs social work staff have been amended to reflect the timeframe of this work which has an impact on the short term additional funding requirement.   | O                             | 930     |              |            | Theresa Leavy   |
| <b>Children's Services Portfolio Total</b>  |                  |                     |  |                               |         | <b>1,230</b> | <b>420</b> |                 |

**Environment & Transport Portfolio**

|  |                  |                        |  |   |     |            |            |                |
|--|------------------|------------------------|--|---|-----|------------|------------|----------------|
| E&T 1  | Waste Collection | Review of skip service | Proposal to run a limited break even service. Skip service to Eastleigh and private skip service to be terminated and replaced by SCC glass recycling service. Budget currently assumes a surplus of £128k per annum but this has been impossible to achieve and service is currently forecasting a deficit. | R | 128 | 128        | 128        | Jon Dyer-Slade |
| <b>Environment &amp; Transport Portfolio Total</b> |                  |                        |  |   |     | <b>128</b> | <b>128</b> |                |

**Health & Adult Social Care Portfolio**

|         |               |               |  |   |    |    |    |                  |
|---------|---------------|---------------|--|---|----|----|----|------------------|
| H&ASC 1 | Commissioning | ICU Structure | The investment that is required to fund the new structure is being shared equally between the CCG and the City Council | R | 91 | 91 | 91 | Stephanie Ramsey |
|---------|---------------|---------------|--|---|----|----|----|------------------|

**SUMMARY OF REVENUE PRESSURES**

| Portfolio Ref   | Service Activity    | Description of Item                            | Impact / Issues   | Recurring or One Off (R or O) | 2014/15      | 2015/16      | 2016/17    | Head of Service |
|---|---------------------|--|---|-------------------------------|--------------|--------------|------------|-----------------|
|   |                     |  |   |                               | £000's       | £000's       | £000's     |                 |
| <b>Health &amp; Adult Social Care Portfolio Total</b> |                     |  |   |                               |              |              |            |                 |
|   |                     |  |   |                               | 91           | 91           | 91         |                 |
| <b><u>Leader's Portfolio</u></b>                      |                     |  |   |                               |              |              |            |                 |
| LEAD 1  | Licensing           | Subsidy for cab cameras                        | Subsidy as agreed by Licensing Committee                    | R                             | 79           | 64           | 64         | Richard Ivory   |
| LEAD 2  | Democratic Services | Provision for eight Cabinet Members reinstated | Deletion of two Cabinet Members reviewed and eight retained | R                             | 26           | 26           | 26         | Richard Ivory   |
| <b>Leader's Portfolio Total</b>                       |                     |  |   |                               | <b>105</b>   | <b>90</b>    | <b>90</b>  |                 |
| <b>GRAND TOTAL</b>                                    |                     |  |   |                               | <b>3,624</b> | <b>1,539</b> | <b>729</b> |                 |

**SUMMARY OF REVENUE BIDS**

| Portfolio Ref  | Service Activity | Description of Item | Impact / Issues  | Recurring or One Off (R or O) | 2014/15<br>£000's | 2015/16<br>£000's | 2016/17<br>£000's | Head of Service |
|--|------------------|---------------------|--|-------------------------------|-------------------|-------------------|-------------------|-----------------|
| <b><u>Economic Development &amp; Leisure Portfolio</u></b> |                  |                     |  |                               |                   |                   |                   |                 |
| EDL 1  | Leisure Events   | Queens Baton Relay  | Funding to deliver an event as part of the Queens Baton Relay, a national programm | O                             | 50                |                   |                   | Mike Harris     |
| <b>Economic Development &amp; Leisure Portfolio Total</b>  |                  |                     |  |                               | <b>50</b>         | <b>0</b>          | <b>0</b>          |                 |
| <b>GRAND TOTAL</b>   |                  |                     |  |                               | <b>50</b>         | <b>0</b>          | <b>0</b>          |                 |

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## SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE

2014/15

| Portfolio                      | Efficiencies    | Income       | Service<br>Reductions | Total           |
|--------------------------------|-----------------|--------------|-----------------------|-----------------|
|                                | £000's          | £000's       | £000's                | £000's          |
| Children's Services            | (120)           | (20)         | 0                     | (140)           |
| Communities                    | (52)            | 0            | (114)                 | (166)           |
| Economic Development & Leisure | (62)            | 0            | (108)                 | (170)           |
| Environment & Transport        | (1,144)         | (233)        | (601)                 | (1,978)         |
| Health & Adult Social Care     | (6,811)         | 0            | 0                     | (6,811)         |
| Housing & Sustainability       | (20)            | (10)         | (22)                  | (52)            |
| Leader's Portfolio             | (218)           | (50)         | 0                     | (268)           |
| Resources                      | (1,614)         | 0            | (832)                 | (2,446)         |
| <b>Sub-Total</b>               | <b>(10,041)</b> | <b>(313)</b> | <b>(1,677)</b>        | <b>(12,031)</b> |
| Capita "Relaunch" Savings*     |                 |              |                       | (1,500)         |
| People Transformation          |                 |              |                       | (920)           |
| <b>Total</b>                   | <b>(10,041)</b> | <b>(313)</b> | <b>(1,677)</b>        | <b>(14,451)</b> |

\*Estimated General Fund savings from Capita renegotiated contract price resulting from a combination of "Efficiencies" and "Service Reductions".

### IMPACT OF PROPOSALS ON STAFFING

| Portfolio                      | FTE In Post  | FTE Vacant   | FTE Total    |
|--------------------------------|--------------|--------------|--------------|
| Children's Services            | 0.00         | 1.00         | 1.00         |
| Communities                    | 1.00         | 1.90         | 2.90         |
| Economic Development & Leisure | 3.56         | 0.90         | 4.46         |
| Environment & Transport        | 17.99        | 9.40         | 27.39        |
| Health & Adult Social Care     | 0.50         | 3.00         | 3.50         |
| Housing & Sustainability       | 1.00         | 0.00         | 1.00         |
| Leader's Portfolio             | 0.00         | 3.90         | 3.90         |
| Resources                      | 1.60         | 3.00         | 4.60         |
| <b>Sub-Total</b>               | <b>25.65</b> | <b>23.10</b> | <b>48.75</b> |
| People Transformation          | 8.30         | 24.28        | 32.58        |
| <b>Total</b>                   | <b>33.95</b> | <b>47.38</b> | <b>81.33</b> |

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

| Portfolio Ref                                    | Service Activity                        | Description of Item  | 2014/15      | 2015/16      | 2016/17      | Net Reduction in Posts |             | Head of Service |
|--|---|--|--------------|--------------|--------------|------------------------|-------------|-----------------|
|  |   |  | £000's       | £000's       | £000's       | FTE In Post            | FTE Vacant  |                 |
| <b><u>Children's Services - Efficiencies</u></b> |   |  |              |              |              |                        |             |                 |
| CS 1   | Infrastructure                          | School PFI contract savings  | (20)         | (20)         | (20)         |                        |             | Graham Talbot   |
| CS 2   | Early Years                             | Efficiencies at two Council run nurseries - Startpoint Northam and Startpoint Sholing                | (100)        | (110)        | (110)        |                        | 1.00        | Graham Talbot   |
|  |   | <b>Sub-total</b>   | <b>(120)</b> | <b>(130)</b> | <b>(130)</b> | <b>0.00</b>            | <b>1.00</b> |                 |
| <b><u>Children's Services - Income</u></b>       |   |  |              |              |              |                        |             |                 |
| CS 3   | Inspire                                 | Increased charges to schools for traded services   | (20)         | (20)         | (20)         |                        |             | Graham Talbot   |
|  |   | <b>Sub-total</b>   | <b>(20)</b>  | <b>(20)</b>  | <b>(20)</b>  | <b>0.00</b>            | <b>0.00</b> |                 |
|  |   | <b>Children's Services Portfolio Total</b>   | <b>(140)</b> | <b>(150)</b> | <b>(150)</b> | <b>0.00</b>            | <b>1.00</b> |                 |
| <b><u>Communities - Efficiencies</u></b>         |   |  |              |              |              |                        |             |                 |
| COMM 1   | Community Development                   | Review of community development activities across the council, including deletion of a vacant post   | (52)         | (67)         | (67)         | TBC                    | 1.00        | Suki Sitaram    |
|  |   | <b>Sub-total</b>   | <b>(52)</b>  | <b>(67)</b>  | <b>(67)</b>  | <b>0.00</b>            | <b>1.00</b> |                 |
| <b><u>Communities - Service Reductions</u></b>   |   |  |              |              |              |                        |             |                 |
| COMM 2   | Communities                             | Reduce community centres budget  | (12)         | (12)         | (117)        |                        |             | Suki Sitaram    |
| COMM 3   | Community Safety and Emergency Planning | Review of all community safety, youth offending and emergency planning activities across the council | (102)        | (120)        | (200)        | 1.00                   | 0.90        | Suki Sitaram    |
|  |   | <b>Sub-total</b>   | <b>(114)</b> | <b>(132)</b> | <b>(317)</b> | <b>1.00</b>            | <b>0.90</b> |                 |
|  |   | <b>Communities Portfolio Total</b>   | <b>(166)</b> | <b>(199)</b> | <b>(384)</b> | <b>1.00</b>            | <b>1.90</b> |                 |

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

| Portfolio Ref   | Service Activity      | Description of Item   | 2014/15      | 2015/16      | 2016/17      | Net Reduction in Posts |             | Head of Service |
|---|-----------------------|---|--------------|--------------|--------------|------------------------|-------------|-----------------|
|   |                       |   | £000's       | £000's       | £000's       | FTE In Post            | FTE Vacant  |                 |
| <b><u>Economic Development &amp; Leisure - Efficiencies</u></b>       |                       |   |              |              |              |                        |             |                 |
| EDL 1   | Development & Economy | Reductions in Economic Development Team but maintaining Inward Investment service | (42)         | (48)         | (48)         | 1.00                   | 0.70        | Barbara Compton |
| EDL 2   | Major Projects        | Efficiencies in Leisure Major Projects team                                       | (20)         | (20)         | (20)         |                        |             | Mike Harris     |
|   |                       | <b>Sub-total</b>  | <b>(62)</b>  | <b>(68)</b>  | <b>(68)</b>  | <b>1.00</b>            | <b>0.70</b> |                 |
| <b><u>Economic Development &amp; Leisure - Service Reductions</u></b> |                       |   |              |              |              |                        |             |                 |
| EDL 3   | Gallery & Museums     | Reduce opening hours of Tudor House museum  | (58)         | (70)         | (70)         | 2.06                   |             | Mike Harris     |
| EDL 4   | Development & Economy | Reductions in City Development Team - deletion of 0.2 FTE vacant post             | (12)         | (12)         | (12)         |                        | 0.20        | Barbara Compton |
| EDL 5   | Arts & Heritage       | Reduction in Archives opening hours   | (9)          | (9)          | (9)          | 0.50                   |             | Mike Harris     |
| EDL 6   | Gallery & Museums     | Reduction in net cost of the Museum and Gallery Education Team                    | (29)         | (35)         | (35)         |                        |             | Mike Harris     |
|   |                       | <b>Sub-total</b>  | <b>(108)</b> | <b>(126)</b> | <b>(126)</b> | <b>2.56</b>            | <b>0.20</b> |                 |
|   |                       | <b>Economic Development &amp; Leisure Portfolio Total</b>                         | <b>(170)</b> | <b>(194)</b> | <b>(194)</b> | <b>3.56</b>            | <b>0.90</b> |                 |

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

| Portfolio Ref  | Service Activity                            | Description of Item  | 2014/15 |        | 2015/16 |        | 2016/17     |            | Net Reduction in Posts |      | Head of Service |  |
|--|---|--|---------|--------|---------|--------|-------------|------------|------------------------|------|-----------------|--|
|  |   |  | £000's  | £000's | £000's  | £000's | FTE In Post | FTE Vacant |                        |      |                 |  |
| <b><u>Environment &amp; Transport - Efficiencies</u></b> |   |  |         |        |         |        |             |            |                        |      |                 |  |
| E&T 1  | Bereavement                                 | Energy efficiency measures   | (10)    | (10)   | (10)    | (10)   |             |            |                        |      | Mitch Sanders   |  |
| E&T 2  | Pest Control                                | Reduce number of vans and staff  | (25)    | (25)   | (25)    | (25)   |             |            | 1.00                   |      | Mitch Sanders   |  |
| E&T 3  | Kennels                                     | More efficient delivery of the kennels service to deal with stray dogs   | (34)    | (34)   | (34)    | (34)   |             |            | 1.00                   |      | Mitch Sanders   |  |
| E&T 4  | Environmental Health                        | Reduction in staff delivering the Environmental Health Service   | (85)    | (85)   | (85)    | (85)   |             |            | 1.00                   |      | Mitch Sanders   |  |
| E&T 5  | Street lighting                             | Savings from dimming   | (53)    | (60)   | (60)    | (60)   |             |            |                        |      | Rob Harwood     |  |
| E&T 6  | Parks and Street Cleansing                  | Use efficiencies to rationalise parks and street cleansing waste disposal and recycling costs. Reduce transport costs. | (140)   | (140)  | (140)   | (140)  |             |            |                        |      | Jon Dyer-Slade  |  |
| E&T 7  | Integrated Grounds Maintenance & Management | Efficiencies in management structure   | (20)    | (60)   | (60)    | (60)   |             |            | 1.50                   |      | Jon Dyer-Slade  |  |
| E&T 8  | Integrated Grounds Maintenance & Management | Saving from employment of seasonal staff   | (20)    |        |         |        |             |            |                        |      | Jon Dyer-Slade  |  |
| E&T 9  | Street Cleansing                            | Reduction in overtime costs  | (15)    | (20)   | (20)    | (20)   |             |            |                        |      | Jon Dyer-Slade  |  |
| E&T 10   | Street Cleansing                            | Review external cleaning contracts   | (10)    | (15)   | (15)    | (15)   |             |            |                        |      | Jon Dyer-Slade  |  |
| E&T 11   | Waste Collection                            | Increase efficiency of the new garden waste service  | (22)    | (22)   | (22)    | (22)   |             |            |                        |      | Jon Dyer-Slade  |  |
| E&T 12   | Waste Collection                            | Restructure Waste & Recycling management structure   | (45)    | (50)   | (50)    | (50)   |             |            | 0.50                   | 1.00 | Jon Dyer-Slade  |  |

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

| Portfolio Ref                               | Service Activity                                     | Description of Item   | 2014/15        | 2015/16      | 2016/17      | Net Reduction in Posts |             | Head of Service |
|---|--|---|----------------|--------------|--------------|------------------------|-------------|-----------------|
|   |  |   | £000's         | £000's       | £000's       | FTE In Post            | FTE Vacant  |                 |
| E&T 13                                      | Waste Disposal                                       | Housekeeping efficiencies within the waste disposal contract  | (5)            | (5)          | (5)          |                        |             | Jon Dyer-Slade  |
| E&T 14                                      | Waste Disposal                                       | Reduced support required for introducing the New Glass Recycling service  | (410)          |              |              |                        |             | Jon Dyer-Slade  |
| E&T 15                                      | Integrated grounds maintenance & management services | Introduce two year rolling apprenticeships into grounds maintenance and street cleansing                              | (22)           | (22)         | (22)         | 2.00                   | 2.00        | Jon Dyer-Slade  |
| E&T 16                                      | Waste & Recycling Collection                         | More efficient method of collecting household waste, dry mixed recycling materials and glass                          | (228)          | (240)        | (240)        |                        |             | Jon Dyer-Slade  |
|   |  | <b>Sub-total</b>  | <b>(1,144)</b> | <b>(788)</b> | <b>(788)</b> | <b>5.00</b>            | <b>6.00</b> |                 |
| <b>Environment &amp; Transport - Income</b> |  |   |                |              |              |                        |             |                 |
| E&T 17                                      | Planning   | Increased Planning fee income   | (40)           | (40)         | (40)         |                        |             | Paul Nichols    |
| E&T 18                                      | Port Health  | Increased income arising from the work of the Port Health Team  | (50)           | (50)         | (50)         |                        |             | Mitch Sanders   |
| E&T 19                                      | Trading Standards                                    | Use of existing resources to deliver services funded by government grant income as an alternative to staff reduction. | (50)           | (50)         | (50)         |                        |             | Mitch Sanders   |
| E&T 20                                      | Waste Collection                                     | One off income from implementation phase of the new glass collection service  | (60)           |              |              |                        |             | Jon Dyer-Slade  |
| E&T 21                                      | Waste Collection                                     | Revise the charging mechanism and work flow for removal of bulky waste collection service                             | (7)            | (10)         | (10)         |                        |             | Jon Dyer-Slade  |
| E&T 22                                      | Waste Collection                                     | Increase textile recycling on Southampton City Council owned sites  | (12)           | (12)         | (12)         |                        |             | Jon Dyer-Slade  |
| E&T 23                                      | Waste Disposal                                       | Support other local authorities with waste disposal strategies and contract management                                | (14)           | (14)         | (14)         |                        |             | Jon Dyer-Slade  |
|   |  | <b>Sub-total</b>  | <b>(233)</b>   | <b>(176)</b> | <b>(176)</b> | <b>0.00</b>            | <b>0.00</b> |                 |

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

| Portfolio Ref  | Service Activity                            | Description of Item  | 2014/15 |        | 2015/16 |        | 2016/17     |            | Net Reduction in Posts |      | Head of Service |  |
|--|---|--|---------|--------|---------|--------|-------------|------------|------------------------|------|-----------------|--|
|  |   |  | £000's  | £000's | £000's  | £000's | FTE In Post | FTE Vacant |                        |      |                 |  |
| <b><u>Environment &amp; Transport - Service Reductions</u></b> |   |  |         |        |         |        |             |            |                        |      |                 |  |
| E&T 24   | Trading Standards                           | Reduction in staff delivering the Trading Standards Service  | (60)    | (60)   | (60)    | (60)   | (60)        | (60)       | 2.00                   |      | Mitch Sanders   |  |
| E&T 25   | Planning                                    | Reduction in Planning Policy external costs  | (30)    | (30)   | (30)    | (30)   | (30)        | (30)       |                        |      | Paul Nichols    |  |
| E&T 26   | Transport                                   | Remove funding for City Centre Shuttle Bus   | (110)   | (110)  | (110)   | (110)  | (110)       | (110)      |                        |      | Frank Baxter    |  |
| E&T 27   | City Patrol                                 | Disband the City Patrol Service  | (150)   | (150)  | (150)   | (150)  | (150)       | (150)      | 4.00                   |      | Mitch Sanders   |  |
| E&T 28   | Integrated grounds maintenance & management | Restructure play area funding and remove the play area development officer post from revenue funding.  | (40)    | (40)   | (40)    | (40)   | (40)        | (40)       |                        |      | Jon Dyer-Slade  |  |
| E&T 29   | Environmental Health                        | Reduction in staff providing technical support to the Environmental Health team.   | (23)    | (23)   | (23)    | (23)   | (23)        | (23)       | 0.40                   |      | Mitch Sanders   |  |
| E&T 30   | Bereavement & Registration Services         | Reduction in staff delivering the Registration Service.  | (40)    | (40)   | (40)    | (40)   | (40)        | (40)       | 1.00                   |      | Mitch Sanders   |  |
| E&T 31   | Environmental Health                        | Review and redesign the way the Out of Hours Noise Service is delivered to reduce costs whilst still maintaining a responsive service on the busiest nights of the week including the weekend. | (17)    | (17)   | (17)    | (17)   | (17)        | (17)       |                        |      | Mitch Sanders   |  |
| E&T 32   | Scientific Services                         | Rationalisation of air quality continuous monitoring network   | (10)    | (10)   | (10)    | (10)   | (10)        | (10)       |                        |      | Mitch Sanders   |  |
| E&T 33   | Parking & Transport                         | Restructure of Parking & Transport Teams   | (30)    | (120)  | (120)   | (120)  | (120)       | (120)      | 3.00                   | 3.00 | Frank Baxter    |  |
| E&T 34   | Planning                                    | Restructure of the City Design group   | (24)    | (41)   | (41)    | (41)   | (41)        | (41)       | 0.99                   |      | Paul Nichols    |  |
| E&T 35   | Planning                                    | Remove Conservation Officer  | (23)    | (39)   | (39)    | (39)   | (39)        | (39)       | 1.00                   |      | Paul Nichols    |  |
| E&T 36   | Planning                                    | Restructure of Planning Policy and Sustainability teams  | (34)    | (34)   | (34)    | (34)   | (34)        | (34)       | 1.00                   |      | Paul Nichols    |  |

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

| Portfolio Ref | Service Activity | Description of Item   | 2014/15        | 2015/16        | 2016/17        | Net Reduction in Posts |             | Head of Service |
|---------------|------------------|---|----------------|----------------|----------------|------------------------|-------------|-----------------|
|               |                  |   | £000's         | £000's         | £000's         | FTE In Post            | FTE Vacant  |                 |
| E&T 37        | Planning         | Reduce Learning & Development, travel and subsistence budgets | (10)           | (10)           | (10)           |                        |             | Paul Nichols    |
|               |                  | <b>Sub-total</b>  | <b>(601)</b>   | <b>(724)</b>   | <b>(724)</b>   | <b>12.99</b>           | <b>3.40</b> |                 |
|               |                  | <b>Environment &amp; Transport Portfolio Total</b>            | <b>(1,978)</b> | <b>(1,688)</b> | <b>(1,688)</b> | <b>17.99</b>           | <b>9.40</b> |                 |

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

| Portfolio Ref   | Service Activity                                       | Description of Item  | 2014/15 |        | 2015/16 |        | 2016/17     |            | Net Reduction in Posts |  | Head of Service                                |  |
|---|--|--|---------|--------|---------|--------|-------------|------------|------------------------|--|--|--|
|   |  |  | £000's  | £000's | £000's  | £000's | FTE In Post | FTE Vacant |                        |  |  |  |
| <b><u>Health &amp; Adult Social Care - Efficiencies</u></b> |  |  |         |        |         |        |             |            |                        |  |  |  |
| H&ASC 1   | Adult Disability Care Services                         | Improve outcomes from reablement service so fewer people need care packages and for those where ongoing care is required they have reduced support needs.      | (348)   | (697)  | (697)   | (697)  |             |            |                        |  | Jane Brentor Lead / Carol Valentine - BH       |  |
| H&ASC 2   | Adult Disability Care Services                         | Proactively assisting up to 600 people to access low level services to delay access to long term care by between 3 and 6 months                                | (168)   | (337)  | (337)   | (337)  |             |            |                        |  | Jane Brentor Lead / Carol Valentine - BH       |  |
| H&ASC 3   | Provider Day Services                                  | Move from SCC provided horticultural and woodwork Day Service to an alternative model of delivery for same service   | (30)    | (60)   | (60)    | (60)   | 0.50        | 1.00       |                        |  | Jane Brentor / Stephanie Ramsey                |  |
| H&ASC 4   | Learning Disability and Adult Disability Care Services | Retender of Domiciliary Care across all care groups. Increased focus on improving quality and reducing/delaying future long term care needs of clients         | (360)   | (420)  | (420)   | (420)  |             |            |                        |  | Stephanie Ramsey - Lead / Carol Valentine - BH |  |
| H&ASC 5   | Learning Disability and Adult Disability Care Services | Review above standard cost Residential and Nursing Packages  | (500)   | (500)  | (500)   | (500)  |             |            |                        |  | Stephanie Ramsey - Lead / Carol Valentine - BH |  |
| H&ASC 6   | Learning Disability                                    | Review of placements for 1) clients with an acquired Brain Injury and 2) clients with a Learning Disability to ensure appropriateness of current accommodation | (140)   | (140)  | (140)   | (140)  |             |            |                        |  | Stephanie Ramsey - Lead / Carol Valentine - BH |  |

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

| Portfolio Ref   | Service Activity               | Description of Item   | 2014/15        |                | 2015/16        |                | 2016/17     |             | Net Reduction in Posts |            | Head of Service                     |
|---|--------------------------------|---|----------------|----------------|----------------|----------------|-------------|-------------|------------------------|------------|-------------------------------------|
|   |                                |   | £000's         | £000's         | £000's         | £000's         | FTE In Post | FTE Vacant  | FTE In Post            | FTE Vacant |                                     |
| H&ASC 7   | Adult Disability Care Services | Reviewing day service provision for older people and improving Community Options to support reablement  | (80)           | (120)          | (120)          | (120)          |             |             |                        |            | Stephanie Ramsey / Carol Valentine  |
| H&ASC 8   | Portfolio Wide                 | Remodelling through use of Social Care transfer funding allocated via NHS and maintaining eligibility criteria  | (2,300)        | (2,300)        | (2,300)        | (2,300)        |             |             |                        |            | Stephanie Ramsey                    |
| H&ASC 9   | Portfolio Wide                 | Savings from various recurring and one off contingencies no longer required   | (1,400)        | (400)          | (400)          | (400)          |             |             |                        |            | Alison Elliot                       |
| H&ASC 10  | Mental Health Commissioning    | Remodelling in Substance Misuse Provision   | (135)          | (135)          | (135)          | (135)          |             |             | 2.00                   |            | Stephanie Ramsey                    |
| H&ASC 11  | Public Health                  | Review of Current Public Health Supported Services & Refocus of Investment to improve outcomes for children and young people and reduce health inequalities | (1,350)        | (1,750)        | (1,750)        | (1,750)        |             |             |                        |            | Andrew Mortimore / Stephanie Ramsey |
| H&ASC 12  | Adult Disability Commissioning | Reduction in Nursing Block Contract Beds  |                | (20)           | (40)           | (40)           |             |             |                        |            | Stephanie Ramsey                    |
| <b>Sub-total</b>                                      |                                |   | <b>(6,811)</b> | <b>(6,879)</b> | <b>(6,899)</b> | <b>(6,899)</b> | <b>0.50</b> | <b>3.00</b> |                        |            |                                     |
| <b>Health &amp; Adult Social Care Portfolio Total</b> |                                |   | <b>(6,811)</b> | <b>(6,879)</b> | <b>(6,899)</b> | <b>(6,899)</b> | <b>0.50</b> | <b>3.00</b> |                        |            |                                     |

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

| Portfolio Ref   | Service Activity                         | Description of Item   | 2014/15     | 2015/16     | 2016/17     | Net Reduction in Posts |             | Head of Service |
|---|--|---|-------------|-------------|-------------|------------------------|-------------|-----------------|
|   |  |   | £000's      | £000's      | £000's      | FTE In Post            | FTE Vacant  |                 |
| <b><u>Housing &amp; Sustainability - Efficiencies</u></b>       |  |   |             |             |             |                        |             |                 |
| HS 1  | Estate Regeneration and Housing Delivery | Further charge to HRA   | (20)        | (20)        | (20)        |                        |             | Barbara Compton |
|   |  | <b>Sub-total</b>  | <b>(20)</b> | <b>(20)</b> | <b>(20)</b> | <b>0.00</b>            | <b>0.00</b> |                 |
| <b><u>Housing &amp; Sustainability - Income</u></b>             |  |   |             |             |             |                        |             |                 |
| HS 2  | Sustainability                           | Income from non General Fund areas                              | (10)        | (15)        | (15)        |                        |             | Paul Nichols    |
|   |  | <b>Sub-total</b>  | <b>(10)</b> | <b>(15)</b> | <b>(15)</b> | <b>0.00</b>            | <b>0.00</b> |                 |
| <b><u>Housing &amp; Sustainability - Service Reductions</u></b> |  |   |             |             |             |                        |             |                 |
| HS 3  | Housing Development                      | Reduction of working hours for posts within housing development | (22)        | (22)        | (22)        | 1.00                   |             | Barbara Compton |
|   |  | <b>Sub-total</b>  | <b>(22)</b> | <b>(22)</b> | <b>(22)</b> | <b>1.00</b>            | <b>0.00</b> |                 |
|   |  | <b>Housing &amp; Sustainability Portfolio Total</b>             | <b>(52)</b> | <b>(57)</b> | <b>(57)</b> | <b>1.00</b>            | <b>0.00</b> |                 |

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

| Portfolio Ref                         | Service Activity                 | Description of Item   | 2014/15      | 2015/16      | 2016/17      | Net Reduction in Posts |             | Head of Service |
|---------------------------------------|----------------------------------|---|--------------|--------------|--------------|------------------------|-------------|-----------------|
|                                       |                                  |   | £000's       | £000's       | £000's       | FTE In Post            | FTE Vacant  |                 |
| <b><u>Leader's - Efficiencies</u></b> |                                  |   |              |              |              |                        |             |                 |
| LEAD 1                                | Legal Services                   | Review and reduction of service provision and minor restructure in Legal Services   | (98)         | (105)        | (105)        | 1.40                   |             | Richard Ivory   |
| LEAD 2                                | Democratic Services              | Restructure in Democratic Services to reflect changing requirements and reduction in member support   | (64)         | (64)         | (64)         | 2.50                   |             | Richard Ivory   |
| LEAD 3                                | Democratic Services              | Renegotiation of current lease arrangements for Mayoral car   | (6)          | (6)          | (6)          |                        |             | Richard Ivory   |
| LEAD 4                                | Chief Executive & Communications | Reduction in overall spend  | (50)         | (50)         | (45)         |                        |             | Suki Sitaram    |
| <b>Sub-total</b>                      |                                  |   | <b>(218)</b> | <b>(225)</b> | <b>(220)</b> | <b>0.00</b>            | <b>3.90</b> |                 |
| <b><u>Leader's - Income</u></b>       |                                  |   |              |              |              |                        |             |                 |
| LEAD 5                                | Communications                   | Activity undertaken by the Contracts team has resulted in a contract for provision of a wireless network service to be managed by Communications, that will provide a minimum guaranteed income from the provider | (50)         | (10)         | (10)         |                        |             | John Spiers     |
| <b>Sub-total</b>                      |                                  |   | <b>(50)</b>  | <b>(10)</b>  | <b>(10)</b>  | <b>0.00</b>            | <b>0.00</b> |                 |
| <b>Leader's Portfolio Total</b>       |                                  |   | <b>(268)</b> | <b>(235)</b> | <b>(230)</b> | <b>0.00</b>            | <b>3.90</b> |                 |

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

| Portfolio Ref                          | Service Activity              | Description of Item  | 2014/15        | 2015/16        | 2016/17        | Net Reduction in Posts |             | Head of Service |
|--|-------------------------------|--|----------------|----------------|----------------|------------------------|-------------|-----------------|
|  |                               |  | £000's         | £000's         | £000's         | FTE In Post            | FTE Vacant  |                 |
| <b><u>Resources - Efficiencies</u></b> |                               |  |                |                |                |                        |             |                 |
| RES 1                                  | Admin Buildings               | Savings arising from the rationalisation of central office accommodation (Accommodation Strategy) including the vacation of buildings          | (569)          | (569)          | (569)          |                        |             | John Spiers     |
| RES 2                                  | Property Portfolio Management | Disposal of some investment property leads to a reduction in overall management costs and fees payable to Capita                               | (250)          | (250)          | (250)          |                        |             | John Spiers     |
| RES 3                                  | Contract Management           | Savings achieved from the Capita Contract  | (572)          | (572)          | (572)          |                        |             | John Spiers     |
| RES 4                                  | Customer Services             | Reduction in postage costs across the council following a review of current postal charges and work to streamline future provider arrangements | (50)           | (52)           | (52)           |                        |             | John Spiers     |
| RES 5                                  | Risk Management & Insurance   | Reduction in the annual contribution to the internal Self-Insurance Fund   | (100)          | (100)          | (100)          |                        |             | Andy Lowe       |
| RES 6                                  | Cross Council                 | Reduction in colour photocopying / printing  | (23)           | (23)           | (23)           |                        |             | Andy Lowe       |
| RES 7                                  | Investment Property           | Reduction in the annual contribution towards the provision for bad debts   | (50)           | (50)           | (50)           |                        |             | John Spiers     |
| RES 8                                  | Procurement                   | Efficiencies / reduction in costs from future procurement activity relating to sub £100k spend / contracts                                     |                | (300)          | (400)          |                        |             | John Spiers     |
| <b>Sub-total</b>                       |                               |  | <b>(1,614)</b> | <b>(1,916)</b> | <b>(2,016)</b> | <b>0.00</b>            | <b>0.00</b> |                 |

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

| Portfolio Ref                         | Service Activity              | Description of Item   | 2014/15         | 2015/16         | 2016/17         | Net Reduction in Posts |              | Head of Service |
|---------------------------------------|-------------------------------|---|-----------------|-----------------|-----------------|------------------------|--------------|-----------------|
|                                       |                               |   | £000's          | £000's          | £000's          | FTE In Post            | FTE Vacant   |                 |
| <b>Resources - Service Reductions</b> |                               |   |                 |                 |                 |                        |              |                 |
| RES 9                                 | Finance Service               | Redirection of resources and reduction in current service provision.  | (100)           | (100)           | (100)           | 1.00                   | 1.00         | Andy Lowe       |
| RES 10                                | Admin Buildings               | Reductions in cleaning, general supplies, services and budgets maintaining Civic Buildings where there is discretionary spend   | (90)            | (90)            | (90)            | 1.00                   | 1.00         | John Spiers     |
| RES 11                                | Central Repairs & Maintenance | Further reduction in planned maintenance programme resulting from fewer properties and the setting up of sinking funds for future maintenance of Civic Centre and One Guildhall Square                                | (300)           | (300)           | (300)           |                        |              | John Spiers     |
| RES 12                                | Cross Council                 | Reduction in general supplies & services budgets across all Directorates  | (250)           | (250)           | (250)           |                        |              | Andy Lowe       |
| RES 13                                | Property Client               | Reduction of Accommodation Planning role in Property Team. Current rationalisation of office accommodation will be complete by September 2014, after the vacation of Marland House                                    | (8)             | (16)            | (16)            | 0.60                   | 0.60         | John Spiers     |
| RES 14                                | Admin Buildings               | Deletion of Project and Safety Officer as significant part of the role (project management) is now minimal due to other budget reductions. The safety aspects of the role have also diminished due to fewer buildings | (24)            | (24)            | (24)            | 1.00                   | 1.00         | John Spiers     |
| RES 15                                | Admin Buildings               | Reduction in some out of hours services through reductions in overtime and deletion of one vacant Town Sergeant post  | (40)            | (40)            | (40)            |                        | 1.00         | John Spiers     |
| RES 16                                | HR Services                   | Reduction in General Supplies & Services budgets  | (20)            | (20)            | (20)            |                        |              | Richard Ivory   |
| <b>Sub-total</b>                      |                               |   | <b>(832)</b>    | <b>(840)</b>    | <b>(840)</b>    | <b>1.60</b>            | <b>3.00</b>  |                 |
| <b>Resources Portfolio Total</b>      |                               |   | <b>(2,446)</b>  | <b>(2,756)</b>  | <b>(2,856)</b>  | <b>1.60</b>            | <b>3.00</b>  |                 |
| <b>GRAND TOTAL</b>                    |                               |   | <b>(12,031)</b> | <b>(12,158)</b> | <b>(12,458)</b> | <b>25.65</b>           | <b>23.10</b> |                 |

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## 2014/15 GENERAL FUND REVENUE ACCOUNT

| <b>Portfolios</b>                              | <b>2014/15<br/>Forecast<br/>£000's</b> | <b>Revenue<br/>Pressures<br/>£000's</b> | <b>Revenue<br/>Bids<br/>£000's</b> | <b>Savings &amp;<br/>Income<br/>£000's</b> | <b>2014/15<br/>Budget<br/>£000's</b> |
|--|--|---|------------------------------------|--|--------------------------------------|
| Children's Services                            | 55,692.5                               | 3,300.0                                 |                                    | (140.0)                                    | 58,852.5                             |
| Communities                                    | 3,780.8                                |   |                                    | (166.0)                                    | 3,614.8                              |
| Economic Development & Leisure                 | 13,752.8                               |   | 50.0                               | (170.0)                                    | 13,632.8                             |
| Environment & Transport                        | 38,835.4                               | 128.0                                   |                                    | (1,978.0)                                  | 36,985.4                             |
| Health & Adult Social Care                     | 70,720.2                               | 91.0                                    |                                    | (7,731.0)                                  | 63,080.2                             |
| Housing & Sustainability                       | 2,341.6                                |   |                                    | (52.0)                                     | 2,289.6                              |
| Leader's Portfolio                             | 3,265.4                                | 105.0                                   |                                    | (268.0)                                    | 3,102.4                              |
| Resources                                      | 22,822.6                               |   |                                    | (3,946.0)                                  | 18,876.6                             |
| <b>Sub-total for Portfolios</b>                | <b>211,211.3</b>                       | <b>3,624.0</b>                          | <b>50.0</b>                        | <b>(14,451.0)</b>                          | <b>200,434.3</b>                     |
| <b>Levies &amp; Contributions</b>              |  |   |                                    |  |                                      |
| Southern Seas Fisheries Levy                   | 31.4                                   |   |                                    |  | 31.4                                 |
| Flood Defence Levy                             | 39.8                                   |   |                                    |  | 39.8                                 |
| Coroners Service                               | 560.0                                  |   |                                    |  | 560.0                                |
|  | <b>631.2</b>                           | <b>0.0</b>                              | <b>0.0</b>                         | <b>0.0</b>                                 | <b>631.2</b>                         |
| <b>Capital Asset Management</b>                |  |   |                                    |  |                                      |
| Capital Financing Charges                      | 12,588.4                               |   |                                    |  | 12,588.4                             |
| Capital Asset Management Account               | (24,525.7)                             |   |                                    |  | (24,525.7)                           |
|  | <b>(11,937.3)</b>                      | <b>0.0</b>                              | <b>0.0</b>                         | <b>0.0</b>                                 | <b>(11,937.3)</b>                    |
| <b>Other Expenditure &amp; Income</b>          |  |   |                                    |  |                                      |
| Direct Revenue Financing of Capital            | 100.0                                  |   |                                    |  | 100.0                                |
| Trading Areas (Surplus) / Deficit              | 0.0                                    |   |                                    |  | 0.0                                  |
| Net Housing Benefit Payments                   | (758.2)                                |   |                                    |  | (758.2)                              |
| Non-Specific Government Grants & Other Funding | (70,361.4)                             |   |                                    |  | (70,361.4)                           |
| Business Rates (*)                             | (49,102.7)                             |   |                                    |  | (49,102.7)                           |
| Collection Fund Deficit                        | 2,842.6                                |   |                                    |  | 2,842.6                              |
| Open Spaces and HRA                            | 435.7                                  |   |                                    |  | 435.7                                |
| Risk Fund                                      | 4,400.0                                |   |                                    |  | 4,400.0                              |
| Contingencies                                  | 250.0                                  |   |                                    |  | 250.0                                |
|  | <b>(112,194.0)</b>                     | <b>0.0</b>                              | <b>0.0</b>                         | <b>0.0</b>                                 | <b>(112,194.0)</b>                   |
| <b>NET GF SPENDING</b>                         | <b>87,711.2</b>                        | <b>3,624.0</b>                          | <b>50.0</b>                        | <b>(14,451.0)</b>                          | <b>76,934.2</b>                      |
| <b>Draw from Balances:</b>                     |  |   |                                    |  |                                      |
| Addition to / (Draw From) Balances             | (3,362.0)                              |   |                                    |  | (3,362.0)                            |
| To fund the Capital Programme                  | (100.0)                                |   |                                    |  | (100.0)                              |
|  | <b>(3,462.0)</b>                       | <b>0.0</b>                              | <b>0.0</b>                         | <b>0.0</b>                                 | <b>(3,462.0)</b>                     |
| Revenue Pressures                              | 3,624.0                                | (3,624.0)                               |                                    |  | 0.0                                  |
| <b>Net Gap in Budget After Pressures</b>       | <b>14,401.0</b>                        | <b>0.0</b>                              | <b>50.0</b>                        | <b>(14,451.0)</b>                          | <b>0.0</b>                           |
| <b>COUNCIL TAX REQUIREMENT</b>                 | <b>73,472.2</b>                        | <b>0.0</b>                              | <b>0.0</b>                         | <b>0.0</b>                                 | <b>73,472.2</b>                      |

(\* Includes Section 31 Grant in respect of reduced Business Rates income due to changes announced in the Autumn Statement and also the Top Up paid to the Council as part of the Business Rates Retention Scheme)

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## COUNCIL TAX CALCULATION - 2014/15

|  | 2013/14<br>£000's  | 2014/15<br>£000's  | Change<br>£000's  | Change<br>%    |
|--|--------------------|--------------------|-------------------|----------------|
| <b>Budget Requirement (a)</b>                    | <b>194,861.7</b>   | <b>177,163.8</b>   | <b>(17,697.9)</b> | <b>-9.08%</b>  |
| Less NDR   | (49,534.0)         | (45,562.1)         |                   |                |
| Less Top Up Payment                              | (1,548.8)          | (1,579.0)          |                   |                |
| Less RSG   | (72,688.2)         | (59,393.1)         |                   |                |
| Aggregate External Finance                       | (123,771.0)        | (106,534.2)        | 17,236.8          | -13.93%        |
| Deficit / (Surplus) on collection fund           | (1,041.6)          | 2,842.6            | 3,884.2           | 0.00%          |
| <b>Net Grant Income (b)</b>                      | <b>(124,812.6)</b> | <b>(103,691.6)</b> | <b>21,121.0</b>   | <b>-16.92%</b> |
| <b>Amount to be met from Council Tax (a - b)</b> | <b>70,049.1</b>    | <b>73,472.2</b>    | <b>3,423.1</b>    | <b>4.89%</b>   |
| Tax base   | 55,471.7           | 57,044.0           | 1,572.3           | 2.83%          |
| <b>Basic amount of Council Tax (Band D)</b>      | <b>1,262.79</b>    | <b>1,287.99</b>    | <b>25.20</b>      | <b>2.00%</b>   |
| Last years Council Tax                           |                    | 1,262.79           |                   |                |
| Increase (Cash)                                  |                    | 25.20              |                   |                |
| Increase (Cash per Week)                         |                    | 0.48               |                   |                |

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## COLLECTION FUND ESTIMATES 2014/15

|  | 2013/14<br>£000's      | 2014/15<br>£000's      | Change<br>£000's    | Change<br>%         |
|--|------------------------|------------------------|---------------------|---------------------|
| Southampton City Council Precept               | 70,049.1               | 73,472.2               | 3,423.1             | 4.89%               |
| Hampshire Police Precept                       | 8,390.1                | 8,627.9                | 237.8               | 2.83%               |
| Fire and Rescue Services Precept               | 3,404.9                | 3,501.4                | 96.5                | 2.83%               |
| Income due from Council Tax Payers             | <u>81,844.0</u>        | <u>85,601.5</u>        | <u>3,757.4</u>      | <u>4.59%</u>        |
| Tax Base for Area                              | 55,471.7               | 57,044.0               | 1,572.3             | 2.83%               |
| <b>Basic Amount of Tax for Band D Property</b> | <b><u>1,475.42</u></b> | <b><u>1,500.62</u></b> | <b><u>25.20</u></b> | <b><u>1.71%</u></b> |

(The tax base and resulting precepts are now calculated on a slightly different basis than in previous years, reflecting the required adjustments as a result of the localisation of Council Tax Benefit and the changes to associated funding. Changes to the scheme approved by Council in January 2013 for implementation from April 2014 have the impact of increasing the overall taxbase going forward).

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# Agenda Item 5

APPENDIX 10  
Appendix 10

## MEDIUM TERM FINANCIAL FORECAST

| Portfolios                                    | 2014/15<br>Forecast<br>£000's | Base<br>Changes<br>£000's | 2015/16<br>Forecast<br>£000's | Base<br>Changes<br>£000's | 2016/17<br>Forecast<br>£000's |
|---|-------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| Children's Services                           | 58,852.5                      |                           | 58,852.5                      |                           | 58,852.5                      |
| Communities                                   | 3,614.8                       |                           | 3,614.8                       |                           | 3,614.8                       |
| Economic Development & Leisure                | 13,632.8                      |                           | 13,632.8                      |                           | 13,632.8                      |
| Environment & Transport                       | 36,985.4                      |                           | 36,985.4                      |                           | 36,985.4                      |
| Health & Adult Services                       | 63,080.2                      |                           | 63,080.2                      |                           | 63,080.2                      |
| Housing & Sustainability                      | 2,289.6                       |                           | 2,289.6                       |                           | 2,289.6                       |
| Leader's Portfolio                            | 3,102.4                       |                           | 3,102.4                       |                           | 3,102.4                       |
| Resources                                     | 18,876.6                      |                           | 18,876.6                      |                           | 18,876.6                      |
| Add Pressures - Future Years (Unknown)        |                               | 1,000.0                   | 1,000.0                       | 1,000.0                   | 2,000.0                       |
| Base Changes & Inflation                      |                               | 3,902.9                   | 3,902.9                       | 7,904.0                   | 11,806.9                      |
| <b>Sub-total for Portfolios</b>               | <b>200,434.3</b>              | <b>4,902.9</b>            | <b>205,337.2</b>              | <b>8,904.0</b>            | <b>214,241.2</b>              |
| <b>Levies &amp; Contributions</b>             |                               |                           |                               |                           |                               |
| Southern Seas Fisheries Levy                  | 31.4                          |                           | 31.4                          |                           | 31.4                          |
| Flood Defence Levy                            | 39.8                          |                           | 39.8                          |                           | 39.8                          |
| Coroners Service                              | 560.0                         |                           | 560.0                         |                           | 560.0                         |
|   | <b>631.2</b>                  | <b>0.0</b>                | <b>631.2</b>                  | <b>0.0</b>                | <b>631.2</b>                  |
| <b>Capital Asset Management</b>               |                               |                           |                               |                           |                               |
| Capital Financing Charges                     | 12,588.4                      | 1,000.0                   | 13,588.4                      | 960.0                     | 14,548.4                      |
| Capital Asset Management Account              | (24,525.7)                    | (500.0)                   | (25,025.7)                    | (460.0)                   | (25,485.7)                    |
|   | <b>(11,937.3)</b>             | <b>500.0</b>              | <b>(11,437.3)</b>             | <b>500.0</b>              | <b>(10,937.3)</b>             |
| <b>Other Expenditure &amp; Income</b>         |                               |                           |                               |                           |                               |
| Direct Revenue Financing of Capital           | 100.0                         | (100.0)                   | 0.0                           |                           | 0.0                           |
| Trading Areas (Surplus) / Deficit             | 0.0                           |                           | 0.0                           |                           | 0.0                           |
| Net Housing Benefit Payments                  | (758.2)                       |                           | (758.2)                       |                           | (758.2)                       |
| Contribution to Pay Reserve                   | 0.0                           | 737.0                     | 737.0                         |                           | 737.0                         |
| Non-Specific Government Grants & Other Fundii | (70,361.4)                    | 26,412.5                  | (43,948.9)                    | 12,718.2                  | (31,230.7)                    |
| Business Rates                                | (49,102.7)                    | 1,719.3                   | (47,383.4)                    | (937.2)                   | (48,320.6)                    |
| Collection Fund Deficit                       | 2,842.6                       | (1,501.8)                 | 1,340.8                       |                           | 1,340.8                       |
| Open Spaces and HRA                           | 435.7                         |                           | 435.7                         |                           | 435.7                         |
| Risk Fund                                     | 4,400.0                       | 100.0                     | 4,500.0                       | 100.0                     | 4,600.0                       |
| Contingencies                                 | 250.0                         |                           | 250.0                         |                           | 250.0                         |
|   | <b>(112,194.0)</b>            | <b>27,367.0</b>           | <b>(84,827.0)</b>             | <b>11,881.0</b>           | <b>(72,946.0)</b>             |
| <b>NET GF SPENDING</b>                        | <b>76,934.2</b>               | <b>32,769.9</b>           | <b>109,704.1</b>              | <b>21,285.0</b>           | <b>130,989.1</b>              |
| <b>Draw from Balances:</b>                    |                               |                           |                               |                           |                               |
| Addition to / (Draw From) Balances            | (3,362.0)                     | 1,729.8                   | (1,632.2)                     | 2,798.2                   | 1,166.0                       |
| To fund the Capital Programme                 | (100.0)                       | 100.0                     | 0.0                           |                           | 0.0                           |
| <b>NET GAP IN BUDGET</b>                      | <b>(3,462.0)</b>              | <b>1,829.8</b>            | <b>(1,632.2)</b>              | <b>2,798.2</b>            | <b>1,166.0</b>                |
| <b>Council Tax Requirement</b>                | <b>73,472.2</b>               | <b>34,599.7</b>           | <b>108,071.9</b>              | <b>24,083.2</b>           | <b>132,155.1</b>              |
| Council Tax                                   | 73,472.2                      | 1,468.4                   | 74,940.6                      | 1,499.2                   | 76,439.8                      |
| <b>Roll Forward Gap</b>                       | <b>0.0</b>                    | <b>33,131.3</b>           | <b>33,131.3</b>               | <b>22,584.0</b>           | <b>55,715.3</b>               |
| Less Savings - Future Years (Known)           |                               | (427.0)                   | (427.0)                       | (600.0)                   | (1,027.0)                     |
| <b>Revised Gap</b>                            | <b>0.0</b>                    | <b>32,704.3</b>           | <b>32,704.3</b>               | <b>21,984.0</b>           | <b>54,688.3</b>               |

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## **STATUTORY POWER TO UNDERTAKE PROPOSALS IN THE REPORT**

### **1. INTRODUCTION**

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.

### **2. GENERAL POSITION**

- a. 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 businesslike 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.
- b. There is a general requirement in administrative law that a local authority decision must be rational, authorised by law and must take account of all relevant considerations, whilst ignoring any irrelevant ones. It should also be noted that the concept of proportionality, given great emphasis in the Human Rights Act 1998, is also becoming a relevant factor for determining the reasonableness of any decision and should be borne in mind by Members.
- c. An authority commits an illegal act if it acts beyond or in abuse of its statutory powers or in breach of its fiduciary duty. It will also act illegally if it fails to take relevant considerations into account or acts in outrageous defiance of reason.

### **3. OBLIGATION TO MAKE A COUNCIL TAX**

- a. The legal significance of the Annual Budget and setting a Council Tax derives from the Council's duty under the Local Government Finance Act 1992 (the 1992 Act) and Part 5 Chapter 1 of the Localism Act 2011 to set a balanced budget and Part 5 Chapter 1 of the Localism Act 2011. This is achieved by calculating the aggregate of:
  - i. the expenditure it estimates it will incur in the year in performing its functions in the year (including an allowance for contingencies),

- ii. the payments it estimates it will make in the year in defraying expenditure already incurred and
  - iii. expenditure it will incur in funding costs before a transfer of funds is made from the Collection Fund and then deducting such sums as will be paid into the General Fund, i.e. income. Calculations made under this section must be made before 11 March in the preceding financial year.
- b. In order to fulfil this duty, the Council must prepare detailed estimates of its expenditure for the coming year and of the resources that will be available to meet this expenditure. Account must be taken of any deficit brought forward from a previous year and the amount needed to cover contingencies. The resources include income from rents, fees and charges and any available balances. All of these issues must be addressed in the budget report. The estimation of the detailed resource and expenditure items is the main reason for the budget process. The budget must balance, i.e. proposed expenditure must be met from proposed income from all sources, with any shortfall being the precept on the Collection Fund.
  - c. Failure to make a lawful Council Tax on or before 11 March 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.
  - d. Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for "the proper administration of their financial affairs'.
  - e. 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.
  - f. 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.

#### **4. DEFICIT BUDGETING**

- a. A deficit budget, one which does not cover all anticipated expenditure with resources reasonably expected to be available, is unlawful. Any Council Tax which rests on such a budget will be invalid. Councils are constrained to make a Council Tax before all the separate elements, which will constitute available resources or anticipated expenditure, have been identified and quantified fully. Best estimates have to be employed.
- b. Where these best estimates include sums for unallocated savings or unidentified expectations of income, extreme care must be taken to ensure

that the estimates are reasonable and realistic and do not reflect an unlawful intention to incur a deficit. It might be appropriate at budget setting time to require regular monitoring throughout the financial year of such estimated savings or income. Prompt action to reduce spending must be taken, if at any stage it seems likely that a balance between income and expenditure will not be achieved.

## **5. BORROWING**

The rules and regulations governing a local authority's ability to borrow money were altered significantly by the introduction of the Local Government and Housing Act 1989 and subsequent regulations. This has now been abolished and replaced by the self-regulating Prudential Code.

## **6. OTHER RELEVANT LEGISLATION**

- a. The Local Government Finance Act 1988 (the 1988 Act) created the (now repealed) Community Charge and the current National Non- Domestic Rating regime and deals with grants, funds, capital expenditure and the financial administration of a local authority.
- b. Under Section 114 (2) and 114 (3) of the 1988 Act, 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.
- c. Members have a duty to determine whether they agree with the Chief Financial Officer's statutory report issued under Section 26 Local Government Act 2003. If Members were to disagree, they would need to set out cogent reasons for so doing. Unless such reasons could be set forward, Members' action in disagreeing with the Chief Financial Officer's views on the basis of his/her professional judgement would be likely to be held unreasonable and constitute wilful misconduct. It should be noted that under the Members' Code of Conduct, Members are required to take account of any advice issued by Chief Financial Officer (and the Monitoring Officer) acting in their statutory capacities.

## **7. BEST VALUE: LOCAL GOVERNMENT ACT 1999**

The Local Government Act 1999 (the 1999 Act) introduced a duty of Best Value, which came into force on 1st April 2000. Members need to be aware of and take account of the impact on the Council of this duty.

## **8. THE CONSTITUTIONAL POSITION: LOCAL GOVERNMENT ACT 2000 (THE 2000 ACT)**

- a. The 2000 Act has had a fundamental effect on the governance of the Council and in particular has resulted in a change to the working arrangements of Council, with the requirement for a Constitution setting out executive (Cabinet) and scrutiny and overview arrangements. The 2000 Act also provides a power for Councils to promote the economic, social and environmental well being of their areas and develop community strategies. In addition, the 2000 Act establishes an ethical framework.
- b. 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.
- c. In addition, the Constitution contains a range of further material relevant to the setting of the Council Tax and the Budget Setting meeting:
  - i. Article 12 contains guidance on decision making and the law.
  - ii. The Council Procedure Rules in Part 4 regulate the conduct of the Full Council meeting (although traditionally, some of the rules relating to the conduct of the debate are suspended to allow different arrangements during the budget debate).
  - iii. The Members' Code of Conduct must be followed by Members.
  - iv. The Officer/Member Protocol contains guidance both on pre-budget discussions, but also on how officers and Members should interact with specific guidance about budget preparation issues.

## **9. PERSONAL LIABILITY AND SURCHARGE**

The 2000 Act abolished the local government surcharge provisions and replaced them with a new statutory offence of 'misuse of public office'. This new statutory offence covers two situations, namely unlawfully incurring expenditure or incurring expenditure as a result of wilful misconduct. It also covers the exercise of a public function in a manner that involves dishonesty or oppression or malice. The Courts (rather than the District Auditor) would impose penalties. The Council could sue for losses/deficiencies sustained.

## **10. LEGAL STATUS OF POLITICAL PROMISES AND DOCUMENTS**

- a. 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.

- b. 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.
- c. All decisions must be taken within the framework of the formal decision making process of the Authority. Members must take into account all relevant matters and disregard all irrelevant ones. Decisions taken at a political meeting, such as a political group meeting, have no status within this process. A Member, who votes in accordance with a group decision which has been reached, having regard to relevant factors and who has addressed their mind independently to those factors and to the decision itself, will be acting within the law.
- d. The Courts have also advised on the balancing exercise to be undertaken by a Council when deciding whether to pursue a particular policy:

*A local authority must exercise its statutory powers in the public interest and for the purpose of which those powers have been conferred. Political views, as to the weight to be attached to the various relevant considerations and as to what is appropriate in the public interest in the light of those considerations may properly influence the exercise of a statutory discretion. A decision will not be unlawful merely because some political advantage, such as electoral popularity, is expected to flow from it, so long as the decision is made for a legitimate purpose or purposes. Because at some stage in the evolution of a policy an improper political purpose has been espoused, does not mean that the policy ultimately adopted is necessarily unlawful. However, a political purpose extraneous to the statutory purpose can taint a decision with impropriety. Where there is more than one purpose:*

- a) *The decision will generally be lawful provided that the permitted purpose is the true and dominant purpose behind the act. This is so even though some secondary or incidental advantage may be gained for some purpose, which is outside the authority's powers.*
- b) *The decision will be invalid if there are two purposes one ultra vires and one intra vires and the ultra vires purpose is a (even if not the) major purpose of the decision. Accordingly a decision substantially influenced by a wish to alter the composition of the electorate would be unlawful.*
- c) *Where there is some evidence justifying enquiry, the Court will consider whether an apparently lawful purpose e.g. home ownership is merely a colourable device to conceal an illegitimate purpose e.g. electoral advantage.*
- d) *Even if those voting for a particular policy at a Council meeting have perfectly proper reasons in mind, the policy can be tainted by the improper motives of others who have taken part in the formulation of that policy although not actually present to vote. As a matter of law it is possible for a corrupt principal to cause a result through an innocent agent.*

## **11. OTHER LEGAL IMPLICATIONS**

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.

**STATEMENT ON GENERAL FUND BUDGET STRATEGY**  
**BY THE CHIEF FINANCIAL OFFICER**  
**UNDER S.25 LOCAL GOVERNMENT ACT 2003**

Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for "the proper administration of their financial affairs' and appoint a CFO to have responsibility for those affairs. The CFO must exercise a professional responsibility to intervene in spending plans in order to maintain the balance of resources so that the authority remains in sound financial health.

Section 25 of the Local Government Act 2003 imposes a duty on the Chief Financial Officer (CFO) to report formally to Council on the following matters:-

- the robustness of the estimates made for the purpose of the calculations (to set the Council Tax), and
- the adequacy of the proposed financial reserves.

These specific matters are dealt with below but it is important to set the whole of the 2014/15 budget process in the context of the exceptional financial circumstances in which Local Government finds itself.

Since the start of the current CSR period, the Council has made significant savings totalling £57M. For the 2014/15 financial year the budget shortfall as published in this report is £14.4M rising by a further £54.7M over 2015/16 and 2016/17 and therefore presents a significant and ongoing challenge to the Authority.

Given the continuing fragility of the economic environment and the scale of expenditure reductions required year on year, there will inevitably be significant risks involved in delivering a balanced budget. Whilst considerable pressure exists on the Council's budget because of the severely reduced level of resources available for Local Authorities in the future, further advanced forward planning to deliver the budget savings required in the medium term is in preparation and is absolutely essential.

Whilst therefore the basic methodology for putting the budget together at the Council has not changed, it must be recognised that the scale of the changes and some of the measures being introduced do increase the risk built into the budget for 2014/15 and beyond.

The level of one off funding already included in the 'base position' totals almost £6.9M, (as set out in paragraph 71 of the main report), and is effectively contributing approximately a third of the savings required to close the gap and balance the budget position in 2014/15. This is clearly not a sustainable position. The Council's reserves are almost at the minimum level recommended by the CFO and given the ever tightening financial position, the increasing pressures on spend (in particular in social care) and the significant savings to be made in future years, it is difficult to foresee that significant sums of one-off funding will be available in future years to support the budget position.

In addition, there are significant budget shortfalls in future years as set out in Appendix 10. Therefore, Members must not lose sight of the need to ensure that work is ongoing to develop sustainable savings proposals for future years and must be mindful of the

need to carefully consider the extent to which one off funding is utilised in order to deliver a balanced budget in any one year.

There are a number of specific risks, some of which were new from 2013/14, which should be noted which either are or could adversely impact on the Authorities financial position:

- i) **Council Tax Freeze Grant** – The government has announced a Council Tax freeze grant for 2014/15 and 2015/16, which will fund the equivalent of the difference between a zero percent and a 1.0% council tax increase. The grant receivable will represent additional funding equivalent to increasing Council Tax by 1.0%, which for Southampton City Council is approximately £0.8M. However, based on the level of grant payable in 2014/15 and 2015/16 if the decision was taken to freeze Council Tax and accept the grant this would increase the current budget gap in each of these years by £0.6M due to the difference between the Council Tax income that has been assumed and the level of funding being offered by the Government. This increase in the forecast gap would grow to £1.5M in 2016/17 when the grant is assumed to transfer into base funding if from that point a 2.0% increase were reverted to. The CFO's advice is that it would not be in the Council's long term financial interest to accept the freeze grant provided the referendum limits are not reduced below 2%.

However, if the referendum limits were to be reduced as indicated by the "mood music" then this advice may change, as the scope to achieve additional Council Tax income through setting Council Tax at a lower threshold level when compared with accepting the freeze grant may be minimal. The Executive's budget proposal does not currently include acceptance of this grant, but as set out in paragraphs 97 and 98 of the report, this may change depending on the final announcement of the referendum limit.

The Government's delay in not announcing the Referendum Limit as part of the Provisional Local Government Settlement has not been helpful, as it has left Councils in an unclear position as they seek to set their budgets and Council Tax.

- ii) **Council Tax Referendum** – The current Council Tax referendum limit for Council Tax increases is set at 2.0%, which is a limiting factor in being able to raise Council Tax income in 2014/15 and future years. The Executive could propose an increase greater than 2% and trigger a referendum, but their current budget proposal recommends a Council Tax increase of 2.0% and does not therefore trigger a referendum. . However, whilst there would be merit in seeking to generate additional funding through increasing Council Tax by a level which breaches the 2% referendum threshold given the Council's financial position, the difficulties of achieving a successful referendum outcome are recognised.
- iii) **Local Government Settlement** – The previous Comprehensive Spending Review (CSR) was for the 4 year period 2011//12 to 2014/15 and in January 2014 the settlement set out funding for Local Government for the final two year period of the CSR; (2013/14 and 2014/15), although this was only provisional for 2014/15. The settlement reflected the changes resulting from the Local Government Resource Review into the way that Local Government is financed.

The Chancellor of the Exchequer published the Coalition Government's Spending Round 2013 (CSR 13) on 26 June 2013, setting out their public expenditure plans for 2015/16. The Autumn Statement made by the Chancellor early in December 2013 contained a number of key announcements and whilst the impact on the Council's forecast medium term financial position appeared to be limited over and above that set out in CSR 13, experience has shown that the devil is in the detail. The provisional Local Government Settlement was received on 18 December 2013 and provided clarity on the financial impact for 2014/15. The Department for Communities and Local Government (DCLG) also announced an illustrative settlement for 2015/16. Whilst the settlement announcement gives a degree of certainty with regard to Revenue Support Grant and other key grants, the fact that a significant source of Local Government funding under the new funding model from April 2013 is via a system of locally retained business rate income, introduces significant new risks.

- iv) **Business Rate Retention (BRR) Scheme** – The BRR Scheme was introduced in April 2013 and represented a major change in the way in which local government is funded. It is seen by the government as providing a direct link between business rates growth and the amount of money local authorities have available to spend on local services. However, the reality is more complex and the new system introduces a high level of risk into the financial position for local authorities without the level of control the government suggests is possible. The new BRR Scheme means that the Council's income is now subject to significantly greater volatility. Previously the funding from business rates was by way of a fixed annual government grant but it is now dependent on our ability to collect, retain and grow business rate income, and in part this depends on the local economic situation and also the level of outstanding appeals. It should be therefore be noted that the new system introduces significant new risks which the Council will need to be aware of:

The Authority is required to estimate the likely level of business rates to be retained, and this income level is then built into the Authority's budget. If the actual income collected is less than the amount included in the budget, then, all other things being equal, this will have a direct negative impact on the Council's financial position.

Estimating business rate income is complex, as there are many factors which can significantly affect the overall figure, including entitlement to reliefs and properties coming on to, or being taken off the rating list.

The biggest uncertainty however concerns revaluations arising from appeals against the Valuation Office (VO) determinations. These are very common and can lead to large refunds being backdated several years, with some appeals in the system dating back to the 2005 rating list. Prior to April 2013, the risk of appeals was met in full by central government, whereas since that date the council is responsible for the cost of 49% of all successful appeals, including those appeals which pre-date the introduction of the new system, and for which the Council has not received any additional funding. There has been much lobbying to date on the unfairness of this position by the sector to Government, but to date to no avail. It should also be recognised that two major components of the Business Rates system remain outside the control of the Council, even though each element has a direct impact on the Council's funding under the new system. The first is that the VO remain responsible for setting the rateable

value, and secondly that the VO are responsible for settling appeals, the outcome of which directly impacts the Council. The Council's income under the new system has been significantly affected by the impact of successful appeals as set out in the main budget report, and this remains a significant ongoing risk.

The Authority's estimate of the level of Business Rates to be retained can be impacted by economic growth. If the economy grows within the City, then it is likely to have a positive impact, conversely, every time a business closes, that will represent a real reduction in income to the Authority, and there are examples which illustrate this risk, for example Comet, Jessops and Ford.

These are new and significant risks to the Council.

- v) **Localisation of Council Tax Benefit** – The move away from a nationally prescribed scheme for calculating council tax benefit, and the introduction of a local scheme adds further risk to the budget position. The risks are follows:
- a) that a shift in demographics or economic conditions will cause an increase in demand for benefit which cannot be contained within the reduced budget provision available, and
  - b) that with Council Tax benefit being paid direct to recipients there will be an increase in council tax arrears due to non payment.

The Council has sought to limit its exposure to these risks through careful consideration of the scheme design, and through working closely with its partner Capita. However, there remains a risk of increased non collection and also the risk that the number of claimants will increase.

- vi) **CSR 15** –The next CSR period starts in 2015 and is likely to contain another round of significant cuts to Local Authority funding. Various professional bodies and associations quote the potential loss of grant funding between 25% and 40%. The exact timings of these further reductions are unknown at present. The potential impact of this for Southampton will form part of the thinking necessary around the sustainable changes which will need to be made in the next few years to ensure the long term viability of service provision.

For planning purposes, provision has been made within the current medium term forecast for reduced government grant with an assumption that there will be a further reduction in central government grant of 12% in 2016/17. This reflects a continuation of the deficit reduction programme as announced by the Chancellor in the Autumn Statement and reiterated since. There is a risk that the actual reductions in government grant will be in excess of 12% for 2016/17.

- vii) **Impact of Welfare Reform** –The Welfare Reform changes will affect residents of Southampton and may increase demand for services provided by the Housing, Adult Care and Support and Children Schools and Families services. Whilst it is impossible to calculate these impacts, the overall budget does include some funding specifically aimed at supporting the most vulnerable who are impacted by these reforms:
- a) **Social Fund** – A sum of £644,700 has been included in the 2014/15 budget which can be awarded on a discretionary basis to the most vulnerable individuals who are in real financial difficulty. This funding is no longer available from 2015/16 and it has been assumed that the work which is ongoing to achieve a sustainable scheme will be successful.

- b) **Council Tax Reduction Scheme** – A sum of £200,000 has been set aside as part of the scheme agreed by Full Council in the form of a discretionary Hardship Fund.
- c) **Universal Credit** – The timescale for the introduction of Universal Credit continues to slip but once this is implemented it will present a number of risks to the Council both in terms of demand for services and collection of income across a range of areas.

However, there remains an unquantifiable risk that an increase demand for services would impact on the Council's financial position, as no specific additional funding has been built into service budgets to account for any impact arising from the Welfare Reform changes.

- viii) **Public Health Growth** –Public Health responsibilities moved to the Council from April 2013 and at this stage it has been assumed that the associated funding for 2014/15 will meet the cost of providing the transferred service and therefore will not have any adverse impact on the Council's total net revenue budget requirement. Whilst unlikely, any shortfall arising will need to be addressed during the financial year as a matter of urgency and in future years there is a risk that growth in demand may place a financial pressure on the Council.
- ix) **Academy Schools Transfer (Education Services Grant)** – The Education Services Grant (ESG – formerly known as Local Authority Central Spend Equivalent Grant - LACSEG) is currently paid to Academies to cover the cost of services that local authorities provide centrally to its own schools. These services include improving school attendance, financial support and asset management amongst others. This new grant has been allocated between the Council and Academies based largely on pupil numbers and will be reviewed on a quarterly basis. This has introduced an additional element of volatility and risk as schools transfer to Academy status and this will be exacerbated if the Council is not able to reduce its costs in line with reductions in funding.
- x) **Interest Rate Risk** – The global financial position coupled with the current unresolved financial crisis in the Eurozone means that there is a considerable amount of interest rate risk within the overall financial system. The current position of securing low interest rate variable debt is providing a positive benefit to the General Fund budget, with borrowing costs significantly lower than they otherwise would have been through borrowing longer term through higher rate fixed term loans.

There are specific measures within the budget to provide a way of managing the risks presented by the current borrowing strategy, namely through the establishment of the Interest Equalisation Reserve. It should be noted however that the IER would only be sufficient to provide for transitional funding at the point at which the Council begins to convert from variable rate debt to long term fixed rate debt and that there remains no recurring budget provision to fund the increased interest costs likely to be incurred. The likelihood however, is that based on the current economic conditions, interest rates are likely to stay lower for longer and also the margin between short term variable debt and long term rates is not anticipated to narrow to any significant extent. It is likely therefore that the impact of converting to fixed rate long term debt will materialise towards

the end of the current medium term budget horizon, providing the Council with time to manage this potential issue in future budget rounds.

- xi) **Demographic Change and increased Demand** – There remains an upward demographic pressure in social care via an increasing elderly population, and demand continues to grow for expensive interventions within Children’s Services. There are specific measures within the proposed budget for 2014/15 through the inclusion of significant sums within the Risk Fund to manage these budget pressures. Furthermore, sums have been allocated to add to service budgets in 2014/15 as known pressures. Significant transformation work is also underway within the People’s Directorate, aimed at improving early intervention so as to reduce demand for the more expensive interventions.
- xii) **Economic Conditions** – The national and international economic conditions remain challenging. The UK has been through a sustained recession, and whilst the position is improving, the indications are that economic conditions will remain fragile for some time. At the local level, the recession has impacted on the Council’s income streams across a range of services, and it is likely that income will continue to be impacted in 2014/15 with the added risk of the impact on business rates which is now borne by the Council.
- xiii) **Redundancy Provision** – Forecast future redundancy payments are based on information gathered during the previous budget process. We anticipate that we have set aside sufficient provision in the Organisational Development Reserve to finance the required one-off payments over the next three years. However the actual impact is only known when specific details come forward and changes in the overall level of savings required will influence the resulting level of redundancies in future years.
- xiv) **Transformational Change** – There is a considerable amount of transformational change that will need to occur at the same time as maintaining “business as usual” as the Council addresses the sustainable changes demanded in the next few years to ensure the long term viability of service provision. There is always a degree of risk associated with major change and due to the reduced resources at a senior managerial level there is a growing capacity issue which may impact on the ability to manage and support the wide ranging changes required whilst maintaining financial control and good governance of the Council.
- xv) **Equal Pay** – The Council has received a number of Equal Pay claims. There remains the risk that further claims could be received. However, the Council is seeking to minimise its risk through the implementation of a new pay and allowances framework.
- xvi) **Budget Shortfall 2015/16 Onwards** – The impact of much of the above, is that the Council faces a significant budget shortfall from 2015/16 onwards. The level of forecast savings required in 2015/16 alone are more than twice the level of the savings proposed for 2014/15. This represents a significant risk to the overall financial position of the Authority in both the short to medium term, and the Council’s Management Team (CMT) recognise that significant action is required in the immediate future to provide options for Members to enable them to put in place plans to deliver the scale of spending reductions required to meet the forecast future budget shortfall. Inevitably though, the scale of reductions

required will have a significant impact on the level of services which the Council can continue to sustain.

The Council is required to have regard to this report in approving the budget and Council Tax. It is appropriate for this report to go first to Cabinet and then to be made available to the Council in making its final decision.

Notwithstanding the above, as required under Section 25 of the Local Government Act 2003 I would make the following formal comments on the Robustness of the Estimates and the Adequacy of Reserves:

**A) ROBUSTNESS OF ESTIMATES**

Budget setting is made up of several estimates some involving quite complex forecasting. By the very definition of the word, estimates are not factual and the degree of accuracy will not only vary but also take different periods of time to be proven to be correct or otherwise.

During the summer of 2013 the Executive, supported by CMT, developed a series of detailed budget proposals which were subsequently published in November. Whilst some figures have changed and proposals have been amended these have been validated by CMT prior to their inclusion in the final proposed budget. There is therefore a high degree of validation inherent within the final budget proposals.

Key elements within the budget are provisions for inflation on pay and prices, projected levels of income and achievability of savings. Details of these items are included in the reports and have already been through the validation process as set out above. However, there are a number of points to draw out:

- i) Assumptions made in all of the forecasts are basically sound. A 1% pay award has been incorporated into the budget for 2014/15 and 2% for 2015/16 onwards, reflecting the announcement made by the Chancellor in his Autumn Statement to “set public sector pay awards at an average of 1% for each of the two years after the current pay freeze comes to an end”. Employer contributions to the Hampshire Local Government Pension for current service costs will remain at their current level of 13.1% for the three year period, 2014/15 to 2016/17, following the actuarial review. The contribution for past service will increase by a known amount each year thereby giving certainty about this cost. Contributions from April 2017 will be reviewed as part of the next actuarial review and the impact will be built into future forecasts.
- ii) The scale of the reductions in local government funding has meant that the Council has been forced to look at radical options for reducing expenditure across services. Proposals which involve significant change to current structures, systems and processes, or which have major implications for service design inherently involve higher levels of risk than those which broadly maintain current arrangements. At the most practical level those risks begin with the possibility of slippage and disruption in the transition from old to new arrangements.

The Executives recommendations for efficiencies, income generation and service reductions now total £14.5M.

Individual savings items have been approved by the relevant Directors and Heads of Service and have been subject to scrutiny by CMT. Responsibility for actioning any changes in the budgets will fall to me as CFO, and all savings approved will be actively monitored throughout the year although responsibility for the delivery of these savings rests with the relevant Director.

- iii) The Council's external auditor gave an unqualified opinion on the 2012/13 financial statements and an unqualified conclusion on the Council's arrangements for securing value for money.

The Council has maintained a robust system of budget monitoring and control evidenced by the small unplanned variances from budget on final outturn in recent years. Where over spends or under spends have arisen, potential variances have been identified early enough to enable corrective action to have effect.

The CFO considers that the financial control arrangements remain sufficiently robust to maintain adequate and effective control of the budget in 2014/15.

- iv) The current recommendation by the Cabinet retains a general contingency of £250,000 together with a risk based contingency sum of £4.4M within the Risk Fund, which should cover any estimation issues or activity changes that arise during the year.
- v) The current economic climate and national issues surrounding social care and the safeguarding of children have impacted on the budget. Additional provision to cover all of these issues has been included within the final budget proposals and will be the subject of detailed monitoring throughout the year.
- vi) A prudent but realistic view of interest rates has been taken in constructing estimates for interest charges in 2014/15 budget. Whilst these estimates are considered to be adequate at this point in time the considerable turbulence within the financial markets may lead to further consideration. Interest rate trends and capital financing operations will be monitored closely throughout the year to facilitate timely action designed to optimise the Authority's position.

## **B) ADEQUACY OF PROPOSED FINANCIAL RESERVES**

**Risk Mitigation** – Mindful of the overall risks within the budget, some of which are specifically highlighted in points i) to xvi) at the start of this report, (of which some are not quantified nor have any specific offsetting financial provision within the budget), The CFO has reviewed the minimum level of the Council's General Fund reserves/balances.

The current recommended minimum General Fund reserves/balances is £5.5M, following an increase from £5.0M as recommended and approved last year. This increase was recommended in no small part due to the significant new risks

presented by the introduction of the new BRR Scheme and the new localised Council Tax Benefit Reduction scheme.

In reviewing the minimum level of reserves for 2014/15 the CFO has been cognisant of this together with the continuing reduction in Local Government funding and the consequent significant budget shortfalls the Council still faces in the medium term. Whilst given the financial risks the Council faces in the next few years there would be a sound argument for increasing the minimum reserves level even further, conversely the ability to do so is constrained by the fact that the Council faces a significant budget shortfall which limits the Council's ability to set aside further sums to increase reserves. For that reason, the CFO is not recommending a further increase in the minimum level of reserves at this stage, but would recommend increasing the minimum level of reserves further should the financial position allow. However, in light of experience during 2013/14, whilst provision for the BRR Scheme has been made within balances it is planned to review how best to manage the risk that this now presents to the Authority. Consideration will be given to the use of a Business Rate & Revenue Equalisation Reserve as part of the development of the Medium Term Strategy for future years which could help to manage the impact of economic shocks and unanticipated decisions in respect of appeals, refunds and the composition of the rating list.

It is worth highlighting that the Council has an excellent track record of remaining within budget once it has been set, and has never been in the position of reporting an overall over spend on the General Fund despite some very difficult recent years in respect of reducing income and escalating social care costs in both children and adult services. This is clearly demonstrated by the position set out in the main report for the revised budget for 2013/14 which is a favourable movement of £3.0M,

Issues which it is appropriate to draw specifically to the attention of Cabinet and Council are detailed below:

- i) The Council holds a number of specific reserves for issues like debt write off that are assessed on an ongoing basis against the specific issues to which they relate. Review of these provisions forms part of the budget preparations covered above.
- ii) The general reserves are used to support revenue, capital and strategic pressures and to provide a working balance.

Details of the use of general reserves are included in the report. The level of reserves and the projected use is forecast for three years. The minimum level of balances is recommended by the CFO taking into account issues like the proposed draw from reserves, the level of risk contained within the budget, and previous experience on potential levels of net over spend, but also takes account of the practicalities of being able to increase minimum reserves at a time when the Council is faced with having to find significant savings, far greater than at any other time, simply to balance the budget position.

Best practice guidance issued by CIPFA is followed in determining a level of reserves based on assessed risks, which are reviewed annually. Based on the current assessment of the overall financial position, the CFO has recommended that the minimum level of balances should be maintained at £5.5M, albeit that should the Authority find itself in a position where it could realistically identify

additional resources to fund an increase in the minimum level of reserves, then the CFO's advice is that it would be prudent to do so. There is no legal definition or Audit Commission recommendation on the absolute level of reserves that any authority should hold but the risk based approach does provide a consistent, transparent methodology that can be updated periodically.

- iii) Attention is drawn to the level and use of capital resources in the General Fund Capital Programme report. Whilst this identifies the overall Capital Programme is fully funded this is based on a revised estimate of capital receipts. The level of capital receipts is volatile and therefore while the funding deficit is now closed from the level reported previously this remains an area to monitor as the deficit is based on estimated forecast receipts rather than receipts received.

Slippage in capital receipts could change the forecast of temporary borrowing that is required unless accompanied by equivalent slippage in spend. Non-receipt of any planned income will require a permanent draw from balances, additional borrowing or for savings to be found in the capital programme. In drawing up the capital programme these risk factors are obviously taken into account but as a backstop position these potential shortfalls will continue to be reviewed over the longer term and where possible, be reduced by re-phasing schemes or bringing forward the use of prudential borrowing.

The Council also has key strategic property and land sites which it has been holding until market conditions improve. These have been reviewed to ensure that those held are truly strategic and as a result sites have been identified for sale which has in part served to reduce the forecast capital deficit. The categorisation and potential for sale of sites will continue to be actively monitored and sites held by the Council which are not operational provide a further source of contingency to reduce the risks outlined in the above paragraphs.

- iv) Levels of borrowing and debt and associated treasury risks are fully covered in the Treasury Management Strategy and Prudential Indicators report which appears on the Council agenda. In recognition of the risk associated with the current strategy the Council is maintaining an Interest Equalisation Reserve, and as part of setting the 2014/15 budget the CFO has recommended that the level of this reserve should be maintained at £3.1M, which the CFO considers to be the prudent minimum at this time based on the current borrowing strategy. However, the Reserve will be subject to ongoing review, not least of which will be to review the new risks which are now in the system as a result of the new banking regulations. This means that UK banks are less likely to receive government support in future should they find themselves in financial difficulties, and instead will have to resort to 'Bail In', whereby individual investors (be they individuals or institutions) would be expected to fund any shortfall via a 'hair cut' i.e. a reduction to the sums they hold on deposit for which there will be no protection for institutions. It may therefore transpire that the use of this Reserve may be altered such that it would need to cover both interest rate risk and also 'Bail In' risk.

Section 25 concentrates primarily on the uncertainty within the budget year rather than the greater uncertainties in future years. However future uncertainties also inform the need for reserves and balances in the medium term. The current financial

position involving significant savings targets increases the risk of over spending, together with demand led spending pressures during a recession and potentially higher inflation than assumed. Funding beyond 2015/16 is uncertain as this will signal the start of a new CSR and therefore budget plans for 2016/17 and beyond must be treated with caution at this stage.

This formal report is part of a continuum of professional advice and is the culmination of a budget process in which lots of detailed work has already taken place with Directors, Senior Managers and their teams and Members.

The CFO considers that the budget proposals recommended by the Cabinet for 2014/15 are robust and sustainable. However, there are risks associated with the achievement of efficiencies and service reductions and robust monitoring arrangements must continue to ensure savings are delivered within the required timescale. The level of general and specific reserves together with the contingency sum of £250,000 and the provisions held within the Risk Fund are sufficient to meet the known risks within the budget, taking account of the robust financial management framework which the Council has in place. Overall therefore, whilst it is recognised that this budget has elements of risk not experienced before, it is felt that sufficient mitigating actions are already in place to accept and to manage those risks in 2014/15.

However, the CFO, remains very concerned about the Authority's medium term position, with circa £33M of savings to be found by 2015/16. This concern is heightened as reserves are close to the recommended minimum level meaning that short term options to shore up the budget through a draw on balances (even though not ideal), to buy time to put in place sustainable transformation and deliver sustainable savings alongside reduced service provision, are not realistically available. Therefore, Members must not lose sight of the need to ensure that work is ongoing to develop sustainable savings proposals for future years, mindful of the fact that available reserves to support the financial position are limited. That said, there is a balance to be struck, as Members must also be mindful of the need to carefully consider the extent to which one off funding is utilised in order to deliver a balanced budget in any one year, albeit that it may be prudent to do so if it buys time to bring sustainable savings and spending and service reductions on stream.

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# Agenda Item 6

|                                     |  |  |                           |
|-------------------------------------|--|--|---------------------------|
| <b>DECISION-MAKER:</b>              | CABINET<br>COUNCIL                                       |  |                           |
| <b>SUBJECT:</b>                     | THE GENERAL FUND CAPITAL PROGRAMME 2013/14<br>TO 2016/17 |  |                           |
| <b>DATE OF DECISION:</b>            | 4 FEBRUARY 2014<br>12 FEBRUARY 2014                      |  |                           |
| <b>REPORT OF:</b>                   | CABINET MEMBER FOR RESOURCES                             |  |                           |
| <b><u>CONTACT DETAILS</u></b>       |  |  |                           |
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| <b>Director</b>                     | <b>Name:</b>   | Mark Heath   | <b>Tel:</b> 023 8083 2371 |
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| <b>STATEMENT OF CONFIDENTIALITY</b> |  |  |                           |
| N/A                                 |  |  |                           |

## BRIEF SUMMARY

The purpose of this report is to inform Council of any major changes in the overall General Fund Capital Programme since it was last reported on 18 September 2013. This report also outlines the way in which the revised programme has been funded, reflecting the changes in availability and usage of capital resources.

The net result of the changes in this report is that the current overall programme has increased by £20.1M. The capital programme is fully funded based on the latest forecast of available resources although the forecast can be subject to change; most notably with regard to the value and timing of anticipated capital receipts.

In addition to the forecast capital receipts that are assumed as a key element of funding the capital programme presented for approval, there may be additional receipts which will flow from the sale of assets. It was anticipated that towards the end of 2013/14 it would be possible to better estimate the amount and timing of any forecast additional receipts but this cannot be completed until the disposal programme which is currently under review is finalised.

## RECOMMENDATIONS:

### CABINET

#### Recommends that Full Council

- i) Approve the revised General Fund Capital Programme, which totals £132.5M (as detailed in paragraph 4) and the associated use of resources.
- ii) Note the changes to the programme as summarised in Appendix 2 and described in detail in Appendix 3.

- iii) Note the slippage and re-phasing as described in detail in Appendix 3.
- iv) Add £2,652,000 to the Environment & Transport Capital Programme in 2014/15 for the Roads Programme, funded by direct revenue financing.
- v) Add £350,000 to the Environment & Transport Capital Programme in 2014/15 for the purchase of compact sweepers, funded by Council Resources.
- vi) Note that the revised General Fund Capital Programme is based on prudent assumptions of future Government Grants to be received, and that announcements made as part of the Comprehensive Spending Review for 2015/16 and the provisional local government finance settlement have been appropriately reflected in the proposed programme presented for approval.
- vii) Note that additional temporary borrowing taken out in 2010/11 and 2011/12 due to cash flow issues, now totalling £9.4M, is expected to be repaid by the end of 2014/15 when anticipated capital receipts are finally forecast to be received.
- viii) Note that in addition to the forecast capital receipts that are assumed as a key element of funding the capital programme presented for approval, there may be additional receipts which will flow from the sale of assets. It was anticipated that towards the end of 2013/14 it would be possible to better estimate the amount and timing of any forecast additional receipts but this cannot be completed until the disposal programme which is currently under review is finalised.
- ix) Note the financial and project issues which are set out in paragraphs 29 to 34 and detailed in Appendix 3 for each Portfolio.

## **COUNCIL**

### **It is recommended that Council:**

- i) Approve the revised General Fund Capital Programme, which totals £132.5M (as detailed in paragraph 4) and the associated use of resources.
- ii) Note the changes to the programme as summarised in Appendix 2 and described in detail in Appendix 3.
- iii) Note the slippage and re-phasing as described in detail in Appendix 3.
- iv) Add, £2,652,000 to the Environment & Transport Capital Programme in 2014/15 for the Roads Programme, funded by direct revenue financing.
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- vi) Note that the revised General Fund Capital Programme is based on prudent assumptions of future Government Grants to be received, and that announcements made as part of the Comprehensive Spending Review for 2015/16 and the provisional local government finance settlement have been appropriately reflected in the proposed programme presented for approval.

- vii) Note that additional temporary borrowing taken out in 2010/11 and 2011/12 due to cash flow issues, now totalling £9.4M, is expected to be repaid by the end of 2014/15 when anticipated capital receipts are finally forecast to be received.
- viii) Note that in addition to the forecast capital receipts that are assumed as a key element of funding the capital programme presented for approval, there may be additional receipts which will flow from the sale of assets.  
It was anticipated that towards the end of 2013/14 it would be possible to better estimate the amount and timing of any forecast additional receipts but this cannot be completed until the disposal programme which is currently under review is finalised.
- ix) Note the financial and project issues which are set out in paragraphs 29 to 34 and detailed in Appendix 3 for each Portfolio.

## **REASONS FOR REPORT RECOMMENDATIONS**

1. The update of the Capital Programme is undertaken twice a year in accordance with Council Policy and is required to enable schemes in the programme to proceed and to approve additions and changes to the programme.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

2. The update of the Capital Programme is undertaken within the resource constraints imposed on it. No new schemes can be added unless specific additional resources are identified. Alternative options for new capital spending are considered as part of the budget setting process in the light of the funding available and the overall financial position.

## **DETAIL (Including consultation carried out)**

### **CONSULTATION**

3. The General Fund Capital Programme update summarises additions to the capital programme since September 2013. Each addition to the capital programme has been subject to the relevant consultation process which now reflects the role played by Capital Boards and the use of the Councils project management system Sharepoint. The content of this report has been subject to consultation with Finance Officers from each portfolio.

### **THE FORWARD CAPITAL PROGRAMME**

4. The following table shows a comparison of the total planned expenditure for each year with the sums previously approved:

|                    | 2013/14         | 2014/15       | 2015/16      | 2016/17    | Later Years  | Total         |
|--------------------|-----------------|---------------|--------------|------------|--------------|---------------|
|                    | £000's          | £000's        | £000's       | £000's     | £000's       | £000's        |
| Latest Programme   | 55,151          | 56,491        | 20,308       | 568        |              | 132,518       |
| Sep 2013 Programme | 67,658          | 29,280        | 14,957       |            | 557          | 112,452       |
| <b>Variance</b>    | <b>(12,507)</b> | <b>27,211</b> | <b>5,351</b> | <b>568</b> | <b>(557)</b> | <b>20,066</b> |

5. The above table shows that the General Fund Capital Programme has increased by £20.1M. With the exception of changes requiring approval detailed in the recommendations within this report, all other changes have been previously approved by Council, Cabinet or made under delegated authority. Details of each portfolio's programme are shown in Appendix 1.
6. The change in individual portfolios' capital programmes is shown in the following table and a summary of the major variations, together with the source of funding and the priorities to which they contribute, is detailed in Appendix 2:

|                                   | Latest Programme<br>£000's | Previous Programme<br>£000's | Total Change<br>£000's |
|-----------------------------------|----------------------------|------------------------------|------------------------|
| Children's Services               | 31,517                     | 31,194                       | 323                    |
| Economic Development & Leisure    |                            |                              |                        |
| - Economic Development            | 28,144                     | 21,144                       | 7,000                  |
| - Leisure                         | 3,931                      | 3,510                        | 421                    |
| Environment & Transport           |                            |                              |                        |
| - A E&T                           | 43,443                     | 39,985                       | 3,458                  |
| - B City Services                 | 3,656                      | 3,285                        | 371                    |
| Health & Adult Social Care        | 1,627                      | 1,627                        |                        |
| Housing & Sustainability          | 14,193                     | 5,700                        | 8,493                  |
| Resources                         | 6,007                      | 6,007                        |                        |
| <b>Total GF Capital Programme</b> | <b>132,518</b>             | <b>112,452</b>               | <b>20,066</b>          |

7. Further detail of the changes to each portfolio capital programme is contained in Appendix 3 which sets out both additions and slippage and re-phasing for schemes.

## **CAPITAL RESOURCES**

8. The resources which can be used to fund the capital programme are as follows:
  - Unsupported Borrowing

- Capital Receipts from the sale of HRA assets
  - Capital Receipts from the sale of General Fund assets
  - Contributions from third parties
  - Central Government Grants and from other bodies
  - Direct Revenue Financing (DRF)
9. Capital Receipts from the sale of Right to Buy (RTB) properties are passed to the General Fund capital programme to support the Housing Association schemes within the Housing Portfolio.

### **CHANGES IN AVAILABLE RESOURCES**

10. The additional spending within the Capital programme must be met from additional sources of finance. The following table shows the resource changes that have taken place since September 2013:

|  | <b>£000's</b> |
|--|---------------|
| Capital Receipts                           | 2,680         |
| Contributions                              | 7,046         |
| Capital Grants                             | 7,613         |
| Direct Revenue Financing                   | 2,727         |
| <b>Total Change in Available Resources</b> | <b>20,066</b> |

11. The main reasons for the resource changes are detailed in Appendix 4. It should be noted that the revised General Fund Capital Programme is based on prudent assumptions of future Government Grants to be received, and that announcements made as part of the Comprehensive Spending Review for 2015/16 and the provisional local government finance settlement have been appropriately reflected in the proposed programme presented for approval. This affects areas such as the schools programme within the Children's Services Capital Programme which is heavily reliant on grant funding from government each year.
12. The largest increases in available resources relate to Government capital grants and contributions. These are largely for expenditure on schemes within the Economic Development Capital Programme and the Housing & Sustainability Capital Programme respectively.

### **OVERALL USE OF RESOURCES**

13. The following table shows capital expenditure by portfolio and the use of resources to finance the General Fund Capital Programme:

|                                   | 2013/14       | 2014/15       | 2015/16       | 2016/17    | Total          |
|-----------------------------------|---------------|---------------|---------------|------------|----------------|
|                                   | £000's        | £000's        | £000's        | £000's     | £000's         |
| Children's Services               | 21,584        | 5,169         | 4,764         |            | <b>31,517</b>  |
| Economic Development & Leisure    |               |               |               |            |                |
| - Economic Development            | 5,451         | 9,573         | 12,796        | 324        | <b>28,144</b>  |
| - Leisure                         | 984           | 2,686         | 144           | 117        | <b>3,931</b>   |
| Environment & Transport           |               |               |               |            |                |
| - A E&T                           | 18,919        | 23,897        | 627           |            | <b>43,443</b>  |
| - B City Services                 | 2,541         | 1088          | 27            |            | <b>3,656</b>   |
| Health & Adult Social Care        | 859           | 768           |               |            | <b>1,627</b>   |
| Housing & Sustainability          | 2,051         | 10,615        | 1,400         | 127        | <b>14,193</b>  |
| Resources                         | 2,762         | 2,695         | 550           |            | <b>6,007</b>   |
| <b>Total GF Capital Programme</b> | <b>55,151</b> | <b>56,491</b> | <b>20,308</b> | <b>568</b> | <b>132,518</b> |

|                        | 2013/14       | 2014/15       | 2015/16       | 2016/17    | Total          |
|------------------------|---------------|---------------|---------------|------------|----------------|
|                        | £000's        | £000's        | £000's        | £000's     | £000's         |
| Unsupported Borrowing  | 3,417         | 430           | 550           |            | <b>4,397</b>   |
| Capital Receipts       | 4,218         | 7,666         | 8,394         | 117        | <b>20,395</b>  |
| Contributions          | 3,704         | 12,777        | 395           | 0          | <b>16,876</b>  |
| Capital Grants         | 37,158        | 32,038        | 10,131        | 127        | <b>79,454</b>  |
| DRF from Balances      | 2,159         | 717           | 6             | 113        | <b>2,995</b>   |
| DRF from Portfolios    | 4,495         | 2,863         | 832           | 211        | <b>8,401</b>   |
| <b>Total Financing</b> | <b>55,151</b> | <b>56,491</b> | <b>20,308</b> | <b>568</b> | <b>132,518</b> |

14. The table above shows that following the latest update, the capital programme continues to be fully funded based on the latest forecast of available resources although the forecast can be subject to change as it was in September 2013.
15. Funding for the capital programme is heavily reliant on capital receipts from the sale of Council properties. These receipts have always had a degree of uncertainty regarding their amount and timing, but the changes in the economic climate have increased the Council's risk in this area.
16. This was recognised in 2008 and in the event therefore that there was a temporary deficit in the funding of the capital programme due to delays in receiving capital receipts, delegated authority was given by Council to the Chief Financial Officer, following consultation with the Cabinet Member for Resources, to undertake additional borrowing in order to provide cover for any delays in the timing of capital receipts.

17. Due to anticipated delays in the receipt of funding from the sale of capital assets an additional £9.2M had to be borrowed to fund the programme in 2011/12 and £2.8M in 2010/11, which was in line with delegated powers approved in September 2008. A repayment of £2.6M was made during 2012/13 leaving the outstanding balance at £9.4M. The additional revenue costs associated with undertaking this prudential borrowing have been built into future budget forecasts.
18. Despite the ongoing economic difficulties, which have reduced and delayed capital receipts from the sale of land and property, the Council's capital programme is fully funded and based on the latest forecast of capital receipts the outstanding balance of temporary borrowing undertaken to date of £9.4M will be repaid by the end of 2014/15. The figures shown in the table above do not reflect this planned repayment and only relate to the financing of the current programme rather than adjustments anticipated to the financing of prior years.
19. The funding and cashflow position of the overall capital programme is susceptible to changes in the estimated value of future capital receipts and their timing. This has arisen due to the approval of schemes based on future estimates of receipts and the fact that the reserve of receipts has been exhausted. This situation was exacerbated by the recession but is a risk which needs to be considered in the future approach adopted for capital additions. It is intended to move to a position where schemes are only approved when receipts are received or certain and when a sufficient reserve of receipts has been built up to protect against volatility in the timing and level of uncertain future receipts.
20. The forecast of capital receipts includes a risk factor calculated by Valuation Services that reduces some receipt values to take account of the uncertainty inherent in these estimated values. This should mitigate the impact of any individual changes in receipts and also ensure that an appropriately realistic forecast is presented. Capital receipts are actively monitored throughout the year and this will continue.
21. The Council has reviewed its property portfolio with a view to selling those assets that are surplus to requirements, thus potentially realising a significant level of capital receipts. It should be noted that the exact total and timing of such receipts is still very much unknown and will be subject to change both as the disposal programme is reassessed and in light of market conditions, however, it should allow the Council to build up a reserve of receipts in future years. The use to which any additional receipts are put will be considered in the light of the Council's priorities.

## **CHANGES TO THE PROGRAMME**

22. Given the lack of spare resources in the programme and the lack of available capital resources over the past three to four years, additions to the programme are only considered in very exceptional circumstances.
23. A number of changes to the overall programme have been approved at Capital Boards and via separate reports and a series of recommendations are included in this report to approve a number of additions to the programme.

24. A recommendation is included to add a sum of £2,652,000 to the Environment & Transport Capital Programme (A E&T) in 2014/15 for the Roads Programme funded from direct revenue financing. The Roads Programme (Principal, Classified and Unclassified) continues to reflect the need to maintain the structural integrity of the city wide highways network. The programme is designed in line with the Transport Asset Management Plan (TAMP) principles.
25. A recommendation is included in this report to add a sum of £350,000 to the Environment & Transport Capital Programme (B City Services) in 2014/15 for the purchase of compact sweepers funded from Council Resources (capital receipts). This will re-equip Southampton City Council's mechanised street sweeping fleet for 2014/15, and ensure the continued provision of an effective and economic street cleansing service for the city that meets citizen, business and visitor expectations.

### **NEW SPENDING PRIORITIES PUT FORWARD BY CABINET**

26. Given the lack of spare resources in the programme and the lack of available capital resources over the past three to four years, additions to the programme are only considered in very exceptional circumstances.
27. Due to the current lack of additional funding, no new initiatives, other than those outlined above are being proposed.

### **FINANCIAL & PROJECT ISSUES**

28. In the past, there have been issues with regard to delivery of schemes in the light of which a review of project management within the Council was undertaken and a project management system, (Sharepoint), developed and implemented. Following a period to establish the efficient and effective use of Sharepoint across the Council this report includes an assessment of all facets affecting the delivery of the Capital Programme.
29. Within Sharepoint, projects are allocated a RAG status based on the following broad criteria:
  - **RED – Significant Concern** - Low level of confidence that the project can be delivered to the originally agreed Time, Cost and / or Quality specified at Gateway 3 (project initiation). Any significant risks or issues should be noted under 'Highlighted Risks and Issues' on the Highlight Report and a Red RAG status selected where the Project Manager believes that the risk and/or issue may lead to significant slippage or impact cost and / or quality.
  - **AMBER – Some Concern** - Medium level of confidence that the project can be delivered to the originally agreed Time, Cost and / or Quality specified at Gateway 3. Any medium risks or issues should be noted under 'Highlighted Risks and Issues' on the Highlight Report and an Amber RAG status selected where the Project Manager believes that the risk and/or issue may lead to some slippage or impact cost and / or quality.

- **GREEN – On Track** - High level of confidence that the project can be delivered to the originally agreed Time, Cost and / or Quality specified at Gateway 3. Any minor risks or issues can be noted under 'Highlighted Risks and Issues' on the Highlight Report. The RAG status would remain 'Green' unless the risk and/or issue is likely to lead to some or significant slippage or impact cost and / or quality.
30. It is timely to review the use of Sharepoint now that it has been in use for some time to ensure that it is being used consistently and to best effect. Work is underway to establish a Programme Management Office (PMO) with an agreed project management framework, a pool of project managers and ongoing training for relevant staff. This compliments work to review the use of Sharepoint which will be progressed once the PMO is further developed.
  31. Appendix 3 contains detail about financial and project issues within each Portfolio Capital Programme which need to be brought to the attention of Cabinet and Council.
  32. Four schemes have been highlighted with corporate financial issues and these are shown in the table below.

#### **Key Adverse Financial Variances**

| <b>Portfolio</b>               | <b>Scheme</b>            | <b>Adverse Forecast<br/>£000's</b> | <b>Appendix 3<br/>See<br/>Reference</b> |
|--------------------------------|--------------------------|------------------------------------|---|
| Children's Services            | Newlands Primary Rebuild | 229                                | CS 6                                    |
| Children's Services            | Pupil Referral Unit      | 470                                | CS 7                                    |
| Economic Development & Leisure | Sea City Phase 2         | 358                                | LEIS 4                                  |

33. The current forecast over spend in relation to SeaCity Phase 2 is largely down to costs relating to asbestos in respect of the associated additional work and delays that this caused. Every effort is being made to identify whether it is possible to still deliver the scheme on budget and this will be finalised in the coming months. Provision was approved by Council in July 2012 for additional DRF funding of up to £300,000 as a prudent response to this likely pressure.

#### **Key Favourable Financial Variances**

| <b>Portfolio</b> | <b>Scheme</b>        | <b>Favourable Forecast<br/>£000's</b> | <b>Appendix 3<br/>See<br/>Reference</b> |
|------------------|----------------------|---------------------------------------|---|
| Resources        | Office Accommodation | 500                                   | RES 4                                   |

34. There is one scheme where there is a corporate project issue to report at this stage as shown in the table below.

| <b>Portfolio</b>    | <b>Scheme</b>                 | <b>Appendix 3<br/>See<br/>Reference</b> |
|---------------------|-------------------------------|---|
| Children's Services | Bitterne 6 <sup>th</sup> Form | CS 8                                    |

## **RESOURCE IMPLICATIONS**

### **Capital**

35. As set out in the report details.

### **Revenue**

36. This report principally deals with capital. However, the revenue implications arising from borrowing to support the capital programme are considered as part of the annual revenue budget setting meetings. In addition any revenue consequences arising from new capital schemes are considered as part of the approval process for each individual scheme.

### **Property**

37. There are no specific property implications arising from this report other than the schemes already referred to within the main body of the report.

### **Other**

38. None

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

39. The General Fund Capital Programme update is prepared in accordance with the Local Government Acts 1972 – 2003.

### **Other Legal Implications:**

40. None directly, but in preparing this report, the Council has had regard to the Human Rights Act 1998, the Equality Act 2010, the duty to achieve best value and statutory guidance issued associated with that, and other associated legislation.

## **POLICY FRAMEWORK IMPLICATIONS**

41. The update of the Capital Programme forms part of the overall Budget Strategy of the Council.

**KEY DECISION?** Yes

|                                    |     |
|------------------------------------|-----|
| <b>WARDS/COMMUNITIES AFFECTED:</b> | All |
|------------------------------------|-----|

**SUPPORTING DOCUMENTATION**

**Appendices**

|    |  |
|----|--|
| 1. | General Fund Capital Programme – Scheme Details                    |
| 2. | Major Variations Since the September 2013 Capital Update           |
| 3. | Key Issues – February 2014 Programme Update                        |
| 4. | Major Changes in Capital Resources Since the September 2013 Update |

**Documents In Members’ Rooms**

|    |      |
|----|------|
| 1. | None |
|----|------|

**Equality Impact Assessment**

|  |    |
|--|----|
| Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out. | No |
|--|----|

**Other Background Documents**

**Equality Impact Assessment and Other Background documents available for inspection at:**

|                              |  |
|------------------------------|--|
| Title of Background Paper(s) | Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable) |
|------------------------------|--|

|    |  |  |
|----|--|--|
| 1. | The General Fund Capital Programme 2012/13 to 2015/16 as approved by Council on the 18 September 2013. |  |
|----|--|--|

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## CHILDRENS SERVICES

| Scheme No.              | Description                      | Estimate        | Estimate        | Estimate        | Estimate        | Estimate          | Total         | Project Manager  |
|-------------------------|----------------------------------|-----------------|-----------------|-----------------|-----------------|-------------------|---------------|------------------|
|                         |                                  | 2013/14<br>£000 | 2014/15<br>£000 | 2015/16<br>£000 | 2016/17<br>£000 | Later Yrs<br>£000 | £000          |                  |
| <b>Approved Schemes</b> |                                  |                 |                 |                 |                 |                   |               |                  |
| E0ACA                   | Academies.                       | 898             | 0               | 0               | 0               | 0                 | 898           | Gill, Oliver     |
| E0BPS                   | Bitterne Park 6th Form Parent    | 336             | 0               | 0               | 0               | 0                 | 336           | Hards, Richard   |
| E0CSL                   | CS & L General Other             | 1,543           | 429             | 0               | 0               | 0                 | 1,972         | Gill, Oliver     |
| E0EYP                   | Early Years Expansion Programme. | 491             | 850             | 0               | 0               | 0                 | 1,341         | Gill, Oliver     |
| E0ICT                   | ICT                              | 263             | 0               | 0               | 0               | 0                 | 263           | Taylor, Nicholas |
| E0OLD                   | Completed Schemes                | 20              | 0               | 0               | 0               | 0                 | 20            | Gill, Oliver     |
| E0PR2                   | Primary Review Phase 2.          | 9,129           | 1,488           | 4,386           | 0               | 0                 | 15,003        | Floyd, Colin     |
| E0PRH                   | Primary Rebuild - Harefield      | 66              | 0               | 0               | 0               | 0                 | 66            | Hards, Richard   |
| E0PRW                   | Primary Review.                  | 781             | 0               | 0               | 0               | 0                 | 781           | Floyd, Colin     |
| E0SAF                   | Safeguarding                     | 387             | 30              | 0               | 0               | 0                 | 417           | Gill, Oliver     |
| E0SCM                   | School Capital Maintenance.      | 4,493           | 2,115           | 378             | 0               | 0                 | 6,986         | Gill, Oliver     |
| E0SEN                   | Special Education Needs Review   | 29              | 0               | 0               | 0               | 0                 | 29            | Hards, Richard   |
| E0SSM                   | Secondary School Maintenance     | 3,136           | 229             | 0               | 0               | 0                 | 3,365         | Hards, Richard   |
| E0YPS                   | Young People & Skills            | 12              | 28              | 0               | 0               | 0                 | 40            | Read, Maureen    |
|                         |                                  | 21,584          | 5,169           | 4,764           | 0               | 0                 | 31,517        |                  |
| <b>Total Programme</b>  |                                  | <b>21,584</b>   | <b>5,169</b>    | <b>4,764</b>    | <b>0</b>        | <b>0</b>          | <b>31,517</b> |                  |

## ECONOMIC DEVELOPMENT &amp; LEISURE - ECONOMIC DEVELOPMENT

| Scheme No.              | Description                     | Estimate        | Estimate        | Estimate        | Estimate        | Estimate          | Total         | Project Manager  |
|-------------------------|---------------------------------|-----------------|-----------------|-----------------|-----------------|-------------------|---------------|------------------|
|                         |                                 | 2013/14<br>£000 | 2014/15<br>£000 | 2015/16<br>£000 | 2016/17<br>£000 | Later Yrs<br>£000 | £000          |                  |
| <b>Approved Schemes</b> |                                 |                 |                 |                 |                 |                   |               |                  |
| M0CQR                   | Cultural Quarter Parent         | 5,034           | 6,040           | 7,368           | 0               | 0                 | 18,442        | Low, Jill        |
| M0HOC                   | Heart of the City Parent        | 85              | 3,133           | 5,167           | 145             | 0                 | 8,530         | Bennett, Wendy   |
| M0HQP                   | Hollyood and Queens Park Parent | 5               | 10              | 5               | 0               | 0                 | 20            | Dobson, Alastair |
| M0IRF                   | Itchen Riverfront Parent        | 35              | 42              | 42              | 0               | 0                 | 119           | Dobson, Alastair |
| M0OTH                   | Other Areas Parent              | 20              | 59              | 0               | 0               | 0                 | 79            | Bennett, Wendy   |
| M0RPW                   | Royal Pier Waterfront Parent    | 204             | 175             | 100             | 66              | 0                 | 545           | Meredith, Emma   |
| M0SQR                   | Station Quarter Parent          | 68              | 114             | 114             | 113             | 0                 | 409           | Dobson, Alastair |
|                         |                                 | 5,451           | 9,573           | 12,796          | 324             | 0                 | 28,144        |                  |
| <b>Total Programme</b>  |                                 | <b>5,451</b>    | <b>9,573</b>    | <b>12,796</b>   | <b>324</b>      | <b>0</b>          | <b>28,144</b> |                  |

## ECONOMIC DEVELOPMENT &amp; LEISURE - LEISURE

| Scheme No.              | Description                                 | Estimate 2013/14 |              | Estimate 2014/15 |            | Estimate 2015/16 |          | Estimate 2016/17 |          | Estimate Later Yrs |          | Total £000   | Project Manager  |
|-------------------------|---|------------------|--------------|------------------|------------|------------------|----------|------------------|----------|--------------------|----------|--------------|------------------|
|                         |   | £000             |              | £000             |            | £000             |          | £000             |          | £000               |          |              |                  |
| <b>Approved Schemes</b> |   |                  |              |                  |            |                  |          |                  |          |                    |          |              |                  |
| L1000                   | Oaklands Swimming Pool Feasibility          | 242              | 1,423        | 5                | 0          | 0                | 0        | 0                | 0        | 0                  | 0        | 1,670        | Dyer-Slade, Tina |
| L1440                   | Tudor House Museum Phase 1                  | 5                | 0            | 0                | 0          | 0                | 0        | 0                | 0        | 0                  | 0        | 5            | Matthews, Daniel |
| L6790                   | Sections 106 Playing Field Improvement      | 35               | 80           | 0                | 0          | 0                | 0        | 0                | 0        | 0                  | 0        | 115          | Dyer-Slade, Tina |
| L6791                   | Lordshill Playing Field Drainage            | 10               | 175          | 0                | 0          | 0                | 0        | 0                | 0        | 0                  | 0        | 185          | Dyer-Slade, Tina |
| L7000                   | Guildhall Refurbishment                     | 120              | 180          | 100              | 117        | 0                | 0        | 0                | 0        | 0                  | 0        | 517          | Greene, Nigel    |
| L810U                   | Art in Public Places – Millbrook and Weston | 2                | 17           | 0                | 0          | 0                | 0        | 0                | 0        | 0                  | 0        | 19           | Harris, Michael  |
| L8230                   | Potential TIC Relocation                    | 15               | 15           | 20               | 0          | 0                | 0        | 0                | 0        | 0                  | 0        | 50           | Greene, Nigel    |
| L8260                   | Tudor House Museum Phase 2 Implementation   | 71               | 0            | 0                | 0          | 0                | 0        | 0                | 0        | 0                  | 0        | 71           | Matthews, Daniel |
| L8285                   | SeaCity Phase 2                             | 293              | 0            | 0                | 0          | 0                | 0        | 0                | 0        | 0                  | 0        | 293          | Dyer-Slade, Tina |
| L8286                   | SeaCity Public Realm Improvements           | 43               | 0            | 0                | 0          | 0                | 0        | 0                | 0        | 0                  | 0        | 43           | Dyer-Slade, Tina |
| L8370                   | Woolston Library                            | 148              | 796          | 19               | 117        | 0                | 0        | 0                | 0        | 0                  | 0        | 963          | Baldwin, David   |
|                         |   | 984              | 2,686        | 144              | 117        | 0                | 0        | 0                | 0        | 0                  | 0        | 3,931        |                  |
| <b>Total Programme</b>  |   | <b>984</b>       | <b>2,686</b> | <b>144</b>       | <b>117</b> | <b>0</b>         | <b>0</b> | <b>0</b>         | <b>0</b> | <b>0</b>           | <b>0</b> | <b>3,931</b> |                  |

## ENVIRONMENT &amp; TRANSPORT - A (E&amp;T)

| Scheme No.                              | Description                           | Estimate     |              |              |              | Estimate Later Yrs £000 | Total £000 | Project Manager    |
|---|---------------------------------------|--------------|--------------|--------------|--------------|-------------------------|------------|--------------------|
|   |                                       | 2013/14 £000 | 2014/15 £000 | 2015/16 £000 | 2016/17 £000 |                         |            |                    |
| <b>Approved Schemes</b>                 |                                       |              |              |              |              |                         |            |                    |
| <u>Accessibility</u>                    |                                       |              |              |              |              |                         |            |                    |
| C7171                                   | Accessibility                         | 308          | 266          | 0            | 0            | 0                       | 574        | Walker, Paul       |
| <u>Active Travel</u>                    |                                       |              |              |              |              |                         |            |                    |
| C7131                                   | Cycling                               | 1,290        | 697          | 0            | 0            | 0                       | 1,987      | Walker, Paul       |
| <u>Bridges</u>                          |                                       |              |              |              |              |                         |            |                    |
| C7911                                   | Bridges                               | 221          | 0            | 0            | 0            | 0                       | 221        | Harvey, John       |
| <u>Environment &amp; Sustainability</u> |                                       |              |              |              |              |                         |            |                    |
| C2400                                   | Planning                              | 97           | 0            | 0            | 0            | 0                       | 97         | Nichols, Paul      |
| C2410                                   | Mobile Working                        | 48           | 0            | 0            | 0            | 0                       | 48         | Ferris, Neil       |
| <u>General Environment</u>              |                                       |              |              |              |              |                         |            |                    |
| C2690                                   | Relocation of Town Depot              | 32           | 0            | 0            | 0            | 0                       | 32         | Cooper, Malcolm    |
| C2730                                   | Itchen Bridge Toll Automation Project | 213          | 40           | 0            | 0            | 0                       | 253        | Richardson, Adrian |
| C2740                                   | Crematorium Major Works               | 232          | 42           | 0            | 0            | 0                       | 274        | Wells, Philip      |
| <u>Highways Other</u>                   |                                       |              |              |              |              |                         |            |                    |
| C7191                                   | LTP - Other Highways                  | 201          | 0            | 0            | 0            | 0                       | 201        | Beatty             |
| C8200                                   | Highways Drainage (C8200)             | 235          | 0            | 0            | 0            | 0                       | 235        | Beatty             |
| <u>Improved Safety</u>                  |                                       |              |              |              |              |                         |            |                    |
| C7151                                   | Improved Safety                       | 255          | 210          | 0            | 0            | 0                       | 465        | Walker, Paul       |
| <u>Network Management</u>               |                                       |              |              |              |              |                         |            |                    |
| C7181                                   | ITS                                   | 274          | 954          | 0            | 0            | 0                       | 1,228      | Walker, Paul       |
| <u>No block</u>                         |                                       |              |              |              |              |                         |            |                    |
| C2300                                   | Digital Radio Service Procurement     | 132          | 0            | 0            | 0            | 0                       | 132        | Baxter, Francis    |
| C7770                                   | B2P Bridge Scheme                     | 760          | 3,020        | 410          | 0            | 0                       | 4,190      | Harvey, John       |
| C7922                                   | Redbridge Roundabout Scheme           | 1,400        | 0            | 0            | 0            | 0                       | 1,400      | Beatty             |
| C8911                                   | Platform for Prosperity               | 4,939        | 5,926        | 217          | 0            | 0                       | 11,082     | Walker, Paul       |
| C8922                                   | Centenary Quay.                       | 94           | 1,234        | 0            | 0            | 0                       | 1,328      | Walker, Paul       |
| C8933                                   | North of Station                      | 725          | 1,563        | 0            | 0            | 0                       | 2,288      | Walker, Paul       |

APPENDIX 1

| Scheme No.              | Description                             | Estimate 2013/14 | Estimate 2014/15 | Estimate 2015/16 | Estimate 2016/17 | Estimate Later Yrs | Total  | Project Manager   |
|-------------------------|---|------------------|------------------|------------------|------------------|--------------------|--------|-------------------|
|                         |   | £000             | £000             | £000             | £000             | £000               | £000   |                   |
| <u>Parking</u>          |   |                  |                  |                  |                  |                    |        |                   |
| C9471                   | MSCP 10 Year Maint. Programme           | 210              | 0                | 0                | 0                | 0                  | 210    | Sahota, Jaswinder |
| <u>Public Realm</u>     |   |                  |                  |                  |                  |                    |        |                   |
| C7360                   | Local and District Centres Improvements | 3                | 0                | 0                | 0                | 0                  | 3      | Beatty            |
| C8900                   | City Centre Improvements                | 261              | 219              | 0                | 0                | 0                  | 480    | Walker, Paul      |
| <u>Public Transport</u> |   |                  |                  |                  |                  |                    |        |                   |
| C7141                   | Public Transport                        | 1,859            | 4,078            | 0                | 0                | 0                  | 5,937  | Walker, Paul      |
| <u>Roads</u>            |   |                  |                  |                  |                  |                    |        |                   |
| C7921                   | Various Principal                       | 713              | 0                | 0                | 0                | 0                  | 713    | Armstrong, David  |
| C8000                   | Classified Roads                        | 1,089            | 113              | 0                | 0                | 0                  | 1,202  | Armstrong, David  |
| C8100                   | Unclassified Roads                      | 2,012            | 200              | 0                | 0                | 0                  | 2,212  | Armstrong, David  |
| C8400                   | Road Improvements                       | 141              | 0                | 0                | 0                | 0                  | 141    | Beatty            |
| C9120                   | Highways Improvements (Developer)       | 394              | 0                | 0                | 0                | 0                  | 394    | Beatty            |
| <u>Street Furniture</u> |   |                  |                  |                  |                  |                    |        |                   |
| C8800                   | St Furniture                            | 89               | 0                | 0                | 0                | 0                  | 89     | Beatty            |
| <u>Street Lighting</u>  |   |                  |                  |                  |                  |                    |        |                   |
| C8300                   | St Lighting                             | 82               | 0                | 0                | 0                | 0                  | 82     | Adams, Michael    |
| <u>Travel Planning</u>  |   |                  |                  |                  |                  |                    |        |                   |
| C7161                   | Travel to School                        | 257              | 242              | 0                | 0                | 0                  | 499    | Walker, Paul      |
|                         |   | 18,566           | 18,804           | 627              | 0                | 0                  | 37,997 |                   |

APPENDIX 1

| Scheme No.                | Description                          | Estimate        | Estimate        | Estimate        | Estimate        | Estimate          | Total         | Project Manager  |
|---------------------------|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-------------------|---------------|------------------|
|                           |                                      | 2013/14<br>£000 | 2014/15<br>£000 | 2015/16<br>£000 | 2016/17<br>£000 | Later Yrs<br>£000 | £000          |                  |
| <b>Unapproved Schemes</b> |                                      |                 |                 |                 |                 |                   |               |                  |
| <u>Accessibility</u>      |                                      |                 |                 |                 |                 |                   |               |                  |
| C7171                     | Accessibility                        | 100             | 0               | 0               | 0               | 0                 | 100           | Walker, Paul     |
| <u>Active Travel</u>      |                                      |                 |                 |                 |                 |                   |               |                  |
| C7131                     | Cycling                              | 0               | 120             | 0               | 0               | 0                 | 120           | Walker, Paul     |
| <u>Improved Safety</u>    |                                      |                 |                 |                 |                 |                   |               |                  |
| C7151                     | Improved Safety                      | 0               | 185             | 0               | 0               | 0                 | 185           | Walker, Paul     |
| <u>Network Management</u> |                                      |                 |                 |                 |                 |                   |               |                  |
| C7181                     | ITS                                  | 20              | 155             | 0               | 0               | 0                 | 175           | Walker, Paul     |
| <u>No block</u>           |                                      |                 |                 |                 |                 |                   |               |                  |
| C7111                     | LTP City Centres                     | 0               | 276             | 0               | 0               | 0                 | 276           | Walker, Paul     |
| <u>Public Transport</u>   |                                      |                 |                 |                 |                 |                   |               |                  |
| C7141                     | Public Transport                     | 4               | 344             | 0               | 0               | 0                 | 348           | Walker, Paul     |
| <u>Roads</u>              |                                      |                 |                 |                 |                 |                   |               |                  |
| C7921                     | Various Principal                    | 0               | 1,200           | 0               | 0               | 0                 | 1,200         | Armstrong, David |
| C8000                     | Classified Roads                     | 0               | 921             | 0               | 0               | 0                 | 921           | Armstrong, David |
| C8100                     | Unclassified Roads                   | 0               | 1,567           | 0               | 0               | 0                 | 1,567         | Armstrong, David |
| C9200                     | Highways Maintenance Risk Fund C9200 | 229             | 325             | 0               | 0               | 0                 | 554           | Armstrong, David |
|                           |                                      | 353             | 5,093           | 0               | 0               | 0                 | 5,446         |                  |
| <b>Total Programme</b>    |                                      | <b>18,919</b>   | <b>23,897</b>   | <b>627</b>      | <b>0</b>        | <b>0</b>          | <b>43,443</b> |                  |

ENVIRONMENT & TRANSPORT - B (CITY SERVICES)

| Scheme No.              | Description   | Estimate |         |         |         | Estimate Later Yrs | Total                 | Project Manager |
|-------------------------|---|----------|---------|---------|---------|--------------------|-----------------------|-----------------|
|                         |   | 2013/14  | 2014/15 | 2015/16 | 2016/17 |                    |                       |                 |
|                         |   | £000     | £000    | £000    | £000    | £000               |                       |                 |
| <b>Approved Schemes</b> |   |          |         |         |         |                    |                       |                 |
| C2921                   | Weekly Collection Support Scheme                      | 1,765    | 310     | 0       | 0       | 0                  | 2,075 Thomas, Michael |                 |
| E3001                   | Houndwell Park Play Area                              | 162      | 4       | 0       | 0       | 0                  | 166 Seward, Helen     |                 |
| E3007                   | Freemantle Common Play Area                           | 0        | 13      | 0       | 0       | 0                  | 13 Hill, Tony         |                 |
| E3009                   | Portsmouth RG Play Area                               | 27       | 0       | 0       | 0       | 0                  | 27 Hill, Tony         |                 |
| E3011                   | Deep Dene Play Area                                   | 0        | 25      | 0       | 0       | 0                  | 25 Hill, Tony         |                 |
| E3012                   | Leaside Way Play Area                                 | 28       | 0       | 0       | 0       | 0                  | 28 Hill, Tony         |                 |
| E3013                   | The Common Play Area                                  | 0        | 18      | 0       | 0       | 0                  | 18 Hill, Tony         |                 |
| E3014                   | Bugle Street Play Area                                | 38       | 0       | 0       | 0       | 0                  | 38 Hill, Tony         |                 |
| E3015                   | Golden Grove Play Area                                | 59       | 0       | 0       | 0       | 0                  | 59 Hill, Tony         |                 |
| E3016                   | Bentley Green Play Area                               | 49       | 0       | 0       | 0       | 0                  | 49 Hill, Tony         |                 |
| E3017                   | Lawn Road Play Area                                   | 60       | 0       | 0       | 0       | 0                  | 60 Hill, Tony         |                 |
| E3018                   | Ivy Dene Play Area                                    | 23       | 0       | 0       | 0       | 0                  | 23 Hill, Tony         |                 |
| E3019                   | Butts Road Play Area                                  | 8        | 0       | 0       | 0       | 0                  | 8 Hill, Tony          |                 |
| E3020                   | Sullivan Road Play Area                               | 32       | 0       | 0       | 0       | 0                  | 32 Hill, Tony         |                 |
| J426H                   | Peartree Green  | 5        | 0       | 0       | 0       | 0                  | 5 Brown, Clifford     |                 |
| J426L                   | Southampton Common                                    | 16       | 0       | 0       | 0       | 0                  | 16 Yeats, Nicholas    |                 |
| J427H                   | Freemantle Lake Park Improvements Yr 2009-11          | 14       | 0       | 0       | 0       | 0                  | 14 Brown, Clifford    |                 |
| J4310                   | Deep Dene Improvements                                | 14       | 0       | 0       | 0       | 0                  | 14 Brown, Clifford    |                 |
| J4320                   | Portsmouth Rec Improvements - Phase 3                 | 11       | 0       | 0       | 0       | 0                  | 11 Brown, Clifford    |                 |
| J4340                   | Hinkler Green Green Flag Improvements Yr 2010/11      | 8        | 0       | 0       | 0       | 0                  | 8 Brown, Clifford     |                 |
| J4360                   | Central Parks Green Flag Improvements Yr 2010/11      | 49       | 0       | 0       | 0       | 0                  | 49 Brown, Clifford    |                 |
| J4370                   | Park Code for Green Space                             | 8        | 15      | 0       | 0       | 0                  | 23 Yeats, Nicholas    |                 |
| J4380                   | Bassett Wood Greenway Improvements                    | 3        | 0       | 0       | 0       | 0                  | 3 Brown, Clifford     |                 |
| J4410                   | Mayflower Park Basket Ball Court Renovation           | 0        | 0       | 27      | 0       | 0                  | 27 Brown, Clifford    |                 |
| J4420                   | Thornhill (Masfield Green) Park Improvements          | 1        | 0       | 0       | 0       | 0                  | 1 Brown, Clifford     |                 |
| J4430                   | Weston Shore Improvements Phase 2                     | 9        | 50      | 0       | 0       | 0                  | 59 Brown, Clifford    |                 |
| J4440                   | Sports Centre Water Supply Upgrade                    | 0        | 30      | 0       | 0       | 0                  | 30 Brown, Clifford    |                 |
| J4450                   | Riverside Park Pitch & Putt Irrigation System Upgrade | 0        | 50      | 0       | 0       | 0                  | 50 Brown, Clifford    |                 |
| J4460                   | Cedar Lodge Open Space                                | 0        | 17      | 0       | 0       | 0                  | 17 Brown, Clifford    |                 |
| J4470                   | Freshfield Road Open Space                            | 2        | 0       | 0       | 0       | 0                  | 2 Brown, Clifford     |                 |
| J4480                   | Green Park  | 5        | 0       | 0       | 0       | 0                  | 5 Brown, Clifford     |                 |
| J4490                   | Hum Hole  | 0        | 8       | 0       | 0       | 0                  | 8 Brown, Clifford     |                 |

APPENDIX 1

| Scheme No.                | Description   | Estimate     |              |           |          | Estimate Later Yrs | Total                | Project Manager |
|---------------------------|---|--------------|--------------|-----------|----------|--------------------|----------------------|-----------------|
|                           |   | 2013/14      | 2014/15      | 2015/16   | 2016/17  |                    |                      |                 |
|                           |   | £000         | £000         | £000      | £000     | £000               | £000                 |                 |
| J4500                     | Lordsdale Greenway                                      | 14           | 0            | 0         | 0        | 0                  | 14 Brown, Clifford   |                 |
| J4510                     | Mansbridge Open Space                                   | 12           | 0            | 0         | 0        | 0                  | 12 Brown, Clifford   |                 |
| J4520                     | Riverside Park  | 6            | 35           | 0         | 0        | 0                  | 41 Brown, Clifford   |                 |
| J4530                     | St James Church Yard                                    | 2            | 0            | 0         | 0        | 0                  | 2 Brown, Clifford    |                 |
| J4540                     | Sullivan Recreation Ground                              | 4            | 0            | 0         | 0        | 0                  | 4 Brown, Clifford    |                 |
| J4550                     | Veracity Recreation Ground                              | 3            | 0            | 0         | 0        | 0                  | 3 Brown, Clifford    |                 |
| J4560                     | Westwood Greenway                                       | 3            | 0            | 0         | 0        | 0                  | 3 Brown, Clifford    |                 |
| J8100                     | Mobile Working for P & C Frontline                      | 7            | 0            | 0         | 0        | 0                  | 7 Horton, John       |                 |
| J814B                     | St James Park - Implementation                          | 57           | 10           | 0         | 0        | 0                  | 67 Seward, Helen     |                 |
| J8190                     | Daisy Dip Improvements                                  | 7            | 0            | 0         | 0        | 0                  | 7 Brown, Clifford    |                 |
| J8200                     | Redbridge Wharf   | 9            | 0            | 0         | 0        | 0                  | 9 Horton, John       |                 |
| J8240                     | Parks Safety Improvements Yrs 2009-11                   | 2            | 0            | 0         | 0        | 0                  | 2 Horton, John       |                 |
| J8250                     | Bitterne Manor/Clausentum Wood Improvements Yrs 2010-13 | 7            | 0            | 0         | 0        | 0                  | 7 Brown, Clifford    |                 |
| J8260                     | Community Led Local Improvement Initiatives             | 12           | 13           | 0         | 0        | 0                  | 25 Shahani, Vanessa  |                 |
|                           |   | 2,541        | 598          | 27        | 0        | 0                  | 3,166                |                 |
| <b>Unapproved Schemes</b> |   |              |              |           |          |                    |                      |                 |
| J8260                     | Community Led Local Improvement Initiatives             | 0            | 140          | 0         | 0        | 0                  | 140 Shahani, Vanessa |                 |
|                           | Compact Sweepers  | 0            | 350          | 0         | 0        | 0                  | 350 Horton, John     |                 |
|                           |   | 0            | 490          | 0         | 0        | 0                  | 490                  |                 |
| <b>Total Programme</b>    |   | <b>2,541</b> | <b>1,088</b> | <b>27</b> | <b>0</b> | <b>0</b>           | <b>3,656</b>         |                 |

**HEALTH & ADULT SOCIAL CARE CAPITAL**

| Scheme No.              | Description                             | Estimate     |              |              |              |              | Estimate Later Yrs £000 | Total £000   | Project Manager |
|-------------------------|---|--------------|--------------|--------------|--------------|--------------|-------------------------|--------------|-----------------|
|                         |   | 2013/14 £000 | 2014/15 £000 | 2015/16 £000 | 2016/17 £000 | 2016/17 £000 |                         |              |                 |
| <b>Approved Schemes</b> |   |              |              |              |              |              |                         |              |                 |
| R9265                   | SDS Modernisation Woolston Comm Centre  | 55           | 95           | 0            | 0            | 0            | 0                       | 150          | Ellynn, Mark    |
| R9330                   | National Care Standards and H&S Work    | 221          | 286          | 0            | 0            | 0            | 0                       | 507          | Ellynn, Mark    |
| R9340                   | Replacement of Appliances and Equipment | 53           | 68           | 0            | 0            | 0            | 0                       | 121          | Ellynn, Mark    |
| R9700                   | Common Assessment Framework             | 70           | 307          | 0            | 0            | 0            | 0                       | 377          | Yasin, Saqib    |
| R9720                   | Residential Homes fabric furnishing CQC | 125          | 0            | 0            | 0            | 0            | 0                       | 125          | Woodward, Jane  |
| R9730                   | Semal House Refurbishment               | 335          | 12           | 0            | 0            | 0            | 0                       | 347          | Ellynn, Mark    |
|                         |   | 859          | 768          | 0            | 0            | 0            | 0                       | 1,627        |                 |
| <b>Total Programme</b>  |   | <b>859</b>   | <b>768</b>   | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>                | <b>1,627</b> |                 |

**HOUSING & SUSTAINABILITY**

| Scheme No.              | Description                                       | Estimate |         |         |         | Estimate 2016/17 | Estimate Later Yrs | Total | Project Manager         |
|-------------------------|---|----------|---------|---------|---------|------------------|--------------------|-------|-------------------------|
|                         |   | 2013/14  | 2014/15 | 2015/16 | 2016/17 |                  |                    |       |                         |
|                         |   | £000     | £000    | £000    | £000    | £000             | £000               |       |                         |
| <b>Approved Schemes</b> |   |          |         |         |         |                  |                    |       |                         |
| C242A                   | National Flood Forum                              | 26       | 26      | 0       | 0       | 0                | 0                  | 52    | Maguire, Bernadine      |
| C242B                   | Understanding Flood Risk                          | 40       | 0       | 0       | 0       | 0                | 0                  | 40    | Maguire, Bernadine      |
| C242C                   | Awareness Raising/Developing Community Resilience | 5        | 13      | 0       | 0       | 0                | 0                  | 18    | Maguire, Bernadine      |
| C242D                   | Property Level Surveys                            | 4        | 8       | 0       | 0       | 0                | 0                  | 12    | Maguire, Bernadine      |
| C242E                   | Implementation of Property Level Measures         | 0        | 293     | 0       | 0       | 0                | 0                  | 293   | Maguire, Bernadine      |
| C242F                   | Understanding The Risk Reduction Measures         | 0        | 20      | 0       | 0       | 0                | 0                  | 20    | Maguire, Bernadine      |
| C242G                   | Project Management                                | 19       | 18      | 0       | 0       | 0                | 0                  | 37    | Maguire, Bernadine      |
| C2520                   | Salix Energy Efficiency Measures                  | 0        | 54      | 0       | 0       | 0                | 0                  | 54    | Taylor, Jason           |
| C257A                   | Woodside Lodge Salix Works                        | 5        | 0       | 0       | 0       | 0                | 0                  | 5     | Taylor, Jason           |
| C257B                   | Glen Lee Salix Works                              | 5        | 0       | 0       | 0       | 0                | 0                  | 5     | Taylor, Jason           |
| C257C                   | Brownhill Salix Works                             | 5        | 6       | 0       | 0       | 0                | 0                  | 11    | Taylor, Jason           |
| C257D                   | Holcroft House Salix Works                        | 37       | 0       | 0       | 0       | 0                | 0                  | 37    | Taylor, Jason           |
| C257E                   | Library's Salix Works                             | 0        | 4       | 0       | 0       | 0                | 0                  | 4     | Taylor, Jason           |
| C257F                   | Civic Centre IT server room                       | 50       | 0       | 0       | 0       | 0                | 0                  | 50    | Taylor, Jason           |
| C257G                   | Lighting Upgrades Salix Works                     | 5        | 40      | 0       | 0       | 0                | 0                  | 45    | Taylor, Jason           |
| C257H                   | Civic Centre North Block                          | 20       | 0       | 0       | 0       | 0                | 0                  | 20    | Taylor, Jason           |
| C257I                   | Insulation Salix Works                            | 29       | 0       | 0       | 0       | 0                | 0                  | 29    | Taylor, Jason           |
| C257J                   | Car Parks Salix Works                             | 53       | 0       | 0       | 0       | 0                | 0                  | 53    | Taylor, Jason           |
| C257K                   | Wyndham Court Offices Salix Works                 | 7        | 0       | 0       | 0       | 0                | 0                  | 7     | Taylor, Jason           |
| C257L                   | Civic Centre Salix Works                          | 28       | 0       | 0       | 0       | 0                | 0                  | 28    | Taylor, Jason           |
| G4110                   | Home Improvement Loans Approved in 2010/11        | 2        | 0       | 0       | 0       | 0                | 0                  | 2     | Hawkins, Janet          |
| G4330                   | Support for Vulnerable DFG Customers              | 22       | 22      | 22      | 0       | 0                | 0                  | 66    | Hawkins, Janet          |
| G4490                   | Insulation and Fuel Poverty Initiatives           | 43       | 50      | 0       | 0       | 0                | 0                  | 93    | Hawkins, Janet          |
| G4620                   | Handyperson Service                               | 40       | 40      | 0       | 0       | 0                | 0                  | 80    | Hawkins, Janet          |
| G4630                   | Woolston Group Repair Scheme                      | 98       | 0       | 0       | 0       | 0                | 0                  | 98    | Hawkins, Janet          |
| G4640                   | Disabled Facilities Grants Approved in 2012/13    | 437      | 0       | 0       | 0       | 0                | 0                  | 437   | Hawkins, Janet          |
| G4650                   | Disabled Facilities Grants approved in 2013/14    | 900      | 300     | 0       | 0       | 0                | 0                  | 1,200 | Hawkins, Janet          |
| G4660                   | Disabled Facilities Grants support costs 2013/14  | 141      | 0       | 0       | 0       | 0                | 0                  | 141   | Hawkins, Janet          |
| G6550                   | Estate Regeneration Cumbrian Way                  | 16       | 88      | 0       | 0       | 0                | 0                  | 104   | Windebank, Jane         |
| G6580                   | Registered Provider Grants                        | 0        | 800     | 828     | 0       | 0                | 0                  | 1,628 | Stanley conroy, Sherree |
| G6590                   | Estate Parking Improvements                       | 14       | 186     | 100     | 0       | 0                | 0                  | 300   | Cooper, Aidan           |
|                         | Thornhill District Energy Scheme                  | 0        | 6,712   | 0       | 0       | 0                | 0                  | 6,712 | Rowland, Colin          |

APPENDIX 1

| Scheme No.                | Description   | Estimate 2013/14 | Estimate 2014/15 | Estimate 2015/16 | Estimate 2016/17 | Estimate Later Yrs | Total         | Project Manager         |
|---------------------------|---|------------------|------------------|------------------|------------------|--------------------|---------------|-------------------------|
|                           |   | £000             | £000             | £000             | £000             | £000               | £000          |                         |
|                           |   | 2,051            | 8,680            | 950              | 0                | 0                  | 11,681        |                         |
| <b>Unapproved Schemes</b> |   |                  |                  |                  |                  |                    |               |                         |
| G4310                     | Green Projects  | 0                | 100              | 150              | 127              | 0                  | 377           | Hawkins, Janet          |
| G4590                     | Disabled Facilities Grants - Future Years               | 0                | 900              | 300              | 0                | 0                  | 1,200         | Hawkins, Janet          |
| G4610                     | Disabled Facilities Grants Support Costs – Future Years | 0                | 146              | 0                | 0                | 0                  | 146           | Hawkins, Janet          |
| G6430                     | Support for Estate Regeneration                         | 0                | 789              | 0                | 0                | 0                  | 789           | Stanley conroy, Sherree |
|                           |   | 0                | 1,935            | 450              | 127              | 0                  | 2,512         |                         |
| <b>Total Programme</b>    |   | <b>2,051</b>     | <b>10,615</b>    | <b>1,400</b>     | <b>127</b>       | <b>0</b>           | <b>14,193</b> |                         |

**RESOURCES**

| Scheme No.              | Description                                    | Estimate        | Estimate        | Estimate        | Estimate        | Estimate          | Total        | Project Manager |
|-------------------------|--|-----------------|-----------------|-----------------|-----------------|-------------------|--------------|-----------------|
|                         |  | 2013/14<br>£000 | 2014/15<br>£000 | 2015/16<br>£000 | 2016/17<br>£000 | Later Yrs<br>£000 | £000         |                 |
| <b>Approved Schemes</b> |  |                 |                 |                 |                 |                   |              |                 |
| M9710                   | Accommodation Strategy Action Programme (ASAP) | 2,122           | 1,600           | 0               | 0               | 0                 | 3,722        | Verner, Andrew  |
| P5020                   | Art Gallery - Roof Repairs and AHU Replacement | 13              | 0               | 550             | 0               | 0                 | 563          | Hodge, Richard  |
| P5050                   | 2011 Mobile Working                            | 42              | 0               | 0               | 0               | 0                 | 42           | Dawtry, Sean    |
| P5080                   | Oaklands School Site - Demolition              | 480             | 0               | 0               | 0               | 0                 | 480          | Elliott, Andrew |
| P5090                   | Works to Enable Marland House Vacation         | 105             | 1,095           | 0               | 0               | 0                 | 1,200        | Fox, Annabel    |
|                         |  | <b>2,762</b>    | <b>2,695</b>    | <b>550</b>      | <b>0</b>        | <b>0</b>          | <b>6,007</b> |                 |
| <b>Total Programme</b>  |  | <b>2,762</b>    | <b>2,695</b>    | <b>550</b>      | <b>0</b>        | <b>0</b>          | <b>6,007</b> |                 |

## MAJOR VARIATIONS SINCE THE SEPTEMBER 2013 CAPITAL UPDATE

| Portfolio                         | Scheme                                      | £000's        | Funding Source (*) | Council Priority   |
|-----------------------------------|---|---------------|--------------------|--|
| <b>Increases to the Programme</b> |   |               |                    |  |
| Children's Services               | 315 Coxford Road Refurbishment              | 247           | CR                 | Raising ambitions & improving outcomes for children & young people   |
| Economic Development & Leisure    | Watermark WestQuay                          | 7,000         | GG                 | Promoting Southampton and attracting investment                      |
| Economic Development & Leisure    | Oaklands Pool Feasibility                   | 412           | CR                 | Helping individuals & communities to work together & help themselves |
| Environment & Transport           | Highways Programme                          | 2,652         | DRF                | Making the city more attractive and sustainable                      |
| Environment & Transport           | Integrated Transport (Cleaner Bus Transport | 633           | GG                 | Making the city more attractive and sustainable                      |
| Environment & Transport           | Compact Sweepers                            | 350           | CR                 | Making the city more attractive and sustainable                      |
| Housing & Sustainability          | Thornhill District Energy Scheme            | 6,412         | Cont               | Making the city more attractive and sustainable                      |
| Housing & Sustainability          | Estate Parking Improvements                 | 300           | Cont               | Making the city more attractive and sustainable                      |
| Housing & Sustainability          | Registered Provider Grants                  | 1,628         | CR                 | Encouraging new house building & improving existing homes            |
| Various                           | Other various net increases                 | 432           | Various            | Various  |
|                                   |   | <b>20,066</b> |                    |  |
| <b>Decreases to the Programme</b> |   |               |                    |  |
| No material decreases             |   | 0             |                    |  |
|                                   |   | <b>0</b>      |                    |  |
| <b>Total</b>                      |   | <b>20,066</b> |                    |  |

**\* Funding Source**

|      |                          |
|------|--------------------------|
| Cont | Contributions            |
| CR   | Council Resources        |
| GG   | Government Grants        |
| DRF  | Direct Revenue Financing |

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## KEY ISSUES – FEBRUARY 2014 PROGRAMME UPDATE

### CHILDREN'S SERVICES PORTFOLIO

The proposed February programme update totals **£31,517,000**. This can be compared to the previous September update total of **£31,194,000** resulting in an increase of **£323,000**, which represents a percentage increase of **10.4%**.

The changes to the programme are shown in the following summarised table:

|          | 2013/14<br>£000's | 2014/15<br>£000's | 2015/16<br>£000's | 2016/17<br>£000's | Later<br>£000's | Total<br>£000's |
|----------|-------------------|-------------------|-------------------|-------------------|-----------------|-----------------|
| Proposed | 21,584            | 5,169             | 4,764             | 0                 | 0               | 31,517          |
| Previous | 22,336            | 5,024             | 3,834             | 0                 | 0               | 31,194          |
| Variance | (752)             | 145               | 930               | 0                 | 0               | 323             |

### PROGRAMME CHANGES:

#### CS 1 – Refurbishment of 315 Coxford Road (Total budget change £247,000 increase)

Gold Scheme – £247,000 Scheme Budget

Overall RAG Status **GREEN**

Schedule RAG Status **GREEN**

Budget RAG Status **GREEN**

**Refurbishment of office accommodation**

Council approved this scheme to refurbish 315 Coxford Road the 20 November 2013 in order to amalgamate and co-locate three services to provide a range of direct support, assessment and supervised contact to children, young people and their families.

### MAJOR ITEMS OF SLIPPAGE/RE-PHASING:

#### CS 2 – Primary Review Phase 2 (Slippage of £1,727,000 from 2013/14 to 2014/15 (£797,000) and to 2015/16 (£940,000))

Various – £28,356,000 Scheme Budget

Overall RAG Status **GREEN**

Schedule RAG Status **GREEN**

Budget RAG Status **GREEN**

**Expansion of St John's Primary and Nursery school.**

The main project subject to slippage within this programme of works is the expansion of St John's Primary and Nursery School. Work on this project is currently on programme; however, at this stage expenditure is only on design fees which have been incurred at a slower rate than anticipated.

### **CS 3 – Primary Review (Re-phasing of £571,000 from 2014/15 to 2013/14)**

**Various – £4,315,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status      GREEN**

**Budget RAG Status        GREEN**

#### **Expansion of St Mary's Primary School**

The expansion of St Mary's Primary school has been delivered in several phases. It has been determined that best value for money can be secured by delivering the current (and final) phase of the project via the Diocese. The intention is therefore to transfer the remainder of the budget to the Diocese within this financial year, with a view to them delivering the additional classroom space by September 2014.

### **CS 4 – School Capital Maintenance (Slippage of £271,000 between 2013/14 and 2014/15)**

**Gold Scheme – £10,426,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status      GREEN**

**Budget RAG Status        GREEN**

#### **Delays in maintenance works until summer 2014**

Delays in securing approvals resulted in missing the optimum window for much of the programmed work over the 2013 summer holidays. As a result, some projects have been delayed until summer 2014.

### **CS 5 – Early Years Expansion Programme (Re-phasing of £444,000 from 2014/15 to 2013/14)**

**Gold Scheme – £1,341,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status      GREEN**

**Budget RAG Status        GREEN**

#### **Expansion of nursery places for two year olds is progressing quicker than anticipated.**

The programme to expand the number of two year old nursery places across the city is progressing at a quicker rate than originally anticipated. This is due to the front-loading of later elements of the programme, with a view to delivering value for money via economies of scale.

## **CORPORATE FINANCIAL & PROJECT ISSUES:**

The corporate **FINANCIAL ISSUES** for the Portfolio relating to significant over or under spends are:

### **CS 6 – Newlands Primary Rebuild Project (Forecast £229,000 Adverse Scheme Variance)**

**Gold Scheme – £7,521,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        AMBER**

**Budget RAG Status          RED**

**Additional costs for approved extension of time.**

The Quantity Surveyor for the scheme is predicting an over spend of £250,000 due to an approved extension of time claim arising from the discovery of a buried electricity main under the old school building by the demolition contractor. This has resulted in an elongation of the project, as well as additional works, both of which have contributed to the anticipated over spend.

### **CS 7 – Pupil Referral Unit (Forecast £470,000 Adverse Scheme Variance)**

**Gold Scheme – £2,650,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        GREEN**

**Budget RAG Status          RED**

**Additional costs on scheme.**

The anticipated cost overrun is due to the emergence of significant unforeseen issues on this project, which resulted in the contingency allowance being exceeded. These issues included the discovery of additional asbestos that had not been picked-up in previous surveys, as well as the effective disintegration of the concrete slab in certain areas, necessitating the laying of new flooring and an extension of the contract period.

The corporate **PROJECT ISSUES** for the Portfolio are:

### **CS 8 – Bitterne Park 6<sup>th</sup> Form (Forecast £0 Scheme Variance)**

**Gold Scheme – £6,108,000 Scheme Budget**

**Overall RAG Status            RED**

**Schedule RAG Status        GREEN**

**Budget RAG Status          RED**

**Dispute on final account.**

The contractor has submitted a final account which included a claim for extension of time which if accepted in full would have resulted in an over spend of approximately £1M. This is still being disputed. The Council issued the final account in December 2012 and is awaiting the contractor's response as to whether it is likely to go to adjudication. Under the Memorandum of Understanding agreed with Bitterne Park School, the responsibility for any over spend rests with the school.

## ECONOMIC DEVELOPMENT & LEISURE PORTFOLIO

### ECONOMIC DEVELOPMENT

The proposed February programme update totals **£28,144,000**. This can be compared to the previous September update total of **£21,144,000** resulting in an increase of **£7,000,000**, which represents a percentage increase of **33.1%**.

The changes to the programme are shown in the following summarised table:

|          | 2013/14<br>£000's | 2014/15<br>£000's | 2015/16<br>£000's | 2016/17<br>£000's | Later<br>£000's | Total<br>£000's |
|----------|-------------------|-------------------|-------------------|-------------------|-----------------|-----------------|
| Proposed | 5,451             | 9,573             | 12,796            | 324               | 0               | 28,144          |
| Previous | 5,491             | 7,512             | 8,030             | 0                 | 111             | 21,144          |
| Variance | (40)              | 2,061             | 4,766             | 324               | (111)           | 7,000           |

### PROGRAMME CHANGES:

#### EDEV 1 – Watermark West Quay (Total budget change £7,000,000 increase)

**Gold Scheme – £7,000,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

#### **Regeneration of Watermark West Quay**

Council approved this £7M scheme on 20 November 2013, funded from Regional Growth Fund grant, for WestQuay public realm and infrastructure works to enhance the setting of the historic walls and to improve physical pedestrian links and permeability around the City Centre.

### MAJOR ITEMS OF SLIPPAGE/RE-PHASING:

#### EDEV 2 – Southampton New Arts Centre (SNAC) (Rephasing of £300,000 from 2014/15 (£15,000) and 2015/16 (£285,000) into 2013/14)

**Gold Scheme – £20,850,000 Scheme Budget**

Overall RAG Status **AMBER**

Schedule RAG Status **GREEN**

Budget RAG Status **AMBER**

#### Finalisation of Developer's Programme

The final agreement with developers Grosvenor was signed on the 21 October 2013. The project programme has now been confirmed and the budget has been re-phased accordingly.

#### CORPORATE FINANCIAL & PROJECT ISSUES:

There are no corporate FINANCIAL ISSUES for the Portfolio relating to significant over or under spends.

There are no corporate PROJECT ISSUES for the Portfolio.

#### LEISURE

The proposed February programme update totals **£3,931,000**. This can be compared to the previous September update total of **£3,510,000** resulting in an increase of **£421,000**, which represents a percentage increase of **12.0%**.

The changes to the programme are shown in the following summarised table:

|          | 2013/14<br>£000's | 2014/15<br>£000's | 2015/16<br>£000's | 2016/17<br>£000's | Later<br>£000's | Total<br>£000's |
|----------|-------------------|-------------------|-------------------|-------------------|-----------------|-----------------|
| Proposed | 984               | 2,686             | 144               | 117               | 0               | 3,931           |
| Previous | 1,204             | 1,670             | 617               | 0                 | 19              | 3,510           |
| Variance | (220)             | 1,016             | (473)             | 117               | (19)            | 421             |

#### PROGRAMME CHANGES:

##### LEIS 1 – Oaklands Swimming Pool (Total budget change £412,000 increase)

Gold Scheme – £1,670,000 Scheme Budget

Overall RAG Status **GREEN**

Schedule RAG Status **GREEN**

Budget RAG Status **GREEN**

Refurbishment of Oaklands Swimming Pool.

Council added £412,000 on 20 November 2013 to the budget to refurbish Oaklands swimming pool. This followed the results of a feasibility study which finalised the costs associated with the refurbishment of the pool to enable works to be completed by October 2014.

### **MAJOR ITEMS OF SLIPPAGE/RE-PHASING:**

#### **LEIS 2 – Guildhall Refurbishment (Slippage of £217,000 between 2013/14 and 2014/15 to 2015/16 and 2016/17)**

**Gold Scheme – £519,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**Delays in programme of work**

The project start date has been reprogrammed to a later date as has stonework re-instatement to avoid clashing with the Guildhall's busiest period.

#### **LEIS 3 – Woolston Library (Rephasing of £388,000 from 2015/16 to 2014/15)**

**Silver Scheme – £974,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**Earlier start of works at new Woolston library.**

Tenders have now been issued allowing a more accurate forecast of spend which also reflects the anticipation of work starting earlier than previously programmed.

### **CORPORATE FINANCIAL & PROJECT ISSUES:**

The corporate **FINANCIAL ISSUES** for the Portfolio relating to significant over or under spends are:

#### **LEIS 4 – SeaCity Phase 2 (Forecast £358,000 Adverse Scheme Variance)**

**Gold Scheme – £16,759,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        AMBER**

**Difficulties finalising contractor accounts.**

The Council is currently in negotiations with the contractor to settle any claims on the final account for the construction of the museum. The current forecast over spend is largely down to additional work required with regards to asbestos and the associated additional work and delays that this caused. Every effort is being made to identify whether it is still possible to deliver the scheme on budget and it is anticipated that after much delay this will be finalised in the coming months. Council approved provision in July 2012 for additional DRF funding of up to £300,000 as a prudent response to this likely pressure.

**There are no corporate PROJECT ISSUES for the Portfolio.**

## **ENVIRONMENT AND TRANSPORT PORTFOLIO**

### **E&T A (ENVIRONMENT & TRANSPORT)**

The proposed February programme update totals **£43,443,000**. This can be compared to the previous September update total of **£39,985,000** resulting in an increase of **£3,458,000**, which represents a percentage increase of **8.6%**.

The changes to the programme are shown in the following summarised table:

|          | 2013/14<br>£000's | 2014/15<br>£000's | 2015/16<br>£000's | 2016/17<br>£000's | Later<br>£000's | Total<br>£000's |
|----------|-------------------|-------------------|-------------------|-------------------|-----------------|-----------------|
| Proposed | 18,919            | 23,897            | 627               | 0                 | 0               | 43,443          |
| Previous | 26,986            | 11,995            | 1,004             | 0                 | 0               | 39,985          |
| Variance | (8,067)           | 11,902            | (377)             | 0                 | 0               | 3,458           |

### **PROGRAMME CHANGES:**

#### **E&T 1 – Roads Programme (Total budget change £2,544,000 increase)**

**Various Sharepoint Schemes – £10,304,000 Scheme Budget**

**Overall RAG Status        N/A**

**Schedule RAG Status     N/A**

**Budget RAG Status        N/A**

**Investment has been added for the Roads Programme in 2014/15.**

Council approval is sought to add £2,652,000 of DRF for Roads to the unapproved section of the capital programme in 2014/15. The Roads Programme (Principal, Classified & Unclassified) continues to reflect the need to maintain the structural integrity of the city wide highways network. The programme is designed in line with the Transport Asset Management Plan (TAMP) principles.

There is a reduction of £108,000 in the contribution from the On-Street Car Parking Account as the forecast income from new initiatives is lower than anticipated in 2013/14.

### **E&T 2 – Clean Bus Technology Fund (Total budget change £633,000 increase)**

**Not a Sharepoint Scheme – £703,000 Scheme Budget**

**Overall RAG Status            N/A**

**Schedule RAG Status        N/A**

**Budget RAG Status           N/A**

**Government Grant has been awarded for Clean Bus Technology.**

The Department for Transport (DfT) have awarded £633,000 from the Clean Bus Technology Fund towards reducing oxides of nitrogen (NOx) emissions from local buses. This scheme, which is also funded by £70,000 from the Local Transport Plan (LTP) government grant allocation, was added to the Capital Programme by Cabinet in September 2013. The Council will work with local bus operators who will bid for funding for innovative solutions to deal with air quality issues. One potential innovative solution is that of a flywheel hybrid solution.

### **E&T 3 – Digital Radio Service (Total budget change £132,000 increase)**

**Not a Sharepoint Scheme – £132,000 Scheme Budget**

**Overall RAG Status            N/A**

**Schedule RAG Status        N/A**

**Budget RAG Status            N/A**

**Funding has been added for a new Digital Radio Service.**

A joint procurement has been undertaken with Eastleigh for a new radio system. The current analogue system has poor reception quality and is outdated. There is a need to replace it with a digital system, with a number of booster aerials, as there have been health and safety issues for frontline staff, due to the unreliability of the current system. This scheme was added to the capital programme by the Chief Officer in September 2013.

### **E&T 4 – Platform for Prosperity (Total budget change £124,000 increase)**

**Gold Sharepoint Scheme – £11,082,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        AMBER**

**Budget RAG Status            GREEN**

**Developer Contributions have been added for Queens Park.**

Scheme specific Section 106 Developer Contribution funding for Queen's Park from Parks and Open Spaces was added to the scheme by the Chief Officer in November 2013. This will enable improvements to the park to be designed and undertaken by the Highways Partner, as part of the wider scheme at Platform Road.

## **MAJOR ITEMS OF SLIPPAGE/RE-PHASING**

### **E&T 5 – Platform for Prosperity (Slippage of £2,202,000 between 2013/14 and 2014/15)**

**Gold Sharepoint Scheme – £11,082,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     AMBER**

**Budget RAG Status        GREEN**

**There is slippage on this scheme due to drainage issues.**

Some work at Platform Road has slipped into 2014/15, due to drainage issues which have required additional design work.

### **E&T 6 – LSTF Smart Ticketing (Slippage of £2,039,000 between 2013/14 and 2014/15)**

**Gold Sharepoint Scheme – £4,968,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**There is slippage on this scheme due to a number of key factors.**

The Transport for South Hampshire & Isle of Wight smart ticketing project has continued to progress throughout 2013/14. However, a number of key factors have resulted in the slippage of expenditure to 2014/15. These include:

- The procurement of the back-office systems came in under budget. As a result the chosen supplier solution represents better value for money for the authorities involved.
- It has taken longer than anticipated to develop and identify a suitable supplier for the smart ticketing equipment to create a 'smart enabled region'.

### **E&T 7 – Public Transport (Slippage of £186,000 between 2013/14 and 2014/15)**

**Not a Sharepoint Scheme – £348,000 Scheme Budget**

**Overall RAG Status        N/A**

**Schedule RAG Status     N/A**

**Budget RAG Status        N/A**

**The Public Transport contingency budget has been re-phased.**

The Public Transport contingency budget is not totally required in 2013/14 and has been re-phased into 2014/15.

### **E&T 8 – Legible Bus Network (Slippage of £170,000 between 2013/14 and 2014/15)**

**Bronze Scheme – £184,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status**      **GREEN**

**Budget RAG Status**      **GREEN**

**There is slippage on this scheme due to bus network changes**

The Legible Bus Network budget has been split into two phases, due to changes to the bus network that have been confirmed for early part of next year. Phase 1 is now close to completion and Phase 2 will be carried out next year once all changes have taken place.

**E&T 9 – Bridges to Prosperity (Slippage of £1,200,000 between 2013/14 and 2014/15)**

**Silver Sharepoint Scheme – £4,190,000 Scheme Budget**

**Overall RAG Status**      **AMBER**

**Schedule RAG Status**      **RED**

**Budget RAG Status**      **GREEN**

**This scheme has been rescheduled to avoid conflicting with other planned works.**

The Central Bridge project has been re-phased into 2014/15 to take place between the completion of the Saltmarsh Lane junction works in March 2014 and the commencement of the Northam Bridge project in July 2014. The revised schedule will ensure that all Bridge to Prosperity projects are completed before the DfT deadline of March 2015.

**E&T 10 – Clean Bus Technology Fund (Slippage of £703,000 between 2013/14 and 2014/15)**

**Not a Sharepoint Scheme – £703,000 Scheme Budget**

**Overall RAG Status**      **N/A**

**Schedule RAG Status**      **N/A**

**Budget RAG Status**      **N/A**

**There is slippage on this scheme due to third party delays.**

The Clean Bus Technology Fund scheme has been re-phased into 2014/15, due to delays in receiving comprehensive information from third parties. The DfT have confirmed that grant funding will still be available for the scheme next year.

**E&T 11 – Centenary Quay (Slippage of £286,000 between 2013/14 and 2014/15)**

**Silver Sharepoint Scheme – £1,328,000 Scheme Budget**

**Overall RAG Status**      **GREEN**

**Schedule RAG Status**      **GREEN**

**Budget RAG Status**      **AMBER**

**There is slippage on this scheme due to additional feasibility work and design consultation.**

There is slippage on this scheme due to two factors:

- An additional feasibility study was undertaken for the conversion of an existing lorry park to off-set the potential loss of off street parking.

- The preliminary designs completed by the Highways Partner will be used for a further round of consultation before detailed design work is commenced.

**E&T 12 – North of Station (Slippage of £843,000 between 2013/14 and 2014/15)**

**Not a Sharepoint Scheme – £2,288,000 Scheme Budget**

**Overall RAG Status**        **N/A**

**Schedule RAG Status**    **N/A**

**Budget RAG Status**       **N/A**

**The delivery programme for this scheme has been revised.**

Expenditure has been slipped into 2014/15 to reflect revisions to the delivery programme, which is now due to start on site in January 2014. Preliminary works have discovered a more complex network of cables than had been anticipated by earlier electronic surveys and it has therefore been necessary to commission more detailed investigatory works. However, a number of materials have been procured in advance, including the bespoke black granite ‘canal shore’ feature, to compensate for the delay. The delivery programme has now been compressed to 40 weeks.

**E&T 13 – Roads Programme (Slippage of £313,000 between 2013/14 and 2014/15)**

**Various Sharepoint Scheme – £10,304,000 Scheme Budget**

**Overall RAG Status**        **N/A**

**Schedule RAG Status**    **N/A**

**Budget RAG Status**       **N/A**

**Two projects within the programme have been slipped into 2014/15.**

There is slippage of £200,000 on the Pedestrian Enhancements project, due to delays in agreeing the final works to be carried out in conjunction with the Health Service. In addition, there is slippage of £133,000 as the Portswood Road scheme has been rescheduled following notice that work on utilities is due to be undertaken on this site. The carriageway will now be surfaced after these works are completed.

**E&T 14 – Civic Centre Place (Slippage of £197,000 between 2013/14 and 2014/15)**

**Bronze Scheme – £394,000 Scheme Budget**

**Overall RAG Status**        **AMBER**

**Schedule RAG Status**    **AMBER**

**Budget RAG Status**       **GREEN**

**There is slippage on this scheme due to design issues.**

Expenditure has been slipped into 2014/15 to reflect the revised programme. This has been influenced by the need to modify the designs to take into account Network Rail’s Long Term Planning Process, which may require an additional platform at Southampton Central, and to prioritise associated design work in support of potential regeneration sites around Central Station.

## **CORPORATE FINANCIAL & PROJECT ISSUES:**

There are no corporate **FINANCIAL ISSUES** for the Portfolio relating to significant over or under spends.

There are no corporate **PROJECT ISSUES** for the Portfolio.

### **E&T B (CITY SERVICES)**

The proposed February 2014 programme update totals **£3,656,000**. This can be compared to the previous September update total of **£3,285,000** resulting in an increase of **£371,000** which represents a percentage increase of **11.1%**.

The changes to the programme are shown in the following summarised table:

|          | 2013/14<br>£000's | 2014/15<br>£000's | 2015/16<br>£000's | 2016/17<br>£000's | Later<br>£000's | Total<br>£000's |
|----------|-------------------|-------------------|-------------------|-------------------|-----------------|-----------------|
| Proposed | 2,541             | 1,088             | 27                | 0                 | 0               | 3,656           |
| Previous | 2,864             | 421               | 0                 | 0                 | 0               | 3,285           |
| Variance | (323)             | 667               | 27                | 0                 | 0               | 371             |

## **PROGRAMME CHANGES:**

### **ECS 1 – Golden Grove Play Scheme (Total budget change £25,000 increase)**

**Bronze Scheme – £59,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**An additional £25,000 has been added to the Golden Grove Play Scheme.**

An additional £25,000 contribution from the Housing Revenue Account was approved to be added to the City Services Capital Programme for improvements to the Golden Grove Play Area by the Chief Officer in November 2013.

### **ECS 2 – Compact Sweepers (Total budget change £350,000 increase)**

**Not a Sharepoint Scheme – £350,000 Scheme Budget**

**Overall RAG Status        N/A**

**Schedule RAG Status     N/A**

**Budget RAG Status        N/A**

**Re-equip Southampton City Council's mechanised street sweeping fleet.**

A recommendation is included within this report to re-equip Southampton City Council's mechanised street sweeping fleet for 2014/15 to ensure the continued provision of an effective and economic street cleansing service for the city that meets citizen, business and visitor expectations. It is recommended that this scheme is to be funded by Council Resources.

### **MAJOR ITEMS OF SLIPPAGE/RE-PHASING:**

#### **ECS 3 – Weston Shore Improvements (Slippage of £50,000 between 2013/14 and 2014/15)**

**Bronze Scheme – £59,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        GREEN**

**Budget RAG Status            GREEN**

**There is slippage due to the need for wider consultation with various groups.**

More time is required to work up project plans with local Friends groups and this may require additional funding bids.

#### **ECS 4 – Mayflower Basketball Court Renovation (Slippage of £27,000 between 2013/14 and 2015/16)**

**Bronze Scheme – £65,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        GREEN**

**Budget RAG Status            GREEN**

**There is slippage due to the impending redevelopment of Mayflower Park.**

Due to the impending redevelopment of Mayflower Park, new proposals are being worked up in conjunction with a Heritage Lottery Fund bid by Friends groups.

#### **ECS 5 – Minor Parks Development Works (Slippage of £155,000 between 2013/14 and 2014/15)**

**Bronze Schemes – £176,000 Schemes Budgets**

**Overall RAG Status            GREEN**

**Schedule RAG Status        GREEN**

**Budget RAG Status            GREEN**

**More time has been allocated to work up proposals.**

There is slippage across various Minor Parks Development Works schemes, funded from Section 106 Developer Contributions, due to ongoing works with Friends groups to agree appropriate improvements and match funding bids to progress projects.

**ECS 6 – Community Led Local Improvement Initiatives (Slippage of £73,000 between 2013/14 and 2014/15)**

**Bronze Scheme – £200,000 Scheme Budget**

**Overall RAG Status**           **GREEN**

**Schedule RAG Status**       **GREEN**

**Budget RAG Status**         **GREEN**

**There is slippage due to slow uptake of funding from local community groups.**

There has been slow uptake of grant applications from local community groups, due to difficulties in finding match funding. It has therefore been decided to put this project on hold until a decision is made on how best to take it forward.

**CORPORATE FINANCIAL & PROJECT ISSUES:**

There are no corporate **FINANCIAL ISSUES** for the Portfolio relating to significant over or under spends.

There are no corporate **PROJECT ISSUES** for the Portfolio.

**HEALTH & ADULT SOCIAL CARE PORTFOLIO**

The proposed February programme update totals **£1,627,000**. This can be compared to the previous September update total of **£1,627,000** resulting in no change for the total value of the programme.

The changes within the programme are shown in the following summarised table:

|          | 2013/14<br>£000's | 2014/15<br>£000's | 2015/16<br>£000's | 2016/17<br>£000's | Later<br>£000's | Total<br>£000's |
|----------|-------------------|-------------------|-------------------|-------------------|-----------------|-----------------|
| Proposed | 859               | 768               | 0                 | 0                 | 0               | 1,627           |
| Previous | 1,627             | 0                 | 0                 | 0                 | 0               | 1,627           |
| Variance | (768)             | 768               | 0                 | 0                 | 0               | 0               |

**PROGRAMME CHANGES:**

There are no programme changes for the Portfolio.

## **MAJOR ITEMS OF SLIPPAGE/RE-PHASING:**

### **H&ASC 1 – SDS Modernisation Woolston Comm Centre (Slippage of £95,000 between 2013/14 and 2014/15)**

**Silver Scheme – £1,179,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**Scheme now complete, slippage required to fund retention payments.**

Work is now complete, but retention payments will not be made until 2014/15, slippage is therefore required to ensure sufficient funds available.

### **H&ASC 2 – National Care Standards (Slippage of £286,000 between 2013/14 and 2014/15)**

**Silver Scheme – £1,491,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**Delays in work and overall reassessment of requirements**

Delays in work programmed at Kentish Road and a reassessment of the level of work required within the residential establishments going forward has resulting in slippage. It should be noted that the budget for this scheme may not be fully utilised, however, at this stage there are no specific levels of under spend to report. Work is ongoing to provide this clarity.

### **H&ASC 3 – Replacement of Appliances & Equipment (Slippage of £68,000 between 2013/14 and 2014/15)**

**Bronze Scheme – £450,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**Funding held for equipment repair/replacement at short notice not fully allocated in 2013/14**

Due to the uncertainty of equipment needing repair or replacement especially at short notice, it can be difficult to forecast the level of expenditure to be incurred during the year; however, provision has been made for the anticipated costs during the remainder of 2013/14, with the balance to be taken into 2014/15.

**H&ASC 4 – Common Assessment Framework (Slippage of £307,000 between 2013/14 and 2014/15)**

**Silver Scheme – £1,278,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**Final elements of the scheme to be completed in 2014/15**

The extension of two fixed term contracts within the PARIS team for a six month period from 1 April 2014 to complete the scheme has required the slippage of funding to 2014/15. In addition, as a result of the removal of Electronic Documents Records Managements System (EDRMS) from the Common Assessment Framework project, alternative work is currently being identified that will qualify under this scheme in the new financial year.

**CORPORATE FINANCIAL & PROJECT ISSUES:**

There are no corporate **FINANCIAL ISSUES** for the Portfolio relating to significant over or under spends.

There are no corporate **PROJECT ISSUES** for the Portfolio.

**HOUSING & SUSTAINABILITY PORTFOLIO**

The proposed February programme update totals **£14,193,000**. This can be compared to the previous September update total of **£5,700,000** resulting in an increase of **£8,493,000**, which represents a percentage increase of **149.0%**.

The changes to the programme are shown in the following summarised table:

|          | 2013/14<br>£000's | 2014/15<br>£000's | 2015/16<br>£000's | 2016/17<br>£000's | Later<br>£000's | Total<br>£000's |
|----------|-------------------|-------------------|-------------------|-------------------|-----------------|-----------------|
| Proposed | 2,051             | 10,615            | 1,400             | 127               | 0               | 14,193          |
| Previous | 2,243             | 2,758             | 572               | 0                 | 127             | 5,700           |
| Variance | (192)             | 7,857             | 828               | 127               | (127)           | 8,493           |

**PROGRAMME CHANGES:**

**H&S 1 – Thornhill District Energy (Total budget change £6,712,000 increase)**

**Gold Scheme – £6,712,000 Scheme Budget**

**Overall RAG Status        N/A**

**Schedule RAG Status     N/A**

**Budget RAG Status            N/A**

**Addition of District Energy scheme to the capital programme**

On 20 November 2013 Council approved the addition of a Thornhill District Energy scheme to the General Fund Capital Programme, funded from Energy Company Obligation (ECO) grant, and gave approval for capital spending, in accordance with Financial Procedure Rules.

**H&S 2 – Support for Estate Regeneration (Total budget change £91,000 increase)**

**Unapproved Scheme – £789,000 Scheme Budget**

**Overall RAG Status            N/A**

**Schedule RAG Status        N/A**

**Budget RAG Status            N/A**

**Addition of Section 106 Funding for Affordable Housing**

An increase in the capital programme reflects the additional Section 106 Developer Contributions for Affordable Housing received. Approval to spend will be sought when an appropriate project plan has been formulated.

**H&S 3 – Registered Provider Grants (Total Budget change £1,628,000 increase)**

**Gold Scheme – £1,628,000 Scheme Budget**

**Overall RAG Status            N/A**

**Schedule RAG Status        N/A**

**Budget RAG Status            N/A**

**There has been an addition to the programme to utilise available Right to Buy (RTB) receipts.**

On 21 January 2014, Cabinet approved the use of £1,628,000 of available RTB receipts to grant-fund registered providers for the provision of affordable housing. Full details of the scheme are in the Cabinet report.

**MAJOR ITEMS OF SLIPPAGE/RE-PHASING**

**H&S 4 – Salix Energy Efficiency scheme (Slippage of £104,000 from 2013/14 to 2014/15)**

**Bronze Scheme – £508,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        GREEN**

**Budget RAG Status            GREEN**

**Three individual Salix projects have had implementation delays.**

Implementation delays have led to slippage in three individual projects, most notably lighting upgrades in the Civic Centre (£40,000). In addition, the unallocated part of the approved budget (£54,000) has also been slipped into 2014/15.

**H&S 5 – Estate Parking Improvements (Slippage of £86,000 from 2013/14 to 2014/15)**

**Not a Sharepoint Scheme – £300,000 Scheme Budget**

**Overall RAG Status**            **N/A**

**Schedule RAG Status**        **N/A**

**Budget RAG Status**          **N/A**

**Owner/occupier consultation has delayed the project start**

The Estate Parking Improvements scheme covers several areas of the city, two of which were to be implemented in 2013/14. Implementation of the scheme requires all owner/occupiers to agree to pay 50% of costs. Delays in achieving this agreement, due in part to difficulty in contacting non-resident owners, have led to a delay in starting these projects.

**CORPORATE FINANCIAL & PROJECT ISSUES:**

There are no corporate **FINANCIAL ISSUES** for the Portfolio relating to significant over or under spends.

There are no corporate **PROJECT ISSUES** for the Portfolio.

**RESOURCES PORTFOLIO**

The proposed February programme update totals **£6,007,000**. This can be compared to the previous September update total of **£6,007,000** resulting in no change for the total value of the programme.

The changes within the programme are shown in the following summarised table:

|          | 2013/14<br>£000's | 2014/15<br>£000's | 2015/16<br>£000's | 2016/17<br>£000's | Later<br>£000's | Total<br>£000's |
|----------|-------------------|-------------------|-------------------|-------------------|-----------------|-----------------|
| Proposed | 2,762             | 2,695             | 550               | 0                 | 0               | 6,007           |
| Previous | 5,807             | 200               | 0                 | 0                 | 0               | 6,007           |
| Variance | (3,045)           | 2,495             | 550               | 0                 | 0               | 0               |

**PROGRAMME CHANGES:**

There are no programme changes for the Portfolio.

## **MAJOR ITEMS OF SLIPPAGE/RE-PHASING:**

### **RES 1 – Works to Enable Marland House Vacation (Slippage of £895,000 between 13/14 and 14/15)**

**Gold Scheme – £1,200,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

#### **Slippage to reflect scheduling of works**

Approval for the scheme was given on the understanding that flexible working will be applied to facilitate the vacation of Marland House and that conversion works will only be done if absolutely necessary. Limited but essential electrical works have recently been approved to facilitate a greater density of desks / flexible working facilities within the Civic Centre North Block. The remaining budget in the current financial year will be slipped into 2014/15.

### **RES 2 – Art Gallery Roof Repairs and AHU Replacement (Slippage of £550,000 between 13/14 and 15/16)**

**Gold Scheme – £1,936,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        AMBER**

Completion of the project was initially delayed due to re-tendering of the work for Phase 2. Tenders have now been received and after a detailed review, a decision has been taken that the works will not proceed at this stage. The scheme is therefore on hold whilst further work is undertaken to explore alternative funding sources to enable completion of the works. Until this is concluded, any urgent reactive repairs will need to be addressed and managed as part of the existing Centralised Repair and Maintenance budgets. The remaining budget of £550,000 has therefore been slipped into 2015/16 at which time is anticipated that the funding review will have concluded.

### **RES 3 – Office Accommodation (Slippage of £1,600,000 between 13/14 and 14/15)**

**Gold Scheme– £24,500,000 Scheme Budget**

**Overall RAG Status        AMBER**

**Schedule RAG Status     GREEN**

**Budget RAG Status        AMBER**

#### **Slippage to reflect scheduling of works**

The detailed plans to complete this project and facilitate the re-occupation of the Civic Centre North Block are expected to be agreed shortly and the planned works to the building to enable this to take place have commenced. However due to the volume and complexity of the work together with the need for listed building consent, it is now anticipated that some of the work will slip into the early part of the next financial year. These works will include IT, toilet facilities, supervision space, storage facilities and provision of a back-up generator for the IT suite and it is essential that these are completed within the timescales necessary to enable the vacation of Marland House. In addition to this, a £0.5M under spend is forecast on the overall project as set out in RES 4 below and this sum has been slipped into 2014/15.

### **CORPORATE FINANCIAL & PROJECT ISSUES:**

The corporate **FINANCIAL ISSUES** for the Portfolio relating to significant over or under spends are:

#### **RES 4 – Office Accommodation (Forecast £500,000 Favourable Scheme Variance)**

Gold Scheme– £24,500,000 Scheme Budget

Overall RAG Status       **AMBER**

Schedule RAG Status     **GREEN**

Budget RAG Status       **AMBER**

#### **Review of final spend subject to completion of works and agreement of Phase 3 final account**

The favourable variance reflects latest forecasts for final spend against the overall project. However, these figures will be subject to a detailed review once the North Block works are complete and the final accounts for Phase 3 in relation to works and associated fees are agreed with the contractor.

There are no corporate **PROJECT ISSUES** for the Portfolio.

## **MAJOR CHANGES IN CAPITAL RESOURCES SINCE THE SEPTEMBER 2013 UPDATE**

The main reasons for the resource changes are:

- **Capital Receipts – £2.7M Increase**

- £1.6M Registered Provider Grants (RTB)
- £0.2M 315 Coxford Rd Refurbishment
- £0.4M Oaklands Swimming Pool
- £0.4M Compact Sweepers
- £0.1M Other net increase in capital receipts

- **Capital Contributions – £7.0M increase**

- £6.4M Thornhill District Energy Scheme
- £0.3M Estate Parking Improvements
- £0.3M Net increase in other contributions

- **Capital Grants – £7.6M increase**

- £7.0M Watermark WestQuay
- £0.6M Integrated Transport (Cleaner Bus Transport)

- **Revenue from Portfolios - £2.7M increase**

- £2.7M Highways Programme

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# Agenda Item 7

|                          |  |
|--------------------------|--|
| <b>DECISION-MAKER:</b>   | CABINET<br>COUNCIL   |
| <b>SUBJECT:</b>          | HOUSING REVENUE ACCOUNT BUDGET REPORT<br>AND BUSINESS PLAN |
| <b>DATE OF DECISION:</b> | 4 FEBRUARY 2014 (CABINET)<br>12 FEBRUARY 2014 (COUNCIL)    |
| <b>REPORT OF:</b>        | CABINET MEMBER FOR HOUSING AND<br>SUSTAINABILITY           |

## CONTACT DETAILS

|                 |   |  |
|-----------------|---|--|
| <b>AUTHORS:</b> | <b>Name:</b> Alan Denford<br>Nick Cross   | <b>Tel:</b> 023 8083 3159<br>023 8083 2241 |
|                 | <b>E-mail:</b> <a href="mailto:Alan.Denford@southampton.gov.uk">Alan.Denford@southampton.gov.uk</a><br><a href="mailto:Nick.Cross@southampton.gov.uk">Nick.Cross@southampton.gov.uk</a> |  |
| <b>Director</b> | <b>Name:</b> Alison Elliott   | <b>Tel:</b> 023 8083 2602                  |
|                 | <b>E-mail:</b> <a href="mailto:Alison.Elliott@southampton.gov.uk">Alison.Elliott@southampton.gov.uk</a>   |  |

## STATEMENT OF CONFIDENTIALITY

None

## BRIEF SUMMARY

The national self financing regime for the Housing Revenue Account (HRA) was introduced in April 2012. The budgets in this report have been prepared using these arrangements, which include a requirement to prepare and publish a rolling 30 year HRA Business Plan covering both capital and revenue expenditure projections.

The report sets out the 2014/15 revenue budget for all of the day to day services provided to Council tenants in the city, the detailed capital budgets for 2013/14 to 2018/19 and the HRA Business Plan for the period 2014/15 to 2043/44. It includes the proposed changes in rents, service charges and other charges to council tenants from 1 April 2014.

## RECOMMENDATIONS:

### CABINET

- (i) To consider the report and agree that the recommendations, as set out below, be made to Council at the meeting on 12 February 2014.

### COUNCIL

- (i) To thank the Tenant Resource Group for their input to the capital and revenue budget setting process and to note their endorsement of the recommendations set out in this report and also the broad support for the proposals received at the Tenants' Winter Conference.

- (ii) To approve the following to calculate the dwelling rent increase from 1 April 2014:
- That the standard increase applied to all dwelling rents should be 3.7% (RPI plus 0.5% as set out in paragraph 9), equivalent to an average increase of £2.91 per week; and
  - That dwelling specific rent restructuring adjustments should be made to give an additional increase in average rent levels of 3.25% (£2.55 per week), subject to the total increase from both elements not exceeding £10.00 per week for any individual property (as set out in paragraph 16).
- (iii) To approve, based on the calculation set out in recommendation (ii) above, that with effect from the 1 April 2014, the current average weekly dwelling rent figure of £78.53 should increase by 6.95%, which will equate to an average increase of £5.46 per week.
- (iv) To note that the actual total increase in individual rents will vary by property as explained in paragraph 17.
- (v) To note the following weekly service charges from 1 April 2014 based on a full cost recovery approach:
- Digital TV £0.42 (unchanged from 2013/14)
  - Concierge £1.20 (unchanged from 2013/14)
  - Tower Block Warden charge £4.97 (unchanged from 2013/14)
- (vi) To approve that the proposed service charges for supported accommodation, as set out in paragraph 33 of this report, should be used as the basis for consultation with tenants.
- (vii) To note that a new cleaning charge for walk up blocks of £0.91 per week, approved in the February 2013 budget report, will be introduced from 1 April 2014.
- (viii) To note that the charges for garages and parking spaces for 2014/15 will be increased by 3.2% in line with the increase in RPI used in the calculation of the increase in average rents.
- (ix) To approve the Housing Revenue Account Revenue Estimates as set out in the attached Appendix 1.
- (x) To approve the principle that the HRA Business Plan should have minimum 'borrowing headroom' of £6M, at the time of its annual approval by Council, as detailed in paragraph 8 of this report.
- (xi) To approve the revised Housing Revenue Account Capital Programme set out in Appendix 2 and to note the key variances and issues in Appendix 3.
- (xii) To approve the 30 year Business Plans for revenue and capital expenditure set out in Appendices 4 and 5 respectively.
- (xiii) To note the HRA Business Plan assumptions set out in Appendix 6.
- (xiv) To note that rental income and service charge payments will continue to be paid by tenants over a 48 week period.

## **REASONS FOR REPORT RECOMMENDATIONS**

1. The Council's Constitution sets out the process to be followed in preparing the Council's budget. This process includes a requirement for the Executive to formally submit their budget proposals for the forthcoming year to Council. The budget proposals in this report cover the HRA revenue budget and capital programme.
2. In March 2012 the HRA paid a one-off levy to Government, known as the 'debt settlement', to buy its way out of the subsidy system and stop the need for annual payments. The introduction of the new self financing regime for HRA finances in April 2012 brought with it a requirement for long term business planning. This report also sets out in financial terms the HRA Business Plan for the next 30 years.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

3. The proposals in this report follow the key principles established in the HRA self financing report approved by Council on 16 November 2011 and amended in subsequent budget reports. They are consistent with the views of tenant representatives expressed at various meetings during the preparations for HRA Self Financing. More recently, these matters have been discussed at the monthly meetings of the Tenant Resource Group and at the Tenants' Winter Conference. Alternative options are not therefore supported.

## **DETAIL (Including consultation carried out)**

### **Background**

4. The HRA records all the income and expenditure associated with the provision and management of Council owned homes in the City. This account funds a significant range of services to 16,600 homes for Southampton tenants and their families and to 1,787 homes for leaseholders. This includes housing management, repairs and improvements, welfare advice, supported housing services, neighbourhood wardens and capital spending on Council properties.
5. This report sets out the HRA revenue budgets for 2014/15, the detailed capital programme for the period 2013/14 to 2018/19 and the 30 year HRA business plan covering the period 2014/15 to 2043/44. The proposed increase in rents and other charges is an integral part of the revenue estimates for 2014/15.
6. The capital and revenue estimates and the 30 year Business Plan have been prepared using the self financing arrangements for the HRA.
7. A report to Council on 16 November 2011 approved the key principles that were to be adopted in the preparation of the HRA budget and Business Plan. Some limited changes were made in subsequent budget reports and the agreed principles are set out below. In this report there is a recommendation to agree the minimum borrowing headroom within the Business Plan and a proposed amendment to the rent setting calculation, following consideration of the implications for Southampton of the Government consultation on revised social rent guidance.

### **Borrowing Headroom**

8. The HRA must work within Government borrowing restrictions that have imposed a debt cap of £199.6M. In November 2011, Council agreed that a proportion of any 'borrowing headroom' will be retained as a contingency for any unforeseen or high risk short term issues that need to be supported. In this report Council is recommended to approve the principle that the HRA Business Plan should have minimum borrowing headroom of £6M, at the time of its annual approval. This will set this capital contingency at a level of approximately 3% of the overall debt cap. This is comparable to the minimum level of HRA revenue balances which, when set, equated to approximately 3% of the annual dwelling rent income. The forward re-phasing of expenditure for urgent supported walkway repairs is an example of an appropriate use of the borrowing headroom. Amendments to the capital programme would then be required to ensure that the minimum headroom is restored for the next annual update of the Business Plan.

### **Dwelling Rents**

9. The calculation of the rent increase for each individual dwelling is made up of two elements:
- A standard increase of the September Retail Price Index (RPI) plus 0.5% and
  - A dwelling specific rent restructuring adjustment that will gradually move the actual rent to the target rent (often referred to as the "Housing Association social rent level").

Current Government guidance states that the dwelling specific component should not exceed £2.00 per week.

10. The £2.00 per week limit in the guidance has not been increased since rent restructuring started back in 2000. An alternative calculation was therefore agreed, in the February 2012 budget report, whereby the £2.00 limit was increased by RPI plus 0.5% from 2001/02. For 2014/15, this would give a limit of £3.36.
11. It was agreed, however, that the move from the £2.00 fixed limit to the index linked limit should be phased over the 3 year period starting in 2013/14. Under this arrangement the limit next year would be £2.90 and would rise to £3.36 by 2015/16.
12. The HRA business plan assumed that a rent restructuring adjustment would continue to be made, beyond 2015/6, until all properties reached target rent. The principle behind the index linked limit was to ensure that:
- All flats will be at their target rent by 2015/16, and
  - In the long term, houses will also reach their target rent more quickly.
- It was stated that the agreed proposal was closer to delivering the assumptions on this matter that were set out in the calculation of the 'debt settlement' payment to Government.

### **Government consultation on revised social rent guidance**

13. In October 2013 the Department for Communities and Local Government (DCLG) issued a consultation paper entitled 'Guidance on Rents for Social

Housing' setting out in detail the Government's policy on rents from 2015/16 onwards.

14. The expectation is that from April 2015 stock owning local authorities will increase rents by no more than the Consumer Price Index (CPI) plus 1.0%, even though some properties will not have reached target rent by this date, due to the annual limit on weekly rent increases. In such cases target rent will only be achieved where a property is re-let following vacancy.

#### Implications for Southampton

15. The HRA Business Plan, approved by Council in February 2013, assumed that approximately three quarters of dwellings would be at target rent by 2015/16, with 99% convergence by 2020/21. If we were to keep to a rent restructuring limit of £2.90 per week in 2014/15, as previously approved by Council, and conform to the Government's draft guidance from 2015/16 onwards, the proportion of dwellings at target rent would only be 7% and the only way this figure would increase would be as vacant properties are re-let.. This would have a significant adverse impact on the revenue surplus in the long term business plan (approximately £50M) and would require planned expenditure reductions of circa £5M in the current capital programme so as not to exceed the Government debt cap. A further consequence of not achieving the anticipated level of convergence to target rent will be significant differences in the rents payable across the city for individuals in similar dwelling types, which cannot be equitable.
16. It is therefore proposed that a rent restructuring limit of £5.80 is used in 2014/15. This is the minimum limit required to achieve a 75% convergence level (i.e. 75% of dwellings at target rent) following a CPI plus 1.0% rise in 2015/16. It would mean that with effect from the 1 April 2014, the current average weekly dwelling rent figure of £78.53 will increase by 6.95%, which equates to an average increase of £5.46 per week. This is made up of a 3.7% increase for all dwellings (equivalent to an increase of £2.91 per week) and a further 3.25% (£2.55 per week) for the rent restructuring element of the increase. It is proposed that the total increase from both elements will not exceed £10.00 per week for any individual property. This is an additional safeguard for the tenants of the houses where the increase may be near to this figure.
17. The actual total increase in individual rents will vary according to the restructured rent of the property. It is estimated that 9,800 properties (59% of total dwellings) will see an increase of less than £5.00 per week. However, approximately 4,700 properties (28%) will see an increase of between £8.00 and the maximum £10.00 per week. The increase for the remaining 2,100 properties (13%) will be between £5.00 and £8.00 per week. It is anticipated that all flats will be at target rent by 2015/16 but that, even with this increase, only circa 1% of houses will reach this figure. Council rents for houses will, therefore, continue to be consistently lower than the rents of equivalent Housing Association properties in the City.

#### Service Charges

18. The November 2011 Council report approved the recalculation of all service charges to ensure that they were set to fully recover the costs of the service.

Delegated authority was given to the Head of Housing Services, following consultation with the Cabinet Member for Housing, to approve the annual revision to service charges within the policy parameters agreed by Council.

#### **Garages and Parking Spaces**

19. Following representation from tenants it was agreed that the basis for increasing charges for garages and parking spaces should be amended so that they are increased by RPI and not RPI plus 0.5%, with the RPI being based on the September index used in the rent calculation. As for service charges, delegated authority was given to the Head of Housing Services to approve the revised charge.

#### **HRA Revenue Revised Forecast 2013/14**

20. The revised forecasts for 2013/14, which are based on month 9 revenue monitoring, are set out in Appendix 1. The working balance at the start of 2013/14 was £3.289M. However, the approval of budget carry forward requests (£573,000) and a one-off contribution to the landlord controlled heating account (£391,000) are included in the revised forecast. The balance for the end of 2013/14 is now expected to be at the minimum level of £2M that was set under self-financing. The main issues are detailed below.

#### **Responsive Repairs**

21. Responsive repairs will cost £300,000 more than originally estimated in 2013/14. The budget has been corrected to reflect the actual cost of the works carried out by the Council's in-house team.

#### **Housing Investment**

22. After the 2013/14 original estimates had been finalised, it was found that the four lifts at Wyndham Court were in need of urgent repair, at a cost of £80,000 each. Two were repaired in 2012/13 and two in 2013/14, resulting in an anticipated over spend of £160,000 on the lifts budget.

#### **Supervision and Management**

23. There is an increase of £440,000 in the forecast spend for Supervision & Management in 2013/14. This is mainly due to the approval of a contribution to the landlord controlled heating account (£391,000).

#### **Interest and Principal Repayments**

24. Due to slippage in Capital Programme expenditure, the borrowing of £5.1M, which was built into the 2012/13 estimates, was not required. This has resulted in savings on interest payments of £153,000. The original estimates for 2013/14 assumed that the borrowing to fund the Capital Programme would take place on the 1<sup>st</sup> October 2013. Due to the profile of capital expenditure, the requirement to borrow money has been delayed. On the assumption that the borrowing took place on the 1<sup>st</sup> January 2014, there is a further saving on interest payments of £93,400.

#### **Service Charges**

25. Income from the proposed cleaning charge for walk up blocks, associated with the warden review, has been budgeted for the whole of 2013/14. However, due to delays in implementing the change, no income is expected

this year, causing an adverse variance of £232,000, Everything is now in place for the introduction of this charge in April 2014.

### **HRA Revenue Budget 2014/15**

26. The original estimates for 2014/15 are also set out for approval in Appendix 1. The proposed budget shows a break even position, such that the balances at 31 March 2015 remain at the minimum value of £2M. The main issues that need to be considered in setting the revenue budget are detailed below.

#### **Responsive Repairs**

27. The proposed budget for 2014/15 is £11M. The budget is sufficient to fund 46,969 responsive repair orders and works to 1,204 voids.

#### **Housing Investment**

28. The budget for 2014/15 has been reduced by £237,000 in comparison with the original estimate for 2013/14. This includes a reduction of £91,400 in the decorating budget, due to efficiencies following the transfer to the Housing Investment Team to allow for in-house management of decorating contracts, and savings totalling £114,600, on the budget for various servicing contracts.

#### **Supervision and Management**

29. The budget for 2014/15 has been increased by £235,000 (1.2%) in comparison with the original estimate for 2013/14. Employee expenditure has increased, in part due to a pay award and the reinstatement of previous reductions in terms and conditions. However, there has been a reduction of approximately £250,000 in IT costs, resulting from the renegotiation of the Capita contract.

#### **Interest and Principal Repayments**

30. The budget for 2014/15 has been increased by £131,000 (1.2%) in comparison with the original estimate for 2013/14. This is due to the increased borrowing needed to fund the major investment in the housing stock planned for 2014/15.

#### **Dwelling Rent Income**

31. For 2014/15 rents have been calculated using the basis set out in paragraph 16 and this is estimated to generate an additional £3.9M in dwelling rent income compared to the original estimate for 2013/14. This will help to offset a lower level of income being collected in future years than initially predicted due to the proposed Government changes in rent policy.

#### **Service Charges**

32. The service charges for 2014/15 have been determined in accordance with the principles set out in paragraph 18. Where there has been no net increase in costs for existing services, as increases in staffing costs have been offset by reductions in other costs, the proposed weekly charges are unchanged for the second year running. A detailed list of these proposed charges is shown below (based on 52 weeks).

| <b>Description</b>          | <b>Proposed weekly charge</b> |
|-----------------------------|-------------------------------|
| Tower block warden charge   | £4.97                         |
| Concierge monitoring charge | £1.20                         |
| Digital TV                  | £0.42                         |

Service Charges for Supported Accommodation

33. The review of service charges for supported accommodation has been completed. The proposed revised charging structure is detailed in the table below. Not all charges listed will be payable by each tenant as the charges depend on which services they receive. The plan is to introduce this new charging structure early in 2014/15, subject to consultation with tenants. The existing charging structure, approved in February 2013, will continue until the conclusion of the consultation.

| <b>Description</b>  | <b>Proposed Weekly Charge</b>             |
|---|---|
| Housing Management <ul style="list-style-type: none"> <li>• Housing Management Basic</li> <li>• Housing Management Medium</li> <li>• Housing Management High</li> <li>• Housing Management Over 50s / 60s Blocks</li> </ul> | £2.10<br>£2.42<br>£2.73<br>£1.50          |
| Welfare Support Charge  | £1.50                                     |
| Sheltered Support Charge  | £3.95                                     |
| Community Alarm <ul style="list-style-type: none"> <li>• Alarm Charge</li> <li>• Alarm Maintenance</li> <li>• Responding Charge</li> <li>• Careline Silver</li> <li>• Careline Gold</li> </ul>                              | £1.40<br>£0.85<br>£0.75<br>£3.00<br>£4.25 |

34. The charges review sought to see if payments could cover all costs of providing services, in line with the principle set out in paragraph 18. The new pricing structure does better reflect the costs of providing the services. However, it is proposed that an element of HRA contribution is retained to moderate the price rises for our more vulnerable residents who are in receipt of these vital services.

### Other Charges

35. It is also proposed that a service charge of £0.91 per week will be introduced to pay for a cleaning service in walk-up blocks. This charge was approved in the February 2013 budget report and will be introduced from 1 April 2014.
36. It is proposed to increase the charges for garages or parking spaces for 2014/15 in line with the September RPI, i.e. 3.2%.

### HRA Capital Budget 2013/14 to 2018/19

37. The HRA Capital Programme was fully reviewed and approved in September 2013. These spending plans have now been reviewed to take account of the latest estimated costs and phasing of those schemes and the forecast change in resources.
38. The proposed February programme is shown in detail at Appendix 2. The programme update total, excluding prior year spend, is £226,830,000. This can be compared to the previous September update total of £193,380,000, resulting in an increase of £33,450,000, which represents a percentage increase of 17.3%.
39. The changes in the overall programme are summarised by year in the table in Appendix 3. A large proportion of the increase (£28,608,000) is due to the addition of new 'unapproved' schemes, following the extension of the programme to 2018/19. The other main changes in total scheme spending, totalling £4,842,000, and the significant changes in spending between years, are also set out in Appendix 3.

### HRA Business Plan 2014/15 to 2043/44

40. A 30 year HRA Business Plan has now been prepared using the planning principles agreed in November 2011 and amended by the proposals in the subsequent budget reports up to and including this report. The summary for the revenue and capital budgets is set out in Appendices 4 and 5. Other key assumptions used in the updated plan are set out in Appendix 6.
41. The main points to note are:
  - All HRA debt can still be repaid over the 30 year life of the plan.
  - The capital spending plans still include provision to maintain and improve all existing dwellings and feature an increase in the level of planned expenditure in the early years that has been reflected in the updated capital programme. This increase is a reflection of the backlog of improvements to tenants' homes, due to insufficient funding under the former HRA 'subsidy' system, which needed to be addressed under the self financing regime.
  - This investment can be achieved within the Government's borrowing restrictions, as the level of borrowing remains within the £199.6M 'debt cap'. Planned expenditure has been re-phased, where necessary, to ensure that at least £6M of borrowing headroom is retained throughout.
  - The provision that is set aside for stock replacement, which will support the renewal of any of the existing dwellings that may be required over the next 30 years, remains at £130M. This provision has been phased

between year 10 and year 30 of the plan.

- The revenue budget continues to meet minimum balances of £2M over the life of the plan.
- The effect of moving from RPI + 0.5% to CPI +1% is difficult to quantify, as it is not known how these indices will move in future years. Using the September 2013 figures for RPI and CPI, the outcome is identical. Income has been modelled using current predictions of CPI from April 2015. However, it will not be until September 2014 that the immediate impact of this change will be known.

42. In February 2013, it was reported that from year 10 onwards revenue balances increase above minimum levels. This remains the case and the proposed updated 30 year Business Plan for 2014/15 onwards shows that by year 30 the projected revenue balance will be £76.8M. However, predicted revenue surpluses do not begin to significantly exceed minimum levels until 2022/23 and, as reported in last year's budget report, the main risk to the long term plan is that, if building inflation was to exceed general inflation over a prolonged period, this would have a significant adverse impact on HRA balances. Therefore the surpluses are liable to change annually, either favourably or not, and will reflect the annual review of stock investment needs and estimated unit rates.

### **Consultation**

43. The budget and business planning proposals were discussed with tenants at various meetings during the preparations for self-financing. More recently, these matters have been discussed at the monthly meetings of the Tenant Resource Group and at the Tenants' Winter Conference.
44. The Winter Conference was a well attended meeting with 78 tenants and residents in attendance. There was broad support for the proposals in particular the ongoing higher levels of investment in tenants' homes.
45. It is recommended that Members formally recognise the support and commitment of tenants and tenant representatives who have participated in this year's capital and revenue budget setting exercise.
46. There has also been consultation with various officers within the Council and with our partners and this will continue as the capital and revenue initiatives in this report are developed to support the delivery of wider city objectives.

## **RESOURCE IMPLICATIONS**

### **Capital/Revenue**

47. These are in the body of the report.

### **Property/Other**

48. None.

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

49. Housing Act legislation provides the authority to increase rent and other associated or like charges. There are no specific legal implications arising

from the overall budget proposals contained in this report.

- 50. The provision, maintenance and improvement of social housing by local authorities is authorised by various Housing Acts and other legislation
- 51. The Localism Act 2011 gives the statutory basis for the HRA self-financing arrangements set out in this paper.

**Other Legal Implications:**

- 52. None

**POLICY FRAMEWORK IMPLICATIONS**

- 53. The HRA estimates form part of the Council’s budget and are therefore key elements of the council’s overall budget and policy framework.

**KEY DECISION?** Not applicable (Council decision)

|                                    |     |
|------------------------------------|-----|
| <b>WARDS/COMMUNITIES AFFECTED:</b> | ALL |
|------------------------------------|-----|

**SUPPORTING DOCUMENTATION**

**Appendices**

|    |   |
|----|---|
| 1. | HRA Revenue Estimates 2014/15.                                  |
| 2. | Detailed HRA capital programme 2013/14 to 2018/19.              |
| 3. | Key Variances & Issues – February 2014 programme update         |
| 4. | HRA Business Plan – 30 year revenue account                     |
| 5. | HRA Business Plan – 30 year capital spending plan and financing |
| 6. | HRA Business Plan – planning assumptions                        |

**Documents In Members’ Rooms**

|    |      |
|----|------|
| 1. | None |
|----|------|

**Integrated Impact Assessment**

|  |    |
|--|----|
| Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out. | No |
|--|----|

**Other Background Documents**

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

|                              |  |
|------------------------------|--|
| Title of Background Paper(s) | Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable) |
|------------------------------|--|

|    |      |  |
|----|------|--|
| 1. | None |  |
|----|------|--|

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# Agenda Item 7

Appendix 1

## APPENDIX 1

### HOUSING REVENUE ACCOUNT BUDGET REPORT

#### REVENUE BUDGET

**Original  
Estimate  
2013/14  
£'000**

**Revised  
Forecast  
2013/14  
£'000**

**Original  
Estimate  
2014/15  
£'000**

#### SUMMARY

#### EXPENDITURE

|                 |                 |                                     |                 |
|-----------------|-----------------|-------------------------------------|-----------------|
| 10,399.6        | 10,699.8        | Responsive Repairs                  | 10,999.4        |
| 5,712.3         | 5,973.4         | Housing Investment                  | 5,475.2         |
| <u>16,111.9</u> | <u>16,673.2</u> | <b>Total Repairs</b>                | <u>16,474.6</u> |
| 130.0           | 162.0           | Rents Payable                       | 162.0           |
| 69.8            | 69.8            | Debt Management                     | 69.8            |
| 19,933.2        | 20,374.1        | Supervision & Management            | 20,165.3        |
| 5,829.5         | 5,583.1         | Interest Repayments                 | 6,224.2         |
| 5,551.0         | 5,551.0         | Principal Repayments                | 5,282.7         |
| 16,116.6        | 16,116.6        | Depreciation                        | 17,939.8        |
| 7,514.0         | 7,634.0         | Direct Revenue Financing of Capital | 8,782.3         |
| <u>71,256.0</u> | <u>72,163.8</u> | <b>TOTAL EXPENDITURE</b>            | <u>75,100.7</u> |

#### INCOME

|                 |                  |                                   |                 |
|-----------------|------------------|-----------------------------------|-----------------|
| 67,714.3        | 67,668.8         | Dwelling Rents                    | 71,591.8        |
| 1,326.3         | 1,223.1          | Other Rents                       | 1,291.9         |
| <u>69,040.6</u> | <u>68,891.9</u>  | <b>Total Rental Income</b>        | <u>72,883.7</u> |
| 1,616.2         | 1,383.7          | Service Charge Income             | 1,616.2         |
| 572.3           | 572.3            | Leaseholder Service Charges       | 575.9           |
| 26.9            | 26.9             | Interest Received                 | 24.9            |
| <u>71,256.0</u> | <u>70,874.8</u>  | <b>TOTAL INCOME</b>               | <u>75,100.7</u> |
| <u>0.0</u>      | <u>(1,289.0)</u> | <b>SURPLUS/(DEFICIT) FOR YEAR</b> | <u>0.0</u>      |

#### BALANCES

|                |                |                              |                |
|----------------|----------------|------------------------------|----------------|
| 2,281.3        | 3,289.0        | Working Balance B/Fwd        | 2,000.0        |
| 0.0            | (1,289.0)      | Surplus/(deficit) for year   | 0.0            |
| <u>2,281.3</u> | <u>2,000.0</u> | <b>WORKING BALANCE C/FWD</b> | <u>2,000.0</u> |

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**APPENDIX 2**

**Housing Revenue Account 5 Year Capital Programme**

| Share Point Ref.                     | Project Description                                | Project Status | Prior Years Actual £000's | Current Year Budget £000's | 2014/15 £000's | 2015/16 £000's | 2016/17 £000's | 2017/18 £000's | 2018/19 and Later Years £000's | Total Year Spend £000's |
|--------------------------------------|--|----------------|---------------------------|----------------------------|----------------|----------------|----------------|----------------|--------------------------------|-------------------------|
| <b>Estate Regeneration</b>           |  |                |                           |                            |                |                |                |                |                                |                         |
| 1257                                 | Cumbrian Way                                       | Approved       | 1,219                     | 17                         | 7              | 0              | 0              | 0              | 0                              | 1,243                   |
| 1258                                 | Exford Parade                                      | Approved       | 3,079                     | 98                         | 48             | 31             | 32             | 7              | 0                              | 3,295                   |
| 1259                                 | Laxton Close                                       | Approved       | 844                       | 66                         | 50             | 0              | 0              | 0              | 0                              | 960                     |
| 1260                                 | Meggeson Avenue                                    | Approved       | 413                       | 37                         | 11             | 0              | 0              | 0              | 0                              | 461                     |
| 1262                                 | Hinkler Parade                                     | Approved       | 2,682                     | 226                        | 0              | 0              | 0              | 0              | 0                              | 2,908                   |
| 1613                                 | Weston Shopping Parade Redevelopment               | Approved       | 1,411                     | 740                        | 200            | 100            | 0              | 0              | 0                              | 2,451                   |
| TBC                                  | Weston Enabling Works                              | Unapproved     | 7                         | 693                        | 125            | 500            | 0              | 0              | 0                              | 1,325                   |
| 1764                                 | Acquisition of Property at Northham                | Approved       | 21                        | 306                        | 0              | 0              | 0              | 0              | 0                              | 327                     |
| 1514                                 | Estate Regeneration City Wide Framework            | Approved       | 47                        | 103                        | 200            | 150            | 0              | 0              | 0                              | 500                     |
| 1599                                 | Estate Wide  | Unapproved     | 0                         | 0                          | 1,243          | 2,000          | 3,000          | 2,000          | 1,875                          | 10,118                  |
| 1600                                 | Small Site Disposals                               | Unapproved     | 42                        | 7                          | 0              | 0              | 0              | 0              | 0                              | 49                      |
| 1817                                 | Estate Regeneration Framework Townhill Park        | Approved       | 262                       | 93                         | 201            | 0              | 0              | 0              | 0                              | 556                     |
| 1930                                 | Townhill Park - Phases 1 - 3                       | Approved       | 198                       | 1,802                      | 4,281          | 1,456          | 1,213          | 200            | 400                            | 9,550                   |
| 2066                                 | Townhill Park Future Allocation                    | Unapproved     | 0                         | 0                          | 0              | 0              | 0              | 550            | 1,700                          | 2,250                   |
| <b>Total Estate Regeneration</b>     |  |                | <b>10,225</b>             | <b>4,188</b>               | <b>6,366</b>   | <b>4,237</b>   | <b>4,245</b>   | <b>2,757</b>   | <b>3,975</b>                   | <b>35,993</b>           |
| <b>New Build</b>                     |  |                |                           |                            |                |                |                |                |                                |                         |
| 1265                                 | LA New Build - Borrowdale Road                     | Approved       | 720                       | 11                         | 0              | 0              | 0              | 0              | 0                              | 731                     |
| 1266                                 | LA New Build - Flamborough Close                   | Approved       | 452                       | 13                         | 0              | 0              | 0              | 0              | 0                              | 465                     |
| 1267                                 | LA New Build - Chiltern Green                      | Approved       | 398                       | 11                         | 0              | 0              | 0              | 0              | 0                              | 409                     |
| 1268                                 | LA New Build - Grately Close                       | Approved       | 1,016                     | 16                         | 0              | 0              | 0              | 0              | 0                              | 1,032                   |
| 1269                                 | LA New Build - Orpen Road                          | Approved       | 778                       | 31                         | 0              | 0              | 0              | 0              | 0                              | 809                     |
| 1270                                 | LA New Build - Keynsham Close                      | Approved       | 772                       | 23                         | 0              | 0              | 0              | 0              | 0                              | 795                     |
| 1403                                 | L.A. New Build - Leaside Way                       | Approved       | 528                       | 13                         | 0              | 0              | 0              | 0              | 0                              | 541                     |
| 1404                                 | L.A. New Build - Cumbrian Way                      | Approved       | 2,145                     | 51                         | 0              | 0              | 0              | 0              | 0                              | 2,196                   |
| 2060                                 | Erskine Court Rebuild                              | Approved       | 0                         | 1,000                      | 5,200          | 3,600          | 0              | 0              | 0                              | 9,800                   |
| TBC                                  | Wimpson Lane Rebuild                               | Unapproved     | 0                         | 0                          | 1,000          | 0              | 0              | 0              | 0                              | 1,000                   |
| <b>Total New Build</b>               |  |                | <b>6,809</b>              | <b>1,169</b>               | <b>6,200</b>   | <b>3,600</b>   | <b>0</b>       | <b>0</b>       | <b>0</b>                       | <b>17,778</b>           |
| <b>Safe Wind &amp; Weather Tight</b> |  |                |                           |                            |                |                |                |                |                                |                         |
| 1855                                 | CESP - International Way Energy Savings Initiative | Approved       | 2,629                     | 1,371                      | 0              | 0              | 0              | 0              | 0                              | 4,000                   |
| 1851                                 | Supported Housing 2 Storey Walkway Repairs         | Approved       | 0                         | 0                          | 1,369          | 1,146          | 0              | 0              | 0                              | 2,515                   |
| 1861                                 | Supported Housing 2 Storey Walkway Repairs 12/13   | Approved       | 791                       | 250                        | 804            | 0              | 0              | 0              | 0                              | 1,845                   |
| TBC                                  | Supported Housing 2 Storey Walkway Repairs         | Unapproved     | 0                         | 0                          | 501            | 1,587          | 2,873          | 0              | 0                              | 4,961                   |
| 1469                                 | Windows  | Approved       | 466                       | 1,787                      | 424            | 211            | 0              | 0              | 0                              | 2,888                   |
| TBC                                  | Windows  | Unapproved     | 0                         | 0                          | 476            | 715            | 967            | 1,001          | 1,036                          | 4,195                   |
| 1842                                 | Electrical Riser Upgrades                          | Approved       | 727                       | 909                        | 185            | 0              | 0              | 0              | 0                              | 1,821                   |
| 1844                                 | Structural Works.                                  | Approved       | 415                       | 586                        | 444            | 458            | 0              | 0              | 0                              | 1,903                   |
| TBC                                  | Structural Works.                                  | Unapproved     | 0                         | 0                          | 1              | 330            | 903            | 967            | 693                            | 2,894                   |

**APPENDIX 2**

**Housing Revenue Account 5 Year Capital Programme**

| Share Point Ref.                           | Project Description                                | Project Status | Prior Years Actual £000's | Current Year Budget £000's | 2014/15 £000's | 2015/16 £000's | 2016/17 £000's | 2017/18 £000's | 2018/19 and Later Years £000's | Total Year Spend £000's |
|--|--|----------------|---------------------------|----------------------------|----------------|----------------|----------------|----------------|--------------------------------|-------------------------|
| 1845                                       | Roof Finish-Pitched/Structure/Gutter/Downpipes etc | Approved       | 161                       | 250                        | 318            | 318            | 318            | 220            | 0                              | 1,585                   |
| TBC  | Roof Finish-Pitched/Structure/Gutter/Downpipes etc | Unapproved     | 0                         | 0                          | 0              | 0              | 0              | 2,124          | 2,452                          | 4,576                   |
| 1846                                       | Wall Structure & Finish                            | Approved       | 9                         | 400                        | 203            | 203            | 203            | 1,242          | 0                              | 2,260                   |
| TBC  | Wall Structure & Finish                            | Unapproved     | 0                         | 0                          | 0              | 0              | 0              | 1,971          | 3,471                          | 5,442                   |
| 1847                                       | Chimney  | Approved       | 0                         | 18                         | 1              | 68             | 68             | 114            | 0                              | 269                     |
| TBC  | Chimney  | Unapproved     | 0                         | 0                          | 0              | 0              | 0              | 106            | 245                            | 351                     |
| 1848                                       | External Doors - Flats                             | Approved       | 0                         | 4                          | 123            | 117            | 0              | 0              | 0                              | 244                     |
| 1850                                       | External Doors - Houses                            | Approved       | 4                         | 323                        | 160            | 51             | 0              | 0              | 0                              | 538                     |
| TBC  | External Doors - Houses + Flats                    | Unapproved     | 0                         | 0                          | 0              | 411            | 606            | 1,252          | 1,296                          | 3,565                   |
| 1849                                       | Garage Maintenance                                 | Unapproved     | 0                         | 22                         | 26             | 27             | 28             | 29             | 30                             | 161                     |
| 1843                                       | Roof Finish - Flat                                 | Approved       | 773                       | 1,265                      | 687            | 1,249          | 478            | 0              | 0                              | 4,452                   |
| TBC  | Roof Finish - Flat                                 | Unapproved     | 0                         | 0                          | 0              | 0              | 828            | 1,389          | 1,437                          | 3,655                   |
| TBC  | CMR Allowance                                      | Unapproved     | 0                         | 0                          | 0              | 0              | 399            | 747            | 773                            | 1,919                   |
| TBC  | Codeman Replacement                                | Approved       | 0                         | 90                         | 30             | 0              | 0              | 0              | 0                              | 120                     |
| TBC  | Mobile Working                                     | Approved       | 0                         | 382                        | 79             | 0              | 0              | 0              | 0                              | 461                     |
| TBC  | Golden Grove Balconies                             | Unapproved     | 0                         | 0                          | 181            | 0              | 0              | 0              | 0                              | 181                     |
| <b>Total Safe Wind &amp; Weather Tight</b> |  |                | <b>5,975</b>              | <b>7,657</b>               | <b>6,012</b>   | <b>6,891</b>   | <b>7,671</b>   | <b>11,162</b>  | <b>11,432</b>                  | <b>56,799</b>           |

**Modern Facilities**

|      |  |            |       |       |        |       |       |       |       |        |
|------|--|------------|-------|-------|--------|-------|-------|-------|-------|--------|
| 1476 | Studio Conversions   | Approved   | 111   | 75    | 0      | 0     | 0     | 0     | 0     | 186    |
| 1472 | Electrical System  | Approved   | 25    | 315   | 0      | 0     | 0     | 0     | 0     | 340    |
| TBC  | Electrical Systems - Future Years                            | Unapproved | 0     | 0     | 9      | 71    | 134   | 764   | 791   | 1,769  |
| 1474 | Programme Management Fees 12/13 & 13/14                      | Approved   | 924   | 472   | 0      | 0     | 0     | 0     | 0     | 1,396  |
| 1840 | Programme Management Fees - Future Years                     | Unapproved | 0     | 0     | 432    | 541   | 560   | 580   | 600   | 2,713  |
| 1714 | DH Central 11/12   | Approved   | 2,708 | 9     | 0      | 0     | 0     | 0     | 0     | 2,717  |
| 1477 | Bathroom and Kitchen Refurbishment                           | Approved   | 0     | 0     | 10,734 | 8,097 | 0     | 0     | 0     | 18,830 |
| TBC  | Housing Refurbishment - Future Years                         | Unapproved | 0     | 0     | 0      | 0     | 8,699 | 2,502 | 2,589 | 13,790 |
| 1864 | Housing Refurbishment 12/13 – West – Drew Smith              | Approved   | 2,727 | 3,007 | 0      | 0     | 0     | 0     | 0     | 5,734  |
| 1865 | Housing Refurbishment 12/13 – East – Mitie Property Services | Approved   | 1,952 | 3,007 | 0      | 0     | 0     | 0     | 0     | 4,959  |
| 1881 | Supported Kitchen 12/13                                      | Approved   | 1,948 | 1,980 | 0      | 0     | 0     | 0     | 0     | 3,928  |
| 1889 | Decent Homes Voids 12/13                                     | Approved   | 312   | 188   | 0      | 0     | 0     | 0     | 0     | 500    |
| 1934 | Housing Refurbishment - Deferred 2012/13                     | Approved   | 50    | 50    | 0      | 0     | 0     | 0     | 0     | 100    |
| 1836 | Disabled Adaptations   | Approved   | 0     | 0     | 998    | 1,031 | 0     | 0     | 0     | 2,029  |
| TBC  | Disabled Adaptations   | Unapproved | 0     | 0     | 141    | 112   | 1,223 | 1,093 | 1,132 | 3,700  |
| 1837 | Central Heating Gas Boilers                                  | Approved   | 984   | 2,149 | 1,083  | 1,646 | 1,024 | 0     | 0     | 6,886  |
| TBC  | Central Heating Gas Boilers Planned + Reactive)              | Unapproved | 0     | 0     | 0      | 0     | 23    | 2,455 | 2,541 | 5,019  |
| 1838 | Central Heating Distrib System Inc Elec Store Htrs           | Approved   | 75    | 296   | 491    | 603   | 603   | 728   | 716   | 3,511  |
| TBC  | Central Heating Distrib System + Heating Other               | Unapproved | 0     | 0     | 0      | 0     | 0     | 625   | 647   | 1,273  |
| 1839 | Supported Schemes Adapted Bathroom Programme                 | Approved   | 370   | 458   | 414    | 414   | 74    | 0     | 0     | 1,730  |
| TBC  | Cat 2 Adapted Bathroom Programme                             | Unapproved | 0     | 0     | 0      | 0     | 365   | 0     | 0     | 365    |

**APPENDIX 2**

**Housing Revenue Account 5 Year Capital Programme**

| Share Point Ref.               | Project Description              | Project Status | Prior Years Actual £000's | Current Year Budget £000's | 2014/15 £000's | 2015/16 £000's | 2016/17 £000's | 2017/18 £000's | 2018/19 and Later Years £000's | Total Year Spend £000's |
|--------------------------------|----------------------------------|----------------|---------------------------|----------------------------|----------------|----------------|----------------|----------------|--------------------------------|-------------------------|
| 1888                           | Disabled Adaptations 12/13       | Approved       | 1,056                     | 1,106                      | 0              | 0              | 0              | 0              | 0                              | 2,162                   |
| TBC                            | HHSRS Contingency                | Unapproved     | 0                         | 0                          | 31             | 32             | 33             | 53             | 55                             | 203                     |
| 2063                           | Homeless Temporary Accommodation | Approved       | 0                         | 270                        | 1,000          | 0              | 0              | 0              | 0                              | 1,270                   |
| <b>Total Modern Facilities</b> |                                  |                | <b>13,242</b>             | <b>13,382</b>              | <b>15,331</b>  | <b>12,546</b>  | <b>12,738</b>  | <b>8,801</b>   | <b>9,071</b>                   | <b>85,111</b>           |

**Well Maintained Communal Facilities**

|      |  |            |       |       |       |     |       |       |     |       |
|------|--|------------|-------|-------|-------|-----|-------|-------|-----|-------|
| 1239 | DN: Kingsland  | Approved   | 132   | 5     | 0     | 0   | 0     | 0     | 0   | 137   |
| 1242 | DN: Vanguard and Wavell Road Improvements                    | Approved   | 502   | 39    | 0     | 0   | 0     | 0     | 0   | 541   |
| 1256 | DN: Millbrook Towers Improvements                            | Approved   | 472   | 10    | 90    | 0   | 0     | 0     | 0   | 572   |
| 1271 | DN: Holyrood Improvements                                    | Approved   | 459   | 1,149 | 100   | 0   | 0     | 0     | 0   | 1,708 |
| 1298 | DN: Millbrook Verge Parking Improvements                     | Approved   | 690   | 2     | 0     | 0   | 0     | 0     | 0   | 692   |
| 1494 | DN: Northam Improvements                                     | Approved   | 404   | 48    | 0     | 0   | 0     | 0     | 0   | 452   |
| 1496 | DN: Millbrook Block Improvements                             | Approved   | 179   | 219   | 208   | 0   | 0     | 0     | 0   | 606   |
| 1503 | DN: Harefield/Townhill Park                                  | Approved   | 47    | 50    | 270   | 302 | 0     | 0     | 0   | 669   |
| 1505 | DN: Future Decent Neighbourhood Schemes                      | Unapproved | 0     | 0     | 276   | 665 | 1,289 | 1,334 | 0   | 3,565 |
| 1707 | DN: Shirley  | Approved   | 192   | 508   | 1,495 | 60  | 0     | 0     | 0   | 2,255 |
| TBC  | DN: Shirley Transport  | Approved   | 0     | 17    | 83    | 0   | 0     | 0     | 0   | 100   |
| 1953 | DN: Beechfield Court   | Approved   | 0     | 50    | 0     | 0   | 0     | 0     | 0   | 50    |
| 1954 | DN: Wyndham Court  | Approved   | 0     | 11    | 39    | 0   | 0     | 0     | 0   | 50    |
| TBC  | DN: St James Street Landscaping                              | Unapproved | 0     | 19    | 0     | 0   | 0     | 0     | 0   | 19    |
| TBC  | Weston Court - Communal Area Works                           | Approvaed  | 0     | 125   | 1,850 | 0   | 0     | 0     | 0   | 1,975 |
| 1710 | DN: Estate Improvement Programme 12/13                       | Approved   | 187   | 231   | 200   | 0   | 0     | 0     | 0   | 618   |
| 1718 | Old Town Humtun Street Mosaic                                | Approved   | 24    | 18    | 0     | 0   | 0     | 0     | 0   | 42    |
| 1835 | Roads/Paths/Hard Standing                                    | Approved   | 0     | 137   | 240   | 197 | 0     | 0     | 0   | 574   |
| 1893 | DN: Leaside Way Improvements                                 | Approved   | 30    | 460   | 0     | 0   | 0     | 0     | 0   | 490   |
| 1463 | Communal Areas Works   | Approved   | 303   | 312   | 742   | 715 | 0     | 0     | 0   | 2,072 |
| 1468 | Door Entry System Replacement Programme                      | Approved   | 28    | 186   | 222   | 229 | 0     | 0     | 0   | 665   |
| TBC  | Communal Areas Works   | Unapproved | 0     | 0     | 0     | 0   | 704   | 728   | 754 | 2,186 |
| 1833 | Concierge Walkup Block Roll Out                              | Unapproved | 0     | 273   | 0     | 0   | 0     | 0     | 0   | 273   |
| 1834 | Fire doors (communal)  | Unapproved | 0     | 231   | 68    | 70  | 126   | 408   | 423 | 1,326 |
| 1233 | Supported Communal Improvements - Graylings 11/12            | Approved   | 1,310 | 562   | 0     | 0   | 0     | 0     | 0   | 1,872 |
| 1506 | Supported Comm Impr. - Bassett Green Walkway                 | Approved   | 0     | 0     | 0     | 0   | 0     | 0     | 0   | 0     |
| 1509 | Supported Communal Improvements - Neptune Court.             | Approved   | 288   | 6     | 0     | 0   | 0     | 0     | 0   | 294   |
| 1602 | Supported Communal Improvements - Rozel Court                | Approved   | 378   | 1     | 0     | 0   | 0     | 0     | 0   | 379   |
| 1604 | Supported Communal Improvements - Neptune Court Central Core | Approved   | 236   | 2     | 0     | 0   | 0     | 0     | 0   | 238   |
| 1606 | Supported Communal Improvements - James Street               | Approved   | 175   | 1     | 0     | 0   | 0     | 0     | 0   | 176   |
| 1860 | Communal area works - Ventnor Court                          | Approved   | 335   | 2     | 0     | 0   | 0     | 0     | 0   | 337   |
| 1223 | Lift Refurbishment - Itchen View Estate                      | Approved   | 647   | 988   | 0     | 0   | 0     | 0     | 0   | 1,635 |
| 1552 | Lift Refurbishment – Tanking Out                             | Approved   | 177   | 8     | 0     | 0   | 0     | 0     | 0   | 185   |
| 1473 | Lift Refurbishment - Ventnor Ct & James Street               | Approved   | 17    | 204   | 0     | 0   | 0     | 0     | 0   | 221   |

**APPENDIX 2**

**Housing Revenue Account 5 Year Capital Programme**

| Share Point Ref.                                 | Project Description  | Project Status | Prior Years Actual £000's | Current Year Budget £000's | 2014/15 £000's | 2015/16 £000's | 2016/17 £000's | 2017/18 £000's | 2018/19 and Later Years £000's | Total Year Spend £000's |
|--|--|----------------|---------------------------|----------------------------|----------------|----------------|----------------|----------------|--------------------------------|-------------------------|
| 2016   | Lift Refurbishment - James Street Enabling Works             | Approved       | 0                         | 75                         | 0              | 0              | 0              | 0              | 0                              | 75                      |
| 2017   | Lift Refurbishment - James St (including scooter storage)    | Approved       | 0                         | 525                        | 155            | 0              | 0              | 0              | 0                              | 680                     |
| TBC  | Lift Refurbishment - Canberra Towers                         | Approved       | 0                         | 0                          | 525            | 525            | 0              | 0              | 0                              | 1,050                   |
| TBC  | Lift Refurbishment - Manston Court                           | Approved       | 0                         | 0                          | 363            | 0              | 0              | 0              | 0                              | 363                     |
| TBC  | Lift Refurbishment - Future Years                            | Approved       | 0                         | 0                          | 329            | 698            | 0              | 0              | 0                              | 1,027                   |
| TBC  | Lift Refurbishment - Future Years                            | Unapproved     | 0                         | 0                          | 0              | 0              | 1,429          | 1,501          | 1,611                          | 4,541                   |
| TBC  | Estate Parking Improvements                                  | Approved       | 0                         | 100                        | 329            | 0              | 0              | 0              | 0                              | 429                     |
| TBC  | SHAP Programme / Supported Housing Improvements              | Unapproved     | 0                         | 0                          | 822            | 853            | 883            | 570            | 590                            | 3,719                   |
| 2062   | Ventnor Court - Central Core Communal (incl Scooter Storage) | Approved       | 0                         | 520                        | 40             | 0              | 0              | 0              | 0                              | 560                     |
| TBC  | James Street Electric Scooter Storage                        | Approved       | 0                         | 0                          | 0              | 0              | 0              | 0              | 0                              | 0                       |
| TBC  | Milner Court Electric Scooter Storage                        | Approved       | 0                         | 30                         | 130            | 0              | 0              | 0              | 0                              | 160                     |
| TBC  | Floor Coverings on Communal Corridors                        | Approved       | 0                         | 250                        | 250            | 0              | 0              | 0              | 0                              | 500                     |
| TBC  | Bassett Green Community Facilities Refurbishment             | Approved       | 0                         | 150                        | 100            | 0              | 0              | 0              | 0                              | 250                     |
| <b>Total Well Maintained Communal Facilities</b> |  |                | <b>7,212</b>              | <b>7,524</b>               | <b>8,926</b>   | <b>4,315</b>   | <b>4,432</b>   | <b>4,542</b>   | <b>3,377</b>                   | <b>40,328</b>           |
| <b>Warm and Energy Efficient</b>                 |  |                |                           |                            |                |                |                |                |                                |                         |
| 1826   | Loft Insulation + Pipe Lagging                               | Approved       | 8                         | 75                         | 1              | 26             | 26             | 78             | 0                              | 213                     |
| TBC  | Loft Insulation + Pipe Lagging                               | Unapproved     | 0                         | 0                          | 0              | 0              | 0              | 53             | 145                            | 198                     |
| 1827   | Landlord Meter Conversion (1,000 properties per annum)       | Approved       | 74                        | 283                        | 1              | 0              | 0              | 0              | 0                              | 358                     |
| TBC  | Landlord Meter Conversion (1,000 properties per annum)       | Approved       | 0                         | 0                          | 0              | 189            | 194            | 0              | 0                              | 383                     |
| 1828   | Cavity Wall Insulation                                       | Unapproved     | 0                         | 17                         | 0              | 0              | 53             | 54             | 0                              | 124                     |
| 1933   | External Cladding (PRC Houses) 12/13                         | Approved       | 9                         | 300                        | 303            | 0              | 0              | 0              | 0                              | 612                     |
| 1830   | External Cladding (PRC Houses) 14/15 & 15/16                 | Approved       | 0                         | 0                          | 1,975          | 1,975          | 0              | 0              | 0                              | 3,951                   |
| TBC  | External Cladding (PRC Houses)                               | Unapproved     | 0                         | 0                          | 0              | 0              | 2,122          | 2,197          | 2,273                          | 6,592                   |
| 1831   | External Cladding (Tower Blocks)                             | Approved       | 0                         | 528                        | 1,228          | 1,458          | 0              | 0              | 0                              | 3,215                   |
| TBC  | External Cladding (Tower Blocks)                             | Unapproved     | 0                         | 0                          | 0              | 0              | 1,567          | 0              | 0                              | 1,567                   |
| TBC  | External Cladding (Flats)                                    | Approved       | 0                         | 0                          | 1,006          | 1,206          | 0              | 0              | 0                              | 2,212                   |
| TBC  | External Cladding (Flats)                                    | Unapproved     | 0                         | 0                          | 0              | 0              | 1,296          | 1,341          | 1,388                          | 4,024                   |
| 1832   | Utilities Supplies (Communal - Gas, Electric, Water etc.)    | Approved       | 589                       | 825                        | 513            | 237            | 0              | 0              | 0                              | 2,164                   |
| TBC  | Utilities Supplies (Communal - Gas, Electric, Water etc.)    | Unapproved     | 0                         | 0                          | 0              | 26             | 261            | 0              | 0                              | 287                     |
| 1829   | External Wall Insulation - Kingsland                         | Approved       | 41                        | 981                        | 0              | 0              | 0              | 0              | 0                              | 1,022                   |
| TBC  | Introduce Renewable Energy Sources (INVEST TO SAVE)          | Unapproved     | 0                         | 100                        | 0              | 311            | 322            | 890            | 921                            | 2,544                   |
| TBC  | Thornhill District Energy                                    | Approved       | 0                         | 0                          | 5,537          | 0              | 0              | 0              | 0                              | 5,537                   |
| <b>Total Warm and Energy Efficient</b>           |  |                | <b>721</b>                | <b>3,109</b>               | <b>10,564</b>  | <b>5,429</b>   | <b>5,841</b>   | <b>4,613</b>   | <b>4,727</b>                   | <b>35,003</b>           |
| <b>GRAND TOTAL</b>                               |  |                | <b>44,183</b>             | <b>37,029</b>              | <b>53,399</b>  | <b>37,018</b>  | <b>34,926</b>  | <b>31,875</b>  | <b>32,583</b>                  | <b>271,013</b>          |

**HOUSING REVENUE ACCOUNT**

**KEY VARIANCES & ISSUES – FEBRUARY 2014 PROGRAMME UPDATE**

The proposed February programme update totals **£226,830,000**. This can be compared to the previous September update total of **£193,380,000** resulting in an increase of **£33,450,000**, which represents a percentage variance of **17.3%**.

The changes to the programme are shown in the following summarised table:

|          | 2013/14<br>£000 | 2014/15<br>£000 | 2015/16<br>£000 | 2016/17<br>£000 | 2017/18<br>£000 | 2018/19<br>& Later<br>£000 | Total<br>£000 |
|----------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------------------|---------------|
| Proposed | 37,029          | 53,399          | 37,018          | 34,926          | 31,875          | 32,583                     | 226,830       |
| Previous | 43,909          | 44,358          | 37,217          | 32,023          | 35,873          | 0                          | 193,380       |
| Variance | (6,880)         | 9,041           | (199)           | 2,903           | (3,998)         | 32,583                     | 33,450        |

A large proportion of the increase (£28,608,000) is due to the addition of new 'unapproved' schemes, following the extension of the programme to 2018/19. The major items compromising the remaining variance of £4,842,000 are explained in the following paragraphs.

**PROGRAMME CHANGES:**

**HRA 1 – Thornhill District Energy Scheme (Total budget change £5,537,000 virement from programme savings)**

**Gold – £5,537,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        GREEN**

**Budget RAG Status            GREEN**

**There have been approved virements to fund the Thornhill District Energy scheme.**

Savings were identified throughout the HRA Capital Programme in order to provide funding for the Thornhill District Energy scheme in 2014/15. This included £2M of savings in 2013/14, with the remainder from future years. The virements and the project expenditure were approved by Council on 20<sup>th</sup> November 2013. Full details of the scheme are in the Council report.

**HRA 2 – Wimpson Lane Rebuild (Total budget change £1,000,000 increase)**

**Gold – £1,000,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        GREEN**

**Budget RAG Status            GREEN**

**There has been an addition to the programme for the rebuild of properties at Wimpson Lane.**

It is proposed to add a new scheme to the New Build section of the HRA Capital Programme to provide for the rebuild of properties in Wimpson Lane. The provisional total cost is estimated as £1,000,000 with £700,000 funded from additional borrowing and £300,000 from available Right to Buy receipts. Full details of the scheme will be included in a future scheme approval report, following a programme of consultation.

**HRA 3 – Supported Housing Area Programme (Total budget change £3,719,000 increase)**

**Gold – £3,719,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        GREEN**

**Budget RAG Status           GREEN**

**There has been an addition to the programme for the provision of works to the Supported Housing blocks throughout the city.**

Any works identified for Supported Housing were previously included as part of the Communal Area Works budget within the Well Maintained Communal Facilities section of the HRA Capital Programme. This line has now been separated out in order to enable the budget to be monitored as a separate entity. Full details of the projects will be included in future scheme approval reports.

**HRA 4 – Mobile Working (Total budget change £461,000 virement from programme savings)**

**Bronze – £461,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        GREEN**

**Budget RAG Status            GREEN**

**There has been an addition to the programme for the provision of mobile working facilities for Housing Operations.**

The addition of £461,000 to the Safe Wind and Weather Tight section of the HRA Capital Programme for the provision of a Mobile Working facility for Housing Operations was approved by a Chief Officer decision on 31<sup>st</sup> October 2013. The scheme was funded by a virement from programme savings.

**HRA 5 – Supported Communal Improvements – Graylings (Total budget change £300,000 virement from programme savings)**

**Silver – £1,872,000 Scheme Budget**

**Overall RAG Status            GREEN**

**Schedule RAG Status        GREEN**

**Budget RAG Status            GREEN**

**There has been an addition to the budget, due to changes in the specifications for the project.**

Changes to the specifications of the works to incorporate additional facilities have led to a significant cost increase for this project. In order to meet these costs, savings have been identified throughout the Housing Investment area of the HRA Capital Programme.

### **MAJOR ITEMS OF SLIPPAGE/RE-PHASING:**

#### **HRA 6 Townhill Park – Phases 1 - 3 (Slippage of £1,180,000 between 2013/14 and 2014/15 and re-phasing of £881,000 into 2014/15 from future years)**

**Gold Scheme – £11,800,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**The expenditure on the project has been re-profiled.**

On 19<sup>th</sup> November 2013 Cabinet approved expenditure on the Townhill Park Estate Regeneration scheme that changed the profile of the budget but not the overall cost. Full details are in the Cabinet report.

#### **HRA 7 – Homeless Temporary Accommodation (Slippage of £1,000,000 between 2013/14 and 2014/15)**

**Silver Scheme – £1,270,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**There have been delays in this project due to procurement issues.**

Due to issues with procurement together with a revised design during the tendering stage, the start on site date for this project has been delayed until February 2014. This has resulted in a large proportion of the overall budget needing to be slipped to 2014/15. The issue has now been addressed and this project is expected to complete within 6 months of start date.

#### **HRA 8 – Decent Neighbourhoods Shirley (Slippage of £869,000 between 2013/14 and 2014/15)**

**Silver Scheme – £2,255,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     AMBER**

**Budget RAG Status        GREEN**

**There have been delays in this project due to procurement issues.**

Issues with the tender returns and associated evaluation have delayed the start of this project. This has resulted in a significant proportion of the overall budget being slipped to 2014/15. The delay in the announcement regarding the ECO funding has also added to the delay to the start date. These issues have now been resolved and work is underway.

**HRA 9 – Roof Finish – Pitched/Structure/Gutter/Downpipes etc. (Slippage of £400,000 between 2013/14 and future years)**

**Gold Scheme – £6,161,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**There have been savings made in this programme of works.**

The receipt of grant to fund the majority of the works on this project has allowed a significant amount of the existing funding to be moved into future years, as well as being used to help fund the Thornhill District Energy scheme.

**HRA 10 – Decent Neighbourhoods Millbrook Block Improvements (Slippage of £197,000 between 2013/14 and 2014/15)**

**Bronze Scheme – £606,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**There has been slippage on this programme due to procurement issues.**

The procurement process was delayed due to the doors and frames element of the works having to be removed from the tender documents. These works are to be delivered separately as part of a new procurement framework. A review of the risks associated with this change of approach has delayed this new framework, which is being progressed in close liaison with Capita. Although ground floor work at two blocks in Irving Road was carried out in December 2013, there is slippage associated with the other 3 blocks (Wimborne, Upton and Blandford Houses). The tenders for this work have now been returned and the contractor is in the process of being appointed.

**HRA 11 – Lift Refurbishment (Slippage of £140,000 between 2013/14 and 2014/15)**

**Silver Scheme – £1,050,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**There has been slippage on this programme due to a change in priorities.**

The plan for 2013/14 was to refurbish one of the lifts at Rozel Court. However, having been made aware of significant issues with lifts elsewhere across the city, a review of the Lift Refurbishment Plan was undertaken. As a result of the review, there has been a change of priorities. The replacement of the lifts on the high rise block of Canberra Towers and Manston Court are being carried out as the highest priority. These works will commence in early 2014/15.

**HRA 12 – Weston Court – Communal Area Works (Slippage of £125,000 between 2013/14 and 2014/15)**

**Silver Scheme – £1,975,000 Scheme Budget**

**Overall RAG Status        GREEN**

**Schedule RAG Status     GREEN**

**Budget RAG Status        GREEN**

**There has been slippage on this programme due to design issues.**

This project will include the provision of a purpose-built rehabilitation extension, as well as a major refurbishment of all the communal areas of the existing building. The complexity of the design has caused a delay in the start of the project. Progress is being made and it is anticipated that the project will start in May 2014.

**CORPORATE FINANCIAL & PROJECT ISSUES:**

**There are no CORPORATE financial issues for the Portfolio relating to significant over or under spends.**

**There are no CORPORATE project issues for the Portfolio.**

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**HRA Business Plan - 30 year revenue account**

**Appendix 4**

|      |         | Income                      |                          |                       |                          | Expenditure         |                       |  |                                    |                           |                            |                             |                                | Balances  |  |  |                   |  |   |   |
|------|---------|-----------------------------|--------------------------|-----------------------|--------------------------|---------------------|-----------------------|--|------------------------------------|---------------------------|----------------------------|-----------------------------|--------------------------------|---|--|--|-------------------|--|---|---|
| Year | Year    | Net rent<br>Income<br>£,000 | Other<br>income<br>£,000 | RTB<br>Admin<br>£,000 | Total<br>Income<br>£,000 | Management<br>£,000 | Depreciation<br>£,000 | Responsive<br>& Cyclical<br>Repairs<br>£,000 | Other<br>Revenue<br>spend<br>£,000 | Misc<br>expenses<br>£,000 | Total<br>expenses<br>£,000 | Capital<br>Charges<br>£,000 | Repayment<br>of loans<br>£,000 | Contribution<br>to Capital<br>Spending<br>£,000 | Surplus<br>(Deficit)<br>for the<br>Year<br>£,000 | Surplus<br>(Deficit)<br>b/fwd<br>£,000 | Interest<br>£,000 | Surplus<br>(Deficit)<br>c/fwd<br>£,000 | Provision<br>for Debt<br>Repayment<br>£,000 | Net<br>Surplus<br>(Deficit)<br>c/fwd<br>£,000 |
| 1    | 2014.15 | 71,227                      | 3,144                    | 98                    | 74,469                   | (19,434)            | (17,940)              | (16,409)                                     | (212)                              | (100)                     | <b>(54,095)</b>            | (6,307)                     | (5,283)                        | (8,759)   | 25   | 1,969                                  | 6                 | 2,000                                  |   | 2,000   |
| 2    | 2015.16 | 73,336                      | 3,232                    | 98                    | 76,666                   | (19,977)            | (18,308)              | (16,932)                                     | (98)                               | (103)                     | <b>(55,419)</b>            | (7,044)                     | (5,283)                        | (8,920)   | 1  | 2,000                                  | 6                 | 2,007                                  |   | 2,007   |
| 3    | 2016.17 | 75,621                      | 3,313                    | 98                    | 79,032                   | (20,629)            | (18,711)              | (16,677)                                     | (574)                              | (105)                     | <b>(56,697)</b>            | (7,306)                     | (5,283)                        | (9,751)   | (5)  | 2,007                                  | 6                 | 2,008                                  |   | 2,008   |
| 4    | 2017.18 | 78,514                      | 3,396                    | 98                    | 82,007                   | (21,201)            | (19,108)              | (17,293)                                     | (781)                              | (108)                     | <b>(58,491)</b>            | (7,503)                     | (5,283)                        | (10,735)  | (5)  | 2,008                                  | 6                 | 2,010                                  |   | 2,010   |
| 5    | 2018.19 | 81,076                      | 3,481                    | 98                    | 84,654                   | (21,728)            | (19,592)              | (17,725)                                     | (800)                              | (111)                     | <b>(59,956)</b>            | (7,740)                     | (5,283)                        | (11,685)  | (8)  | 2,010                                  | 6                 | 2,007                                  |   | 2,007   |
| 6    | 2019.20 | 85,135                      | 3,321                    | 98                    | 88,554                   | (22,303)            | (19,848)              | (18,272)                                     | (820)                              | (113)                     | <b>(61,356)</b>            | (7,863)                     | (16,247)                       | (3,093)   | (5)  | 2,007                                  | 6                 | 2,008                                  |   | 2,008   |
| 7    | 2020.21 | 86,484                      | 3,404                    | 98                    | 89,985                   | (22,859)            | (20,316)              | (18,823)                                     | (841)                              | (116)                     | <b>(62,955)</b>            | (8,095)                     | (8,602)                        | (10,339)  | (5)  | 2,008                                  | 6                 | 2,009                                  |   | 2,009   |
| 8    | 2021.22 | 89,883                      | 3,489                    | 98                    | 93,470                   | (23,493)            | (20,847)              | (19,591)                                     | (862)                              | (119)                     | <b>(64,912)</b>            | (8,217)                     | (13,676)                       | (6,073)   | 593  | 2,009                                  | 7                 | 2,609                                  |   | 2,609   |
| 9    | 2022.23 | 93,397                      | 3,576                    | 98                    | 97,071                   | (24,078)            | (21,392)              | (20,182)                                     | (883)                              | (122)                     | <b>(66,658)</b>            | (7,530)                     | (10,155)                       | (6,564)   | 6,164  | 2,609                                  | 18                | 8,791                                  |   | 8,791   |
| 10   | 2023.24 | 96,223                      | 3,666                    | 98                    | 99,986                   | (24,679)            | (21,826)              | (20,791)                                     | (905)                              | (125)                     | <b>(68,326)</b>            | (6,875)                     | (15,000)                       | (11,243)  | (1,458)  | 8,791                                  | 25                | 7,358                                  |   | 7,358   |
| 11   | 2024.25 | 101,113                     | 3,757                    | 65                    | 104,935                  | (25,294)            | (22,267)              | (21,435)                                     | (928)                              | (128)                     | <b>(70,052)</b>            | (6,277)                     | (8,875)                        | (13,976)  | 5,755  | 7,358                                  | 32                | 13,144                                 | 4,802                                       | 8,342   |
| 12   | 2025.26 | 101,417                     | 3,851                    | 65                    | 105,334                  | (25,926)            | (22,752)              | (22,115)                                     | (951)                              | (132)                     | <b>(71,876)</b>            | (5,769)                     | (8,370)                        | (14,671)  | 4,648  | 13,144                                 | 48                | 17,840                                 | 9,604                                       | 8,236   |
| 13   | 2026.27 | 103,675                     | 3,948                    | 65                    | 107,688                  | (26,573)            | (23,248)              | (22,817)                                     | (975)                              | (135)                     | <b>(73,747)</b>            | (5,448)                     | (2,160)                        | (16,441)  | 9,892  | 17,840                                 | 71                | 27,803                                 | 14,406                                      | 13,397  |
| 14   | 2027.28 | 105,981                     | 4,046                    | 65                    | 110,092                  | (27,236)            | (23,754)              | (23,540)                                     | (999)                              | (138)                     | <b>(75,668)</b>            | (5,225)                     | (5,650)                        | (17,168)  | 6,380  | 27,803                                 | 96                | 34,279                                 | 19,209                                      | 15,071  |
| 15   | 2028.29 | 108,334                     | 4,148                    | 65                    | 112,547                  | (27,916)            | (24,271)              | (24,287)                                     | (1,024)                            | (142)                     | <b>(77,640)</b>            | (4,668)                     | (15,110)                       | (17,923)  | (2,795)  | 34,279                                 | 102               | 31,586                                 | 24,011                                      | 7,576   |
| 16   | 2029.30 | 110,737                     | 4,251                    | 65                    | 115,053                  | (28,612)            | (24,800)              | (25,057)                                     | (1,050)                            | (145)                     | <b>(79,664)</b>            | (4,220)                     | 0                              | (18,445)  | 12,724   | 31,586                                 | 118               | 44,428                                 | 28,813                                      | 15,615  |
| 17   | 2030.31 | 115,367                     | 4,358                    | 65                    | 119,789                  | (29,326)            | (25,339)              | (25,851)                                     | (1,076)                            | (149)                     | <b>(81,741)</b>            | (4,232)                     | 0                              | (19,251)  | 14,565   | 44,428                                 | 160               | 59,153                                 | 33,615                                      | 25,538  |
| 18   | 2031.32 | 115,695                     | 4,466                    | 65                    | 120,226                  | (30,058)            | (25,890)              | (26,670)                                     | (1,103)                            | (153)                     | <b>(83,874)</b>            | (4,244)                     | 0                              | (20,087)  | 12,021   | 59,153                                 | 202               | 71,376                                 | 38,417                                      | 32,959  |
| 19   | 2032.33 | 118,217                     | 4,578                    | 65                    | 122,860                  | (30,808)            | (26,452)              | (27,515)                                     | (1,131)                            | (156)                     | <b>(86,062)</b>            | (4,257)                     | 0                              | (20,954)  | 11,586   | 71,376                                 | 239               | 83,202                                 | 43,219                                      | 39,983  |
| 20   | 2033.34 | 120,793                     | 4,693                    | 65                    | 125,551                  | (31,577)            | (27,027)              | (28,386)                                     | (1,159)                            | (160)                     | <b>(88,309)</b>            | (4,270)                     | 0                              | (21,854)  | 11,118   | 83,202                                 | 275               | 94,595                                 | 48,022                                      | 46,573  |
| 21   | 2034.35 | 123,424                     | 4,810                    | 65                    | 128,299                  | (32,365)            | (27,614)              | (29,284)                                     | (1,188)                            | (164)                     | <b>(90,615)</b>            | (4,283)                     | 0                              | (22,787)  | 10,614   | 94,595                                 | 310               | 105,519                                | 52,824                                      | 52,695  |
| 22   | 2035.36 | 128,536                     | 4,930                    | 65                    | 133,531                  | (33,173)            | (28,213)              | (30,211)                                     | (1,218)                            | (168)                     | <b>(92,982)</b>            | (4,196)                     | (2,663)                        | (23,754)  | 9,936  | 105,519                                | 343               | 115,797                                | 57,626                                      | 58,171  |
| 23   | 2036.37 | 128,855                     | 5,053                    | 65                    | 133,974                  | (34,001)            | (28,824)              | (31,166)                                     | (1,248)                            | (173)                     | <b>(95,412)</b>            | (4,176)                     | 0                              | (24,757)  | 9,629  | 115,797                                | 374               | 125,800                                | 62,428                                      | 63,372  |
| 24   | 2037.38 | 131,658                     | 5,180                    | 65                    | 136,902                  | (34,850)            | (29,449)              | (32,151)                                     | (1,279)                            | (177)                     | <b>(97,906)</b>            | (4,189)                     | (2,220)                        | (25,796)  | 6,792  | 125,800                                | 401               | 132,992                                | 67,230                                      | 65,761  |
| 25   | 2038.39 | 134,520                     | 5,309                    | 65                    | 139,894                  | (35,719)            | (30,087)              | (33,168)                                     | (1,311)                            | (181)                     | <b>(100,467)</b>           | (4,045)                     | (2,220)                        | (26,874)  | 6,289  | 132,992                                | 422               | 139,702                                | 72,032                                      | 67,670  |
| 26   | 2039.40 | 137,443                     | 5,442                    | 65                    | 142,950                  | (36,611)            | (30,739)              | (34,216)                                     | (1,344)                            | (186)                     | <b>(103,095)</b>           | (4,006)                     | 0                              | (27,992)  | 7,857  | 139,702                                | 445               | 148,005                                | 76,834                                      | 71,170  |
| 27   | 2040.41 | 140,428                     | 5,578                    | 65                    | 146,071                  | (37,524)            | (31,404)              | (35,296)                                     | (1,378)                            | (191)                     | <b>(105,793)</b>           | (4,021)                     | 0                              | (29,150)  | 7,108  | 148,005                                | 470               | 155,582                                | 81,637                                      | 73,946  |
| 28   | 2041.42 | 146,235                     | 5,717                    | 65                    | 152,018                  | (38,461)            | (32,083)              | (36,411)                                     | (1,412)                            | (195)                     | <b>(108,562)</b>           | (4,035)                     | 0                              | (30,350)  | 9,070  | 155,582                                | 496               | 165,149                                | 86,439                                      | 78,711  |
| 29   | 2042.43 | 146,589                     | 5,860                    | 65                    | 152,515                  | (39,421)            | (32,777)              | (37,560)                                     | (1,447)                            | (200)                     | <b>(111,405)</b>           | (3,992)                     | (3,551)                        | (31,585)  | 1,982  | 165,149                                | 515               | 167,647                                | 91,241                                      | 76,406  |
| 30   | 2043.44 | 149,750                     | 6,007                    | 65                    | 155,821                  | (40,405)            | (33,485)              | (38,745)                                     | (1,483)                            | (205)                     | <b>(114,323)</b>           | (3,897)                     | 0                              | (32,873)  | 4,728  | 167,647                                | 527               | 172,902                                | 96,043                                      | 76,859  |

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**HRA Business Plan - 30 year capital spending and financing**

**Appendix 5**

|              |         | Expenditure                         |                            |                       |                              |                                  |                                      |                |                            | Financing          |                       |                |                       |                                    |                          |
|--------------|---------|-------------------------------------|----------------------------|-----------------------|------------------------------|----------------------------------|--------------------------------------|----------------|----------------------------|--------------------|-----------------------|----------------|-----------------------|------------------------------------|--------------------------|
| Year         | Year    | Safe, Wind & Weather-tight<br>£,000 | Modern Facilities<br>£,000 | Estate Regen<br>£,000 | Communal Facilities<br>£,000 | Warm & energy efficient<br>£,000 | New Build Development Costs<br>£,000 | Other<br>£,000 | Total Expenditure<br>£,000 | Borrowing<br>£,000 | RTB Receipts<br>£,000 | Other<br>£,000 | Depreciation<br>£,000 | Contribution From Revenue<br>£,000 | Total Financing<br>£,000 |
| 1            | 2014.15 | 6,012                               | 15,331                     | 6,366                 | 8,929                        | 10,564                           | 6,200                                | 0              | 53,399                     | 23,001             | 1,561                 | 2,147          | 17,931                | 8,759                              | 53,399                   |
| 2            | 2015.16 | 6,891                               | 12,546                     | 4,237                 | 4,315                        | 5,429                            | 3,600                                | 0              | 37,018                     | 5,650              | 1,281                 | 2,850          | 18,317                | 8,920                              | 37,018                   |
| 3            | 2016.17 | 7,671                               | 12,738                     | 4,245                 | 4,432                        | 5,841                            | 7,428                                | 0              | 42,355                     | 10,155             | 3,538                 | 200            | 18,711                | 9,751                              | 42,355                   |
| 4            | 2017.18 | 11,162                              | 8,801                      | 2,757                 | 4,542                        | 4,613                            | 7,688                                | 0              | 39,563                     | 5,375              | 3,645                 | 700            | 19,108                | 10,735                             | 39,563                   |
| 5            | 2018.19 | 11,432                              | 9,071                      | 3,100                 | 3,377                        | 4,727                            | 11,050                               | 0              | 42,757                     | 8,370              | 3,111                 | 0              | 19,592                | 11,685                             | 42,757                   |
| 6            | 2019.20 | 6,400                               | 16,129                     | 0                     | 3,336                        | 834                              | 0                                    | 0              | 26,699                     | 2,160              | 1,398                 | 200            | 19,848                | 3,093                              | 26,699                   |
| 7            | 2020.21 | 6,593                               | 16,614                     | 875                   | 3,437                        | 859                              | 21,770                               | 0              | 50,148                     | 15,110             | 3,882                 | 500            | 20,316                | 10,339                             | 50,148                   |
| 8            | 2021.22 | 6,791                               | 17,163                     | 0                     | 3,540                        | 885                              | 0                                    | 0              | 28,380                     | 0                  | 1,460                 | 0              | 20,847                | 6,073                              | 28,380                   |
| 9            | 2022.23 | 6,995                               | 17,894                     | 0                     | 3,647                        | 912                              | 0                                    | 0              | 29,448                     | 0                  | 1,492                 | 0              | 21,392                | 6,564                              | 29,448                   |
| 10           | 2023.24 | 7,205                               | 18,433                     | 0                     | 3,756                        | 939                              | 0                                    | 4,259          | 34,592                     | 0                  | 1,524                 | 0              | 21,826                | 11,243                             | 34,592                   |
| 11           | 2024.25 | 7,428                               | 20,483                     | 0                     | 3,872                        | 968                              | 0                                    | 4,365          | 37,116                     | 0                  | 873                   | 0              | 22,267                | 13,976                             | 37,116                   |
| 12           | 2025.26 | 7,663                               | 21,182                     | 0                     | 3,995                        | 999                              | 0                                    | 4,474          | 38,313                     | 0                  | 890                   | 0              | 22,752                | 14,671                             | 38,313                   |
| 13           | 2026.27 | 7,905                               | 22,143                     | 0                     | 4,121                        | 1,030                            | 0                                    | 5,395          | 40,595                     | 0                  | 907                   | 0              | 23,248                | 16,441                             | 40,595                   |
| 14           | 2027.28 | 8,156                               | 22,846                     | 0                     | 4,252                        | 1,063                            | 0                                    | 5,530          | 41,846                     | 0                  | 924                   | 0              | 23,754                | 17,168                             | 41,846                   |
| 15           | 2028.29 | 8,414                               | 23,571                     | 0                     | 4,386                        | 1,097                            | 0                                    | 5,668          | 43,136                     | 0                  | 941                   | 0              | 24,271                | 17,923                             | 43,136                   |
| 16           | 2029.30 | 8,680                               | 24,318                     | 0                     | 4,525                        | 1,131                            | 0                                    | 5,550          | 44,204                     | 0                  | 959                   | 0              | 24,800                | 18,445                             | 44,204                   |
| 17           | 2030.31 | 8,954                               | 25,090                     | 0                     | 4,668                        | 1,167                            | 0                                    | 5,688          | 45,567                     | 0                  | 977                   | 0              | 25,339                | 19,251                             | 45,567                   |
| 18           | 2031.32 | 9,237                               | 25,885                     | 0                     | 4,815                        | 1,204                            | 0                                    | 5,831          | 46,972                     | 0                  | 995                   | 0              | 25,890                | 20,087                             | 46,972                   |
| 19           | 2032.33 | 9,529                               | 26,706                     | 0                     | 4,968                        | 1,242                            | 0                                    | 5,976          | 48,420                     | 0                  | 1,013                 | 0              | 26,452                | 20,954                             | 48,420                   |
| 20           | 2033.34 | 9,830                               | 27,552                     | 0                     | 5,124                        | 1,281                            | 0                                    | 6,126          | 49,913                     | 0                  | 1,032                 | 0              | 27,027                | 21,854                             | 49,913                   |
| 21           | 2034.35 | 10,140                              | 28,424                     | 0                     | 5,286                        | 1,322                            | 0                                    | 6,279          | 51,451                     | 0                  | 1,051                 | 0              | 27,614                | 22,787                             | 51,451                   |
| 22           | 2035.36 | 10,460                              | 29,324                     | 0                     | 5,453                        | 1,363                            | 0                                    | 6,436          | 53,036                     | 0                  | 1,070                 | 0              | 28,213                | 23,754                             | 53,036                   |
| 23           | 2036.37 | 10,790                              | 30,252                     | 0                     | 5,625                        | 1,406                            | 0                                    | 6,597          | 54,670                     | 0                  | 1,089                 | 0              | 28,824                | 24,757                             | 54,670                   |
| 24           | 2037.38 | 11,130                              | 31,209                     | 0                     | 5,802                        | 1,451                            | 0                                    | 6,762          | 56,354                     | 0                  | 1,109                 | 0              | 29,449                | 25,796                             | 56,354                   |
| 25           | 2038.39 | 11,481                              | 32,197                     | 0                     | 5,985                        | 1,496                            | 0                                    | 6,931          | 58,090                     | 0                  | 1,128                 | 0              | 30,087                | 26,874                             | 58,090                   |
| 26           | 2039.40 | 11,843                              | 33,215                     | 0                     | 6,174                        | 1,543                            | 0                                    | 7,104          | 59,879                     | 0                  | 1,148                 | 0              | 30,739                | 27,992                             | 59,879                   |
| 27           | 2040.41 | 12,216                              | 34,264                     | 0                     | 6,368                        | 1,592                            | 0                                    | 7,282          | 61,722                     | 0                  | 1,169                 | 0              | 31,404                | 29,150                             | 61,722                   |
| 28           | 2041.42 | 12,600                              | 35,347                     | 0                     | 6,569                        | 1,642                            | 0                                    | 7,464          | 63,622                     | 0                  | 1,189                 | 0              | 32,083                | 30,350                             | 63,622                   |
| 29           | 2042.43 | 12,997                              | 36,464                     | 0                     | 6,776                        | 1,694                            | 0                                    | 7,650          | 65,580                     | 0                  | 1,219                 | 0              | 32,777                | 31,585                             | 65,580                   |
| 30           | 2043.44 | 13,406                              | 37,615                     | 0                     | 6,989                        | 1,747                            | 0                                    | 8,200          | 67,598                     | 0                  | 1,240                 | 0              | 33,485                | 32,873                             | 67,598                   |
| <b>TOTAL</b> |         | <b>280,010</b>                      | <b>712,866</b>             | <b>21,580</b>         | <b>149,092</b>               | <b>62,217</b>                    | <b>57,735</b>                        | <b>129,565</b> | <b>1,412,706</b>           | <b>70,301</b>      | <b>43,809</b>         | <b>6,600</b>   | <b>748,365</b>        | <b>543,630</b>                     | <b>1,412,706</b>         |

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Section 1 - Income

| Year               | RPI Sept     | RPI (CPI from 2015/16) | April        | Rent Increase | Garage & Parking Spaces |
|--------------------|--------------|------------------------|--------------|---------------|-------------------------|
| 2014/15            | 2013         | 3.20%                  | 2014         | 6.95%         | 3.20%                   |
| 2015/16            | 2014         | 2.50%                  | 2015         | 3.50%         | 2.50%                   |
| 2016/17            | 2016         | 2.50%                  | 2016         | 3.50%         | 2.50%                   |
| 2017/18            | 2017         | 2.50%                  | 2017         | 3.50%         | 2.50%                   |
| 2018/19            | 2018         | 2.50%                  | 2018         | 3.50%         | 2.50%                   |
| 2019/20            | 2019         | 2.50%                  | 2019         | 3.50%         | 2.50%                   |
| 2020/21            | 2020         | 2.50%                  | 2020         | 3.50%         | 2.50%                   |
| 2021/22            | 2021         | 2.50%                  | 2021         | 3.50%         | 2.50%                   |
| 2022/23            | 2022         | 2.50%                  | 2022         | 3.50%         | 2.50%                   |
| 2023/24            | 2023         | 2.50%                  | 2023         | 3.50%         | 2.50%                   |
| 2024/25            | 2024         | 2.50%                  | 2024         | 3.50%         | 2.50%                   |
| 2025/26 to 2043/44 | 2025 to 2042 | 2.50%                  | 2025 to 2043 | 2.50%         | 2.50%                   |

Section 2 - Expenditure

| Year               | Base RPI | Additional Provision Management | Additional Provision Repairs | Additional Provision Major Works |
|--------------------|----------|---------------------------------|------------------------------|----------------------------------|
| 2014/15            |          | Included in Base Budgets        |                              |                                  |
| 2015/16            | 2.80%    | 0.00%                           | 1.00%                        | 1.00%                            |
| 2016/17            | 2.50%    | 0.00%                           | 1.00%                        | 1.00%                            |
| 2017/18            | 2.50%    | 0.00%                           | 1.00%                        | 1.00%                            |
| 2018/19            | 2.50%    | 0.00%                           | 1.00%                        | 1.00%                            |
| 2019/20            | 2.50%    | 0.00%                           | 1.00%                        | 1.00%                            |
| 2021/21 to 2043/44 | 2.50%    | 0.00%                           | 1.00%                        | 1.00%                            |

Section 3 - Stock

| Year    | Opening Stock 01/04/2013 | Right to Buy | Estate Regeneration (Reductions) | Estate Regeneration (Additions) | New Build | Closing Stock |
|---------|--------------------------|--------------|----------------------------------|---------------------------------|-----------|---------------|
| 2014/15 | 16,600                   | (75)         | (45)                             | 0                               | 0         | 16,480        |
| 2015/16 | 16,480                   | (75)         | 0                                | 0                               | 27        | 16,432        |
| 2016/17 | 16,432                   | (75)         | (92)                             | 80                              | 27        | 16,372        |
| 2017/18 | 16,372                   | (75)         | 0                                | 79                              | 0         | 16,376        |
| 2018/19 | 16,376                   | (75)         | (167)                            | 53                              | 0         | 16,187        |

Section 4 - Borrowing

| Year    | New Loans | Average Interest Rate | Interest on Investments |
|---------|-----------|-----------------------|-------------------------|
| 2014/15 | 4.50%     | 3.52%                 | 0.31%                   |
| 2015/16 | 5.50%     | 3.62%                 | 0.31%                   |
| 2016/17 | 6.00%     | 3.72%                 | 0.31%                   |
| 2017/18 | 6.00%     | 3.82%                 | 0.31%                   |
| 2018/19 | 6.00%     | 3.91%                 | 0.31%                   |
| 2019/20 | 6.00%     | 4.00%                 | 0.31%                   |
| 2020/21 | 6.00%     | 4.31%                 | 0.31%                   |

Section 5 - Other

Provision for Voids loss 1.31% of rent income per annum  
 Provision for Bad Debts 1.00% of rent income per annum.

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