

DECISION-MAKER:	CABINET COUNCIL		
SUBJECT:	CHANGES TO EXISTING REVENUE AND CAPITAL BUDGETS		
DATE OF DECISION:	19 JULY 2016 20 JULY 2016		
REPORT OF:	SECTION 151 OFFICER (S151)		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY

None

BRIEF SUMMARY

This report follows the report to Council on 10th February 2016 opening consultation on £8.6M of savings proposals in 2016/17 increasing to £20.8M by 2019/20. This report details the outcome of the consultation process and recommends approval of these savings following the consultation period.

RECOMMENDATIONS:

CABINET recommends that Council:

- i) To note the Medium Term Financial Forecast will be further updated for the November budget report to Cabinet.
- ii) To approve the savings proposals, as set out in Appendix 2 to this report.
- iii) To note the remaining budget shortfall for 2016/17 to 2019/20 as set out in paragraphs 7 to 10.
- iv) To note the required change to Treasury Management indicators as set out in paragraphs 32 to 39.
- v) Delegate authority to the S151 Officer to action all budget changes arising from the approved efficiencies, income and service reductions and incorporate any other approved amendments into the General Fund Estimates.
- vi) Delegate authority to the S151 Officer following consultation with the Cabinet Member for Finance to do anything necessary to give effect to the recommendations in this report.

COUNCIL is recommended to:

- i) To note the Medium Term Financial Forecast will be further updated for the November budget report to Cabinet.
- ii) To approve the savings proposals, as set out in Appendix 1 to this report.
- iii) To note the remaining budget shortfall for 2016/17 to 2019/20 as set out in paragraphs 7 to 10.
- iv) To note the required change to Treasury Management indicators as set out in paragraphs 32 to 39.
- v) Delegate authority to the S151 Officer to action all budget changes arising from the approved efficiencies, income and service reductions and incorporate any other approved amendments into the General Fund Estimates.
- vi) Delegate authority to the S151 Officer following consultation with the Cabinet Member for Finance to do anything necessary to give effect to the recommendations in this report.

REASONS FOR REPORT RECOMMENDATIONS

1. The current medium term financial forecast highlights the challenges facing the Authority. This combined with potential impact of reductions in and changes to future funding levels for Local Government make it imperative that proposals for 2016/17 onwards are developed and savings achieved as early as possible.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. The Executive put forward a range of savings proposals for consultation in February 2016 as part of the annual budget setting process. These savings contribute to meeting the budget shortfall in 2016/17. Should these savings proposals not be approved, alternative proposals will be required to meet any resultant budget shortfall in year, with any shortfall being met from balances and reserves.
3. Further savings proposals may be submitted as part of the November 2016 budget report for early consultation as part of the annual budget setting process for 2017/18 to be approved by Council in February 2017.

DETAIL (Including consultation carried out)

CONSULTATION

4. The proposals put forward were subject to consultation with the Council's Management Team and relevant Cabinet Members.
5. Consultation was undertaken with Trade Unions and staff affected by the proposals in line with the agreed Human Resources (HR) policies.
6. Public consultation was undertaken with any people or organisations affected by the proposals to ensure all options have been considered, as well as with residents at a wider level.

BACKGROUND

MEDIUM TERM FINANCIAL STRATEGY (MTFS) AND BUDGET SAVINGS REQUIREMENT 2016/17 to 2020/21

7. The Medium Term Financial Strategy agreed at Council on the 10th February

2016 set out a £42.3M savings target for the period 2016/17 to 2019/20. The profile of the target is set out in the following table:

8. Table 1 - Summary Savings Targets

	2016/17	2017/18	2018/19	2019/20
	£M	£M	£M	£M
Savings Requirement	0.0	24.6	31.3	42.3

9. It should be noted that at February Council, a decision was taken to reduce a savings proposal put forward in November 2015 relating to Schools Cost Recovery. This reduces the saving from £0.8M to £0.6M. This savings shortfall, if not addressed, will increase the overall budget gap to £42.5M. This will be reviewed in year and included in the next MTFS update.
10. A full update of the MTFS Model will be included in the November Cabinet report. This will include a review of the potential impact on local government finances as a result of the national referendum result to leave the European Union. There is no planned emergency budget planned before the autumn although initial indications are that the Government's intention to achieve a surplus national financial position by 2019/20 may be relaxed. The current Medium Term Financial Forecast (MTFF) is detailed in Appendix 3.

OPTIONS FOR SAVINGS

11. The scale of both the in-year and future financial challenge facing the Council combined with the potential impact of an ongoing difficult economic position make it imperative that proposals for 2016/17 onwards are developed and savings achieved as early as possible.
12. The report to Council 10th February 2016 set out draft savings proposals for consultation. These total £8.6M in 2016/17. These are set out in Appendix 2 in detail.
13. Where possible these will be implemented as soon as practicable in the current financial year. The achievement of these savings have been assumed in setting the 2016/17 budget with any shortfall in savings being met from balances and reserves.

Consultation Feedback

14. A full summary of the consultation for phase 1 of the 2016/17 budget is included in Appendix 1.
15. Southampton City Council undertook consultation with staff, service users and stakeholders regarding the second phase of proposals to set balanced General Revenue Account budget for 2016/17, between 10 February 2016 and 20 April 2016.
16. The consultation on the 2016/17 draft budget sought views on the proposal from relevant staff, residents, stakeholders and partner organisations. The formal written consultation ran from 10 February 2016 to 20 April 2016 with an extended period

where responses and comments could still be received to enable as many people to respond on the proposal as possible.

17. In total, 158 people responded to the consultation on the Budget 2016/2017 (part two), either through a paper or online questionnaire, or a general letter or comment. All the questionnaire submissions that had at least one question completed were included in the analysis, to ensure every piece of feedback was considered.

The demographic make-up of the respondents is outlined below:

- The least represented age groups were under 16 and over 85, with 1% and 0% of responses respectively.
- The age group represented the most was the 55-64 year olds, with 16% of the overall respondents belonging to these age categories.
- The gender breakdown of consultation respondents was 53% male, 40% female and 7% preferring not to say.
- The ethnicity breakdown of consultation respondents was 86% White, 3% Mixed/multiple ethnic groups, 2% Asian/Asian British and 1% Black/African/Caribbean/Black British. 8% of respondents preferred not to state their ethnic group.
- The majority of respondents stated that they were not employed by Southampton City Council (76%), 15% are employed by Southampton City Council and 9% preferred not to say.

18. Respondents were asked for their views on four main areas of the Budget and were then given the opportunity to state concerns, impacts and alternatives. The four main areas were: Internal Efficiencies, Adult Social Care, Education and Children’s Social Care, and Income, Investment and Charges. Within each of these areas, respondents were asked about their general agreement with the proposal. If, in any proposal, respondents answered in the negative (disagree or strongly disagree), they were asked to state which specific parts of the proposal they disagreed with and which part they disagreed with the most.

19. The following Table 2 shows the response for each area.

Information sheet	% Combined agreement	% Combined disagreement
Internal Efficiencies	52	18
Adult Social Care	45	38
Education and Children’s Social Care	53	28
Investment, Income &	56	29

Charges		
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All groups of proposals had a similar level of engagement.

20. Overall agreement with the 2016-17 phase 2 proposals was 51% with 29% in disagreement.

Issues Raised

21. At the end of the consultation respondents were given the opportunity to add their views about the Budget proposals overall, any impacts that should be considered and any alternatives that could be considered.

The majority of the overall comments linked directly to the impacts that the budget could have on a wide range of people. For this reason, the comments were amalgamated and analysed together. Full details are available in Appendix 1.

Summary of Consultation

22. Over 158 stakeholders have engaged with the consultation process in this phase and given their views on the proposals. The consultation has engaged with a range of individuals through a variety of methods to allow residents in Southampton to give their views on the budget for 2016/17. By looking at various demographic breakdowns of the respondents, while there were greater responses from older age groups, there was engagement across the board.
23. Following the conclusion of the consultation process approval is now sought to implement all of the savings detailed in Appendix 2.

REMAINING BUDGET GAP

24. Further work is ongoing to identify additional savings to close the remaining budget shortfall for 2017/18 to 2019/20 and these will be brought forward to Cabinet in November for consideration and agreement to proceed to consultation, with final approval being sought by Cabinet and Council in February 2017.
25. In addition, an exercise is being undertaken to review all council services against a priorities and outcomes matrix (Outcomes Based Budgeting) to identify those services where further efficiencies and reductions may achieve further savings to address the remaining budget gap

STAFFING IMPLICATIONS

26. 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.
27. 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.
28. At this stage, based on the savings proposals contained in this report, 149.28 FTE posts are potentially affected of which 24.0 are currently vacant and 125.28 are in post and would be at risk of redundancy.
29. It is anticipated that further proposals that will have an impact on staffing will be brought forward in the November budget report.
30. Through the consultation process the Executive has explored 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.

31. 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

PROPERTY INVESTMENT FUND

32. The savings listed in Appendix 2 for approval include a saving proposal to achieve an additional £1M of net revenue income through a Property Investment Fund (PIF).
33. A sum of £65M was approved by Council in February 2016, within the Leader's Portfolio Capital Programme, to undertake investments to generate the level of required income.
34. The PIF aims to make a series of investments directly in property, property funds and corporate investment.
35. To support this activity, the council commissioned Arlingclose, our Treasury Management (TM) advisors, to make recommendations regarding investment in Property Funds, directly and indirectly, as well as Real Estate Investment Trusts (REITS). Investments of this type will provide additional diversification from just direct property investment and manage the overall risk of the fund.
36. The Council currently invests £7M with the CCLA LAMIT property fund and Arlingclose recommended a further investment in this fund of up to £20M. The anticipated level of return will substantially contribute to the £1M per annum income target to be achieved by the PIF.
37. In light of recent announcements by key Property Fund holders, such as Standard Life and Aviva to suspend activity on their property funds, further advice has been sought on how to proceed. The advice is that it is still recommended to make a further investment in this fund, but to wait for the market to stabilise. Officers will work closely with Arlingclose as part of the decision making process before making further investments. This may impact on the ability to achieve the full £1M additional income in 2016/17. This will be reviewed and reported quarterly as part of in year corporate monitoring to Cabinet, along with achievement of all currently approved savings proposals.
38. In order to facilitate a further investment in this and other property funds, it will be necessary to review and increase our individual TM counterparty investments limits currently set at £10M per counterparty. It is recommended that a new counterparty limit is approved in relation to investments in Property Fund, directly or indirectly, and REITS and that the counterparty limit be increased from a maximum £10M to a maximum of £30M. For all other counterparties the limits will remain unchanged.
39. At the current time there is no necessity to review any other TM limits, however this will be reviewed and updated as necessary. The S151 officer has delegated

authority to approve these changes. The amendments will be reported as part of the quarterly financial and performance monitoring and in the TM Strategy Review to Cabinet and Council in November.

RESOURCE IMPLICATIONS

Capital / Revenue

40. The revenue and capital implications are as set out in the report.

Property/Other

41. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

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

Other Legal Implications:

43. None

POLICY FRAMEWORK IMPLICATIONS

44. None.

KEY DECISION? Yes/No

WARDS/COMMUNITIES AFFECTED:	All
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SUPPORTING DOCUMENTATION

Appendices

1.	Appendix 1 – Budget 2016/17 Phase 2 Consultation Report
2.	Appendix 2 – 2016/17 Saving Proposals
3.	Appendix 3 – Medium Term Financial Forecast

Documents In Members' Rooms

1.	None.
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Equality Impact Assessment

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

Do the implications/subject of the report require a Privacy Impact Assessment (PIA) 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.	Council Tax and Budget Setting Report Feb 2016	
2.		