

DECISION-MAKER:	CABINET COUNCIL		
SUBJECT:	THE REVISED MEDIUM TERM FINANCIAL STRATEGY 2017/18 to 2020/21 INCLUDING THE GENERAL FUND REVENUE BUDGET		
DATE OF DECISION:	14 FEBRUARY 2017 15 FEBRUARY 2017		
REPORT OF:	CABINET MEMBER FOR FINANCE		
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STATEMENT OF CONFIDENTIALITY
N/A
EXECUTIVE SUMMARY
<p>This report details the revised Medium Term Financial Strategy (MTFS) for the period 2017/18 to 2020/21 including the General Fund Revenue Budget.</p> <p>The objective of the MTFS is to provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the Council's priority outcomes.</p> <p>The Strategy is based around 6 key aims:</p> <ul style="list-style-type: none"> • To provide financial parameters within which budget and service planning should take place. • To ensure the Council sets a balanced budget. • To focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources, ensuring services are defined on the basis of a clear alignment between priority and affordability. • To ensure the Council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area. • To plan the level of fees, charges and taxation in line with levels that the Council regard as being necessary, acceptable and affordable to meet the Council's aims, objectives, policies and priorities whilst gradually reducing the Council's reliance on Central Government funding; and • To ensure that the Council's long term financial health and viability remain sound. <p>Following consideration of the consultation feedback, it outlines the Cabinet's revised budget proposals for this period to deliver priority outcomes for residents in a financially sustainable way. For the first time the Council is aiming for a two year budget hence the report consists of detailed proposals for 2017/18 and 2018/19 totalling £30.8M.</p> <p>In moving forward with this we have focused on the following areas to target savings:</p> <ul style="list-style-type: none"> • Business as usual operational efficiencies; • Procurement savings – third party spend (General Fund) accounts for 63% of our total expenditure;

- Digital programme to change, transform and improve how we deliver services both within the Council and to citizens;
- Service delivery changes including organisational redesign, new delivery models, shared services, stopping, reducing and changing services.

Draft proposals were considered by Cabinet in November 2016 prior to commencement of full consultation with a range of stakeholders. This report includes the analysis on consultation feedback, which has been considered by the Cabinet to enable the finalisation of the budget proposals included within this report for recommendation by Cabinet to Council on 15 February 2017 when it will set the budget. Equality and Safety Impact assessments have also been in light of the consultation feedback.

In response to the member consider and consultation feedback Cabinet have revised the draft proposals. The main changes are:

- Reducing the proposed reduction to substance misuse budgets services;
- Withdrawing some Public Health proposals in 2017/18;
- Reducing the proposed reduction to Parks & Open Spaces services;
- Deferring the saving for delivering school improvement differently;
- Investment in support to the introduction of Alternative Weekly Collection;
- Investment in a dedicated team to support waste collection and street cleaning;
- Investment in cultural events in the city to pump prime match funding.

At the time of finalising the budget proposals, the forecast outturn position on the Council's Collection Fund account needs to be declared. In reviewing this and obtaining further information from the Valuation Office Agency, a one-off surplus of £2.3M around appeals has been identified. This has enabled a further investment in roads & pavements and small capital schemes of £2.3M.

Since 2011/12 the Council has faced year on year reductions in grant funding from Central Government to support the General Fund Revenue Account. This source of funding is expected to come to an end in 2019/20. At this point the Government is proposing that the Council will retain the business rates collected within the city, however additional responsibilities will also be allocated to local government at this time. Therefore it is important we focus on facilitating economic growth and developing our approach to financial management that prepares the Council for a new way of budgeting from 2020/21. At the same time we face the uncertainties of Brexit and its impact on the national and local economy; the need to respond to changing behaviours in reducing demand; building resilient communities; accessing our services; take steps to reduce our costs by managing services in more business like ways and working with our partners to improve outcomes for residents.

The Council has saved £92.4M over the last 5 years but to be sustainable in the future the Council will need to continue to stop, change, reduce and in some cases, develop new services. This report outlines a different approach to financial management being developed by the Council with the aim of aligning delivery of the Executive's key outcomes (described in the Council Strategy 2016-20) with affordability. This is to help the Council to invest its reducing resources in activities that have the greatest impact on the delivery of priority outcomes. The Council wants to achieve better outcomes for all residents by improving quality and performance, managing demand of its high cost services and becoming more commercial. Consequently financial plans have been drawn up on the basis of the four main outcomes and will support the commissioning and procuring of services in more cost effective ways to enable the Council to become a modern and sustainable organisation.

The budget proposals in this report include significant options for reducing the demand for high cost social care services for vulnerable children, young people and adults; further integration of services with health partners to provide better services at a lower cost; transformation of children's and adult's social care services, identification of different ways of delivering vital services and making savings in staff and process costs through effective use of digital technology. The Medium Term Financial Model assumes a Council Tax increase of 1.99% and 3% for the Adult Social Care Levy in 2017/18 and 2018/19 and 1.99% and 0% in 2019/20 onwards.

The main points in this report are:

- The MTFs and associated budget proposals seek to close the funding gap by 2018/19 of which nearly £6M will be funded by an increase in the volume of business rates and council tax, reflecting the continued projections of economic growth in the city;
- The budget proposals recommended, following consideration of consultation, reflect a commitment to support the most vulnerable, through different approaches whilst moving to digital access for information and to many of our services;
- Where possible proposals have focussed on reducing costs in operations (initially focussing on the back office) by driving efficiencies in processes and ways of working by using digital technology, requiring fewer staff in the future;
- A review of all third party expenditure has taken place which represents 63% of the Council's overall spend;
- Proposals include the continuation of the redesign of the Council through ongoing restructures across the organisation over the coming months. Staff consultation and the first tranche of proposals began on 30th January 2017 and the relevant Section 188 notice has been published. Whilst Cabinet Members are committed to avoiding compulsory redundancies, they recognise this could be more and more challenging to achieve in the future and therefore voluntary solutions to staff are being offered as a way of reducing our workforce;
- The Council will continue to explore further integration of services both internally and with partners that will generate income, reduce costs and in many cases, will improve outcomes;
- The focus is on safely reducing costs in 2 specific areas: children's social care, by reducing the number of looked after children and in adult social care by providing care and support in different ways and to ensure individuals needs are regularly reviewed;
- Alternative ways of delivering key services are being considered to help the Council to reduce costs and generate income are also being explored;
- Proposals including provision for reducing or stopping some services whilst others are introducing or increasing charges for council services where fees are commensurate with the true cost of service provision and are out of line with charges for similar services provided by other authorities or the private sector;
- Continued investment in roads and pavements is proposed which residents have identified as high priority; and
- The MTFs has been reviewed and assumptions updated to reflect the Council's new outcomes and has been extended to include the financial year 2020/21.

The MTFs includes high level assumptions with regards to the Housing Revenue Account as there is no requirement for further savings to be made for 2017/18, having had a two year budget agreed at the February 2016 Full Council meeting.

The impact of the latest capital programme and Capital Strategy, are also included in the strategy, with the detail reported elsewhere on the agenda. This has been updated for changes as recommended by the Council Capital Board.

The MTFs is supported by the approved Efficiency Plan for the Council, enabling the Government's offer of a four year minimum funding guarantee to be accepted.

RECOMMENDATIONS:

CABINET

It is recommended that Cabinet:

	i)	Note the position on the forecast favourable outturn position for 2016/17 as set out in paragraphs 31 to 37.
	ii)	Note the revised Medium Term Financial Strategy 2017/18 to 2020/21 as detailed in Appendix 5.
	iii)	Note the aims and objectives of the Medium Term Financial Strategy which will be presented to Council for approval on 15 February 2017.
	iv)	Note that the revised proposals (following consultation) reduce cost and generate income that amount to £19.6M in 2017/18 increasing to £30.8M in 2018/19.
	v)	Note that formal budget consultation began on 16 November 2016 and ended on 8 th February 2017 The outcome of the consultation in outlined in paragraphs 103 to 110 and in Appendix 1.
	vi)	Note that the Executive's budget proposals will impact on staffing and that consultation will be undertaken in line with legislation and the Councils agreed processes before proposals are implemented.
	vii)	Note that the Executive's budget proposals are based on the assumptions detailed within the MTFs and that this includes a Council Tax increase of 4.99 %, 1.99% under general powers to increase Council Tax without a referendum and 3.00% Social Care Precept in 2017/18 and 2018/19.
	viii)	Note and approve the arrangements made by the Leader, in accordance with the Local Government Act 2000, for the Cabinet Member for Finance to have responsibility for financial management and budgetary policies and strategies, and that the Cabinet Member for Finance will in accordance with the Budget and 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 2017/18 and 2018/19, in consultation with the Leader, for submission to full Council 15 February 2017.
	ix)	To delegate authority to the Service Director – Finance & Commercialisation (S151 Officer), following consultation with the Cabinet Member for Finance, to do anything necessary to give effect to the proposals contained in this report and any implications from of the Final Local Government Finance Settlement
	x)	Approves and recommends to Council where appropriate, the MTFs and General Fund Revenue Budget changes as set out in Council recommendations i) to xiv).

COUNCIL

It is recommended that Council:

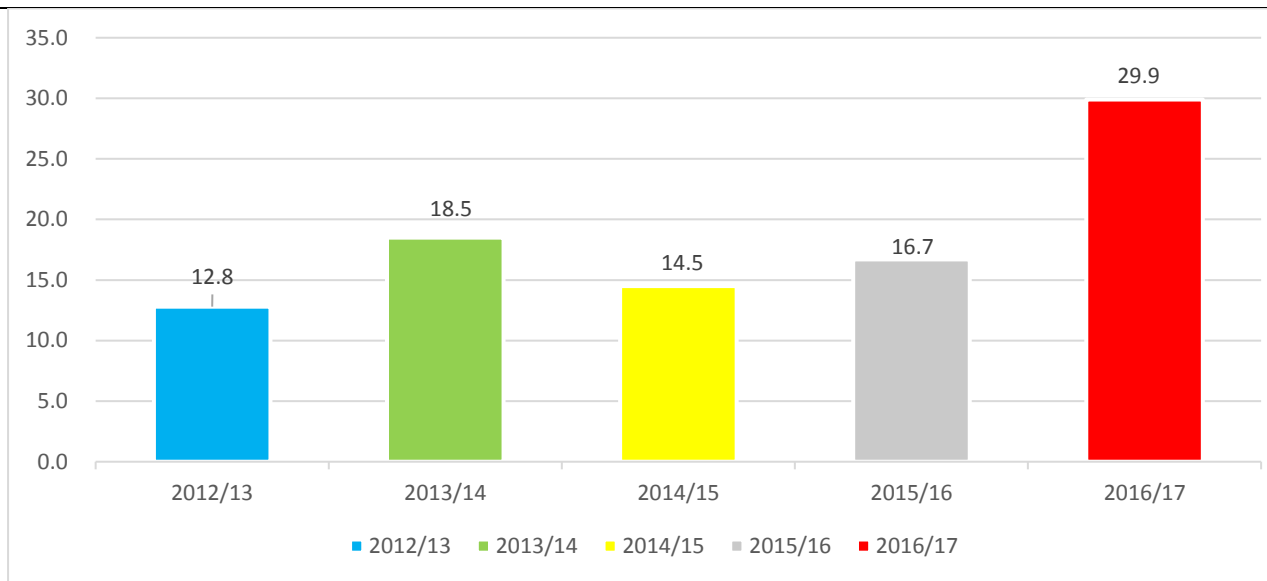
	i)	Notes the budget consultation process that was followed as detailed in Appendix 1.
	ii)	Notes that the budget consultation feedback has been taken into consideration by the Cabinet and has informed their final budget proposals.

	iii)	Notes the Equality and Safety Impact Assessment process that was followed as set out in paragraphs 115 to 117 and the details contained in Appendix 2 which reflect the feedback received through the consultation process.
	iv)	Note the position on the forecast outturn position for 2016/17 as set out in paragraphs 31 to 37.
	v)	Approves the revised Medium Term Financial Strategy (MTFS) for the period 2017/18 to 2020/21 including the General Fund Revenue Budget attached as Appendix 5.
	vi)	Approves the revenue pressures detailed in the Outcome Plans in Appendix 3.
	vii)	Approves the savings proposals as set out in the Outcome Plans as detailed in Appendix 3.
	viii)	Approve the General Fund Revenue Budget for 2017/18 and 2018/19 as detailed in the Annex 1 of the MTFS in Appendix 5.
	ix)	Delegates authority to the Service Director Finance and Commercialisation (S151) Officer to action all budget changes arising from the approved pressures, savings and incorporating any other approved amendments into the General Fund Estimates.
	x)	Notes that after taking these items into account, there is an estimated General Fund Balance of £11.3M at the end of 2017/18 as detailed in paragraph 84.
	xi)	Delegates authority to the Service Director – Finance & Commercialisation (S151 Officer), following consultation with the Cabinet Member for Finance, to do anything necessary to give effect to the proposals contained in this report and any implications from of the Final Local Government Finance Settlement
	xii)	Sets the Council Tax Requirement for 2017/18 at £88.48M as per Appendix 6.
	xiii)	Notes the estimates of precepts on the Council Tax collection fund for 2017/18 as set out in Appendix 7.
	xiv)	Delegates authority to the Service Director – Finance & Commercialisation (S151 Officer) to implement any variation to the overall Council Tax arising from the final notification of the Hampshire Fire and Rescue Authority precept and the Police and Crime Commissioner for Hampshire, precept.

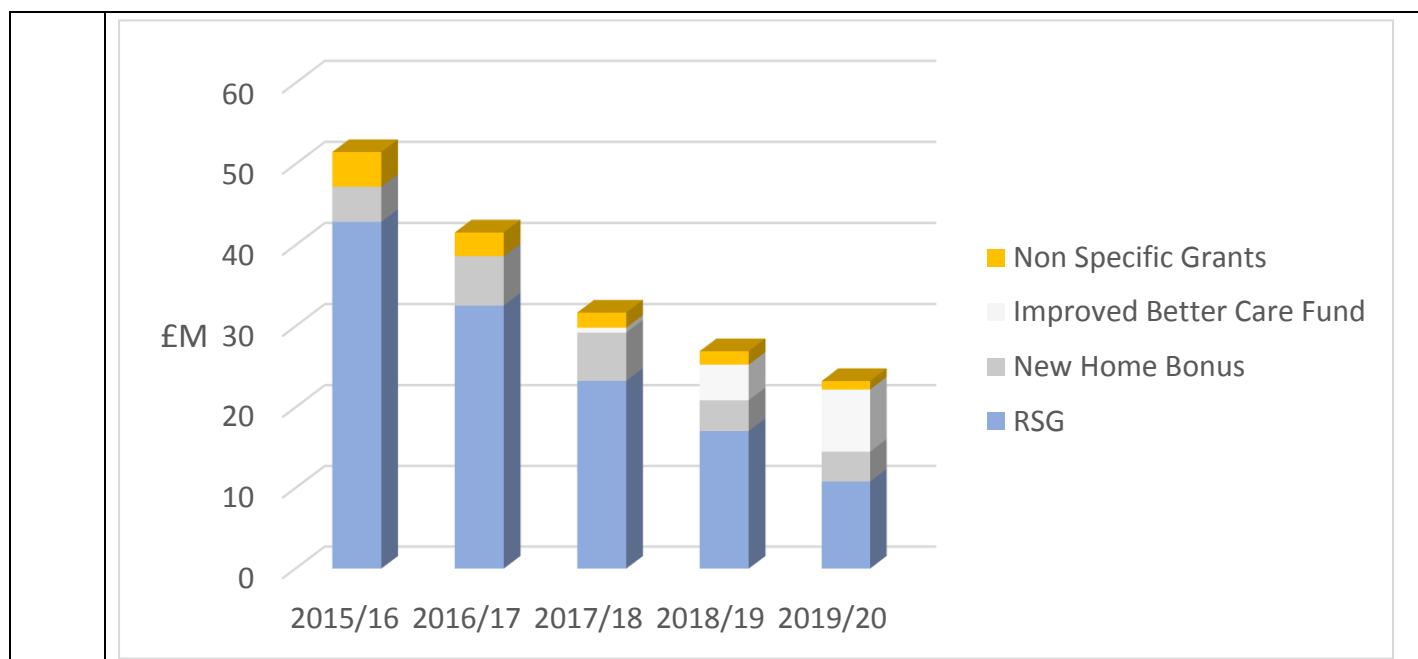
REASONS FOR REPORT RECOMMENDATIONS

1.	The Council is a large organisation managing the delivery of a vast range of businesses either directly or through/with others. Its core purpose is to improve the quality of life for residents and effective financial management is key to this. It is important that Members are aware of the major financial challenges and opportunities and that they make informed decisions. The Council regularly revises its Medium Term Financial Strategy (MTFS) so that the financial position is clear for budget proposals to be drawn up for the forthcoming years. However in light of the proposed changes to funding from Central Government by 2019/20, it is important for the Council to set out its budget proposals and emerging ideas for savings in the context of the MTFS over a four year period 2017/18 to 2020/21.
2.	The Cabinet wants to channel the decreasing resources towards agreed priority outcomes and to do this properly and transparently requires a different approach through focusing on Outcomes Based Planning and Budgeting (OBPB).

3.	Many of the proposals will have some impact on services users, residents, businesses, partners and staff. Therefore it is important for the Council to consider the feedback of the consultation that has been undertaken with a range of stakeholders.
4.	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 presented to Full Council.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
5.	Alternative options for revenue spending and MTFS assumptions form an integral part of the development of the overall MTFS that will be considered at the Full Council budget setting meeting on 15 February 2017.
6.	The proposals presented in this report represent the Executive's budget for the period 2017/18 – 2020/21. The Cabinet have considered and rejected some proposals put forward by officers as they were not considered to align with the Executive Commitment. In addition there are a number of variables and alternative options that could be implemented as part of the budget. These have been considered following the consultation feedback.
7.	Part of setting the General Fund Budget and Medium Term Financial Strategy and Model requires a view to be taken on the revenue cost of capital to the Council. Proposals have been considered by the Council Capital Board in order to ensure the most appropriate use of capital resources in meeting the Council's priority outcomes and Executive commitments. A Capital Strategy and Programme Update report is included elsewhere on the agenda, and the latest position is included in the MTFS Model.
DETAIL (Including consultation carried out)	
	<u>BACKGROUND</u>
8.	Since 2011/12 the Council has faced year on year reductions in Central Government grants, of which the Revenue Support Grant (RSG) was a significant source of income. Under the current Government central funding proposals, the intention is to radically change the way local authorities are funded by moving to full business rate retention and phasing out the Revenue Support Grant by 2020. Alongside this there will be additional responsibilities for local government to ensure the move is fiscally neutral to Central Government plans. Business Rates will then be the main source of income to fund General Fund Council services.
9.	Therefore it is vitally important for the Council to focus on facilitating economic growth and developing the approach for financial management that prepares for a new way of funding services from 2020/21. At the same time we face the uncertainties of Brexit and its impact on the city and the council; the need to respond to changing behaviours in reducing demand; building resilient communities; accessing our services; take steps to reduce costs by managing services in more business like ways; and working with partners to improve outcomes for residents.
10.	Over the last 5 years the Council has approved savings of £92.4M but to be sustainable in the future will require us to continue to stop, change, reduce and in some cases, develop new services.



11.	<p>This report outlines a different approach to financial management being developed by the Council with the aim of aligning delivery of the Executive’s key outcomes (described in the Council Strategy 2016-20) with affordability. This is to help the Council to invest its reducing resources in activities that have the greatest impact on the delivery of priority outcomes. The Council also wants to achieve better outcomes for all residents by improving quality and performance, managing demand of its high cost services and becoming more commercial. Therefore financial plans have been drawn up on the basis of the Council’s four priority outcomes and these are supported by an internal outcome plan to enable the Council to become a modern and sustainable organisation.</p>
12.	<p>The Council’s aims to make a difference and in doing so, has agreed its Council Strategy in September 2016 on the basis of the following priorities which were informed by feedback from residents:</p> <ul style="list-style-type: none"> • Southampton is a city with strong and sustainable economic growth; • Children and young people in Southampton get a good start in life; • People in Southampton live safe, healthy, independent lives; and • Southampton is a modern, attractive city where people are proud to live and work.
13.	<p>The external changes that can have a major impact on how we change and transform in the future include proposals for Devolution (the Solent Deal); further integration with Health; changes in the role of councils in relation to Education; impact of Brexit on the national and local economy and on local people as well as indirectly, on the council’s finances. However, we also have to continue to change as an organisation to become modern, agile and sustainable with have a high performing workforce to deliver these outcomes within reducing resources.</p>
14.	<p>Local government has had to change significantly in response to ongoing changes in the profile of the population, trends in customer behaviour driver by technology, national and local policies and the austerity challenges. For us this is accompanied by ongoing challenges in the shape of rising demand in adults and children’s social care. The chart below shows how the Government funding to the Council has reduced and the projection is that by 2020 the Government is expecting councils to become financially viable through business rates which will replace government grants as our main source of income. In response, the Council has approved savings of £92.4M over the same period, while making every effort to protect front line services where possible.</p>



15. In this context it is vital that as an organisation we plan for the next four years rather than just one year, which is what we have done to date. Therefore it is important to see the revised budget proposals as part of our revised MTFs since by the end of 2019/20, we must assume that the Council will have lost virtually 100% of Revenue Support Grant (RSG). This means we will need to be self-sustaining despite major pressures within social care and the wider economic uncertainties which impact on our investment plans.

16. The budget proposals in this report include significant options for reducing the demand for high cost social care services for vulnerable children, young people and adults; further integration of services with health partners to provide better services at a lower cost; transformation of children’s and adult’s social care services, identification of different ways of delivering vital services and making savings in staff and process costs through effective use of digital technology.

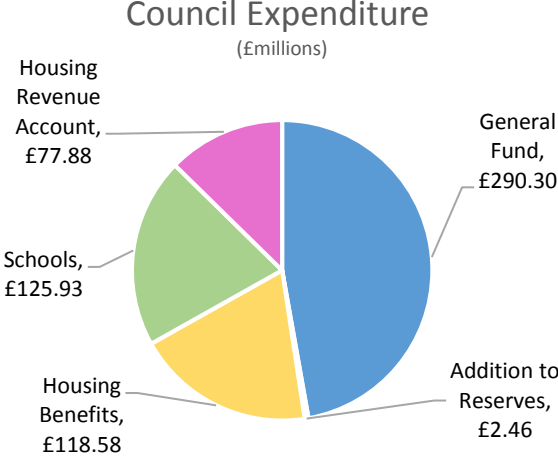
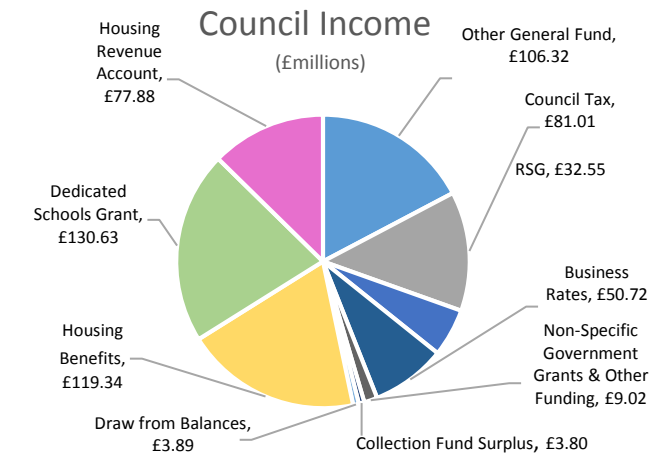
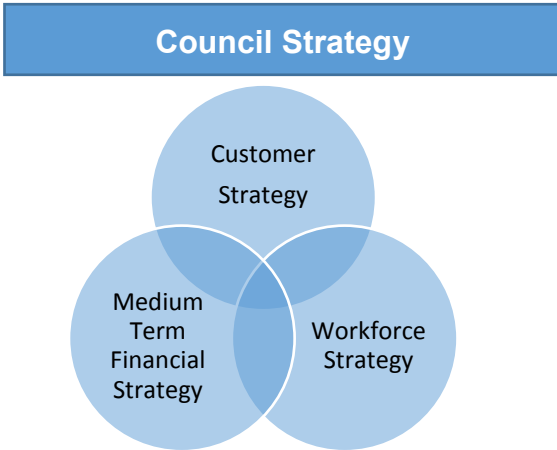
17. The proposals seek to increase Council Tax by 4.99% which (based on 2016/17) represents £1.28 per week for residents in a Band D property but will help the Council to continue to deliver services that matter most to residents.

OUTCOMES BASED PLANNING AND BUDGETING (OBPB)

18. OBPB is a method of budgeting in which funds are allocated according to a set of predefined outcomes or priorities. This model often is part of a more commissioning-based approach to service delivery. This approach, whilst still being developed has been adopted in determining the Executives final budget proposals contained within this report. It has allowed Members to reshape and re-channel resources between the top outcomes and within each of the outcomes. The approach that has been undertaken with joint strategic working between Finance and Strategy so that there is a genuine alignment between resource allocation and outcomes and that decisions are increasingly based on evidence.

19. The focus of OBPB is to determine what outcomes are being achieved from services provided and whether they are beneficial and make a difference to residents, customers and businesses. As this is a new approach to the Council’s budget setting process, we acknowledge that there will be a period of transition towards a full OBPB process. In the first couple of years we will operate a hybrid approach of OBPB and identifying a list of savings proposals to identify ways to meet the budget gap with a full OBPB in place by 2018/19. Given the significant change to the budget process and the fact that many

	elements of the transformation programme are currently underway, it has not been possible to identify all savings for 2017/18 and 2018/19 via a pure OBPB process and some savings are more traditional operational savings.
20.	<p>Outcomes are the end result – the ‘why’ we are doing an activity, rather than the ‘what’ of the activity (or output) itself. Planning and budgeting for outcomes means we focus on what we are trying to achieve, and the impacts on citizens and stakeholders, rather than products, systems or processes. This means that we move away from annual, salami sliced budgeting that is separate to strategy development and planning to an integrated, single process that focuses on outcomes, for a longer time frame. It also enables the Council to directly link its priorities to its resource allocation.</p>
21.	The final Outcome Plans are attached at Appendix 3.
	<u>MEDIUM TERM FINANCIAL STRATEGY AND MODEL</u>
22.	The Council currently spends £615M delivering services and funds this from income from Central Government Grants, Council Tax, Business Rates, Rents, and other Fees and Charges. The pie chart shows four areas of expenditure: two are passed through directly to schools and for benefit payments. The Council needs to approve 2 separate plans for the remaining two areas as one relates to ring fenced expenditure on Housing within the Housing Revenue Account of £78M and the General Fund Revenue Account of £293M can be used to deliver the Council’s outcomes and priorities. In order to meet the financial challenges and service pressures we face, we have to save £42.3M from the General Fund budget by 2019/20 to be sustainable – this is a reduction of 15% on the total General Fund budget.

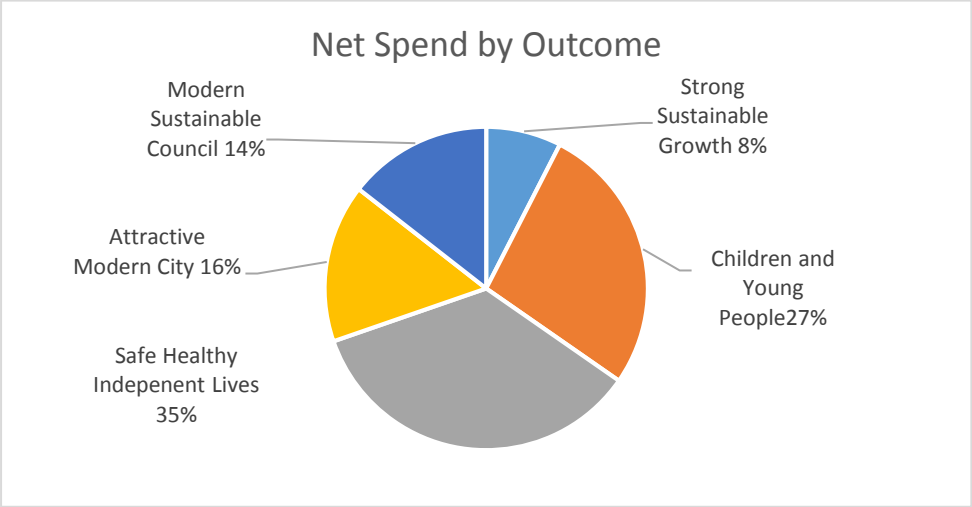
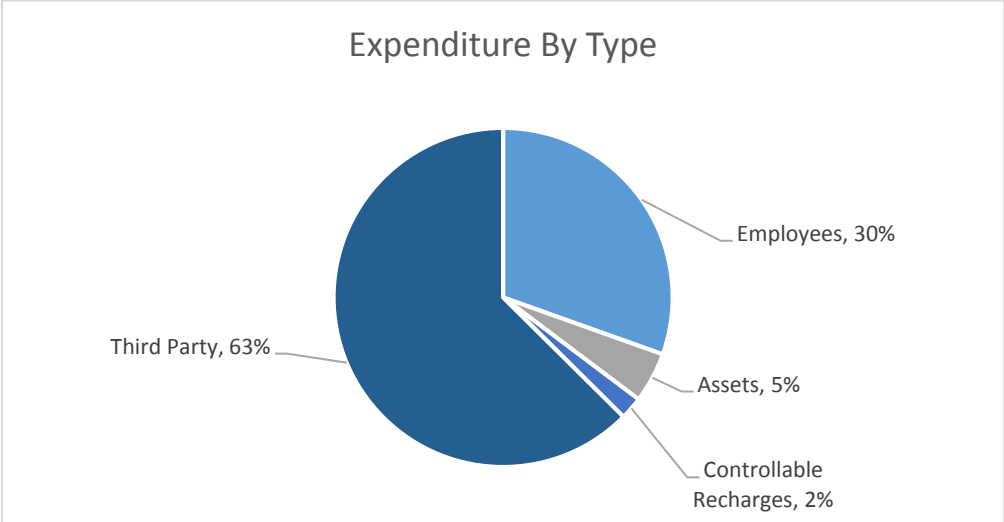
	<p style="text-align: center;">Council Expenditure (£millions)</p>  <table border="1"> <caption>Council Expenditure Data</caption> <thead> <tr> <th>Category</th> <th>Amount (£millions)</th> </tr> </thead> <tbody> <tr> <td>General Fund</td> <td>£290.30</td> </tr> <tr> <td>Addition to Reserves</td> <td>£2.46</td> </tr> <tr> <td>Housing Benefits</td> <td>£118.58</td> </tr> <tr> <td>Schools</td> <td>£125.93</td> </tr> <tr> <td>Housing Revenue Account</td> <td>£77.88</td> </tr> </tbody> </table>	Category	Amount (£millions)	General Fund	£290.30	Addition to Reserves	£2.46	Housing Benefits	£118.58	Schools	£125.93	Housing Revenue Account	£77.88	<p style="text-align: center;">Council Income (£millions)</p>  <table border="1"> <caption>Council Income Data</caption> <thead> <tr> <th>Category</th> <th>Amount (£millions)</th> </tr> </thead> <tbody> <tr> <td>Other General Fund</td> <td>£106.32</td> </tr> <tr> <td>Council Tax</td> <td>£81.01</td> </tr> <tr> <td>RSG</td> <td>£32.55</td> </tr> <tr> <td>Business Rates</td> <td>£50.72</td> </tr> <tr> <td>Non-Specific Government Grants & Other Funding</td> <td>£9.02</td> </tr> <tr> <td>Collection Fund Surplus</td> <td>£3.80</td> </tr> <tr> <td>Draw from Balances</td> <td>£3.89</td> </tr> <tr> <td>Housing Benefits</td> <td>£119.34</td> </tr> <tr> <td>Dedicated Schools Grant</td> <td>£130.63</td> </tr> <tr> <td>Housing Revenue Account</td> <td>£77.88</td> </tr> </tbody> </table>	Category	Amount (£millions)	Other General Fund	£106.32	Council Tax	£81.01	RSG	£32.55	Business Rates	£50.72	Non-Specific Government Grants & Other Funding	£9.02	Collection Fund Surplus	£3.80	Draw from Balances	£3.89	Housing Benefits	£119.34	Dedicated Schools Grant	£130.63	Housing Revenue Account	£77.88
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23.	<p>The objective of the Council's revised 4 year MTFS is to: Provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the Council's priority outcomes.</p>																																			
24.	<p>The revised MTFS is a level 1 strategy for the Council and is attached as a one page summary at Appendix 4 and in detail at Appendix 5. This strategy sits alongside the Workforce Strategy approved in September 2016 and the Customer Strategy. Supporting all three key strategies is our transformation programme which is driving significant changes by facilitating the use of digital technology to improve process and productivity to reduce cost; exploring alternative delivery models; reducing third party expenditure through better procurement; vastly improving our expertise in managing programmes and projects and making the Council more commercial :</p> <div style="text-align: center;">  </div>																																			
25.	<p>There are 6 key aims of the Strategy:</p> <ul style="list-style-type: none"> • To provide financial parameters within which budget and service planning should take place • To ensure the Council sets a balanced budget • To focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources. Ensuring services are defined on the basis of a clear alignment between priority and affordability • To ensure the Council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area • To plan the level of fees, charges and taxation in line with levels that the Council regard as being necessary, acceptable and affordable to meet the Council's aims, objectives, 																																			

policies and priority whilst gradually reducing the Council’s reliance on Central Government funding

- To ensure that the Council’s long term financial health and viability remain sound.

26. The MTFS focuses on determining the financial position for the period up to and including 2020/21 and takes into account major issues affecting the Council’s finances, including international, national and regional economic influences as well as local factors and priorities. It identifies risks and looks to mitigate those risks through provisions within reserves and balances to ensure the council has adequate resources to cover the uncertainty and risk. It provides the framework and assumptions for developing the overall budget, taking into account any agreed, unavoidable service pressures. The MTFS recognises the key role that financial resources play in the future delivery of services, and enabling the effective planning, management and delivery of those services. The MTFS is therefore key to the effective delivery of the Council’s overall aims of achieving better outcomes for residents in a financially sustainable ways.

27. The Council’s current spend and how it is allocated across the main outcomes as well as across the main area of expenditure (assets, controllable recharges, employees and third party) are shown in the pie charts below:



28. In moving forward we have focused on the following areas to target savings:

- Business as usual operational efficiencies provided (current level of service provision unchanged but with efficiencies identified);

	<ul style="list-style-type: none"> • Procurement savings – third party spend (general fund) accounts for 63% of our total expenditure; • Digital programme to change, transform and improve how we deliver services both within the council and to citizens; and • Service deliver changes including redesign, new delivery models, shared services, stopping, reducing and changing services. 																									
29.	<p>Based on this approach the forecast financial position for reducing the budget envelopes for all outcome plans over the 4 years to 2020/21 is set out in Table 1 below. The projected funding gap of £42.3M over the period was reported in the report to Council in February 2016.</p> <p>Table 1 Gap in funding</p> <table border="1"> <thead> <tr> <th></th> <th>2017/18 £M</th> <th>2018/19 £M</th> <th>2019/20 £M</th> <th>2020/21 £M</th> </tr> </thead> <tbody> <tr> <td>Net Revenue Expenditure</td> <td>190.4</td> <td>192.4</td> <td>200.4</td> <td>200.4</td> </tr> <tr> <td>Funding Available</td> <td>(165.8)</td> <td>(161.1)</td> <td>(158.1)</td> <td>(158.1)</td> </tr> <tr> <td>Net Saving Requirement</td> <td>24.6</td> <td>31.3</td> <td>42.3</td> <td>42.3</td> </tr> <tr> <td>Annual Saving Requirement</td> <td>24.6</td> <td>6.7</td> <td>11.0</td> <td>0.0</td> </tr> </tbody> </table>		2017/18 £M	2018/19 £M	2019/20 £M	2020/21 £M	Net Revenue Expenditure	190.4	192.4	200.4	200.4	Funding Available	(165.8)	(161.1)	(158.1)	(158.1)	Net Saving Requirement	24.6	31.3	42.3	42.3	Annual Saving Requirement	24.6	6.7	11.0	0.0
	2017/18 £M	2018/19 £M	2019/20 £M	2020/21 £M																						
Net Revenue Expenditure	190.4	192.4	200.4	200.4																						
Funding Available	(165.8)	(161.1)	(158.1)	(158.1)																						
Net Saving Requirement	24.6	31.3	42.3	42.3																						
Annual Saving Requirement	24.6	6.7	11.0	0.0																						
ISSUES THAT HAVE BEEN CONSIDERED																										
30.	<p>The MTFS has been reviewed to take into account the following:</p> <ul style="list-style-type: none"> • The current forecast favourable outturn position for 2016/17 including potential ongoing non achievement of approved savings. This is further detailed in paragraphs 31 to 37; • A review of pressures facing the Council such as further demographic and demand pressures, particularly in relation to social care; • Impact of the Triannual Pension Fund revaluation on both employer pension contributions and past service contributions; • A review of the phasing of transformation programme savings; • Additional savings that may be achievable from both the Procurement and Digital guarantees from the renegotiation of the Capita contract; • Current levels of Government funding which continue to be on a downward trajectory combined with uncertainty over future EU funding; • A review of base budget assumptions such as pay and inflation assumptions that may have to be reviewed in light of the impact of Brexit on the economy and inflation; and • The Autumn Statement 2016 and the Provisional Local Government Finance Settlement. 																									
2016/17 Forecast Outturn Position																										
31.	<p>Whilst this report is concerned with an update on the revenue budget position and the MTFS for the period from 2017/18 onwards, there are elements of the 2016/17 forecast outturn what will have an impact on the overall financial position. The latest position, as at 31st December 2016, is that there is a forecast overall underspend against budget of £0.85M.</p>																									

32.	<p>The table below shows the summary forecast outturn position:</p> <p>Table 2 – 2016/17 Summary Forecast Outturn Position</p> <table border="1" data-bbox="220 293 1417 734"> <thead> <tr> <th data-bbox="220 293 1074 465"></th> <th data-bbox="1074 293 1246 465">Forecast Outturn Variance £M</th> <th data-bbox="1246 293 1417 465">Forecast Outturn Variance %</th> </tr> </thead> <tbody> <tr> <td data-bbox="220 465 1074 517">Baseline Portfolio Total</td> <td data-bbox="1074 465 1246 517">3.69 A</td> <td data-bbox="1246 465 1417 517">2.15</td> </tr> <tr> <td data-bbox="220 517 1074 568">Trading Areas</td> <td data-bbox="1074 517 1246 568">0.19 A</td> <td data-bbox="1246 517 1417 568"></td> </tr> <tr> <td data-bbox="220 568 1074 620">Other Expenditure & Income</td> <td data-bbox="1074 568 1246 620">3.57 F</td> <td data-bbox="1246 568 1417 620"></td> </tr> <tr> <td data-bbox="220 620 1074 672">General Government Grants</td> <td data-bbox="1074 620 1246 672">1.16 F</td> <td data-bbox="1246 620 1417 672"></td> </tr> <tr> <td data-bbox="220 672 1074 734">Net Underspend</td> <td data-bbox="1074 672 1246 734">0.85 F</td> <td data-bbox="1246 672 1417 734">0.47</td> </tr> </tbody> </table>		Forecast Outturn Variance £M	Forecast Outturn Variance %	Baseline Portfolio Total	3.69 A	2.15	Trading Areas	0.19 A		Other Expenditure & Income	3.57 F		General Government Grants	1.16 F		Net Underspend	0.85 F	0.47
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33.	<p>The overall forecast overspend on Portfolios of £3.69M and £0.19M for Fleet Services has been offset by release of central funding:</p> <ul style="list-style-type: none"> • Release of the council’s risk fund £3.47M – held to meet potential demand and inflationary pressures identified in year; • Increase in forecast Government grants £1.16M due to additional ESG grant (number of academy conversions lower than anticipated) and an assumption that some grants (not announced when setting the budget in February 2016) would be reduced in line with other grants has not materialised. 																		
34.	<p>The key area of overspend is the Housing and Adult Social Care Portfolio £4.55M forecast overspend. This is further detailed in Table 3 below.</p>																		
35.	<p>It should be noted that as forecast overspends have been identified, the relevant Service Director has been expected to develop an action plan to detail what measures and interventions would be undertaken to manage the pressure. In addition to the action plans, ‘intensive care’ meetings are held with the Senior Leadership Team to discuss key issues and actions with the Service. It is expected that these meetings and the requirement for action plans will continue in to 2017/18, with an overarching expectation that pressures arising must be accommodated within the overall service budgets. This has led to significant improvement in the overall forecast position. The following table details how these pressures have been mitigated in 2016/17 and how they have impacted on the 2017/18 proposed estimates:</p> <p>Table 3 – Impact of 2016/17 Pressures</p> <table border="1" data-bbox="220 1541 1493 2074"> <thead> <tr> <th data-bbox="220 1541 539 1621" rowspan="2">Outcome</th> <th colspan="2" data-bbox="539 1541 1050 1585">2016/17 Pressure</th> <th data-bbox="1050 1541 1493 1621" rowspan="2">How this is being dealt with in the MTFS Model</th> </tr> <tr> <th data-bbox="539 1621 938 1675">Description</th> <th data-bbox="938 1621 1050 1675">£M</th> </tr> </thead> <tbody> <tr> <td data-bbox="220 1675 539 1845">Strong and sustainable economic growth.</td> <td data-bbox="539 1675 938 1845">Museums & Gallery - failure to meet income targets</td> <td data-bbox="938 1675 1050 1845">0.17</td> <td data-bbox="1050 1675 1493 1845">Pressure to be offset by realignment of budgets to take account of areas of recurrent underspend</td> </tr> <tr> <td data-bbox="220 1845 539 2074">Children and young people get a good start in life.</td> <td data-bbox="539 1845 938 2074">Adverse variance on Looked After Children placements</td> <td data-bbox="938 1845 1050 2074">0.57</td> <td data-bbox="1050 1845 1493 2074">Pressure added to re-profile unmet targets in 2017/18 and 2018/19. Targeted and transformational work under way to achieve revised LAC reductions.</td> </tr> </tbody> </table>	Outcome	2016/17 Pressure		How this is being dealt with in the MTFS Model	Description	£M	Strong and sustainable economic growth.	Museums & Gallery - failure to meet income targets	0.17	Pressure to be offset by realignment of budgets to take account of areas of recurrent underspend	Children and young people get a good start in life.	Adverse variance on Looked After Children placements	0.57	Pressure added to re-profile unmet targets in 2017/18 and 2018/19. Targeted and transformational work under way to achieve revised LAC reductions.				
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		Adverse variance on Home to School Transport	0.41	Pressure added in 2017/18 due to number of new students. Proposals to be developed as part of the Strategic Transport Review.
People in Southampton live safe, healthy independent lives.		Non achievement of savings approved in February 2016.	1.64	Pressure of £0.65M added for non- achievement of approved savings proposals. Projects, such as telecare, had part year savings in 2016/17 but will achieve more ongoing. Others, such as learning disability packages, will achieve savings from 2017/18 onwards.
		Increased cost of learning disability, older persons & physical disability client packages due to complexity of packages and demand.	2.09	Pressure of £2.6M added to estimates from 2017/18 onwards. Work is continuing to review packages to ensure that care provided is appropriate to each client's needs.
		Increase in Safeguarding & Adult Mental Health Care Packages due to increased complexity and associated cost.	0.82	
	Southampton is an attractive and modern city, where people are proud to live and work.		Waste Management - adverse variances on collection and disposal	0.72
		Open Spaces - adverse variance on staffing costs	0.25	Full year effect of reorganisation and new contract income will offset pressure.
Modern sustainable council.		Fleet Income – unachieved saving	0.19	Partly addressed with efficiencies. Saving has been reduced by £0.15M in budget for 2017/18, while further proposals are drawn up.

	Total		6.86	
36.	Where a 2016/17 pressure has been identified as having a longer term impact the relevant assumptions have been made and included within the updated MTFS position. Details are included within Table 4 below, the Outcome Plans at Appendix 3 and in paragraph 39.			
37.	Further details on the forecast outturn position for 2017/18 are included within the Corporate Monitoring Report to be considered by Cabinet at its meeting on the 14 th February 2017.			
	Medium Term Financial Model			
38.	Table 4 below identifies the changes to the Medium Term Financial Model as reported to Cabinet in November 2016 and updated to reflect the Executive's final proposed budget 2017/18 to 2020/21:			
	Table 4 – Medium Term Financial Strategy Model			
		2017/18	2018/19	2019/20
		£M	£M	£M
	Original Savings Requirement	24.6	31.3	42.3
	Pressures			
	Shortfall on Phase 2 Operating Model Approved Saving Proposal	2.0	2.0	2.0
	Children's Social Care Pressures Looked after Children	1.4	0.7	0.1
	Phasing change of Children's agency staff saving	0.5	0.2	0.0
	Non achievement of previously approved savings proposals (Adult Social Care)	0.8	0.8	0.8
	Unaccompanied asylum seeking children	0.5	0.5	0.5
	Allocation for Additional Demand on Universal Services due to increased number of new businesses and housing developments in the City.	0.3	0.3	0.3
	Capita Reset – realignment of phasing of related saving.	2.8	1.1	0.0
	Non achievement of previously approved savings (Business Operations and Digital)	0.5	0.5	0.5
	Changes in Employer Pension Contributions	0.6	1.2	1.8
	MTFS Amendments			
	Reduction in centrally held allocations	(4.7)	(4.7)	(3.1)
	Increase in Business Rates and Council Tax	(2.3)	(2.3)	(2.3)
	Collection Fund Surplus 2015/16	(1.8)	0.0	0.0
	Minimum Revenue Provision alternative funding source	(4.0)		

	Amended Savings Requirement	21.3	31.6	42.9	42.9
	Savings proposals requiring approval at November Cabinet	(21.3)	(31.6)	(36.0)	(36.0)
	Remaining Savings Requirement – November 2016	0.0	0.0	6.9	6.9
	Further Changes	2017/18 £M	2018/19 £M	2019/20 £M	2020/21 £M
	Provisional Local Government Finance Settlement	0.0	0.1	(0.5)	(0.5)
	Provisional Housing Benefit Subsidy Grant	(1.0)	0.0	0.0	0.0
	Adult Social Care Precept Profiling	(1.0)	(1.8)	0.0	0.0
	Adult Social Care Grant	(1.1)	0.0	0.0	0.0
	Reduction in non-achievement of previously approved savings proposals (Adult Social Care)	(0.2)	(0.2)	(0.2)	(0.2)
	Removal of Unaccompanied Asylum Seeking Children Pressure	(0.5)	0.0	0.0	0.0
	New pressures identified within the final Outcome Plans at Appendix 3.	1.0	0.6	0.6	0.6
	Non achievement of existing savings proposal for Fleet Transport Income	0.2	0.0	0.0	0.0
	Adult Social Care additional demand and complexity pressure.	2.6	2.6	2.6	2.6
	Removal of November 2016 proposed savings	1.8	0.8	0.8	0.8
	Savings Implementation Costs	0.5	0.0	0.2	0.0
	New Investment in Services detailed in final Outcome Plans at Appendix 3	0.3	0.3	0.3	0.3
	Changes to centrally held inflation, interest and demand assumptions	(2.6)	(2.4)	(2.2)	(2.1)
	Collection Fund Surplus 2016/17	(2.3)	0.0	0.0	0.0
	Allocation to Highways & Minor Schemes capital programmes	2.3	0.0	0.0	0.0
	Revised Budget Gap – Final Budget Proposals	0.0	0.0	8.6	8.5
	EXPLANATION OF ADJUSTMENTS TO THE REVISED MTFS				
	<u>Pressures</u>				
39.	<ul style="list-style-type: none"> <u>Phase 2 Operating Model</u> On reflection the redesign of the second phase of the operating model did not produce the level of savings expected due to a review of the management capacity required to achieve the transformational change. 				

	<ul style="list-style-type: none"> • <u>Childrens Social Care – Looked After Children</u> The previously published MTFS included an allocation of pressures to Childrens and Families services for the increase in number and placement cost of Looked After Children. In allocating this pressure plans were made to reduce the pressure in future years which the MTFS included. The delivery of these plans has slipped and this is now reflected in current MTFS. • <u>Children’s Social Care phasing change of Agency Staff Saving</u> The number of agency staff required reflects the number of Looked After Children, so this has been rephased in line with the above. • <u>Non Achievement of previously agreed saving (Adult Social Services) namely:</u> <ul style="list-style-type: none"> - Cost effective care & efficient routes to market; and - Contract renegotiation & decommissioning, and additional Domiciliary Care savings. • <u>Unaccompanied Asylum Seeking Children</u> A provision has been put aside in expectation of receiving an allocation of children from 2017/18. It is now expected that grant funding will be received in 2017/18 only • <u>Additional Pressures for demand led services</u> Such as waste services due to increased number of new businesses and housing developments in the City. • <u>Capita Reset</u> Original saving profile was based on an assumption that the contract would be terminated. The result of implementing a reset of the contract is a change in the profile of the savings achieved. Over the life of the contract the assumed savings are expected to be more beneficial than termination. These additional costs include monies for pension costs and the reprovision of the recruitment service. • <u>Non Achievement of Previously Approved Savings (Digital and Business Operation)</u> This relates to targets for activity analysis, staff restructure savings and service cost recovery. • <u>Changes in Employer Pension Contributions</u> The triannual actuarial review has now been undertaken and initial principles have been fed into the medium term financial forecast.
	<p><u>MTFS Adjustments</u></p>
40.	<ul style="list-style-type: none"> • <u>Reduction in Centrally Held Allocations</u> Held centrally are a number of allocations for inflation, increments, pension changes, redundancy and interest rate rises. These have been reviewed and due to the low level of inflation and interest over the past year some of this allocation has been released.
	<p><u>Funding Adjustments</u></p>
41.	<ul style="list-style-type: none"> • <u>Business Rates, Council Tax and the Collection Fund</u> Existing growth not factored into the MTFS has now been added in. This is in addition to growth in future years from developments that should be operational within the period of the MTFS. Further details are contained in sections 1.5.2 and 1.5.3 of the MTFS at Appendix 5. • <u>2015/16 Collection Fund Surplus</u> Additional year end surplus on the Collection Fund over the amount assumed when setting the 2015/16 budget. This becomes available for allocation in 2017/18.
	<p><u>FURTHER CHANGES</u></p>

42.	Since the November report was published there has been further changes to the position identified. These are set out below.																																			
	<u>Provisional Local Government Finance Settlement</u>																																			
43.	The Provisional Local Government Finance Settlement (PLGFS) for 2017/18 was published on the 16 th December 2017, which has led to an update of the Council's financial position as shown in the following table:																																			
	<p><u>Table 5 – PLGFS Changes</u></p> <table border="1"> <thead> <tr> <th>Explanation of Change</th> <th>2017/18 £M</th> <th>2018/19 £M</th> <th>2019/20 £M</th> <th>2020/21 £M</th> </tr> </thead> <tbody> <tr> <td>Grants</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Education Support Grant (ESG)</td> <td>0.5</td> <td>0.8</td> <td>0.1</td> <td>0.1</td> </tr> <tr> <td>New Homes Bonus (Including returned funding)</td> <td>0.0</td> <td>(0.6)</td> <td>(0.5)</td> <td>(0.5)</td> </tr> <tr> <td>Business Rates</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Change to Rateable Value following 2017 Revaluation List update and Increase in Top Up to offset.</td> <td>(0.5)</td> <td>(0.1)</td> <td>(0.1)</td> <td>(0.1)</td> </tr> <tr> <td>Overall change to financial position</td> <td>0.0</td> <td>0.1</td> <td>(0.5)</td> <td>(0.5)</td> </tr> </tbody> </table>	Explanation of Change	2017/18 £M	2018/19 £M	2019/20 £M	2020/21 £M	Grants					Education Support Grant (ESG)	0.5	0.8	0.1	0.1	New Homes Bonus (Including returned funding)	0.0	(0.6)	(0.5)	(0.5)	Business Rates					Change to Rateable Value following 2017 Revaluation List update and Increase in Top Up to offset.	(0.5)	(0.1)	(0.1)	(0.1)	Overall change to financial position	0.0	0.1	(0.5)	(0.5)
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44.	<p><u>Education Support Grant (ESG)</u></p> <p>An assumption was made that the Government's Acadamisation programme would substantially reduce the amount of Education Support Grant (ESG) that the Council would receive and the MTFS approved in February 2016 reflected this. Whilst the rate of academisation has slowed, other changes were announced to ESG funding in the 2015 Spending Review with a £600M cut in the ESG and the Government's intention to end the statutory council role in school improvement. ESG is made up of a retained element, for services that the Council provides for all pupils, and a general funding rate element. The general funding rate element will be removed from 2017/18. There will be transitional funding in 2017/18 to allow time for the relevant service reforms and efficiencies to be actioned. The MTFS now reflects the assumed funding that will be received following these changes.</p>																																			
45.	<p><u>New Homes Bonus (NHB)</u></p> <p>Following technical consultation on the operation of the NHB, the PLGFS announced the intention to reduce payment of the NHB from 6 to 5 years in 2017/18 and then to 4 years from 2018/19. An announcement was also made that the reforms have introduced a baseline growth assumption of 0.4% below which NHB will not be paid. The MTFS has been updated to include the indicative allocations detailed within the PLGFS.</p>																																			
46.	<p><u>Business Rates</u></p> <p>The next business rates revaluation takes affect from April 2017. Whilst the gross rateable value for Southampton increased as a result of the revaluation. The multiplier that calculates the amount payable has been amended to lessen the impact on business. The Government has also adjusted the Business Rates Top Up and Tariff allocations to</p>																																			

	ensure retained business rate income is, as far as possible, the same as immediately before the revaluation.
47.	<p><u>Adult Social Care Grant</u></p> <p>The PLGFS announced that savings from recalculating the New Homes Bonus (NHB) will be redistributed to fund Adult Social Care via a dedicated grant in 2017/18. This will be distributed according to relative need, and at the moment is a one off grant whilst the changes to NHB are recurrent. The allocation for Southampton City Council is £1.1M.</p>
48.	<p><u>Adult Social Care Precept</u></p> <p>In response to sector pressure to review funding needs for Social Care pressures the Government have granted flexibility to raise the Adult Social Care precept by up to 3% for the next two years but no greater than 6% over the three years 2017/18 to 2019/20. The impact for the Council in accepting the offer and increasing by 3% in 2017/18 & 2018/19 would bring forward additional income of £1.0M and 1.85M respectively.</p>
49.	<p><u>Housing Benefit Admin Subsidy</u></p> <p>Housing Benefit is to be phased out and replaced by Universal Credit. As such there was an expectation that Housing Benefit Administration Subsidy, which is funding towards the cost of administering Housing Benefit, would cease from 2016/17. Funding was received in 2016/17. Confirmation has also now been received from the Department for Work & Pensions (DWP) that this funding will continue into 2017/18 whilst the delivery plans for the introduction of the Universal Credit are reviewed. A further £1.0M of non-recurrent grant funding was therefore been assumed in setting the forecast position for 2017/18.</p>
50.	The full details of all changes notified within the PLGFS are detailed within the MTFS in Appendix 5.
51.	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 the 15 th February 2017. For amendments received after this date authority to delegate the power to Service Director Finance and Commercialisation to deal with these is being sought.
	Reduction in the non-achievement of previously approved savings proposals (Adult Social Care)
52.	In the November report, a number of Adult Social Care proposals were thought to be non-achievable or achievable at a lower value than anticipated. Over the past few months further work has been carried out and savings have increased allowing the pressure to be reduced.
	Removal of Unaccompanied Asylum Seeking Children Pressure
53.	The Government has indicated that a grant will be available to cover the cost pressures of Unaccompanied Asylum Seeking Children.
	Pressures Identified within the Final Outcome Plans as per Appendix 3
54.	<p>As the detailed estimates have been developed a number of pressures have been identified. These include:</p> <ul style="list-style-type: none"> • Cessation of Adoption Grant – this grant has been withdrawn with a part year effect in 2016/17 and will not be available in the future; • Home to School Transport – due to the number of new students requiring transport; and • Other minor pressures.

	Non Achievement of existing savings proposal for Fleet Transport Income
55.	A savings was included in last year's budget around Fleet Transport Income this saving has been achieved in full.
	Adult Social Care additional demand and complexity pressure
56.	The current year expenditure position on adult social care reflects a pressure arising from the increase in complexity and demand in the area of £2.6M. The increase in costs will be funded from the Adult Social Care Precept detailed in paragraph 48 and the Adult Social Care grant, detailed in paragraph 47 but even with this additional funding the Council is still funding £0.5M from existing resources.
	Removal of November 2016 savings proposals
57.	In response to the member consideration and consultation feedback Cabinet have revised the draft proposals. The main changes are: <ul style="list-style-type: none"> • Reducing the proposed reduction to substance misuse budgets services; • Reducing the proposed reduction to Parks & Open Spaces services; • Withdrawing some Public Health proposals in 2017/18 including Tier 3 Weight Management, and LARC prescribing • Deferring the saving for delivering school improvement differently, this has been deferred for one year; • Investment in implementation costs and support to the introduction of Alternative Weekly Collection has resulted in a reduction to the saving proposed for 2017/18; and • There have also been a number of small reductions in business as usual savings to reflect the delay in restructures.
	Savings Implementation Costs
58.	In producing implementation plans for the savings proposals some costs of implementation have been identified
	Investment in Services
59.	In preparing the updated MTFS a sum of money was identified to enable investment in services. This will be invested in key priority areas: <ul style="list-style-type: none"> • Increased resources to support a new multi-functional street cleansing and waste team; and • To support the development of cultural events in the run up to Mayflower 400.
	Changes to centrally held inflation.
60.	In complete the detailed estimates inflation allocations have been distributed to individual areas, allowing the balance to be released. This release has been reduced in future years to take account of rising inflation predictions.
	Collection Fund Surplus 2016/17
61.	2016/17 Collection Fund surplus is required to be announced in this report to enable us and the other preceptors to set the budget. This financial year the estimated surplus is £4.1M we have already taken account of £1.8M and this leaves a further £2.3M to be released. The reason for this surplus is mainly due to further information being received from the Valuations Office regarding appeals, this has meant we have been able to reduce the requirement for appeals in 2016/17.

	Investment in the Highways and Minor schemes capital programmes																				
	As the Collection Fund surplus is non recurrent or “one-off” the funds will transferred to capital to support investment in roads and pavements and small capital schemes, these have been identified as a priority area through both the outcome planning and the consultation.																				
	<u>PROPOSALS FOR ACHIEVING SMALLER BUDGET ENVELOPES FOR EACH OUTCOME PLAN BY THE END OF 2020/21</u>																				
62.	In developing proposals, it has been difficult to avoid impacting on front line services because year on year reductions over the last few years have left very little flexibility. Despite this every effort has been made to improve customer experiences and in many cases this will be through different ways of accessing services and greater self-sufficiency and independence on part of residents. Outcome Plans for the priority outcomes as well as the Outcome Plan for the Council to become a more modern, sustainable organisation are attached at Appendix 1. These provide a brief summary with a financial overview, performance analysis of key challenges and the main proposals to achieve the budget envelope by 2019/20.																				
63.	For the first time, proposals have been identified for a three year period with greater details for the first 2 years (2017/18 & 2018/19) and emerging ideas for year 3 (2019/20). The proposals comprise the following: <table border="1" data-bbox="215 898 1517 1061"> <tr> <td>Digital Savings</td> <td>4%</td> </tr> <tr> <td>Business As Usual Savings</td> <td>25%</td> </tr> <tr> <td>Service Delivery and Redesign Proposals (including Procurement)</td> <td>71%</td> </tr> </table>	Digital Savings	4%	Business As Usual Savings	25%	Service Delivery and Redesign Proposals (including Procurement)	71%														
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	<u>THE COLLECTION FUND</u>																				
64.	The assumptions made around Council Tax and Non Domestic Rates are reflected initially in the Collection Fund Account, which is a statutory account that records the collection and distribution of taxation. Following from the assumptions detailed in Key Assumptions within the MTFS, the forecast position for the Collection Fund is shown in Table 6 below along with the Southampton City Council share. <u>Table 6 – Collection Fund Assumptions</u> <table border="1" data-bbox="215 1489 1417 1794"> <thead> <tr> <th></th> <th>2017/18 £M</th> <th>2018/19 £M</th> <th>2019/20 £M</th> <th>2020/21 £M</th> </tr> </thead> <tbody> <tr> <td>Southampton City Council, Council tax Precept</td> <td>84.30</td> <td>86.06</td> <td>87.77</td> <td>89.52</td> </tr> <tr> <td>Council Tax Adult Social Care Precept</td> <td>4.18</td> <td>6.84</td> <td>6.97</td> <td>7.11</td> </tr> <tr> <td>Business Rates Draw</td> <td>47.91</td> <td>51.22</td> <td>51.71</td> <td>101.29</td> </tr> </tbody> </table>		2017/18 £M	2018/19 £M	2019/20 £M	2020/21 £M	Southampton City Council, Council tax Precept	84.30	86.06	87.77	89.52	Council Tax Adult Social Care Precept	4.18	6.84	6.97	7.11	Business Rates Draw	47.91	51.22	51.71	101.29
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65.	The Executive are recommending an increase in Council Tax for 2017/18 of 1.99%, with regard to the general power to increase Council Tax prior to referendum. They are also recommending that Council Tax is increased by 3.00% for the Adult Social Care Precept, with the increase for this element all being used to fund Adult Social Care pressures detailed elsewhere in the report. The Council Tax Requirement shown in Appendix 6, takes into																				

	account Government Grants and an assumed surplus on the Collection Fund at the end of 2016/17, £88.48M is the level of Council Tax required to provide a balanced budget for 2017/18. This is then divided by the Council Tax Base set by the S151 Officer, following consultation with the Cabinet Member for Finance, to give the basic amount of Council Tax for the year of £1,366.48 plus £40.19 for the Adult Social Care Precept making a Council Tax of £1,406.68, this is a 4.99% increase. The full calculation is set out in Appendix 7.
66.	The estimates of the payments from the Collection Fund in the form of precepts for 2017/18 are set out in Appendix 7. This also details the increase in Council Tax by property band for 2017/18. This includes preliminary figures for the Police & Crime Commissioner (PCC) and the Fire Authority. The Provisional Financial Settlement allows for up to an increase of £5 for PCC and this has been proposed given an increase of 3.12%. The Fire Authority have proposed an increase of 1.98%. Whilst this are the proposed increases these are subject to formal approval.
67.	The figures for both the PCC and the Fire Authority will not be approved until after the 15 February 2017 and therefore this report requests a delegation of authority to the S151 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.
68.	The Council Tax Base for 2017/18 has been set at 62,900 properties using delegated powers granted by Full Council on 17 th January 2007. This reflects the expected growth in the tax base and any adjustments for the Council Tax Reduction Scheme.
	<u>Business Rates</u>
69.	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.
70.	The Non Domestic Rates (NDR) estimate for 2017/18 have now been completed and the statutory notification return (NNDR1 Form) has been completed. Given the continued uncertainty of the impact of in year adjustments such as appeals, the form allows for estimated growth / decline of various elements. After allowing for these various elements and the impact of the Autumn Statement 2017 changes (funded by Section 31 Grant) the Councils Net Rates Payable for 2017/18 is £110.47M.
71.	After allowing for estimated losses in collection of £2.21M and estimated repayments in respect of the 2016/17 Rates of £8.02M giving a Collectable Rates figure of £100.24M.
72.	This is further adjusted to exclude Transitional Arrangements additional income of £2.15M, all payable to Central Government, and £0.31M costs of collection giving Non Domestic Rating income of £97.78M.

73.	<p>The following table shows how the total income is shared:</p> <table border="1" data-bbox="316 264 1273 555"> <thead> <tr> <th data-bbox="316 264 1043 322"></th> <th data-bbox="1043 264 1273 322">£M</th> </tr> </thead> <tbody> <tr> <td data-bbox="316 322 1043 380">Estimated Net Domestic Rating Income</td> <td data-bbox="1043 322 1273 380">97.78</td> </tr> <tr> <td data-bbox="316 380 1043 439">Amount to be paid to Central Government (50%)</td> <td data-bbox="1043 380 1273 439">48.89</td> </tr> <tr> <td data-bbox="316 439 1043 497">Amount to be retained by the Council (49%)</td> <td data-bbox="1043 439 1273 497">47.91</td> </tr> <tr> <td data-bbox="316 497 1043 555">Amount to be passed to HFRA (1%)</td> <td data-bbox="1043 497 1273 555">0.98</td> </tr> </tbody> </table>		£M	Estimated Net Domestic Rating Income	97.78	Amount to be paid to Central Government (50%)	48.89	Amount to be retained by the Council (49%)	47.91	Amount to be passed to HFRA (1%)	0.98
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74.	In addition to income received from the collection of Business Rates, the Council will receive grants under Section 31, and these amount to £2.03M.										
75.	The overall level of expected income for business rates for 2017/18 (including the 2016/17 surplus of £2.32M, section 31 grants of £2.03M and top up grant of £3.74) is expected to be £56M to support the revenue position.										
<u>PUBLIC HEALTH GRANT REDUCTION</u>											
76.	<p>The Public Health grant, introduced in April 2013, has been the subject to a formula allocation method as well as an overall reduction in resources. The assumed grant allocations going forward are:</p> <ul style="list-style-type: none"> • 2016/17 £17.86M (confirmed) • 2017/18 £17.42M • 2018/19 £17.0M 										
77.	The Council is committed to identifying savings from within the overall Public Health Programme in order to achieve the level of savings required. The current assumptions were reported to Cabinet in November 2016.										
78.	Appendix 10 details the savings required and the proposals to meet the reduction in grant funding. £1.2M has already been reduced in this area and grant reductions will lead to a further £1.7M reduction.										
<u>RESERVES AND BALANCES</u>											
79.	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>											
80.	<p>The Council has a number of earmarked reserves that have been set aside for specific reasons. These reserves can be split into two categories:</p> <ol style="list-style-type: none"> a. Those required to be kept by statute or accounting guidance. For example Revenue Grants Reserve, and 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. 										
81.	In light of the increasing level of risk and uncertainty identified within the MTFs and the increased probability of resources being required to support its delivery, a full review of useable reserves and provisions has been undertaken. In closing the accounts for 2015/16 a view was taken on maintaining and strengthening, where necessary, those reserves specifically earmarked to support the highest areas of risk resulting in the rationalisation of										

	reserves and provisions where possible and in some cases additional funding being set aside.
82.	The financial risks facing the Council in the medium term are assessed within the MTFS. This includes assessing the risk of continuing reductions in Central Government Funding. The subsequent budget shortfalls that the Council then faces and overall local and national economic factors which can affect the financial stability of the council. The Key Financial Risk assessment is summarised and attached as Appendix 9 and details of assumptions are included in the Chief Financial Officer's Statement below.
83.	As a result of this assessment and of the required General Fund Balance, detailed in paragraphs 84 to 86, it is proposed to realign reserves and balances, namely: <ul style="list-style-type: none"> • Release £2.4M from the Medium Term Financial Risk Reserve to General Fund Balances; and • Release £1.7M from the Medium Term Financial Risk Reserve to Taxation Reserve.
	<u>General Fund Balance</u>
84.	The General Fund Balance is forecast to be £8.9M at the end of 2016/17 providing there is no current year financial overspend to be addressed. The required level of balance is determined by assessing the level of risk the Council faces as detailed above. This is currently assessed at £11.3M. As noted in paragraph 83 above, it is proposed to increase the General Fund Balance to this level by realigning £2.4M from the Medium Term Risk Reserve.
85.	Obviously as the Council is facing significant reductions in funding, and with increasing demand alongside a major transformation programme the level of risk is heightened. The assessed minimum balance has been reviewed again for the updated MTFS taking into consideration both risk and affordability. Details of this are included within the Chief Financial Officers Statement below.
86.	In total non earmarked General Fund Balance is expected to be £11.3M, and the earmarked reserves are expected to be £60.0M, making a total balance of £71.3M at end of 2017/18.
	<u>STATEMENT OF THE SECTION 151 OFFICER IN ACCORDANCE WITH THE LOCAL GOVERNMENT ACT 2003 – ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES</u>
87.	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 Chief Finance Officer (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.
88.	Section 25 of the Local Government Act 2003 (LGA 2003) imposes a duty on the Chief Financial Officer (CFO) to report formally to Full Council on the following matters:- <ul style="list-style-type: none"> • The robustness of the estimates made for the purpose of the calculations (to set the Council Tax). • The adequacy of the proposed financial reserves. The Council is required to set a balanced budget each year and a minimum level of revenue balances and reserves must be specified within the budget, and be taken account of when setting the budget requirement.
89.	In setting the budget the Council should have regard to the strategic and operational risks it is facing. Some of these risks reflect the current economic climate, the national issues surrounding local authorities and increasing demand for services.

90.	<p>In considering the robustness of estimates the S151 Officer has examined the major assumptions and has carried out some sensitivity analysis to ascertain the potential risk and reasonableness of underlying budget assumptions such as:-</p> <ul style="list-style-type: none"> ▪ The reasonableness of provisions for inflationary pressures; ▪ The likelihood of interest rate rises; ▪ The extent to which known trends and pressures have been provided for; ▪ The achievability of change built into the budget; ▪ The realism of income targets; ▪ Third party provider risks; ▪ A review of major risks associated with the budget; ▪ The availability of the General Fund Balance to meet cost pressures from unforeseen events; and ▪ The strength of the financial management and reporting arrangements.
91.	<p>In coming to a view the Service Director Finance & Commercialisation (S151 Officer) has taken into account the risks, issues and mitigations set out in Appendix 9 - Key Financial Risks.</p>
92.	<p>All these risks have been rated using the Council's risk assessment criteria. Key points from this assessment are detailed below.</p>
93.	<p>There has been a sensitivity analysis carried out on the underlying assumptions contained with the MTFs Model, around inflation, interest rates and income estimates.</p>
94.	<p>There has been an assessment of the required General Fund Balance to meet cost pressures of unforeseen events and third party risk.</p>
95.	<p>Detailed estimates have been prepared by each service area based on levels of service required to achieve the outcome plans. In completing this exercise service areas have reviewed the risk associated with the individual business plans. Where these risks are seen as significant they have been added to Appendix 9.</p>
96.	<p>The individual savings proposals have been subject to further planning and verification and in some instances have been reduced in the first year to take account of a part year effect. However due to the level of savings proposals and, in some areas, the complexity, they do pose a risk to the business, as the budget assumes these will be implemented with sufficient pace. The achievement of these savings proposals will be monitored by the Senior Leadership Team throughout the coming year, but as a consequence the MTFs Reserve is still seen as key reserve to be maintained. However as plans are now in place for the next two years and the reduction in the savings requirement for 2019/20, it is envisaged this reserve can be reduced and by doing so we can increase the General Fund Balance to take account of the risk assessment completed. This is detailed in paragraph 84.</p>
97.	<p>Significant financial pressures experienced in 2016/17 have, where appropriate, been recognised in preparing the estimates included in this report, and for the first time paragraph 35 contains a table detailing all the current pressures and how they will be addressed in 2017/18 onwards.</p>
98.	<p>The financial management and reporting arrangements have also been strengthened in the past twelve months with the introduction of monthly monitoring reports to the Council Management Team in a timely fashion. There has also been a revised process for dealing with areas which have budgetary pressures with the introduction of action planning and intensive care meetings with the Senior Leadership Team to ensure the plans are robust and being achieved.</p>

99.	For the first time in a number of years, the setting of a balanced budget is not reliant on the utilisation of the General Fund balance giving us the opportunity to review this balance in light of the economic uncertainty faced by the Council.
100.	In addition to the budget risks the collection of Council Tax and the generation of Business Rates are two key risks which need to be closely monitored. An assessment of the anticipated business rates income has been carried out based on the information available and a provision made for appeals. This year there has been growth in business rates and council tax fed into the estimates this increases the potential risk associated with these estimates, but in the S151 Officer's opinion these have been identified and provided for within the Taxation Reserve which has been strengthened by utilising the MTFs reserve.
101.	Overall the risk associated with the General Fund and the Housing Revenue Account budget is still at a relatively high status given the quantum and complexity of savings, however these risks have been identified and mitigations put in place.
102.	In the opinion of the Section 151 Officer whilst the overall level of reserves and balances are adequate, the level of the minimum General Fund Balance should be increased to £11.3M. This increase can be achieved by reviewing the levels of other earmarked reserves without causing a financial pressure.
<u>BUDGET CONSULTATION</u>	
103.	A full summary of the consultation on the 2017/18 budget is included in Appendix 1.
104.	Southampton City Council's Cabinet published their draft budget proposals for 2017/21 for public consultation on 16 November 2016. The consultation is designed to run from 16 November 2016 to 8 February 2017 and included proposals relating to the General Revenue Account budget. It was made clear that while responses can be made until 8 February 2017, the deadline for feedback to be considered in the Cabinet report was 24 January 2017. Any feedback received after 24 January 2017 will be reported to Cabinet on 14 February 2017. The agreed approach for the public consultation was to use a combination of paper and online questionnaires, along with a range of stakeholder meetings. The approach taken with the budget questionnaire enables an appropriate amount of explanatory and supporting information to be included in a structured way, helping to ensure that residents are aware of the background and context to each of the proposals. It is therefore considered to be the most suitable methodology for consulting on a complex issue such as the whole draft council budget, where there are a wide range of proposals. Representatives from the council also attended a range of face to face sessions with key stakeholder groups, feedback from these sessions was captured and included in the analysis of consultation results. The council also wrote to key partners across the city, to make them aware and seek their views.
105.	In total 1,498 responses were received by 24 January 2017 on the budget proposals for the 2017-21 financial years. The demographic make-up of the respondents is outlined below: <ul style="list-style-type: none"> • The age groups with the lowest representation were under 16, 16-24 and 85+ year olds, all having less than 20 respondents from that age range. • The most represented age groups were the 35-44, 45-54, 55-64 and 65-74 year olds, with 78% of the overall respondents belonging to these age categories. • The gender breakdown of consultation respondents was 54.6% male, 44.8% female with 0.2% transgender and 0.4% not identifying as female, male or transgender. • The ethnicity breakdown of consultation respondents was 87% White, 2% Mixed/multiple ethnic groups, 2% Asian/Asian British, 1% other ethnic group and less than 1% Black/African/Caribbean/Black British.

	<ul style="list-style-type: none"> • In total, 10% of questionnaire respondents considered themselves disabled, 84% did not consider themselves disabled and 7% of respondents preferred not to say • Of the respondents 29% look after, help or support others. • The majority of respondents stated that they were not employed by Southampton City Council (91%), 9% are employed by Southampton City Council. 																											
106.	Respondents had the opportunity to give their overall view on the proposals being consulted on. This was done using a ten point scale (where 1 was very unfavourable and 10 very favourable). The average response was 4.8 which is on the more unfavourable side of neutral. The combined total for favourable responses (7-10) was 29%.																											
107.	<p>Proposals were grouped into themes and described in separate information sheets, which had a question asking consultees the extent to which they agreed with the group of proposals. The themes were constructed around the council's priority outcomes. The following table shows the response for each area.</p> <table border="1"> <thead> <tr> <th>Information sheet</th> <th>% Combined agreement</th> <th>% Combined disagreement</th> </tr> </thead> <tbody> <tr> <td>Strong and sustainable economic growth</td> <td>46%</td> <td>29%</td> </tr> <tr> <td>Children and young people in Southampton get a good start in life – Education, Early Help and Libraries</td> <td>48%</td> <td>28%</td> </tr> <tr> <td>Children and young people in Southampton get a good start in life – Children's Social Care</td> <td>57%</td> <td>21%</td> </tr> <tr> <td>People in Southampton lead safe, healthy, independent lives – Adult Social Care</td> <td>39%</td> <td>33%</td> </tr> <tr> <td>People in Southampton lead safe, healthy, independent lives – Public Health and Commissioning</td> <td>27%</td> <td>48%</td> </tr> <tr> <td>Southampton is a modern, attractive city where people are proud to live and work – Waste and environment</td> <td>34%</td> <td>58%</td> </tr> <tr> <td>Southampton is a modern, attractive city where people are proud to live and work – Living in and visiting the city</td> <td>38%</td> <td>38%</td> </tr> <tr> <td>Modern, sustainable council</td> <td>54%</td> <td>24%</td> </tr> </tbody> </table> <p>The group of proposals with the highest level of engagement was "Southampton is a modern, attractive city where people are proud to live and work – Waste and environment", the group with the least engagement was "Strong and sustainable economic growth".</p>	Information sheet	% Combined agreement	% Combined disagreement	Strong and sustainable economic growth	46%	29%	Children and young people in Southampton get a good start in life – Education, Early Help and Libraries	48%	28%	Children and young people in Southampton get a good start in life – Children's Social Care	57%	21%	People in Southampton lead safe, healthy, independent lives – Adult Social Care	39%	33%	People in Southampton lead safe, healthy, independent lives – Public Health and Commissioning	27%	48%	Southampton is a modern, attractive city where people are proud to live and work – Waste and environment	34%	58%	Southampton is a modern, attractive city where people are proud to live and work – Living in and visiting the city	38%	38%	Modern, sustainable council	54%	24%
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108.	The overall average agreement with the 2017/18 to 2020/21 draft budget was 43% with 35% in disagreement.																											
	Issues raised in the consultation feedback																											

109.	<p>In total 268 questionnaire respondents answered the question about impacts the proposals would have if implemented. The three areas which had the largest amount of comments relating to impacts were: health or vermin, impacts on vulnerable and cleanliness of streets. Full details are available in Appendix 1. Respondents were given the opportunity to offer alternative ideas for generating income or areas where savings could be made. 488 suggestion of ways Southampton City Council could save or generate money were made. Below in figure 14 are the main themes that appeared within these comments.</p> <p>The most frequently suggested alternatives were related to more efficient ways of collecting waste and recycling. This represented 10% of all comments.</p>
	<p>Summary of consultation feedback</p>
110.	<p>In total 1,498 stakeholders have engaged with the consultation process and given their views on the budget proposals. The consultation has engaged with a range of individuals through a variety of methods to allow residents and other stakeholders in Southampton to give their views on the budget proposals for 2017/18 to 2020/21. As this report has outlined, by looking at various demographic breakdowns of the respondents, there was engagement across a range of ages and locations across the city. The feedback from the consultation with residents and stakeholders has led to Cabinet making the changes outlined in paragraph 57.</p>
	<p>STAFFING IMPLICATIONS</p>
111.	<p>The City Council has on-going financial challenges and is needing to deliver agreed outcomes within ever reducing envelopes. As a significant proportion of the Council's expenditure is on staffing it is inevitable that the draft proposals will have an impact on staff costs and overall staff numbers.</p>
112.	<p>In light of this, the Council has agreed a clear framework for change management with the trade unions to help implement a fair and transparent way of achieving the necessary reductions in employee numbers whilst working to reduce the potential for any compulsory redundancies. Where any proposals have an impact on workforce numbers, employment status and/or terms and conditions of employment, meaningful consultation takes place with staff and the recognised trade unions and with due regard to statutory timeframes as a minimum. As part of this impacted Full Time Equivalent (FTE) posts, staffing lists and vacancies / agency workers are listed in full.</p>
113.	<p>Through the consultation processes the Cabinet are keen to explore all avenues with the Trade Unions and employees to identify, wherever possible, alternative options for delivering savings, in order that the level of any proposed workforce reductions and potential redundancies can be reduced. The Cabinet will also continue to ensure that impacted staff are aware of all the available options which can be used to avoid compulsory redundancies including:</p> <ul style="list-style-type: none"> • Voluntary solutions • Redeployment • Early and Flexible retirement • Voluntary redundancy • Proposals from employees such as Reduced hours
114.	<p>Staff consultation began on 30th January 2017 for the first tranche of proposals. 165.62 FTE's in scope for this set of consultations, with 44.56 posts proposed to be deleted, and 18.32</p>

	<p>posts vacant or covered by agency staff at the moment. As required, S188 notice was issued to the trade unions covering the following areas and details are available on request.</p> <ul style="list-style-type: none"> • Intelligence, Insight and Communications • Transactions and Universal Services • Housing • Finance and Commercialisation.
<u>EQUALITY AND SAFETY IMPACT ASSESSMENTS</u>	
115.	<p>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.</p>
116.	<p>Individual Equality and Safety Impact Assessments (ESIAs) have been completed by Service Directors for those proposals contained in Appendix 3, where it is felt that proposed savings could have an adverse impact on a particular group or individuals.</p>
117.	<p>These were published alongside the Executive's draft budget proposals on 16 November 2016. The first draft of the Cumulative Impact Assessment, based on the initial ESIAs, was completed by a central team of officers within the council and was published on the Council's website on 1 December 2016.</p>
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
118.	<p>The capital and revenue implications are fully detailed within the report.</p>
<u>Property/Other</u>	
119.	<p>None</p>
LEGAL IMPLICATIONS	
120.	<p>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.</p>
121.	<p>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</p>

	fiduciary duty includes consideration of future local taxpayers as well as present local taxpayers.
122.	It is appropriate for Members to consider their own position as some Members may have expressed support publicly for policies that are not policies of the Council. Political documents do not represent a legal commitment on behalf of the Council. To treat any political document as a legal commitment by the Council would be illegal. Where there is a valid choice before Members, then, at that stage and only at that stage, Members may take political documents into account..
123.	The legal significance of the Annual Budget derives from the Council's duty under the Local Government Finance Act 1992 (the 1992 Act) to set a balanced budget. Failure to make a lawful Council Tax on or before 11 March 2017 could have serious financial results for the Council and make the Council vulnerable to an Order from the Courts requiring it to make a Council Tax. Information must be published and included in the Council Tax demand notice. The Secretary of State has made regulations, which require charging authorities to issue demand notices in a form and with contents prescribed by these regulations.
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.
125.	Under Section 114 (2) and 114 (3) of the Local Government Finance Act 1988 , the Chief Financial Officer is required to make a report, if it appears to him/her that a decision or course of action the Council or an officer has agreed or is about to make is unlawful, or that expenditure is likely to exceed resources available.
126.	The Local Government Act 2000 provides a power for Councils to promote the economic, social and environmental well-being of their areas and develop community strategies and establishes an ethical framework.
127.	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 is detailed in paragraphs 79 to 86.
128.	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.
<u>Other Legal Implications</u>	
129.	The financial forecasts contained in this report have been prepared and are submitted as part of the budget process set out in the Council's Constitution. As part of the review process by the Council's Management Team, the proposals contained in this report have been checked from a legal viewpoint.
POLICY FRAMEWORK IMPLICATIONS	

130.	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 2017/18 must be proposed by the Cabinet for consideration by the Full Council under the Constitution.
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KEY DECISION?	Yes
WARDS/COMMUNITIES AFFECTED:	All
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Budget Consultation and Feedback Analysis
2.	Cumulative Impact Assessment
3.	Outcomes Plans
4.	Medium Term Financial Strategy 2017/18 to 2020/21 – On A Page
5.	Medium Term Financial Strategy 2017/18 to 2020/21
6.	2017/18 Council Tax Calculation
7.	2017/18 Collection Fund Estimates
8.	Statutory Power To Undertake Proposals In The Report
9.	Key Financial Risks
10.	Public Health Grant Reductions

Documents In Members' Rooms

1.	Individual ESIA Documents
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Equality Impact Assessment

Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	Yes
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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
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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.	