

DECISION-MAKER:	CABINET		
SUBJECT:	GENERAL FUND REVENUE BUDGET 2016/17 TO 2018/19		
DATE OF DECISION:	18 NOVEMBER 2015		
REPORT OF:	CABINET MEMBER FOR FINANCE		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY	
N/A	
BRIEF SUMMARY	
<p>This report summarises the current budget position and outlines the next set of the Executive's draft budget proposals 2016/17 which will be used as the basis for consultation with a range of stakeholders over the coming months.</p> <p>The results of the consultation exercise will be reported alongside the Executive's final budget proposals that will be presented to Cabinet on 9 February and recommended to Council on 10 February 2016.</p> <p>The report deals with General Fund revenue services only and there is a separate report on the agenda and a separate consultation process for the Housing Revenue Account which deals with services to Council tenants. Proposals for capital expenditure will be presented at the February meetings.</p>	
RECOMMENDATIONS:	
(i)	Note the consultation on the Executive's draft budget proposals will commence on 19 November and note the consultation proposals and methodology set out in paragraphs 95 to 102 and Appendix 1 of this report.
(ii)	Note the high level forecast for the General Fund for 2016/17 onwards contained in paragraph 20.
(iii)	Note the pressures which have been included in the forecast which are set out in paragraphs 29 to 37.
(iv)	Note the Executive's initial savings proposals put forward for consultation in Appendix 2 which amount to £13.0M.
(v)	Note that the Executive's initial savings set out in Appendix 2 propose the deletion of 182.82 Full Time Equivalent (FTE) posts, of which 31.01FTE are vacant, leaving 151.81FTE at risk of redundancy or TUPE transfer.
(vi)	Note that the Executive's budget proposals for consultation are based on the assumption that they will recommend a Council Tax increase of 1.99% to Full Council
(vii)	Note the Medium Term Financial Strategy Model for 2016/17 to 2019/20 contained

		in paragraph 22.
	(viii)	Approve the updated budget setting timetable contained in paragraph 103.
	(ix)	Note that work is in train to deliver significant service transformation across the Council, which will continue to aid the formulation of proposals for future service provision to support the Council's medium term budget position.
	(x)	To approve the establishment of a Social Enterprise Fund as per paragraph 72.
	(xi)	To note the reserves and balances position set out in paragraphs 73 to 76, including the School Balances Position Statement set out in Appendix 3.
	(xii)	Delegate authority to the Chief Financial Officer (CFO), following consultation with the Cabinet Member for Finance, to do anything necessary to give effect to the proposals contained in this report.

REASONS FOR REPORT RECOMMENDATIONS

1.	The production of a financial forecast and an outline timetable are a requirement of the Council's Budget and Policy Framework Procedure Rules.
2.	In addition, it is good practice for the Council to consult with a range of stakeholders on its proposals for developing the budget. The recommendations in this report have therefore been put forward to allow this process to formally begin.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3.	The proposals presented in this report represent the Executive's draft budget for 2016/17 that is being published for consultation. There are a number of variables and alternative options that could be implemented as part of the budget. The budget will be set by Full Council in February 2016.
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DETAIL (Including consultation carried out)

	<u>BACKGROUND</u>
4.	Budget Setting for 2016/17 to 2019/20 has had to operate in the context of ongoing demographic, policy and austerity challenges. At a national level, the Government is still looking to reduce the budget deficit and part of its strategy is to continue to reduce public sector funding, particularly for Local Government, for a minimum of the next four financial years.
5.	Since 2012/13 the Council's Revenue Support Grant (RSG) funding from Central Government has been cut by 30%, a total of £50M including the assumed RSG loss in 2016/17.
6.	By 2019/20 the Medium Term Financial Strategy assumes the Council will have lost virtually a 100% of RSG (in line with the assumptions of most other local authorities and the sectors major advisory bodies), therefore the organisation will need to be self-sustaining despite major pressures within social care.
7.	The Chancellor's announcement on 100% Business Rates retention and/or the Devolution bid (see paragraphs 60 to 71) may impact on the Council's self-sustainability, although the current absence of any details on the application of this policy announcement make it hard to quantify the impact this may have.

COMPREHENSIVE SPENDING REVIEW

8.	The Summer budget announcement on 8 July 2015 confirmed that £20bn of additional public spending reductions will be required in the Parliament; the Chancellor has asked all non-protected spending departments to model savings based on both a 25% and a 40%
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	reduction in budget by 2019/20. The impact of these reductions are expected to be included in the Comprehensive Spending Review (CSR), to be announced on 25 November 2015. Following on from this the Council is expecting to receive its 2016/17 Provisional Local Government Finance Settlement in mid-December 2015. It is not until this information has been received along with other Government funding, Council Tax and Business Rates Tax Bases and levies that the final budget position will be known.
9.	Whilst awaiting the outcome of the CSR and the Settlement a review of the Medium Term Financial Strategy Model to reflect the impact of local and national factors has been undertaken. The result of this review is set out in the following sections.
10.	The budget forecasts set out in this report are based on an assumption that the Revenue Support Grant will be cut by 28% (£12.2M) in 2016/17 and a further 35% (£10.8M) in 2017/18. These cuts come on top of a 24% funding cut in 2015/16. This position will be updated on confirmation of the actual reductions announced as part of the Local Government Finance Settlement.
	<u>MEDIUM TERM FINANCIAL STRATEGY</u>
11.	The Council currently spends £632M delivering services and funds this from income from Central Government grants, Council Tax, Business Rates, Rents, and other fees and charges. Of this £632M, £79M is spent on Housing within the Housing Revenue Account, £126M is spent on Schools, and £118M is spent on Housing Benefits, all this expenditure relates to specific ring-fenced funding and for the purposes of the General Fund budget setting cannot be utilised to achieve savings from. This leaves a targetable spend of £309M to address the Council's outcomes and priorities as well as savings required to meet the forecasted £90M challenge by 2019/20.
12.	The objective of the Council's 5 year Medium Term Financial Strategy is "To provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the Council's key priorities".
13.	There are 6 key aims of the Strategy: <ol style="list-style-type: none"> 1. To provide financial parameters within which budget and service planning should take place 2. To ensure the Council sets a balanced budget 3. To focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources 4. To ensure the Council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area 5. To plan the level of taxation in line with levels that the Council regard as being necessary, acceptable and affordable to meet the Council's aims, objectives, policies and priorities 6. To ensure that the Council's long term financial health and viability remain sound.
14.	This strategy will be updated in full for the February Budget Council following receipt of the CSR and Provisional Local Government Finance Settlement.
	<u>TRANSFORMATION</u>
15.	The transformation initiatives currently underway are at this time projected to deliver around £9M of recurring savings in 2016/17, of which £8m relate to services supported by the General Fund. The equivalent full year savings of the same initiatives from 2017/18 are projected to be £11m.

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The initiatives contributing to these savings are varied and in the main include:

1. Cost reduction, minimisation or avoidance activities whose main focus is ensuring that discretionary services provided by the Council are delivered on a basis that either enables the relevant service to recover all of the fixed and variable costs and overheads incurred in the provision of those services, and/or generate the appropriate level of income that is commensurate with the market value of the service being delivered.
2. Various efficiency improvement initiatives relating to staffing considerations, including vacancy management, the management of temporary and agency staff, sickness and absence management, and exit process.
3. An 'organisational development' programme' that looks to address the need for efficiencies through the deployment of performance management and improvement processes aimed at freeing up staffing capacity as well as service standards, through a planned and better focus on service objective setting, KPI management and measurement, workflow, and agile team based working.
4. A review of the Council's expenditure on third party service provision, including the re-procurement of services to secure better market rates, as well as a more fundamental look and consideration of the actual need for future services and the introduction of measures that can help suppress demand in the first place. As part of this negotiations are ongoing with the Council's strategic service delivery partners to deliver further contract efficiencies and savings.
5. A fundamental review of the Council's use of technology, with the objective of positioning this not merely as an essential tool for the delivery of services, but rather an intrinsic part of the Council's future 'DNA'. We want customers to have an increased and better ability to self-serve, online, at a time that suits them, while ensuring that the requisite support is available for customers who do not have the skills or means to interact with us digitally. The 'Digital' programme will be pursued in two elements. The first will initially focus on 'digitising' high volume, high cost services in order to drive efficiencies through the automation of process and enhanced levels of integrated workflow solutions. The second element will build on this fundamental step to position the Council as a 'digital' organisation by facilitating better integration of services across departments, ensuring better and more seamless customer journeys. These initiatives will enable the Council to operate a leaner structure, while also deliver savings in third party spend (with contractors and suppliers) and assets (such as property and office accommodation) through enabled reductions in facility requirements, customer contact structures, consolidation of back office and corporate service functions and retirement of old IT legacy.
6. The implementation of a new operating model, the concept of which was presented to and approved by Council in February this year. Since then we have been working with our partners PwC to start building the detailed structures that can put into practice the initial concept. Consultation on the first phase of proposed changes and implementation is planned to start immediately after this budget presentation. This first phase of the proposed changes focuses on the top three layers of management

	<p>across the Council. In line with the February 2015 report, it recommends</p> <ol style="list-style-type: none"> a. the establishment of a Chief Strategy Officer post to oversee the Council’s strategic functions, including the continued development of a business intelligence and insight capability, and the consolidation and development of our strategic commissioning functions, alongside strategic finance, human resources, legal and democratic services; and b. the establishment of a Chief Operating Officer post to oversee all operational delivery functions across the Council. While overall responsible for ensuring the effective and economic use of resources in the delivery of service functions (children’s services, adult services, transport, environment, housing etc.), the emphasis of this role and the positions reporting to it will be a focus on enabling and improving the experience of a customer’s journey across all their interactions with the Council. The post holder and his/her reports will also be accountable to Council for changing the current dynamic of customer dependency on Council services, to one of broader independence, particularly in relation to our social care services, and which can be achieved through increased opportunities for self-service, locality and community based support, and the continued sharing and integration of resources with partners across the City.
17.	<p>The changes proposed above are intended to lead to a decrease in the top 2 layers of the Council from 21 posts to 12. Further work is currently underway to address the third layer of management that covers a further 145 managers. While detailed proposals are currently unavailable for this layer of management, a further significant reduction in headcount is anticipated to be required, so that the Council’s structure reflects a smaller number of management layers with broader spans of control. We expect to have finished the detailed restructuring proposals in January next year in order to allow for consultation to commence with the affected management cohort immediately thereafter.</p>
18.	<p>As the Council is, in the main, a people driven organisation, a large proportion of our expenditure is linked to staff costs. As such, it is inevitable that our restructuring efforts in support of a new operating model will need to extend beyond the management tiers mentioned above. Further phases of staff consultation will need to be rolled out in the next financial year and beyond. These will be informed by other transformation initiatives such as the ones described earlier in this report, and particularly driven by the opportunities created through the digital programme, performance and process improvements, and further joined up working and integration of services with partner organisations.</p>
	<p><u>MEDIUM TERM FINANCIAL STRATEGY MODEL (MTFS)</u></p>
19.	<p>Based on the above strategy the forecast financial position for the 4 years to 2019/20 is set out in Table 1. The February 2015 budget report set out a gap over the period of £90M.</p>
20.	<p><u>Table 1 Original Savings Requirement</u></p>

		2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M																																																																																															
	Net Revenue Expenditure	198.9	210.3	220.9	231.7																																																																																															
	Funding Available	(159.8)	(149.6)	(143.2)	(141.6)																																																																																															
	Net Saving Requirement	39.1	60.7	77.7	90.1																																																																																															
	Annual Saving Requirement	39.1	21.6	17.0	12.4																																																																																															
21.	<p>The MTFS has been reviewed at Quarter 2 to take into account the following:</p> <ul style="list-style-type: none"> • The current forecast outturn position for 2015/16; • Reviewing the pressures the council is facing around social care; • Reviewing the current levels of government funding; • Reviewing the risk fund; • Reviewing the pay and inflation assumptions. <p>The updated position is set out below, and shows that there is still a budget shortfall to be addressed for 2016/17 of £12M, and a medium term shortfall of £71.1M.</p>																																																																																																			
22.	<p><u>Table 2 Changes to the Medium Term Financial Strategy Model</u></p> <table border="1"> <thead> <tr> <th></th> <th>2016/17 £M</th> <th>2017/18 £M</th> <th>2018/19 £M</th> <th>2019/20 £M</th> </tr> </thead> <tbody> <tr> <td>Original Savings Requirement</td> <td>39.1</td> <td>60.7</td> <td>77.7</td> <td>90.1</td> </tr> <tr> <td>Savings proposals requiring approval at November Council</td> <td>(9.4)</td> <td>(3.9)</td> <td>(5.9)</td> <td>(5.9)</td> </tr> <tr> <td>Savings Requirement after November Council</td> <td>29.7</td> <td>56.8</td> <td>71.8</td> <td>84.2</td> </tr> <tr> <td>Savings being proposed (Appendix 2)</td> <td>(13.0)</td> <td>(17.4)</td> <td>(16.9)</td> <td>(16.6)</td> </tr> <tr> <td>Pressures</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Adult Social Care Pressures</td> <td>4.0</td> <td>4.0</td> <td>4.0</td> <td>4.0</td> </tr> <tr> <td>Children's Social Care Pressures</td> <td>5.0</td> <td>5.0</td> <td>5.0</td> <td>5.0</td> </tr> <tr> <td>Funding to Support Roads Capital Programme</td> <td>0.4</td> <td>0.4</td> <td>0.4</td> <td>0.4</td> </tr> <tr> <td>Release of Risk fund</td> <td>(1.8)</td> <td>(1.8)</td> <td>(1.8)</td> <td>(1.8)</td> </tr> <tr> <td>Release of Allowance for new pressures</td> <td>(1.0)</td> <td>(1.0)</td> <td>(1.0)</td> <td>(1.0)</td> </tr> <tr> <td>MTFS Amendments</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Reduce pay award provision to 1%</td> <td>(0.8)</td> <td>(0.8)</td> <td>(0.8)</td> <td>(0.8)</td> </tr> <tr> <td>Reduce inflation provision</td> <td>(0.4)</td> <td>(0.4)</td> <td>(0.4)</td> <td>(0.4)</td> </tr> <tr> <td>Funding Amendments</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>New Homes Bonus (1 year only)</td> <td>(4.5)</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> </tr> <tr> <td>Increase in Business Rates and Council Tax</td> <td>(1.8)</td> <td>(1.8)</td> <td>(1.8)</td> <td>(1.8)</td> </tr> <tr> <td>Collection Fund Surplus 2015/16</td> <td>(3.8)</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> </tr> <tr> <td>Remaining Savings Requirement</td> <td>12.0</td> <td>43.0</td> <td>58.5</td> <td>71.1</td> </tr> </tbody> </table>						2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	Original Savings Requirement	39.1	60.7	77.7	90.1	Savings proposals requiring approval at November Council	(9.4)	(3.9)	(5.9)	(5.9)	Savings Requirement after November Council	29.7	56.8	71.8	84.2	Savings being proposed (Appendix 2)	(13.0)	(17.4)	(16.9)	(16.6)	Pressures					Adult Social Care Pressures	4.0	4.0	4.0	4.0	Children's Social Care Pressures	5.0	5.0	5.0	5.0	Funding to Support Roads Capital Programme	0.4	0.4	0.4	0.4	Release of Risk fund	(1.8)	(1.8)	(1.8)	(1.8)	Release of Allowance for new pressures	(1.0)	(1.0)	(1.0)	(1.0)	MTFS Amendments					Reduce pay award provision to 1%	(0.8)	(0.8)	(0.8)	(0.8)	Reduce inflation provision	(0.4)	(0.4)	(0.4)	(0.4)	Funding Amendments					New Homes Bonus (1 year only)	(4.5)	0.0	0.0	0.0	Increase in Business Rates and Council Tax	(1.8)	(1.8)	(1.8)	(1.8)	Collection Fund Surplus 2015/16	(3.8)	0.0	0.0	0.0	Remaining Savings Requirement	12.0	43.0	58.5	71.1
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23.	<p>The remaining annual savings requirement is set out in the Table 3.</p>																																																																																																			

Table 3 Remaining Annual Savings Requirement

	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M
Revised Net Revenue Expenditure	185.9	198.4	207.5	218.6
Revised Funding Available	(173.9)	(155.4)	(149.0)	(147.4)
Remaining Savings Requirement	12.0	43.0	58.5	71.1
Annual Savings Requirement	12.0	31.0	15.5	12.6

To date the savings and amendments to the MTFS include a number of non-recurrent items. Had these items not been included the underlying financial position is shown in the table below. The position for 2016/17 shows that if non recurrent funding and savings had not been utilised the remaining underlying savings requirement would be £25.7M

Table 4 Underlying Savings Requirement (Savings Requirement before non-recurrent items are utilised)

	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M
Original Savings Requirement	39.1	60.7	77.7	90.1
Recurrent Adjustments	(13.4)	(17.7)	(19.2)	(18.9)
Net Underlying Position	25.7	43.0	58.5	71.1
Non-Recurrent Savings/Amendments	13.7	0	0	0
Remaining Savings Requirement	12.0	43.0	58.5	71.1

EXPLANATION OF ADJUSTMENTS

24. The changes in to the Medium Term Financial Strategy Model to determine the remaining Savings Requirement are set out in detail in the following paragraphs.

Savings Proposals

25. The Executive's second tranche of savings proposals put forward for consultation are set out in Appendix 2 of the report and total £13.0M in 2016/17, with a cost to implement of £1.3M. The savings increase to £17.4M in 2017/18. They have been proposed in order that the Council can reduce its cost base whilst seeking to deliver its priorities and ensure the organisations remains financially sustainable, in the face of unprecedented reductions in local government funding.
26. The savings proposed in this report are in addition to those being approved at Full Council on the 18 November 2015, that include £10.3M of savings in 2015/16 and £9.4M in 2016/17, (these savings reduce to £3.9M in 2017/18 and £5.9M thereafter due to the non- recurrent nature of a number of the proposals). The total savings proposed to date for 2016/17 therefore amount to £22.4M, of which £16.9M are recurrent and £5.5M are non-recurrent.
27. The implications on staff of the new proposals are set out in the Staffing Implications section.
28. Whilst significant savings have been brought forward, at this stage in the budget process there remains a shortfall of £12M in setting a balanced budget for 2016/17. It is not unusual for the Cabinet to present a budget at this stage which is not balanced, although the current shortfall is significant when compared with previous years. In seeking to set a balanced budget for 2016/17, the Administration is faced with managing an anticipated reduction in Government grant £12.2M and significant demand pressures being placed on the social

	care system. Over the coming months Cabinet members will continue to explore further options for savings and efficiencies that could contribute to ensure there is a balanced budget position for 2016/17.
	<u>Pressures</u>
29.	Elsewhere on the agenda the current position on the 2015/16 revenue position is being reported. This sets out a £9.3M adverse variance for portfolios, that is reduced to £3.04M adverse after adjustments for the risk fund and other underspends are taken into account.
30.	Of this £9.3M Health and Adult Social Care and Education & Children's Social Care are facing £10.4M of pressures that are being offset by favourable variances elsewhere in the organisation.
	<u>Health and Adult Social Care</u>
31.	The Health and Adult Social Care portfolio position is £2.64M adverse in 2015/16. This situation is largely due to slippage in the achievement of savings from previous years. This position is expected to deteriorate in 2016/17 to £4M adverse as some non-recurrent monies and early achievement of 2015/16 savings, which increase in 2016/17, are removed from the position.
	<u>Education and Children's Social Care</u>
32.	In the Education and Children's Social Care portfolio the forecast position is an adverse variance of £7.75M. This is due to a number of factors: <ul style="list-style-type: none"> • Looked after children numbers being higher than expected; • More Independent Fostering Agency placements being used than budgeted for; • A high number of vacancies being covered by agency staff; Further detail can be found in the Corporate Revenue Financial Monitoring for the Period to the End of 30 September 2015.
33.	The Looked After Children adverse variance is £5.22M, therefore it is proposed that at this stage £5M is included within the budget forecast to address this pressure.
34.	With regards to the other pressures within this portfolio a number of actions are taking place including a joint working party with the Director of Children's Services, Finance staff and the Transformation team drawing together an action plan to address the remaining overspend.
	<u>Roads Funding</u>
35.	In line with the Executive's priorities a sum of money has been set aside within the revenue budget to pay for the Roads capital programme allocation for next financial year.
	<u>Release of Risk Fund</u>
36.	The MTFS includes a sum of money each year set aside to deal with risk within the system. This is common practice to enable variances within the financial position to be managed in year, without the Council falling into an overspend outturn position, and is helping to offset the current in year adverse position. As a large part of this risk fund is held to deal with the pressures within Social Care system and these have been allocated, this provision can now be reduced. This position will be reviewed in light of progress made in reducing the remaining in-year overspends in Children's Services, and any update will be reported as part of the February Budget report.
	<u>Release of Pressures Funding</u>
37.	The MTFS included an amount set aside to fund unknown pressures 2016/17 and onwards. As the pressures within Health and Adults Social Care, and Education & Children's Social Care have been allocated, this provision can now be released to fund the aforementioned

	pressures. This results in a reduction of £1M to the remaining savings requirement.
	<u>MTFS Amendments</u>
	<u>Pay award</u>
38.	A review of the allowance contained with the MTFS for pay award to align it to the 1% increase rather than 2% reduced the budget gap by £0.8M. This reduction reflects the Governments budget announcement that public sector pay awards should be limited to 1%. Whilst this does not mean the pay award will be 1% as this a limit, it does set a frame for the budget estimates.
39.	It should also be noted that the Living Wage Foundation has recently announced its proposals for an increase in the voluntary Living Wage, from £7.85 to £8.25. The City Council has committed to implement increases to the voluntary living wage, and this new rate will therefore be implemented for all affected employees from April 2016.
	<u>Inflation</u>
40.	Non pay inflation increases are in some instances based on the Office for National Statistics data, adjusted for local conditions and contracts. Since the initial MTFS was set inflation rates have fallen resulting in a 12 month CPI rate of 0% (based on the ONS August 2015 data). As a result the inflation allocation can be reduced by £0.4M. The underlying inflation assumptions will continue to be reviewed and any changes will be reflected in the update to the MTFS.
	<u>Funding Adjustments</u>
	<u>New Homes Bonus</u>
41.	At the February review of the MTFS, the funding for New Homes Bonus was removed. This was following advice from the Local Government Association, due to the uncertainty surrounding the General Election. There is still a high degree of uncertainty about the future of this funding after 2016/17 as this will bring to a close the Governments initial 6 year allocation. Due to this uncertainty New Homes Bonus has been included for 2016/17 year only, reducing the savings requirement by an estimated £4.5M. It is anticipated that the actual grant level will be confirmed as part of the Local Government Finance Settlement, and that further clarity will be provided as to the continuance or otherwise of the grant, together with clarification as to how the New Homes Bonus would operate in the future.
	<u>Business Rates, Council Tax and the Collection Fund</u>
	<u>2015/16 In Year Collection</u>
42.	Projections for Council Tax and Business Rates collection are reviewed on a monthly basis, and in the current financial year it is expected that there will be a Collection Fund surplus of which the Council's share would £3.8M. This forecast surplus has been utilised to help reduce the remaining savings requirement in 2016/17.
	<u>Forecast Position 2016/17</u>
43.	Following on from this review the forecast collection position for both Business Rates and Council Tax, including an increase in the Council Tax base, has been updated for 2016/17. This has allowed an additional £1.8M to be included within the MTFS. This is due to an increase in the amount collected rather than an increase in the charge for Council tax or Business Rates.
	<u>OPTIONS FOR CLOSING THE 2016/17 BUDGET GAP</u>

44.	The remaining savings requirement is £12M in 2016/17 and £71.1M for the period to 2019/20. This is a sizeable gap still to be closed before council tax has to be set on the statutory deadline of the 11 March 2016.
45.	Further savings proposals will need to be brought forward to bridge this gap before the planned February report has to set a balanced budget as required by law.
46.	There are several ways the gap can be closed as set out below. These options are not mutually exclusive and the final budget proposals may include a mix of options. In seeking to close the budget gap, in the first instance the Executive recognise the need to deliver and favour options that can be delivered on a recurrent basis. This is particularly important as discussed in paragraph 23 the current position already utilises significant non recurrent proposals.
47.	<p><u>Option 1 Identification of Additional Savings</u></p> <p>The Council's Management Team will be actively considering further proposals with Cabinet between now and February 2016 to identify additional savings that can be brought forward for 2016/17. This will include a review of procurement expenditure, and officers are working with the Council's strategic partners to identify areas where expenditure could be reduced.</p>
48.	<p><u>Option 2 2015/16 Savings to be agreed at November Council</u></p> <p>There is £10.3M of savings in 2015/16, being recommended for agreement at the November Council. The current forecast outturn position would suggest that £3.04M of these are required to offset the adverse position. This would leave £6.9M which at the present time it is planned to transfer these savings to earmarked reserves for specific pressures as set out below.</p>
50.	<p>These pressures include the following:</p> <ul style="list-style-type: none"> • Social Care Demand – although monies are being built in for next financial year for these areas, there is little built in to the MTFs on a recurrent basis after this, therefore monies held within earmarked reserves will enable the service and the organisation to deal with higher than expected demand pressures in the short term while strategies are drawn up to deal with these on a sustainable basis. • Economic & Policy Factors – there are a number of economic and policy factors that monies need to be set aside for including the increase in the national living wage, and any further impact of pay and allowances. • In year Government funding cuts – it is thought prudent to set aside some monies to enable the authority to deal with any unexpected in year funding cuts from Central Government. If these occur services will need to be reduced, however in some instances this is not possible immediately and gap funding needs to be found, until the organisation can shift its level of expenditure. For example, in the current year we have seen unexpected cuts to both Public Health funding, as detailed in paragraphs 55 to 59 and Youth Justice Board funding.
51.	<p><u>Option 3 Transformation Programme</u></p> <p>The Council has embarked upon a significant Transformation journey, and for 2016/17 £8M of the savings proposals detailed in Appendix 2 are as a result of this programme. These initial savings increase in 2017/18 as the full year impact of the various strands of the programme take effect. Whilst the programme has been fast paced, working together with our Strategic Partner, PwC, and the Council's Management Team will seek all opportunities to further accelerate the programme to deliver substantial change and the new operating model, the initial components of which are included within the current savings proposals.</p>

52.	<p><u>Option 4 Further detailed review of the Medium Term Financial Strategy Model</u></p> <p>A further review of the assumptions contained with the MTFs will be undertaken over the next couple of months particularly in light of the Comprehensive Spending Review announcement and the Provisional Local Government Finance Settlement. The result of this review will be reported in the suite of February budget reports.</p>
53.	<p><u>Option 5 Draw from General Fund Balance</u></p> <p>There does remain an option to draw from the General Fund Balances and make a non-recurrent contribution to the budget position in 2016/17. Whilst this is not in line with the agreed Medium Term Financial Strategy, to ensure the Council's is financial sustainability going forward. A draw from balances could be made if all other means of closing the budget gap have been exhausted.</p>
<p><u>FURTHER ISSUES POTENTIALLY IMPACTING ON THE MTFs</u></p>	
54.	<p>There are a number of other items to consider that have yet to be built into the Medium Term Financial Strategy and Model. It is expected some of the implications of these items will be included in the February 2016 report once more detail is known.</p>
<p><u>Public Health</u></p>	
55.	<p>The Council has taken responsibility for the commissioning of 0-5 health visitor services and the services linked to an all age early help offer when the functions transferred from NHS England on 1 October 2015. The grant that is allocated as part of this transfer will form part of the ring-fenced public health grant.</p>
56.	<p>On 4 June 2015, the Chancellor announced savings of £200M from this year's Public Health grant. This decision was thought to affect the Council's 2015/16 public health funding of £15.050M. A consultation has taken place on the most appropriate method of implementing the savings, with a straight line reduction of 6.2% being the Government's preferred option.</p>
57.	<p>The response to this consultation including the revised allocations was published on the 4 November. The reduction has been calculated on both the standard public health grant (£15.050M) and the recently transferred 0-5 years/early help allocation (£2.163M). For Southampton the reduction is £1.06M in 2015/16.</p>
58.	<p>On 8 October 2015 the Government issued a consultation paper on the allocation of Public Health Grant for 2016/17. This proposed revision to the allocation could impact on funding for Southampton reducing the Council's share of the national grant from 0.24% to 0.22%. The impact of this change will not be known until later in 2015 or early 2016.</p>
59.	<p>It is currently assumed that the in-year reduction in funding for Public Health and any reduction in 2016/17 onwards will need to be managed within Public Health resources, resulting in no impact on the budget position. However due to the late nature of the announcement of the in-year funding cut this may not be possible, leaving the Council with a potential increase to the forecast deficit in 2015/16.</p>
<p><u>Devolution</u></p>	
60.	<p>The Council is currently an active partner in the Hampshire and Isle of Wight devolution deal, along with 15 other councils, two Local Enterprise Partnerships and two national park authorities, to Central Government to have more powers devolved to the area.</p>
61.	<p>The deal includes a proposal to retain 100% of the business rates collected within the area, currently 50% of all business rates collected are passed over to Central Government. In return for foregoing Revenue Support Grants from central government, the prospectus asks to keep 100% of business rates generated in the area and assumes the proposal will be</p>

	fiscally neutral to the Government.
62.	Should it be successful, the ambitious nature of the devolution deal and number of partners involved mean it could become a blueprint for cities and regions across the country to follow, especially following the Chancellor's announcement in the Autumn around councils retaining 100% of business rates in the future. There is little detail available at the time of writing this report to determine how this policy will work in practice, but as above the indications are that Treasury will seek to achieve fiscal neutrality at the macro level.
63.	The move would reduce the region's dependency on money from central government and put greater impetus on the partners involved to boost the success of businesses in the region.
64.	If this comes to fruition, the area will be responsible for its own income and therefore need to make sure it attracts businesses and has the conditions for them to thrive in order to generate funds.
65.	The proposals focus around four key themes: boosting business and skills for work; accelerating housing delivery; investing in infrastructure; and transforming public services.
66.	Within these, projects will deliver on the government's productivity plan and rural productivity plan and ensure: more homes are built; more efficient local planning; further expansion of broadband; better mobile connectivity; improved transport connections; a higher-skilled workforce with employers setting the skills agenda locally; higher employment and better wages.
67.	Plans for homes include accelerated delivery of existing local plans, as well as an additional 500 homes a year in the priority home categories of rural affordable, low-cost starter, council new-build and extra care, by making use of exception sites including redundant public land.
68.	Until it is confirmed what central government would award to Hampshire and Isle of Wight it isn't possible to say what structure the devolved arrangement would take, but rather than creating a new layer of government the aim is to bring existing decision making powers from Whitehall down to a local level.
69.	Furthermore the partners will work to deepen devolution locally and seek opportunities for district and parish councils to take on extra functions and develop services with communities.
70.	The overall aim is to make Hampshire and Isle of Wight an even better place to live and work by growing the economy in urban and rural areas without destroying what makes them special. This would include maintaining valued open spaces through measures such as greenbelt and working hard to bring local people more into the design of their own communities.
71.	Following the submission of Hampshire and Isle of Wight's devolution prospectus, central government is expected to make a decision on the proposals later this year.

	<u>SOCIAL ENTERPRISE FUND</u>
72.	It is proposed to set aside a sum of money to be made available to staff wishing to set up a social enterprise to run their services. The criteria for whether a social enterprise is the correct future operating model for the service will need to form part of the operating model discussions, initially, then will need to be evaluated on case by case basis to ensure financial and commercial sustainability. This sum will be allocated from reserves so will not impact on the current General Fund Revenue position.
	<u>RESERVES AND BALANCES</u>
73.	To ensure proposals are considered in a full financial picture, it is important to set out the expected position on earmarked reserves and the General Fund Balance.
	<u>Earmarked Reserves</u>
74.	The Council has a number of earmarked reserves that have been set aside for specific reasons. These reserves can be split into two categories: <ul style="list-style-type: none"> a. Those required to be kept by statute or accounting guidance. For example revenue grants reserve, School Balances. These reserves can only be utilised for the purpose for which they have been set aside. b. Those set aside for a future event that has a high probability of occurring. For example Transformation Reserve.
75.	A review of the adequacy of these reserves is in train. The outcome of this review will form part of the revised MTFs.
76.	Attached at Appendix 3 is the School Balances Position Statement, setting out the final 2014/15 level of balances. The statement also highlights that five schools have set deficit budgets in 2015/16, and that there is significant risk that in future years the number of schools that may need to set a deficit budget will further increase.
	<u>General Fund Balance</u>
77.	The General Fund Balance is forecast to be £12.8M at the end of 2015/16. The required level of balance is determined by assessing the level of risk the Council faces. This has been assessed as a £5.5M requirement for 2015/16.
78.	Obviously when the Council is facing significant cuts in funding, increasing demand alongside a major transformation programme the level of risk is heightened. The assessed minimum balance will be reviewed for MTFs in February 2016, taking into consideration both risk and affordability.
	<u>STATEMENT ON GENERAL FUND BUDGET STRATEGY BY THE CHIEF FINANCIAL OFFICER (S151 OFFICER)</u>
79.	Section 25 of the Local Government Act 2003 imposes a specific duty on the CFO (Section 151 officer) to formally report to Council at the time the budget is considered and the Council Tax is set on the robustness of the budget estimates and the adequacy of financial reserves. This report will be brought forward alongside the Budget and Council Tax Setting Report to Full Council in February.
80.	In advance of the report to Cabinet and Council in February 2016 it is important to set the whole of the 2016/17 budget process in the context of the continuing austerity measures that Local Government finds itself, and to provide some initial comments on progress with setting a balanced budget for 2016/17 and beyond.
81.	Given the continuing uncertainties 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.
82.	The scale of the budget challenge for 2016/17 onwards is significant, with the Council anticipating a further sizeable reduction in Government Funding as set out in paragraph 10, whilst at the same time experiencing increasing demand pressures particularly in Social Care.
83.	As set out in paragraph 20, the MTFs included in the February 2015 budget report set out a forecast budget shortfall of £39M for 2016/17 rising on a cumulative basis to £90M over the medium term to 2019/20. This position is based on the assumed reduction in government funding and will be updated once the Provisional Local Government Settlement is published in December.
84.	Since the forecast position was published, the Council has experienced significant in year spending pressures in 2015/16, primarily within Social Care. These pressures arise from a combination of continuing demand increases but also from a number of current and prior year savings becoming less achievable. Whilst significant work is underway to seek to reduce demand and find additional recurrent savings, the current updated forecast has included a pressure of £5M for Children's Social Care and £4M for Adult Social Care, as it is felt that the current pressures are recurrent. This has increased the initial overall budget shortfall by £9M
85.	This has in effect meant that the overall gap for 2016/17 has increased from £39M to £48M.
86.	To address the £48M budget gap significant work is continuing to be undertaken, to identify savings to enable a balanced budget to be set. To date total savings of £22.4M have been identified. These savings, taken together with changes to assumptions in the MTFs, and revised funding assumptions mean that the current budget shortfall for 2016/17 is £12M.
87.	Whilst the overall savings identified to date for 2016/17 are £22.4M, this includes non-recurrent savings/use of one off funding of £13.7M, leaving an underlying budget gap of £25.7M for 2016/17. By utilising non-recurrent savings, the savings requirement in future years is then also increased, and for 2017/18, the budget gap currently stands at a £43M.
88.	The aim of the Medium Term Financial Strategy is to create a sustainable financial position for the authority. In seeking to manage the overall financial position in a balanced and measured way, it can be appropriate that in any single financial year a draw from balances may be required to support the budget. This recognises that significant change programmes and the delivery of significant savings may take longer than a one year period to implement and be delivered in full. The use of balances on a planned basis can therefore be an important element of the overall budget strategy
89.	However, the Council is required to calculate and maintain a minimum level of General Fund Balance commensurate with the assessed level of financial risk the authority faces. This balance should be maintained in the medium term and financial plans drawn up around this. The expected level of General Fund balance for 2016/17 is £12.8M, against the assessed minimum balance of £5.5M.
90.	The ongoing use of non-recurrent resources to balance the budget each year, needs to be in the context of clear plans to deliver recurrent savings in the medium term. Otherwise this would not support the aim of achieving a sustainable financial position in the medium to long term.
91.	Since the start of the Government's austerity measures, the Council has had to use one off savings/funding/draws from balances and reserves to balance its budget. As well as seeking to manage significant funding reduction and pressures, the use of non-recurrent resources culminates in the budget gap in the following year being higher than otherwise would have been had the previous year's gap been closed using recurrent resources.

92.	Over the course of the last 2 years, the Authority has taken specific steps to bolster and strengthen its reserves and balances, recognising the significant financial challenges the Council will face over the medium term. It is therefore important that in particular earmarked reserves are appropriately managed in light of the financial risk faced.
93.	Given that the current budget position for 2016/17 is being supported through the use of £13.7M of one off funding and savings, it would not be advisable to make any significant draw on reserves or balances to balance the budget position, as this would impact on the overall robustness of the budget and the adequacy of reserves.
94.	At this stage in the budget process, there remains a significant shortfall of £12M, and the Council's ongoing budget process must therefore identify additional recurrent savings to bring forward in order to enable a balanced and robust budget to be set in February 2016 for 2016/17.
	<u>BUDGET CONSULTATION</u>
95.	Where new proposals have been put forward these have been subject to consultation with the Council Management Team (CMT) and relevant Cabinet Members.
96.	The Executive will undertake a consultation process on their initial draft budget proposals following the consideration of this report by Cabinet. The Leader and the Cabinet are keen to listen to any new ideas on how to reduce costs, to receive feedback on the proposals and on any potential impact of the proposals. This is to finalise the Executive's budget which will be recommended to Full Council in February 2016.
97.	The process used for public consultation is improved each year based on feedback from previous consultations. As in previous years a consultation questionnaire will be supported by an easy to read background to the budget, key information in themed information sheets and a set of frequently asked questions.
98.	Consultation will be undertaken with Trade Unions and staff affected by the proposals in line with the agreed Human Resources (HR) policies.
99.	Public consultation will be undertaken with service users or organisations affected by the proposals as well as with residents at a wider level, to ensure all options have been considered.
100.	Appendix 1 outlines the process, including the methods of consultation that will be employed.
101.	As the budget proposals mean that more than 151.81 members of staff are at potential risk of redundancy, a minimum 45 day statutory consultation period is required. The staff consultation will commence on 19 November 2015 and will continue until 3 January 2016 for the main budget proposals, a period in excess of the minimum requirement. Where detailed restructure proposals have not yet been developed the 45 day staff consultation will begin after the proposals are ready.
102.	The written public consultation on the draft 2016/17 budget will run from 19 November 2015 to 14 January 2016 where responses to the consultation questionnaire can be made. The consultation period will continue until the point of the final decision on 10 February 2016 any feedback received during this period will be updated verbally at the Cabinet meeting on 9 February 2016 ahead of the final decision at Full Council on 10 February 2016.
	<u>BUDGET AND CONSULTATION TIMETABLE</u>
103.	<u>Action</u>
	<u>Timescale/Date</u>

	Draft Report Published	9 November 2015
	Formal consultation meeting with Trade Unions	9 November 2015
	Proposals distributed to Group Leaders	9 November 2015
	Overview & Scrutiny Management Committee (OSMC) Consider Budget Report	12 November 2015
	Report on the Executive's Draft Budget presented to Cabinet	18 November 2015
	Commence Statutory 45 Day Minimum Consultation and briefings for staff affected by draft budget proposals.	19 November 2015
	Commence 12 week consultation public consultation	19 November 2015
	Commence written budget consultation and online questionnaire	19 November 2015
	Comprehensive Spending Review Announced	25 November 2015
	Provisional Local Government Settlement	Mid to late December
	Review of financial position in light of settlement	Mid to late December
	End of Written Consultation feedback to inform Executive's Budget proposals	14 January 2016
	Written Consultation Responses considered	January/February 2016
	Final Budget Report Published for Cabinet	1 February 2016
	Final Budget Report Published for Council	2 February 2016
	Cabinet meet to recommend budget to Council	9 February 2016
	Council meeting to consider the budget and council tax	10 February 2016
	STAFFING IMPLICATIONS	
104.	The City Council employs 3,566 of non-school employees and their staffing costs constitute a significant element of overall expenditure. Given that this is the case, it is inevitable that when the Council is faced with such a significant funding shortfall, the savings proposals put forward, (as set out in Appendix 2), will have an impact on staff cost and staff numbers.	
105.	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.	
106.	This proactive approach has meant that the Council has been able to hold a number of posts vacant some of 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.	
107.	Based on the current savings proposals put forward by the Executive it is anticipated that, subject to the outcome of the consultation process, 182.82 Full Time Equivalent (FTE) posts	

	are impacted of which 31.01 FTE of posts are vacant. The post holders will either be at risk of being made redundant or be subject to TUPE transfer, and up to 152 individuals are impacted.
108.	<p>This is in addition to the proposed staffing reductions of 4.33 FTE already approved for 2015/16 as set out in the report to be agreed by Full Council on 18 November. Taken together with the staffing proposals set out in this report, the potential total reduction in FTE arising from savings which impact in 2016/17 is 187.15 FTE.</p> <p>Through the consultation process the Executive is 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.</p> <p>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:</p> <ul style="list-style-type: none"> • Early retirement, • Flexible retirement, • Voluntary redundancy and • Reduced hours
<u>EQUALITY AND SAFETY IMPACT ASSESSMENTS</u>	
109.	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.
110.	While the Equality Duty does not impose a legal requirement to conduct an Equality Impact Assessment, it does require public bodies to show how they considered the Equality Duty and that they have been consciously thinking about the aims of the Equality Duty as part of the process of decision-making. To comply with these requirements as well as the Community Safety legislation, the Council has used its existing Impact Assessment framework so that it can ensure the use of a consistent, Council wide mechanism to evidence how decision making took into account equality and safety considerations. In addition, in light of the potential impact of the welfare reforms on some residents, the assessments also take into account the impact on poverty.
111.	Draft individual Equality and Safety Impact Assessments (ESIAs) have been completed by the Council's Management Team for those proposals contained in Appendix 2 that they identified require such an assessment, as they could have an adverse impact on a particular group or individuals. The draft individual ESIAs are available in Members' Rooms.
112.	The individual ESIAs will be analysed to consider the cumulative impacts the draft budget proposals may have on particular groups and the mitigating actions that could be considered. In order to give the right perspective to the draft budget proposals, the Cumulative Impact Assessment has to be considered in light of the available information on the City's profile, service user and non-user information and staffing profiles as well as the proportion of the Council's budget that is currently spent on targeted groups or communities. The first draft of the Cumulative Impact Assessment will be completed by a central team of officers within the Council, based on the initial ESIAs completed by service managers. This will be published on the Council's website.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
113.	This report is concerned with the revenue forecasts for the General Fund for 2016/17 and

	beyond. The revenue implications of financing the approved General Fund capital programme are included within the forecasts presented in this report
<u>Property/Other</u>	
114.	None
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
	<u>INTRODUCTION</u>
115.	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.
	<u>GENERAL POSITION</u>
116.	The first and overriding legal duty on Members is their fiduciary duty to weigh the needs of service users against the interests of local taxpayers. In planning the budget, Members are under a fiduciary duty to act prudently, responsibly, in a business-like manner and in their view of what constitutes the best interests of the general body of local taxpayers. In deciding upon expenditure, the Council must fairly hold a balance between recipients of the benefits of services provided by the Council and its local taxpayers. Members should note that their fiduciary duty includes consideration of future local taxpayers as well as present local taxpayers.
117.	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.
118.	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.
	<u>OBLIGATION TO MAKE A COUNCIL TAX</u>
119.	The legal significance of the Annual Budget derives from the Council's duty under the Local Government Finance Act 1992 (the 1992 Act) to set a balanced budget. This is achieved by calculating the aggregate of: <ul style="list-style-type: none"> 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 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.

120.	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.
121.	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.
122.	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'.
123.	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.
124.	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.
	<u>DEFICIT BUDGETING</u>
125.	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.
126.	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.
	<u>BORROWING</u>
127.	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.
	<u>OTHER RELEVANT LEGISLATION</u>
128.	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.
129.	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.

<u>THE CONSTITUTIONAL POSITION: LOCAL GOVERNMENT ACT 2000 (THE 2000 ACT)</u>	
130.	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.
131.	<p>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.</p> <p>In addition, the Constitution contains a range of further material relevant to the setting of the Council Tax and the Budget Setting meeting:</p> <ul style="list-style-type: none"> 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 <p>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.</p>
<u>LEGAL STATUS OF POLITICAL PROMISES AND DOCUMENTS</u>	
132.	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.
133.	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.
134.	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.
135.	<p>The Courts have also advised on the balancing exercise to be undertaken by a Council when deciding whether to pursue a particular policy:</p> <p>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</p>

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.

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Other Legal Implications:

136.	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 CMT, the proposals contained in this report have been checked from a legal viewpoint.
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POLICY FRAMEWORK IMPLICATIONS

137.	The Medium Term Financial Strategy and the Budget are key parts of the Policy Framework of the Council and a Budget and Council Tax for 2015/16 must be proposed by the Executive (Cabinet) for consideration by the Full Council under the Constitution.
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KEY DECISION?	Yes
WARDS/COMMUNITIES AFFECTED:	
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	The Budget Consultation Process
2.	Executive's Savings Proposals for Consultation
3.	School Balances Position Statement

Documents In Members' Rooms

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