

# Public Document Pack

## Cabinet

Tuesday, 9th February, 2016  
at 4.30 pm

### **PLEASE NOTE TIME OF MEETING**

Council Chamber - Civic Centre

This meeting is open to the public

#### **Members**

Councillor Simon Letts, Leader of the Council  
Councillor Daniel Jeffery, Cabinet Member for  
Education and Children's Social Care  
Councillor Mark Chaloner, Cabinet Member for  
Finance  
Councillor Satvir Kaur, Cabinet Member for  
Communities, Culture and Leisure  
Councillor Jacqui Rayment, Cabinet Member for  
Environment and Transport  
Councillor Dave Shields, Cabinet Member for Health  
and Adult Social Care  
Councillor Warwick Payne, Cabinet Member for  
Housing and Sustainability  
Councillor Christopher Hammond, Cabinet Member  
for Transformation

(QUORUM – 3)

#### **Contacts**

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## **BACKGROUND AND RELEVANT INFORMATION**

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

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

### **The Forward Plan**

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

### **Implementation of Decisions**

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

**Mobile Telephones** – Please switch your mobile telephones to silent whilst in the meeting.

### **Use of Social Media**

The Council supports the video or audio recording of meetings open to the public, for either live or subsequent broadcast. However, if, in the Chair’s opinion, a person filming or recording a meeting or taking photographs is interrupting proceedings or causing a disturbance, under the Council’s Standing Orders the person can be ordered to stop their activity, or to leave the meeting

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

- Jobs for local people
- Prevention and early intervention
- Protecting vulnerable people
- Affordable housing
- Services for all
- City pride
- A sustainable Council

### **Executive Functions**

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

### **Key Decisions**

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

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

### **Procedure / Public Representations**

At the discretion of the Chair, members of the public may address the meeting on any report included on the agenda in which they have a relevant interest. Any member of the public wishing to address the meeting should advise the Democratic Support Officer (DSO) whose contact details are on the front sheet of the agenda.

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

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

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

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

<b>2015</b>	<b>2016</b>
16 June	19 January
14 July	9 February ( <b>Budget</b> )
18 August	16 February
15 September	15 March
20 October	19 April
17 November	
15 December	

## **CONDUCT OF MEETING**

### **TERMS OF REFERENCE**

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

### **RULES OF PROCEDURE**

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

### **DISCLOSURE OF INTERESTS**

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

### **DISCLOSABLE PECUNIARY INTERESTS**

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

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

(ii) Sponsorship:

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

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

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

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

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

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

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

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

### **Other Interests**

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

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

Any public authority or body exercising functions of a public nature

Any body directed to charitable purposes

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

### **Principles of Decision Making**

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

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

### **BUSINESS TO BE DISCUSSED**

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

### **QUORUM**

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

- clarity of aims and desired outcomes.

In exercising discretion, the decision maker must:

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

## **AGENDA**

### **1 APOLOGIES**

To receive any apologies.

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

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

## **EXECUTIVE BUSINESS**

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

### **4 RECORD OF THE PREVIOUS DECISION MAKING (Pages 1 - 2)**

Record of the decision making held on 19 January 2016, attached.

### **5 MATTERS REFERRED BY THE COUNCIL OR BY THE OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE FOR RECONSIDERATION (IF ANY)**

There are no matters referred for reconsideration.

### **6 REPORTS FROM OVERVIEW AND SCRUTINY COMMITTEES (IF ANY)**

There are no items for consideration

### **7 EXECUTIVE APPOINTMENTS**

To deal with any executive appointments, as required.

## **MONITORING REPORTS**

### **8 CORPORATE REVENUE FINANCIAL MONITORING FOR THE PERIOD TO THE END OF DECEMBER 2015 □ (Pages 3 - 50)**

Report of the Cabinet Member for Finance summarising the General Fund and Housing Revenue Account revenue financial position for the authority for the nine month period to the end of December 2015, attached.

## **ITEMS FOR DECISION BY CABINET**

**9 THE MEDIUM TERM STRATEGY (MTFS) 2015/16 - 2020/21 □ (Pages 51 - 96)**

Report of the Cabinet Member for Finance detailing an update on the Medium Term Financial Strategy for the period 2015/16 - 2020/21, attached.

**10 THE GENERAL FUND CAPITAL PROGRAMME 2015/16 TO 2019/20 □ (Pages 97 - 178)**

Report of the Cabinet Member for Finance seeking to inform Council of any major changes in the overall General Fund Capital Programme since it was last reported on 18 November 2015. This report also outlines the way in which the revised programme has been funded, reflecting the changes in availability and usage of capital resources, attached.

**11 GENERAL FUND REVENUE BUDGET 2016/17 TO 2019/20 □ (Pages 179 - 306)**

Report of the Cabinet Member for Finance seeking to set out the latest estimated overall financial position on the General Fund Revenue Budget for 2016/17 to 2019/20 and to outline the main issues that need to be addressed in considering the Cabinet's Budget and Council Tax proposals to Council on 10 February 2016, attached.

**12 HOUSING REVENUE ACCOUNT BUDGET REPORT AND BUSINESS PLAN □ (Pages 307 - 344)**

Report of the Cabinet Member for Housing and Sustainability seeking approval for the Housing Revenue Account (HRA) budget proposals and long term business plan to be recommended to the budget setting meeting on 10 February 2016 including:

- the proposed 2016/17 HRA revenue estimates, together with proposed rent and service charge levels;
- the updated HRA capital programme for the period to 2020/21 and
- the 30 year long term HRA business plan covering both capital and revenue projections, attached.

**13 TOWNHILL PARK REGENERATION PHASE 1: PROCUREMENT, CPO POWERS AND PUBLIC OPEN SPACE DISPOSAL DELEGATION □ (Pages 345 - 358)**

Report of the Cabinet Member for Housing and Sustainability seeking approval for the procurement and delivery options for Townhill Park Phase 1 regeneration. Work will progress next year to start demolishing homes and therefore delegated approval is also required for the Compulsory Purchase Orders. Delegated powers are also required to enable the open space disposal. These action will kick-start Phase 1 of Townhill Park and the regeneration of the area, attached.

**14 EXCLUSION OF THE PRESS AND PUBLIC - CONFIDENTIAL PAPERS INCLUDED IN THE FOLLOWING ITEM**

To move that in accordance with the Council's Constitution, specifically the Access to Information Procedure Rules contained within the Constitution, the press and public be excluded from the meeting in respect of any consideration of the confidential report to

the following Item.

The Confidential report contains information deemed to be exempt from general publication based on Category 3 of paragraph 10.4 of the Council's Access to Information Procedure Rules. Publication of this information prior to entering into a legal contract could put the Council at a commercial disadvantage.

**15 PROPOSED DISPOSAL OF GROUND RENT** (Pages 359 - 366)

To consider the confidential report of the Leader of the Council seeking approval to grant an option to the Council's Joint Venture partner (LLP), attached.

NOTE: This report is submitted for consideration as a general exception under paragraph 15 of the Access to Information procedure Rules in Part 4 of the Council's Constitution, notice having been given to the Chair of Overview and Scrutiny Management Committee and the public.

Monday, 1 February 2016

Service Director, Legal and Governance

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SOUTHAMPTON CITY COUNCIL  
EXECUTIVE DECISION MAKING

RECORD OF THE DECISION MAKING HELD ON 19 JANUARY 2016

Present:

Councillor Letts	-	Leader of the Council
Councillor Jeffery	-	Cabinet Member for Education and Children's Social Care
Councillor Kaur	-	Cabinet Member for Communities, Culture and Leisure
Councillor Rayment	-	Cabinet Member for Environment and Transport
Councillor Shields	-	Cabinet Member for Health and Adult Social Care
Councillor Payne	-	Cabinet Member for Housing and Sustainability
Councillor Hammond	-	Cabinet Member for Transformation

Apologies: Councillor Chaloner

29. EXECUTIVE APPOINTMENTS

Cabinet approved the following Executive Appointments:

Employment, Skills and Learning Partnership – Councillor Jeffery  
Standing Conference on Problems Associated with the Coastline – Councillor Payne  
replacing Councillor Rayment

30. SOUTHAMPTON COMMON PLAY AREA

DECISION MADE: (CAB 15/16 16201)

- (i) To undertake a consultation for the design of the proposed Play Area at Southampton Common;
- (ii) To delegate authority to the Director, Place following consultation with the Head of Legal & Democratic Services to do anything necessary to progress the delivery of the Play Area at Southampton Common, including but not limited to entering into contracts for goods and services, obtaining consents and permissions and any other ancillary or related matters; and
- (iii) To approve the addition of up to £500,000 to the Environment & Transport (City Services) Capital Programme for the Southampton Common Play Area scheme, in accordance with Financial Procedure Rules, subject to the allocation of funding in the Capital Strategy to be approved by Council in February 2016.

31. EXPANSION OF THORNHILL PRIMARY SCHOOL FROM SEPTEMBER 2017

DECISION MADE: (CAB 15/16 16280)

- (i) To note the outcome of statutory consultation as set out in this report;
- (ii) To approve the increase in pupil numbers at Thornhill Primary School to 420, increasing the PAN of the school to 60 (2FE) from September 2017; and

(iii) To delegate authority to the Service Director, Children and Families Service, following consultation with the Cabinet Member for Education and Children's Social Care, to give effect to the recommendations in this report.

32. CONFIRMATION OF THE CANTON STREET ARTICLE 4 DIRECTION

DECISION MADE: (CAB 15/16 16437)

To confirm Article 4 Direction for Canton Street, removing permitted development rights for the properties set out in Appendix 1.

33. CONFIRMATION OF THE CAVENDISH GROVE ARTICLE 4 DIRECTION

DECISION MADE: (CAB 15/16 16439)

To confirm Article 4 Direction for Cavendish Grove, removing permitted development rights for the properties set out in Appendix 1.

# Agenda Item 8

<b>DECISION-MAKER:</b>	CABINET		
<b>SUBJECT:</b>	CORPORATE REVENUE FINANCIAL MONITORING FOR THE PERIOD TO THE END OF 31 <sup>st</sup> DECEMBER 2015		
<b>DATE OF DECISION:</b>	9 FEBRUARY 2016		
<b>REPORT OF:</b>	CABINET MEMBER FOR FINANCE		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	Mel Creighton	<b>Tel:</b> 023 8083 4897
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<b>Chief Financial Officer:</b>	<b>Name:</b>	Andrew Lowe	<b>Tel:</b> 023 8083 2049
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<b>STATEMENT OF CONFIDENTIALITY</b>
N/A

## **BRIEF SUMMARY**

This report summarises the General Fund and Housing Revenue Account (HRA) revenue financial position for the Authority for the three months to the end of December 2015, and highlights any key issues by Portfolio which need to be brought to the attention of Cabinet.

## **RECOMMENDATIONS:**

### **General Fund**

It is recommended that Cabinet:

- i) Note the current General Fund revenue position for 2015/16 as at Qtr 3, which is a forecast over spend at year end of £0.12M against the working budget, as outlined in paragraph 4.
- ii) Note that the forecast over spend for portfolios is £7.78M as outlined in paragraph 5.
- iii) Note the previously agreed actions being put in place to address the overspend position as described in paragraphs 9 and 10.
- iv) Note the performance to date with regard to the delivery of the agreed savings proposals approved for 2015/16 as detailed in Appendix 3.
- v) Note the performance against the financial health indicators detailed in Appendix 4.
- vi) Note the performance outlined in the Quarterly Treasury Management Report attached as Appendix 5.
- vii) Note the performance outlined in the Quarterly Collection Fund Statement attached as Appendix 7.

### **Housing Revenue Account**

It is recommended that Cabinet:

- viii) Note the current HRA budget monitoring position for 2015/16, as at Qtr 3. There is a forecast overspend at year end of £0.22M against the budget approved by Council on 11 February 2015, as outlined in paragraphs 37 and 38 and in Appendix 6.

## REASONS FOR REPORT RECOMMENDATIONS

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

## ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. Not applicable.

## DETAIL (Including consultation carried out)

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

## Financial Summary

4. Appendix 1 sets out a high level financial summary for the General Fund, and shows that the overall forecast outturn position for the Council is an overspend of £0.12M, as shown below:

**Table 1 Summary Forecast Outturn Position**

	<b>Forecast Outturn Variance £M</b>	<b>Forecast Outturn Variance %</b>
<b>Baseline Portfolio Total</b>	<b>7.78 A</b>	<b>4.4</b>
Capital Asset Management	2.10 F	
Other Income & Expenditure	5.33 F	
Non-specific Government Grants	0.23 F	
<b>Net Total General Fund</b>	<b>0.12 A</b>	<b>0.07</b>

5. As shown in the Table 1, the forecast portfolio revenue outturn on net controllable spend for the end of the year compared to the working budget is an overspend of £7.78M. This is an improvement of £1.52M against the baseline set at Qtr 2 and this is analysed below:

**Table 2 Portfolio Forecast Outturn Position**

<b>Portfolio</b>	<b>Qtr 2 Baseline Forecast</b>	<b>Qtr 3 Forecast Outturn</b>	<b>Movement Variance</b>

	<b>Outturn Variance £M</b>	<b>Variance £M</b>	<b>£M</b>	<b>%</b>
Communities, Culture & Leisure	0.55 A	0.29 A	0.26 F	4.2 F
Education & Children's Social Care	7.75 A	7.81 A	0.06 A	0.2 A
Environment & Transport	0.11 F	0.58 F	0.47 F	2.1 F
Finance	0.68 F	1.43 F	0.75 F	2.1 F
Health & Adult Social Care	2.64 A	3.47 A	0.83 A	1.4 A
Housing & Sustainability	0.00 F	0.09 A	0.09 A	3.2 A
Leader's Portfolio	0.85 F	1.87 F	1.02 F	8.8 F
Transformation	0.00 -	0.00 -	0.00 -	0.0 -
<b>Portfolio Total</b>	<b>9.30 A</b>	<b>7.78 A</b>	<b>1.52 F</b>	<b>0.9 F</b>

6. The significant issues affecting each portfolio are set out in Appendix 2.
7. It should be noted that £10.3M of potential savings in 2015/16 were reported to August and October Cabinet and approved in November by Council. The £10.3M has been transferred to the Medium Term Financial Risk Reserve.
8. However the adverse variance in 2015/16 needs to be addressed by the actions described in paragraph 9 so pressures are not transferred into 2016/17.
9. Children's Services are currently forecasting to overspend by £7.81M. Of this sum Looked After Children account for £5.28M. It is therefore proposed that at this stage £5M is included within the budget forecast to address this pressure. With regards to the other pressures within this portfolio a number of actions are taking place in line with the actions detailed in paragraph 11.
10. It should be further noted that in June 2015 the Chancellor announced the need to make £200M worth of savings from the current year Public Health funding. Following a consultation process, the reduction for this Council has been confirmed as £1.06M. Whilst it is expected that in year and future year reductions in funding will be managed within the Public Health resource it should be noted that the forecast position for 2015/16 includes a pressure of £0.27M where offset reductions are still to be identified. The implications for 2016/17 and future years will be included in setting the budgets for those years.

### **Actions being taken to address the adverse position**

11. Portfolios plan to take remedial action to manage a number of the significant issues highlighted in this report. Specific actions are included within Appendix 2 where applicable.
12. As previously reported there are a number of actions that have been put in place to address the adverse position. These actions are:
  - a. The individual service areas are working with finance and transformation to draw up recovery action plans to minimise the amount of pressure being carried forward into 2016/17.
  - b. Vacancy Freeze – all directorates have been instructed to hold posts vacant and to not recruit with only minimal exceptions to be agreed by Directors for critical posts.
  - c. Non Essential Spend – all directorates have been instructed to cease spending on any non-essential non pay expenditure.
  - d. Any posts which have been held vacant and not covered by temporary arrangements

for over 6 months will be deleted.

### **Capital Asset Management**

13. A review of the current year borrowing and investment activity has identified a net forecast underspend of £2.10M against budget. This is due to:
- £2.30M lower borrowing costs due to lower than expected need to borrow.
  - £0.50M increase in interest received on investments
  - Offset by £0.7M increase Minimum Revenue Provision (MRP) requirement as a result of a change in the policy for funding MRP to generate additional revenue savings.

### **Other Income and Expenditure**

14. At Qtr 3 the forecast position shows a forecast favourable position of £5.33M against other income & expenditure. This reflects a revised figure of £4.76M for assumed use of the risk fund and £0.56M additional income from contractual refunds.

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

15. Additional non-specific Government grant income not included in the budget is anticipated resulting in a forecast favourable variance of £0.23M as follows:
16. The amount of Education Services Grant that the Council receives is based on the number of pupils in maintained schools in the city. This number is continually updated as schools convert to academies. Based on known academy conversions this financial year, the amount forecast to be received in 2015/16 is expected to be £0.39M more than budget.
17. Local Reform & Community Voices Grant is expected to be £0.05M more than budget.
18. Housing Benefit Admin Subsidy Grant is expected to be £0.13M lower than budget.
19. Council Tax Support New Burdens Funding received in May was £0.08M lower than budgeted.

### **Risk Fund**

20. Potential pressures that may arise during 2015/16 relating to volatile areas of both expenditure and income are managed through the Risk Fund. A sum of £4.76M is included in the working budget to cover these pressures. As evidence is provided to substantiate the additional expenditure or reduction in income, allocations from the risk fund will be considered.
21. The Risk Fund, which originally stood at £4.50M, now totals £4.76M. The funding allocated is shown below:

**Table 3 Current Risk Fund Position**

		<b>£M</b>
<b>Opening Risk Fund Provision 2015/16</b>		<b>4.50</b>
<b>Portfolio</b>	<b>Service Activity</b>	
Health & Adult Social Care	Care Act Pressure	0.80
Education & Children's Social Care	City Catering	(0.36)
Communities, Culture & Leisure	Arts & Heritage	(0.18)

22. At this stage of the year it has been prudently assumed that the remainder of the Risk Fund will be fully utilised in 2015/16 but this position will be actively reviewed. The provision made within the Risk Fund will be reviewed as part of setting the budget for 2016/17 to ensure that a sufficient allocation is included for such pressures in the future.

**Contingency**

23. The contingency totals £0.25M and it has been assumed that it will be fully utilised by the end of 2015/16.

**Approved Carry Forward Requests**

24. Carry forwards from 2014/15 totalling £0.3M were approved by Council on 15<sup>th</sup> July 2015. The appropriate budgets and forecast spend have now been included within the reported portfolio position for 2015/16.

**Potential Carry Forward Requests**

25. There is currently one potential carry forward request for an item within the Leaders Portfolio. A budget of £0.45M has been earmarked within the planned maintenance programme to facilitate a match funding bid to be submitted to the Heritage Lottery Fund to enable improvements to the Art Gallery. It is anticipated that the outcome of the bid and any potential approval of funding may slip into the next financial year. Therefore a carry forward request may need to be submitted at year end to ensure the match funding is still available to support the bid.

**Significant Portfolio Issues**

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

**Table 4 Significant Adverse Variances**

<b>Portfolio</b>	<b>Corporate Issue</b>	<b>Adverse Forecast £M</b>	<b>See Reference</b>
Communities, Culture & Leisure	Gallery & Museums	0.18 A	COMM 2
Communities, Culture & Leisure	Social Fund & Property	0.17 A	COMM 4
Education and Children's Social Care	Divisional Management & legal	0.56 A	E&CSC1
Education and Children's Social Care	Quality Assurance	0.27 A	E&CSC2
Education and Children's Social Care	Specialist Core Services	1.10 A	E&CSC3
Education and Children's Social Care	Looked after Children &	5.28 A	E&CSC4

	Provision		
Education and Children's Social Care	MASH & Early Help	0.33 A	E&CSC5
Education and Children's Social Care	Education – Early Years and Asset Management	0.25 A	E&CSC6
Environment & Transport	Domestic Waste Collection	0.62 A	E&T 1
Environment & Transport	Waste Disposal	0.27 A	E&T 2
Health & Adult Social Care	Long Term Care	3.02 A	H&ASC 1
Health & Adult Social Care	Reablement	0.89 A	H&ASC 4
Health & Adult Social Care	Public Health	0.53 A	H&ASC 7
Housing and Sustainability	Prevention & Inclusion Service	0.20 A	H&S 3

**Table 5 Significant Favourable Variances**

<b>Portfolio</b>	<b>Corporate Issue</b>	<b>Favourable Forecast £M</b>	<b>See Reference</b>
Environment & Transport	E&T Contracts Management	0.74 F	E&T 3
Environment & Transport	Off Street Parking	0.09 F	E&T 4
Environment & Transport	Development Management	0.48 F	E&T 5
Environment & Transport	Travel	0.31 F	E&T 6
Finance	Partnership	0.46 F	FIN 1
Finance	Finance Service	0.15 F	FIN 2
Finance	Business Support	0.22 F	FIN 3
Finance	IT	0.15 F	FIN 4
Finance	Corporate Management	0.43 F	FIN 5
Finance	Local Taxation & Benefits	0.05 F	FIN 6
Health & Adult Social Care	ICU System Design	0.49 F	H&ASC 3
Health & Adult Social Care	Adult Services Management	0.58 F	H&ASC 5
Leaders	Central Repairs & Maintenance	0.65 F	LPOR 1
Leaders	Property Portfolio Management	0.31 F	LPOR 2
Leaders	Property Services	0.45 F	LPOR 3
Leaders	Registration of Electors & Election Costs	0.17 F	LPOR 4
Leaders	Legal Services & Customer Relations	0.12 F	LPOR 7



### **Implementation of Savings Proposals**

29. Savings proposals of £16.73M were approved by Council in February 2015 as part of the overall budget package for 2015/16. The delivery of the savings is crucial to the financial position of the authority. Below is a summary of the progress as at the end of the first quarter to highlight the level of risk associated with delivery and Appendix 3 contains further details:

**Table 6 Analysis of Achievement of Savings**

	%
Implemented and Saving Achieved	68.6
Not Yet Fully Implemented and Achieved But Broadly on Track	11.2
Saving Not on Track to be Achieved	20.2

30. Where savings are not on track to be achieved and a high level of risk is associated with delivery then this is due to non-implementation in some cases but also due to the impact of factors such as rising demand for services which have meant that despite being implemented the estimated level of financial savings have not materialised.
31. The overall financial shortfall in the delivery of the savings proposals is currently forecast as £3.18M or 19.0% of the total to be delivered which is shown by Portfolio in Appendix 3.
32. The financial implications of the delivery of these proposals are reflected in the current forecast position, areas of ongoing concern have been fully reviewed, and appropriate action plans are being put into place. In addition, any implications for the budget for 2016/17 and future years will be addressed as part of setting the budget.

### **Financial Health Indicators**

33. In order to make an overall assessment of the financial performance of the authority it is necessary to look beyond pure financial monitoring and take account of the progress against defined indicators of financial health. Appendix 4 outlines the performance to date, and in some cases the forecast, against a range of financial indicators which will help to highlight any potential areas of concern where further action may be required.

### **Quarterly Treasury Management Report**

34. The Council approved a number of indicators at its meeting of 11 February 2015 and Appendix 5 outlines current performance against these indicators in more detail, along with an economic update and key information about the Council's borrowing and investments.
35. As at the 31<sup>st</sup> December 2015 the Council held the following levels of borrowings and investment:

**Table 7 Investment and Borrowing as at 31<sup>st</sup> December 2015**

	£M	Average Yield/Rate %
<b>Investments</b>		

Cash	46.37	0.49
Long Term Bonds	15.89	1.90
Corporate Bonds	15.27	0.98
Other Bonds	17.22	0.77
Property Fund	7.00	4.67
<b>Total Investments</b>	<b>101.75</b>	<b>-</b>
<b>External Borrowing</b>		
Public Works Loan Board (PWLB)	235.00	-
Market Loans	9.00	-
<b>Total External Borrowing</b>	<b>244.00</b>	<b>3.33</b>

36. A review of the current year borrowing and investment activity has identified a net forecast underspend of £2.10M. This is as a result of lower borrowing costs £2.30M (due to lower than expected need to borrow) and additional interest on investments of £0.50M. This has been offset by an increase in the Minimum Revenue Provision (MRP) requirement of £0.70M as a result of the change in the policy for funding MRP to general additional revenue savings.

#### **Housing Revenue Account**

37. The expenditure budget for the HRA was set at £77.13M and the income budget at £77.39, resulting in a net transfer to balances of £0.26M. The forecast position for the year end on income and expenditure items shows an adverse variance of £0.22M compared to this budget.
38. The significant variances are detailed in Appendix 6 but include:
- Overspend on Responsive Repairs £0.65M;
  - Shortfall in Rental Income £0.58M;
  - Overspend on Housing Management £0.19M;

Offset by:

- Increase in income from Leaseholders £0.46M;
- Reduced borrowing requirement for Capital Programme £0.54M: and
- Reduction in council tax payable on empty properties £0.20M.

#### **Collection Fund**

39. Each billing authority is required to estimate the level of surplus or deficit on the Council Tax and Business Rate Element of the Collection Fund at the end of each financial year in order that these amounts can be included in the budget calculations for the coming financial year.
40. A forecast position for the Collection Fund as at the end of December 2015 has been made. The following table details the overall forecast changes.

	<b>Council Tax</b>	<b>NDR £M</b>	<b>Total £M</b>

	£M		
Change in 2015/16 Surplus	1.49	5.19	6.68
(Reduction)/Increase in yearend Surplus brought forward from 2014/15	(0.47)	0.95	0.48
<b>Overall 2015/16 Surplus</b>	<b>1.02</b>	<b>6.14</b>	<b>7.16</b>
<b>SCC Share of Surplus</b>	<b>0.87</b>	<b>3.01</b>	<b>3.88</b>

41. The council's share of the surplus for council tax is £0.87M and its share of the business rates surplus is £3.01M, giving a net surplus of £3.88M. These have been taken into account in setting the 2016/17 Council Tax and General Fund Budget. Appendix 7 details the Collection Fund Surplus/Deficit account for 2015/16.
42. It should be noted that a reduction in the bad debt provision of £0.97M is included within the change in surplus for Council Tax of £1.49M. Bad debt provision is based on an estimate of the likely level of bad debts linked to collection rates. A review has been undertaken and this has led to a reduced estimated requirement for 2015/16.

## RESOURCE IMPLICATIONS

### Capital/Revenue

43. The revenue implications are contained in the report. There are no capital implications.

### Property/Other

44. None.

## LEGAL IMPLICATIONS

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

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

### Other Legal Implications:

46. None.

## POLICY FRAMEWORK IMPLICATIONS

47. None.

**KEY DECISION?** Yes

<b>WARDS/COMMUNITIES AFFECTED:</b>	All
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**SUPPORTING DOCUMENTATION**

**Appendices**

1.	Forecast Revenue Position Qtr 3
2.	Portfolio Summaries
3.	Savings Position 2015/16
4.	Health Indicators
5.	Treasury Management Qtr 3
6.	HRA Qtr 3
7.	Collection Fund Qtr 3

**Documents In Members' Rooms**

1.	None
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**Equality Impact Assessment**

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

Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	No
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**Other Background Documents**

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

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1. General Fund Revenue Budget Report 2015/16 to 2017/18 (Approved by Council on 11 February 2015)	

# Agenda Item 8

## Appendix 1

### GENERAL FUND 2015/16 OVERALL SUMMARY

	Working Budget £M	Qtr3 Forecast £M	Variance £M
<b>Portfolios</b>			
Communities, Culture & Leisure	6.12	6.41	0.29 A
Education and Children's Social Care	38.96	46.77	7.81 A
Environment & Transport	22.14	21.56	0.58 F
Finance	35.63	34.20	1.43 F
Health & Adult Social Care	58.05	61.52	3.47 A
Housing & Sustainability	2.69	2.78	0.09 A
Leader's Portfolio	11.58	9.71	1.87 F
Transformation	0.64	0.64	0.00 F
<b>Sub-total for Portfolios</b>	<b>175.81</b>	<b>183.59</b>	<b>7.78 A</b>
<b>Levies &amp; Contributions</b>	0.63	0.63	0.00
<b>Capital Asset Management</b>	1.96	(0.14)	2.10 F
<b>Other Expenditure &amp; Income</b>			
Direct Revenue Financing of Capital	0.00	0.00	0.00
Trading Areas (Surplus) / Deficit	(0.02)	(0.02)	0.00
Net Housing Benefit Payments	(0.76)	(0.76)	0.00
Open Spaces and HRA	0.44	0.44	0.00
Risk Fund	4.76	0.00	4.76 F
Contingencies	0.07	0.07	0.00
Addition to / (Draw From) Reserves	0.46	(0.10)	0.56 F
<b>Sub-total for Other Expenditure &amp; Income</b>	<b>4.95</b>	<b>(0.38)</b>	<b>5.33 F</b>
Transfer from Provisions	(0.95)	(0.95)	0.00
Transfer to Earmarked Reserves	9.65	9.65	0.00
<b>Net Revenue Expenditure</b>	<b>192.05</b>	<b>192.40</b>	<b>0.35 A</b>
<b>Funded By:</b>			
Addition to / (Draw From) Balances	(7.13)	(7.13)	0.00
Council Tax	(77.27)	(77.27)	0.00
Non-Specific Government Grants & Other Funding	(51.93)	(52.16)	0.23 F
Business Rates	(50.14)	(50.14)	0.00
Council Tax Collection Fund (Surplus) / Deficit	(3.21)	(3.21)	0.00
Business Rates Collection Fund (Surplus)/Deficit	(2.37)	(2.37)	0.00
<b>Total Funding</b>	<b>(192.05)</b>	<b>(192.28)</b>	<b>0.23 F</b>
<b>(SURPLUS)/DEFICIT</b>	<b>0.00</b>	<b>0.12 A</b>	<b>0.12 A</b>

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### KEY ISSUES – QUARTER 3

The Portfolio is currently forecast to over spend by **£0.29M** at year-end, which represents a percentage over spend against budget of **5.4%**. The Portfolio forecast variance has moved favourably by **£0.26M** from the position reported at Quarter 2. This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view.

	<b>Forecast Variance £M</b>	<b>%</b>	<b>Movement from Quarter 2 £M</b>	<b>%</b>
<b>Communities, Culture &amp; Leisure</b>	<b>0.29 A</b>	<b>5.4</b>	<b>0.26 F</b>	<b>4.2</b>
Potential Carry Forward Requests	0.00		0.00	

A summary of the monthly movements in the Portfolio forecast variance, are shown in the table below:

<b>Division / Service Activity</b>	<b>Forecast Variance Quarter 3 £M</b>	<b>Forecast Variance Quarter 2 £M</b>	<b>Movement £M</b>	<b>Ref.</b>
Leisure Client	0.07 F	0.09 A	0.16 F	COMM 1
Gallery & Museums	0.18 A	0.09 A	0.09 A	COMM 2
Archaeology	0.07 A	0.08 A	0.01 F	COMM 3
Social Fund & Property	0.17 A	0.25 A	0.08 F	COMM 4
Other (Local Issues)	0.06 F	0.04 A	0.10 F	
<b>Total</b>	<b>0.29 A</b>	<b>0.55 A</b>	<b>0.26 F</b>	

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

**COMM 1 – Leisure Client (£0.07M favourable, £0.16M favourable movement)**

**Contractual adjustments on the Sports & Recreation and Golf Course contracts.**

**Forecast Range nil to £0.10M favourable**

There is a forecast saving of £0.05M on the Sports & Recreation contract, due to the forecast for utility inflation being no longer required and savings on indexation. This is a favourable movement of £0.10M. This saving offsets an adverse variance of £0.05M due to the non-achievement of an approved savings proposal to review Leisure contracts.

There is a saving on the Golf Course contract of £0.05M, reported for the first time, due to an adjustment of indexation in part relating to prior years, and an unchanged saving of £0.01M on the NorthGuild contract, also due to indexation issues. In addition, reported for the first time there is a favourable forecast variance of £0.01M on supplies and services due reduced electrical maintenance costs.

**COMM 2 – Gallery & Museums (£0.18M adverse, £0.09M adverse movement)**

**There is a shortfall in venue income due to lower visitor numbers than anticipated.**

**Forecast Range £0.25M adverse to £0.10M**

The income target for SeaCity Museum has been reduced by £0.18M, following a draw from the Risk Fund, to partially cover an income shortfall. However, there remains an adverse income forecast of £0.16M, an adverse movement of £0.08M compared to Quarter 2.

There is also a shortfall in income of £0.06M for Tudor House Museum, an adverse movement of £0.02M. However, there is a favourable forecast variance on SeaCity utilities for rates, geothermal & electricity costs of £0.03M, no movement from Quarter 2.

**COMM 3 – Archaeology (£0.07M adverse, £0.01M favourable movement)**

**There is an adverse forecast variance due to higher operational costs.**

**Forecast Range £0.10M adverse to £0.05M adverse**

There are higher operational costs forecast that are only partially covered by additional income. Bidding for some anticipated project work from new clients has been unsuccessful. The current forecast adverse variance of £0.07M is a favourable movement of £0.01M from Quarter 2.

**COMM 4 – Social Fund & Property (£0.17M adverse, £0.08M favourable movement)**

**There is a forecast over spend due to the withdrawal of external funding.**

**Forecast range £0.30M adverse to £0.17M adverse**

Until 31<sup>st</sup> March 2015, the Department for Work and Pensions provided Local Welfare Provision funding to provide transitional support to residents following the end of Crisis Loans and Community Care Grants.

Although the Local Welfare Provision has been withdrawn, cases are still being referred to the Council and the estimated cost of support services this year is £0.30M. Although £0.13M of this will be met by an approved carry forward of Council funding from 2014/15, this leaves a forecast adverse variance of £0.17M, a favourable movement of £0.08M from Quarter 2 following a detailed analysis of commitments.



## EDUCATION AND CHILDREN'S SOCIAL CARE PORTFOLIO

### KEY ISSUES – QUARTER 3

The Portfolio is currently forecast to over spend by **£7.81M** at year-end, which represents a percentage over spend against budget of **20.1%**. The Portfolio forecast variance has moved adversely by **£0.06M** from the position reported at Quarter 2. All forecasts are constructed from the bottom up through discussions with individual budget holders and are then adjusted to take into account the wider Portfolio view.

	<b>Forecast Variance £M</b>	<b>%</b>	<b>Movement from Quarter 2 £M</b>	<b>%</b>
<b>Education and Children's Social Care</b>	<b>7.81 A</b>	<b>20.1</b>	<b>0.06 A</b>	<b>0.15</b>
Potential Carry Forward Requests	0.00		0.00	

A summary of the quarterly movements in the Portfolio forecast variance, are shown in the table below:

<b>Division / Service Activity</b>	<b>Forecast Variance Quarter 3 £M</b>	<b>Forecast Variance Quarter 2 £M</b>	<b>Movement £M</b>	<b>Ref.</b>
Divisional Management & Legal	0.56 A	0.73 A	0.17 F	E&CSC1
Quality Assurance	0.27 A	0.21 A	0.06 A	E&CSC2
Specialist Core Services	1.10 A	0.80 A	0.30 A	E&CSC3
Looked after Children & Provision	5.28 A	5.22 A	0.06 A	E&CSC4
MASH & Early Help	0.33 A	0.59 A	0.26 F	E&CSC5
Education – Early Years & Asset Management	0.25 A	0.18 A	0.07 A	E&CSC6
Other	0.02 A	0.02 A	0.00 A	
<b>Total</b>	<b>7.81 A</b>	<b>7.75 A</b>	<b>0.06 A</b>	

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

### **E&CSC 1 – Divisional Management and Legal (£0.57M adverse; £0.17M Favourable movement)**

**The over spend on this budget is due to the additional cost of Legal Services relating to the placement of children looked after, an increase in demand for translation services, the inability to achieve the procurement savings target, interim cover for vacant posts and, specific project work to assist with reducing the number of children looked after.**

#### **Forecast Range £0.80M adverse to £0.50M adverse**

Interim managers have been required on a short term basis to cover vacant posts and for specific project work to assist with reducing the number of children looked after. The additional cost of interim managers has led to a forecast overspend of £0.22M due in the main to a requirement for additional capacity requirements at service manager level. The need for additional service manager resource has been recognised as an ongoing issue and provision has been identified for 2016-17 to pay for this resource. The provision for agency social workers has been removed since the requirement for agency social workers has been reflected within the budgets of the teams requiring them for quarter 3. This has led to a forecast favourable movement of £0.18M on this service activity since Quarter 2.

There is a forecast overspend of £0.24M relating to the increase in demand for translation services which has continued from 2014 onwards, and has increased by £0.08M since quarter 2. In addition, a pressure has arisen of £0.15M to reflect the unlikelihood of the portfolio achieving the Council's agreed procurement saving.

Finally, the increase in demand for external counsel fees relating to the placement of children has resulted in a forecast overspend of £0.08M on Legal costs. This is a forecast reduction of £0.06M from Quarter 2 following actions taken by Legal Services in conjunction with Children and Families Management to reduce the need for external counsel.

### **E&CSC 2 – Quality Assurance (£0.27M adverse; £0.06M adverse movement)**

**The increasing number of children in care has resulted in an increase in the statutory work undertaken by the Independent Reviewing Officers team.**

#### **Forecast Range £0.30M adverse to £0.20M adverse**

The increase in statutory work has led to a need for additional capacity within the Independent Reviewing Officers (IRO) team and a forecast overspend of £0.18M within this team. As a result, unbudgeted interim independent reviewing officer cover is required during 2015/16, and provision has been set aside for 2016/17 to pay for additional IRO resource. The inability to recruit permanently to management posts has also contributed to this overspend.

The requirement for agency cover within the Data Team has led to a forecast overspend of £0.08M, which has increased by £0.03M since quarter 2.

### **E&CSC 3 – Specialist Core Services (£1.10M adverse; £0.30M adverse movement)**

**Agency staff have been employed to cover increasing caseloads and there is an inability to recruit and retain experienced social workers.**

#### **Forecast Range £1.25M adverse to £0.75M adverse**

As previously reported, the level of vacant social work posts within the Protection and Court Teams (PACT) has been higher than anticipated, and there has been an ongoing need for agency cover. It is now anticipated that there will be a need for 10 vacant posts to be covered by agency workers, which is an increase on the previous assumption in the Quarter 2 forecast. Agency social workers cost on average twice as much as a permanent social worker.

In addition, the level of the overall caseload has led to a need for interim social workers over establishment. It is now envisaged that 6 agency workers over establishment will be required for the remainder of the year, which is an increase on the position anticipated at Quarter 2.

**E&CSC 4 – Looked after Children and Provision (£5.28M adverse; £0.06M adverse movement)**

**There are significant numbers of children in care above the budgeted level, in particular, in fostering and residential placements with external providers.**

**Forecast Range £6.00M adverse to £5.00M adverse**

The increasing number of children requiring specialist support packages has led to a forecast overspend of £1.544M on residential placements. Since these placements can cost up to £785 per day, (or £899 per day for a civil secure placement), a small increase in the number of children requiring such intensive support can have a significant impact on the financial position.

Management action is being taken to address this overspend, including the establishment of a residential panel to ensure that each placement meets the need of the child in the most cost efficient way.

The forecast overspend of £2.90M on fostering has mainly arisen as a result of an increase in placements from Independent Fostering Agencies (IFA's) (forecast overspend of £2.18M) and SCC foster carers (forecast overspend of £0.45M) than originally anticipated. IFA placements tend to cost between 2 and 3 times as much as an SCC foster placement.

There were 67 adoption agency placements that either commenced during the last quarter of 2014-15 or during 2015-16. The ongoing financial liability for these placements has led to a net forecast over spend of £0.54M, after taking into account those placement costs that should be met from the new inter agency adoption fee grant. The non-recurring cost of these adoption placements is mitigated by avoiding the recurring cost of foster care fees.

The table outlines the activity levels for 2015/16:

Service	Daily Rate Range	Children Numbers					
		Budget	Budget	Actual	Actual	Actual	Year End
		Apr 15	Mar 16	Oct 2015	Nov 2015	Dec 2015	
Fostering up to 18	£22 - £91	285	254	298	294	299	299
Independent Fostering Agencies (IFA)	£85 - £275	134	109	177	175	172	176
IFA Parent and Baby Placements	£176 - £324	6	6	5	5	5	6
Inter Agency Fostering Placements	£58 - £127	1	1	1	1	1	1
Supported Placements or Rent	£9 - £54	5	5	3	3	1	1
Residential - Independent Sector	£85 - £785	12	12	23	23	22	22
Civil Secure Accommodation	£713 - £899	1	1	0	0	0	0
<b>Sub-total: Children in Care</b>		<b>444</b>	<b>388</b>	<b>507</b>	<b>501</b>	<b>500</b>	<b>505</b>
Residential (Not Looked After)	£88 - £333	4	4	1	1	0	0
Supported Placements or Rent (Not Looked After)	£9 - £54	1	1	4	4	3	3
Over 18's	£8 - £236	32	56	38	38	41	36
Adoption Allowances	£3 - £38	95	95	97	95	97	97
Special Guardianship Allowances	£2 - £44	115	115	116	115	118	118
Residence Order Allowances	£7 - £22	13	13	13	13	15	15
<b>Total</b>		<b>704</b>	<b>672</b>	<b>776</b>	<b>767</b>	<b>774</b>	<b>774</b>

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

### **E&CSC 5 – MASH & Early Help (£0.33M adverse; £0.26M favourable movement)**

Agency staff have been employed over and above the established structure to ensure that the statutory requirement to cover caseloads for children in need can be met. In addition, agency staff have been required to cover vacant social work posts within the MASH and Early Help Service.

#### **Forecast Range £0.50M adverse to £0.25M adverse**

An increase in the demand for the Early Help service including the need to cover statutory work for children in need has led to the necessity to recruit additional social workers and assistant team managers over the established structure. It is envisaged that this additional support will only be required on a short term basis.

The adverse position has reduced by £0.26M since quarter 2 due to a reduction in the number of agency social workers, combined with a reduction in the costs of running the Children's Centres.

A number of management actions have been undertaken to address the over spend on agency staff including reviewing the need for agency staff and setting a cap on the rates paid to staff agencies, (based on the grade of the post to be covered).

### **E&CSC 6 – Early Years & Asset Management (£0.25M adverse; £0.07M adverse movement)**

The adverse variance primarily relates to Home to Schools Transport for Special Schools (HTSTS) due to increased demand.

#### **Forecast Range £0.80M adverse to £0 adverse**

Home to school transport for children attending Special schools is currently forecast to overspend by £0.28M, due to the impact of the continuing increase in school transport numbers and costs at Special Schools. This correlates with the recent increases in capacity at the Special Schools. This adverse variance is partially offset by various minor favourable variances totalling £0.08M. The £0.07M movement in forecast since Quarter 2 is due to the expensive single child taxi contract this year and as a result of lower than expected income from schools within education and psychology.

### E&CSC 7 – High Needs & Schools (£0.0M adverse; £0.0M adverse movement)

There is potential for an adverse variance arising from an increase in demand for High Needs services. At this time the pressure is expected to be managed within DSG grant envelope.

#### **Forecast Range £0.60M adverse to £0.00M adverse**

Although the general fund is showing a balanced position against this service activity, there is currently a net pressure against Dedicated School Grant (DSG) of £0.60M, primarily against High Needs. It is expected that overall DSG pressure will be managed by potential increase in EY block underspend and any unspent funding against the one-off 2014/15 DSG carry forward. However, it is important to note that this forecast is based on current known pressures and does not include any unexpected growth for rest of the year. Any pressures over and above DSG funding will need to be met from council resources. At this stage, this pressure has not been reflected in Quarter 3 forecast. The DSG position continues to be monitored very closely.

## ENVIRONMENT & TRANSPORT PORTFOLIO

### KEY ISSUES – QUARTER 3

The Portfolio is currently forecast to under spend by **£0.58M** at year-end, which represents a percentage under spend against budget of **2.6%**. The Portfolio forecast variance has moved favourably by **£0.47M** from the position reported at Quarter 2. The forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view.

	<b>Forecast Variance £M</b>	<b>%</b>	<b>Movement from Quarter 2 £M</b>	<b>%</b>
<b>Environment &amp; Transport</b>	<b>0.58 F</b>	<b>2.6</b>	<b>0.47 F</b>	<b>2.2</b>
Potential Carry Forward Requests	0.00		0.00	

A summary of the monthly movements in the Portfolio forecast variance, are shown in the table below:

<b>Division / Service Activity</b>	<b>Forecast Variance Quarter 3 £M</b>	<b>Forecast Variance Quarter 2 £M</b>	<b>Movement £M</b>	<b>Ref.</b>
Domestic Waste Collection	0.62 A	0.60 A	0.02 A	E&T 1
Waste Disposal	0.27 A	0.22 A	0.05 A	E&T 2

E&T Contracts Management	0.74 F	0.55 F	0.19 F	E&T 3
Off Street Parking	0.09 F	0.06 F	0.03 F	E&T 4
Development Management	0.48 F	0.23 F	0.25 F	E&T 5
Travel	0.31 F	0.21 F	0.10 F	E&T 6
Other (Local Issues)	0.15 A	0.12 A	0.03 A	
<b>Total</b>	<b>0.58 F</b>	<b>0.11 F</b>	<b>0.47 F</b>	

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

**E&T 1 – Domestic Waste Collection (£0.62M adverse, £0.02M adverse movement)**

**There is a forecast adverse variance on employee costs.**

**Forecast Range £0.70M adverse to £0.50M adverse**

The main adverse forecast variance of £0.40M is the cost of temporary agency cover for staff sickness absences. This is unchanged from Quarter 2. There are other previously reported adverse forecast variances for additional fleet hire, cost of bin storage, and lower recyclable income. These now total £0.22M, an adverse movement of £0.03M.

The action plan for the service, set out in the following table.

<b>Action</b>	<b>Amount Saved/Income increase</b>	<b>Expected Delivery Date of Saving</b>
Improve Supervision to reduce sickness rates and associated agency costs.	A saving of £0.05M has already been taken into account in the forecast.	March 2016
Implement changes to collection arrangements and simplify procedures to improve efficiency and reduce costs.	Any improvement is not currently included in the forecast.	March 2016
Garden Waste Collection Service.	Increased income of £0.03M has already been taken into account in the forecast.	March 2016

**E&T 2 – Waste Disposal (£0.27M adverse, £0.05M adverse movement)**

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

**Forecast Range £0.35M adverse to £0.20M adverse**

There are adverse forecast variances on disposal costs of general collected household waste of £0.12M, an adverse movement of £0.04M from Quarter 2, and of waste from the Civic Amenity Waste Centres of £0.04M, a favourable movement of £0.01M.

There are also adverse forecast variances on income from profit share of £0.06M, no movement, and on HWRC income of £0.05M, an adverse movement of £0.01M from Quarter 2. Also reported for the first time, there is an adverse forecast variance of £0.02M on HWRC management fees.

### **E&T 3 – E&T Contracts Management (£0.74M favourable, £0.19M favourable movement)**

**There are forecast savings on contract indexation and street lighting energy costs and additional income forecasts.**

#### **Forecast Range £0.70M favourable to £0.80M favourable**

There is a favourable forecast variance on the PFI Street Lighting contract sum. This is favourable by £0.25M, a favourable movement of £0.07M, due to further contract deductions, including prior year one-off adjustments. There is also a favourable forecast variance on the street lighting energy costs. This is favourable by £0.23M, a favourable movement of £0.11M, due to the lower consumption levels associated with the near completion of the core investment programme and the Council's dimming policy slightly offset by higher unbudgeted increases in electricity prices.

As previously reported, there is a favourable forecast variance on Highways Partnership Third Party Income share (re 2014/15) of £0.10M, as the income is higher than was anticipated. Also as previously reported, there are favourable forecast variances on Traffic Management Act permit income of £0.04M and on a provision for drainage works of £0.05M.

### **E&T 4 – Off-Street Parking (£0.09M favourable, £0.03M favourable movement)**

**There is a forecast favourable variance due to lower spend on operational costs.**

#### **Forecast Range £Nil adverse to £0.15M favourable**

There is a forecast favourable variance due to lower spend on operational costs of £0.05M, an adverse movement of £0.04M from Quarter 2. This is due to the impact of the initiative on non-essential spend.

There is an adverse forecast variance on Off-Street Parking income of £0.17M, a favourable movement of £0.1M from Quarter 2. A favourable variance on other income of £0.14M, from penalty charge notices and suspended parking bays charges, is a favourable movement of £0.06M. There is also a favourable variance on rates of £0.09M, which is unchanged.

### **E&T 5 – Development Management (£0.48M favourable, £0.25M favourable movement)**

**There is a forecast favourable variance mainly due to increased income.**

#### **Forecast Range £0.45M favourable to £0.55M favourable**

There is a favourable forecast variance of £0.34M on income from planning applications, a favourable movement of £0.20M from Quarter 2. This reflects a higher level of applications, including a number of recent proposed major developments in the City. As previously reported, there are also favourable forecast variances on employee budgets of £0.04M, no movement, and on CIL administration fees of £0.05M, a favourable movement of £0.01M from Quarter 2.

There is a favourable variance of £0.03M on S.106 administration fees, reported for the first time, and a favourable forecast variance of £0.02M from staff charges to PUSH, which is unchanged.

## **E&T 6 – Travel (£0.31M favourable, £0.10M favourable movement)**

**There is a forecast favourable variance due to lower Concessionary Fares costs.**

**Forecast Range £0.20M favourable to £0.40M favourable**

The total forecast number of Concessionary Fare journeys and the forecast average fare are being monitored closely throughout the year. At Quarter 3, based upon the current passenger journeys and the calculated average fare, it appears appropriate to forecast a favourable variance on the scheme of £0.30M. This is a favourable movement of £0.10M compared to Quarter 2.

### **FINANCE PORTFOLIO**

#### **KEY ISSUES – QUARTER 3**

The Portfolio is currently forecast to under spend by **£1.43M** at year-end, which represents a percentage under spend against budget of **4.0%**. The Portfolio forecast variance has moved favourably by **£0.75M** from the position reported at Quarter 2. All forecasts are constructed from the bottom up through discussions with individual budget holders and are then adjusted to take into account the wider Portfolio view.

	<b>Forecast Variance £M</b>	<b>%</b>	<b>Movement from Quarter 2 £M</b>	<b>%</b>
<b>Finance</b>	<b>1.43M</b>	<b>4.0</b>	<b>0.75F</b>	
Potential Carry Forward Requests	0		0	

A summary of the monthly movements in the Portfolio forecast variance, are shown in the table below:

<b>Division / Service Activity</b>	<b>Forecast Variance Quarter 3 £M</b>	<b>Forecast Variance Quarter 2 £M</b>	<b>Movement £M</b>	<b>Ref.</b>
Partnership	0.46F	0.33F	0.13F	FIN 1
Finance Service	0.15F	0.12F	0.03F	FIN 2
Business Support	0.22F	0.14F	0.08F	FIN 3
IT	0.15F	0.07F	0.08F	FIN 4
Corporate Management	0.43F	0.00F	0.43F	FIN 5
Local Taxation & Benefits	0.05F	0.00F	0.05F	FIN 6



Other	0.03A	0.02F	0.05A	
<b>Total</b>	<b>1.43F</b>	<b>0.68F</b>	<b>0.75F</b>	

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

**FIN 1 Partnership (£0.46M favourable, £0.13M favourable movement)**

**Saving against assumed annual contract uplift / service credits.**

**Forecast range not applicable**

As previously reported a favourable variance of **£0.13M** has arisen against the Capita contract as the actual annual contract uplift is lower than the percentage increase assumed when the budgets were approved for the year. This revised base has now been reflected in both current and future year's budgets. In addition one-off service credits totalling **£0.06M** have been received to date as part of the contract performance measurements. A further favourable variance of **£0.22M** has arisen from ongoing contract changes reflected in current and future year's budgets; an increase of **£0.08M** compared to quarter 2. In addition a one-off favourable variance of **£0.05M** has arisen from salary underspends due to vacant posts and represents the early achievement of vacancy savings included within the draft budget proposals reported to Cabinet on 18<sup>th</sup> Nov.

**FIN 2 Finance Service (£0.15M favourable, £0.03 favourable movement)**

**Salary and Supplies & Services under spends**

**Forecast range not applicable**

The favourable variance reflects salary under spends from vacant posts across the Finance Service, together with an in-year under spend against supplies & services budgets, an increase of £0.03M compared to Quarter 2.

**FIN 3 Business Support (£0.22M favourable, £0.08M favourable movement)**

**Salary and Supplies & Services under spends**

**Forecast range not applicable**

There is a £0.22M favourable variance as a result of under spends on salaries and staff training as a result of the non-essential spend freeze, an increase of £0.08M compared to quarter 2. A further favourable forecast of £0.12M is due to the early achievement of the 2016/17 budget saving achieved from Phase 1 of the Business Support review, approved by Council on 18<sup>th</sup> Nov

**FIN 4 IT Services (£0.15M favourable, £0.08M favourable movement)**

**Rationalisation of PCs**

**Forecast range not applicable**

A favourable variance of £0.10M has arisen primarily from the managed rationalisation of PCs and laptops across the authority resulting in an in-year saving to SCC, an increase of £0.03M compared to quarter 2. In addition an in-year saving of £0.05M reflects salary and supplies & services underspends within the IT / Web teams primarily following the recent establishment of a permanent Web Support Team and recruitment to the structure.

## **FIN 5 Corporate Management (£0.43M favourable, £0.43M favourable movement)**

**Provision for in-year pressures not required**

**Forecast range not applicable**

A number of potential in-year pressures were anticipated within the Portfolio, to cover items such as implementation of restructures, contract changes etc, for which one-off provision had been made. However these pressures have either not materialised at the levels anticipated or can now be covered within the overall Portfolio position. As a result this one-off provision is no longer required.

## **FIN 6 Local Taxation & Benefits (£0.05M favourable, £0.05M favourable movement)**

**External Legal Expenses under spend**

**Forecast range not applicable**

The favourable under spend has arisen primarily against legal expenses related to Council Tax collection. Council Tax Benefit ended in 2013 to be replaced with Local Council Tax Reduction which meant that approximately 8500 claimants would have to pay 25% Council Tax rather than nothing. It was therefore anticipated that this would lead to an increase in legal cases and the associated legal expenses. Whilst there has been an increase, this has not to date been realised at the rate anticipated and therefore the budget is currently forecast to under spend. This will be kept under review to assess whether an ongoing saving against the legal expenses budget could be declared.

## **HEALTH & ADULT SOCIAL CARE PORTFOLIO**

### **KEY ISSUES – QUARTER 3**

The Portfolio is currently forecast to over spend by **£3.47M** at year-end, which represents a percentage over spend against budget of **6.0%**. The Portfolio forecast variance has moved adversely by **£0.83M** from the position reported at Quarter 2. All forecasts are constructed from the bottom up through discussions with individual budget holders and are then adjusted to take into account the wider Portfolio view.

	<b>Forecast Variance £M</b>	<b>%</b>	<b>Movement from Quarter 2 £M</b>	<b>%</b>
<b>Health &amp; Adult Social Care</b>	<b>3.47 A</b>	<b>6.0</b>	<b>0.83 A</b>	<b>1.4</b>
Potential Carry Forward Requests	0		0	

A summary of the quarterly movements in the Portfolio forecast variance, are shown in the table below:

<b>Division / Service Activity</b>	<b>Forecast Variance Quarter 3 £M</b>	<b>Forecast Variance Quarter 2 £M</b>	<b>Movement £M</b>	<b>Ref.</b>
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Long Term	3.02 A	2.38 A	0.42 A	H&ASC 1
ICU System Redesign	0.49 F	0.32 F	0.17 F	H&ASC 3
Reablement	0.89 A	0.79 A	0.33 A	H&ASC 4
Adult Services Management	0.58 F	0.44 F	0.14 F	H&ASC 5
Public Health	0.53 A	0.09 A	0.44 A	H&ASC 7
Other	0.10 A	0.14 A	0.04 F	
<b>Total</b>	<b>3.47 A</b>	<b>2.64 A</b>	<b>0.83 A</b>	

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

**H&ASC 1 – Long Term (£3.02M adverse; £0.42M adverse movement).**

**Volume of care provision that caused an over spend in 2014/15 for this service activity has continued into 2015/16. In addition there will be slippage in the achievement of savings agreed in both February 2014 and February 2015 for reductions in volume of care.**

**Forecast range £2.50M adverse to £3.50M adverse**

As reported at Quarter 2 the Long Term budget is not achieving the previously agreed savings targets for reductions in care. In Quarter 3 this amounts to £3.27M, which is an increase of £0.04M on the Quarter 2 adverse position, this is due to a reduction in the forecast saving achieved from the review of high cost placements.

Aside from the pressure arising from previously agreed savings not achieved there was, in Quarter 2, a favourable variance of £0.71M on the underlying volumes of care compared to the budgeted provision. In Quarter 3 this position has moved adversely by £0.46M to £0.25M favourable due to the cost of additional Older Persons' and Physical Disabilities' packages that have been agreed. The need for packages of care to support some of our most vulnerable adults continues to rise. The Rehabilitation and Reablement team continue to do everything they can to assist people to remain independent for as long as possible. Despite every effort being made to sustain individuals without a care package the demand from vulnerable people over the past three months has meant that there has been a rise in care costs.

A range of mitigation measures continue to be put in place:

- The integration process with Solent Health Care Trust and the Rehab and Reablement Team continues, the Integrated Management team has been appointed and they can now prepare for integration of the teams on the front line to continue apace,
- Efforts to bring Lot five of the Domiciliary Care Contract on-line continue through the integrated commissioning unit. Lot five has the potential to deliver additional packages of rehabilitation in the private sector and will support the efforts of the integrated teams,
- The Long Term teams will seek to review all new cases where a domiciliary package of care is in place, within the first three months, to ascertain whether the same level of support is required.

The adverse position has been slightly offset by a reduction, since Quarter 2, in Learning Disabilities' packages of £0.10M due to a reduction in the forecast costs of transition clients. However, this is offset by the introduction of a provision of £0.06M, in Quarter 3, for costs relating to clients that are currently situated at Southampton Day Services but will transfer to purchased care provision by year end at an additional cost.

**H&ASC 2 – Provider Services (£0.46M adverse; £0.05M favourable movement).**

**The delay in the final outcome of the Kentish Road and Southampton Day Services review has created an adverse variance.**

**Forecast range £0.10M adverse to £1.00M adverse**

As reported at Quarter 2 the savings associated with the review of Kentish Road and Southampton Day Services are not going to be achieved. Since Quarter 2 the position has moved favourably by £0.05M after a review of the employee costs, (£0.02M) and Supplies and Services, (£0.03M).

**H&ASC 3 - ICU System Redesign (£0.49M favourable; £0.17M favourable movement).**

**Savings created from reduction in contract costs and decommissioning of contracts**

**Forecast range £0.10M favourable to £0.70M favourable**

As previously reported there is an under spend of £0.29M from various contract savings. This favourable position has increased by a further contract saving of £0.17M for substance misuse. This contract is funded from the Public Health grant and therefore the saving will contribute towards the saving required to meet the reduction in the grant.

**H&ASC 4 - Reablement (£0.89M adverse; £0.33M adverse movement).**

**The review of rehabilitation and reablement services saving is unlikely to be achieved.**

**Forecast range £0.50M adverse to £1.50M adverse**

As previously reported £0.40M of the Rehab and Reablement saving was not expected to be achieved this year. In addition there have been additional costs for staffing and agency of £0.37M to cover vacant posts and to cover the real cost of Pay and Allowances introduced in the year. These are offset by savings on supplies and services of £0.08M and additional income of £0.13M.

This adverse position has increased since Quarter 2 due to additional costs within the CCFS and Care Closer to Home teams for allowances, shift pay and overtime of £0.02M. The true cost of changes for Pay and Allowances has now been fully assessed and is included within the forecast. Within the Hospital Discharge and Reablement teams agency costs have increased by £0.15M to cover staff vacancies, with an additional cost of £0.03 for winter pressure cover. Brownhill House temporary staff and overtime costs have increased by £0.06M to cover vacancies and maternity leave. Income of £0.05M, which was due to be received for a jointly funded post, is now unlikely to be received as the debtor is disputing the charge for 2015/16.

**H&ASC 5 – Adult Services Management (£0.58M favourable; £0.14M favourable movement).**

**A favourable variance is generated due to expenditure relating to Care Act responsibilities is reported elsewhere within the portfolio whilst the budget is held within this service activity. This is offset by not achieving the Corporate agency saving target.**

**Forecast range £0.30M favourable to £0.80M favourable**

The previously reported favourable position of £0.44M was due to Care Act funding of £0.68M that is paying for activity that has already been undertaken and included within the forecast elsewhere in the Portfolio. This is offset by the non-achievement of the HASC proportion of the Council wide agency saving of £0.22M.

Since Quarter 2 this favourable variance has increased by £0.07M as further Care Act funding is released to offset the additional activity in Long term Care. In addition there are further underspends on Learning and Development of £0.07M due to slippage within the training programme.

**H&ASC 6 – ICU Provider Relationships (£0.44M favourable; £0.02M adverse movement).**

**The retender of the Supporting People contract has generated a saving**

**Forecast range £0.10M favourable to £0.70M favourable**

As previously reported a saving of £0.46M has occurred following the retender of the Supporting People contract. This is a recurring saving which is already included within the 2016/17 budget.

**H&ASC 7 – Public Health (£0.53M adverse; £0.44M adverse movement).**

**A reduction in the Public Health grant has created an adverse variance which has been mitigated, in part by corresponding savings.**

**Forecast range £0.10M adverse to £1.00M adverse**

Public Health England have recently announced that the Public Health grant paid to the City Council will reduce by £1.06M, which represents a 6.19% reduction in our 2015/16 funding. In year savings of £0.65M within this service activity, identified for Quarter 3, have partly offset this shortfall in income. In total, services funded by the Public Health grant are achieving a saving of £0.82M as contract savings have been made in ICU System Redesign of £0.17M, see H&ASC 3. These savings are based primarily on one off savings in year and therefore the work to drive out recurring savings for 2016/17 is still active. It should be noted that the level of saving achieved will impact directly on the ability of the Council to meet its target outcomes in respect of Public Health.

**HOUSING AND SUSTAINABILITY PORTFOLIO**

**KEY ISSUES – QUARTER 3**

The Portfolio is currently forecast to over spend by **£0.09M** at year-end, which represents a percentage over spend against budget of **3.2%**. The Portfolio forecast variance has moved adversely by **£0.09M** from the position reported at Quarter 2. All forecasts are constructed from the bottom up through discussions with individual budget holders and are then adjusted to take into account the wider Portfolio view.

	<b>Forecast Variance £M</b>	<b>%</b>	<b>Movement from Quarter 2 £M</b>	<b>%</b>
<b>Housing and Sustainability</b>	<b>0.09 A</b>	<b>3.2</b>	<b>0.09 A</b>	<b>3.2</b>
Potential Carry Forward Requests	0.00		0.00	

A summary of the monthly movements in the Portfolio forecast variance, are shown in the table below:

<b>Division / Service Activity</b>	<b>Forecast Variance Quarter 3 £M</b>	<b>Forecast Variance Quarter 2 £M</b>	<b>Movement £M</b>	<b>Ref.</b>
Housing Renewal	0.06 F	0.09 F	0.03 A	H&S 1
Private Sector Housing	0.05 F	0.06 F	0.01 A	H&S 2
Prevention & Inclusion Service	0.20 A	0.17 A	0.03 A	H&S 3
Other	0.00	0.02 F	0.02 A	
<b>Total</b>	<b>0.09 A</b>	<b>0.00</b>	<b>0.09 A</b>	

The CORPORATE issues for the Portfolio are:

**H&S 1 – Housing Renewal (£0.06M favourable, £0.03M adverse movement).**

**There is a forecast under spend on staffing due to vacant posts.**

**Forecast range £0.05M favourable to £0.10M favourable**

Three vacant posts have now been identified within Housing Renewal that will not be filled this year. Two of these posts are expected to contribute towards savings proposals for 2016/17. This has resulted in a forecast favourable variance of £0.05M.

In Quarter 2, the full saving on one of the vacant posts of £0.04M was forecast against the General Fund. However, as this post is partly funded by the Housing Revenue Account, it has been agreed that £0.02M should be reflected as a saving to the HRA by way of a reduction in the retainer for Housing Renewal staff for 2015/16.

In addition to this, a forecast saving of £0.01M has been identified on supplies and services budgets within Housing Renewal, due to the implementation of the essential spend initiative.

**H&S 2 – Private Sector Housing (£0.05M favourable, £0.01M adverse movement).**

**There is a forecast under spend on staffing due to vacant posts.**

**Forecast range £0.05M favourable to £0.07M favourable**

There are two vacant posts within Private Sector Housing that will not be filled this year, resulting in a favourable forecast variance of £0.08M.

However, there is an adverse forecast variance of £0.03M, due to a reduction in income from mandatory licence fees, an adverse movement of £0.01M from Quarter 2.

**H&S 3 – Prevention & Inclusion Service (£0.20M adverse, £0.03M adverse movement)**

**The cost of children held in secure accommodation by court order pending release or conviction.**

## Forecast Range £0.25M adverse to £0.10M adverse

As previously reported, additional budget will be applied for from the Risk Fund when the cost forecast for children held in secure accommodation is more certain. The forecast Risk Fund bid is currently £0.20M, an adverse movement of £0.03M from Quarter 2.

### LEADERS PORTFOLIO

#### KEY ISSUES – QUARTER 3

The Portfolio is currently forecast to under spend by **£1.87M** at year-end, which represents a percentage under spend against budget of **14.8%**. The Portfolio forecast variance has moved favourably by **£1.02M** from the position reported at Quarter 2. All forecasts are constructed from the bottom up through discussions with individual budget holders and are then adjusted to take into account the wider Portfolio view.

	<b>Forecast Variance £M</b>	<b>%</b>	<b>Movement from Quarter 2 £M</b>	<b>%</b>
<b>Leaders</b>	<b>1.87 F</b>	<b>14.8</b>	<b>1.02F</b>	<b>8.8</b>
Potential Carry Forward Requests	0.45F		0.00F	

A summary of the monthly movements in the Portfolio forecast variance, are shown in the table below:

<b>Division / Service Activity</b>	<b>Forecast Variance Quarter 3 £M</b>	<b>Forecast Variance Quarter 2 £M</b>	<b>Movement £M</b>	<b>Ref.</b>
Central Repairs & Maintenance	0.65F	0.45F	0.20F	LPOR 1
Property Portfolio Management	0.31F	0.06A	0.37F	LPOR 2
Property Services	0.45F	0.46F	0.01A	LPOR 3
Registration of Electors & Elections Costs	0.17F	0.00F	0.17F	LPOR 4
Business Improvement	0.06F	0.00F	0.06F	LPOR 5
Corporate Communications	0.06F	0.00F	0.06F	LPOR 6
Legal Services & Customer Relations	0.12F	0.00F	0.12F	LPOR 7
Other	0.05F	0.00F	0.05F	

<b>Total</b>	<b>1.87F</b>	<b>0.85F</b>	<b>1.02F</b>	
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**The SIGNIFICANT issues for the Portfolio are:**

**LPOR 1 – Central Repairs and Maintenance (£0.65M favourable, £0.20M favourable movement)**

**Slippage of funding associated with Heritage Lottery Fund Bid / under spend on reactive repairs / fees**

**Forecast range not applicable**

As noted in the previous report a budget of £0.45M has been earmarked within the planned maintenance programme to facilitate a match funding bid to the Heritage Lottery Fund (HLF) to enable improvements to the Art Gallery. Although the initial bid was unsuccessful the feedback was positive and the intention is to re-submit the bid during the first half of 2016, possibly in partnership with other organisations. It is therefore anticipated that the outcome of any revised bid and any potential approval of funding may slip into the next financial year. Therefore a carry forward request may need to be submitted at year to ensure the match funding is still available to support the bid.

In addition a favourable forecast variance of £0.2M is predicted against the reactive repairs / fee budgets. However this will be kept under close review as the final year-end position will be subject to demand for essential works during the winter months.

**LPOR 2 – Property Portfolio Management (£0.31M favourable, £0.37M favourable movement)**

**Increased Investment Property rental income plus saving in Property Management fees**

**Forecast range not applicable**

A detailed review of rental income has recently taken place resulting in an improved forecast position of £0.15M, a favourable movement of £0.37M compared with Quarter 2. Whilst it is difficult to guarantee income levels, this latest forecast position will be kept under close review with Capita Valuation to ensure that all necessary efforts and actions are being undertaken to ensure that actual rental income levels can be achieved at least in line with budget.

In addition there is an unchanged favourable variance of £0.16M on Property Management fees. This represents the early achievement of the 2016/17 budget saving approved by Council on 18<sup>th</sup> Nov, together with a lower level of revaluation work required in the current year.

**LPOR 3 – Property Services (£0.45M favourable, £0.01M adverse movement)**

**Under spends across utility budgets plus impact of spend moratorium and reduced dilapidations costs**

**Forecast range not applicable**

A favourable variance of £0.15M has arisen within Admin Buildings and reflects the early achievement of the 2016/17 proposed saving on utilities costs, together with the impact of the spend moratorium on non-essential spend; an decrease of £0.01M compared to Quarter 2.



In addition a one-off saving of £0.3M has been identified following a detailed review of potential one-off dilapidations liabilities arising from the vacation of properties occupied by the Council as part of the wider accommodation strategy.

**LPOR 4 – Registration of Electors & Elections Costs (£0.17M favourable, £0.17M favourable movement)**

**Under spends on election costs**

**Forecast range not applicable**

A favourable forecast variance of £0.09M has arisen within the Elections budget due to one-off savings arising from the benefit of managing combined elections earlier in the financial year. Historically this has only occurred 3 out of five years but is becoming more common following the Localism Act. A review of the funding profile is underway following these changes to identify the likely impact ahead of each financial year based on the regional/national elections that will be delivered the following year.

In addition a favourable forecast variance of £0.08M has arisen within Electoral Registration. IER funding has been provided over the last two years during the transition to enable the changes to take place. This has led to a radical change in the processes undertaken and the number of staff required to deliver them, together with a threefold increase in the volume of printing and postage required. Central Government has now finalised the transition period but as yet there is no indication of the ongoing increase in the funding settlement to cover this. Whilst the underspend this year is as a result of the additional funding provided in 2015-16 there is no guarantee that this saving will be ongoing. Southampton has bid for several post transition projects aimed at streamlining the new process and moving from paper to electronic communication with potential electors in an effort to minimise the ongoing burden but will not know if these bids have been successful until 2016.

**LPOR 5 – Business Improvement (£0.06M favourable, £0.06M favourable movement)**

**Salary Under spends**

**Forecast range not applicable**

The favourable forecast variance has arisen from vacancies due to delayed staff appointments to the newly created Strategy Unit. This will be partly offset by an over spend within the Data Team (Education & Children's Social Care Portfolio) the budgets for which will transfer to the Strategy Unit from 1<sup>st</sup> April 2016.

**LPOR 6 – Corporate Communications (£0.06M favourable, £0.06M favourable movement)**

**Salary Under spends**

**Forecast range not applicable**

The favourable forecast variance has arisen primarily within the newly centralised Communications budget, set up to create a managed Corporate Campaign budget. The impact of centralisation together with the moratorium on non-essential spend has to date resulted in an anticipated under spend and this will be kept under review to assess whether an ongoing saving against the campaign budget could be declared.

**LPOR 7 – Legal Services & Customer Services (£0.12M favourable, £0.12M favourable movement)**

**Salary and Supplies & Services under spends, additional income**

**Forecast range not applicable**

A one-off favourable forecast variance of £0.05M has arisen from salary underspends due to vacant posts and represents the early achievement of vacancy savings included within the draft budget proposals reported to Cabinet on 18<sup>th</sup> Nov. In addition a favourable forecast variance of £0.07M relates to the receipt of additional in-year section 106 income. This income is variable by nature and therefore difficult to forecast.

## IMPLEMENTATION OF SAVINGS PROPOSALS

	Total Savings 2015/16		Forecast Shortfall 2015/16		Implemented and Saving Achieved			Not Fully Implemented and Achieved But Broadly on Track			Saving Not on Track to be Achieved		
	Budget £000	Forecast £000	£000	%	%	Budget £000	Forecast £000	%	Budget £000	Forecast £000	%	Budget £000	Forecast £000
<b><u>Portfolio Savings</u></b>													
Children's Services	(1,616)	(1,335)	281	17.4%	12.4%	(200)	(200)	61.9%	(1,000)	(1,000)	25.7%	(416)	(135)
Communities, Culture & Leisure	(424)	(361)	63	14.9%	78.8%	(334)	(334)	9.4%	(40)	(27)	11.8%	(50)	0
Environment & Transport	(4,142)	(3,961)	181	4.4%	79.8%	(3,304)	(3,304)	19.0%	(785)	(657)	1.3%	(53)	0
Finance	(2,294)	(2,294)	0	0.0%	100.0%	(2,294)	(2,294)	0.0%	0	0	0.0%	0	0
Health & Adult Social Care	(4,098)	(1,438)	2,660	64.9%	30.2%	(1,238)	(1,238)	0.0%	0	0	69.8%	(2,860)	(200)
Housing & Sustainability	(123)	(123)	0	0.0%	55.3%	(68)	(68)	44.7%	(55)	(55)	0.0%	0	0
Leader's Portfolio	(2,234)	(2,234)	0	0.0%	100.0%	(2,234)	(2,234)	0.0%	0	0	0.0%	0	0
<b>Sub-Total</b>	<b>(14,931)</b>	<b>(11,746)</b>	<b>3,185</b>	<b>21.3%</b>	<b>64.8%</b>	<b>(9,672)</b>	<b>(9,672)</b>	<b>12.6%</b>	<b>(1,880)</b>	<b>(1,739)</b>	<b>22.6%</b>	<b>(3,379)</b>	<b>(335)</b>
<b><u>Corporate Savings</u></b>													
Business Support	(800)	(800)	0	0.0%	100.0%	(800)	(800)	0.0%	0		0.0%	0	
Agency	(1,000)	(1,000)	0	0.0%	100.0%	(1,000)	(1,000)	0.0%	0		0.0%	0	
<b>Total</b>	<b>(16,731)</b>	<b>(13,546)</b>	<b>3,185</b>	<b>19.0%</b>	<b>68.6%</b>	<b>(11,472)</b>	<b>(11,472)</b>	<b>11.2%</b>	<b>(1,880)</b>	<b>(1,739)</b>	<b>20.2%</b>	<b>(3,379)</b>	<b>(335)</b>

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# Agenda Item 8

## FINANCIAL HEALTH INDICATORS – QTR 3

Appendix 4

### Prudential Indicators Relating to Treasury

	<u>Maximum</u>	<u>Forecast</u>	<u>Status</u>
Maximum Level of External Debt £M	£727M	£423M	Green
As % of Authorised Limit	100%	58.4%	Green
	<u>Target</u>	<u>Actual YTD</u>	<u>Status</u>
Average % Rate New Borrowing	5.00%	0.00%	Green
Average % Rate Existing Long Term Borrowing	5.00%	3.34%	Green
Average Short Term Investment Rate - Cash	0.48%	0.49%	Green
Average Short Term Investment Rate - Bonds	0.48%	0.87%	Green
Average Long Term Investment Rate - Bonds	1.00%	1.90%	Green
Average Return on Property Fund	2.50%	4.67%	Green

### Minimum Level of General Fund Balances

		<u>Status</u>
Minimum General Fund Balance	£5.5M	
Forecast Year End General Fund balance	£12.8M	Green

### Income Collection

	<u>2014/15 Outturn</u>	<u>Actual YTD</u>	<u>Status</u>
Outstanding Debt:			
More Than 12 Months Old	25%	21%	Red
Less Than 12 Months But More Than 6 Months Old	6%	9%	Green
Less Than 6 Months But More Than 60 Days Old	14%	16%	Green
Less Than 60 Days Old	55%	53%	Green

### Creditor Payments

		<u>Status</u>
Target Payment Days	20	
Actual Current Average Payment Days	19	Green
Target % of undisputed invoices paid within 30 days	95.0%	
Actual % of undisputed invoices paid within 30 days	91.1%	Amber
* including schools	92.0% *	Amber

### Tax Collection rate

	<u>Target Collection Rate</u>	<u>QTR 3 Collection Rate This Year</u>		
Council Tax	94.9%	80.7%	80.9%	Amber
National Non Domestic Rates	98.7%	83.5%	86.2%	Amber

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### QUARTERLY TREASURY MANAGEMENT REPORT – QUARTER 3

#### **1. Borrowing Requirement and Debt Management**

As at the 31 December 2015, the council's overall outstanding long term borrowing was £244M, at an average rate of 3.33% and an average maturity of 23 years, this has fallen by £9M since 1 April due to maturing debt which has not yet been replaced. The total long term debt portfolio is made up of loans from the Public Works Loan Board (PWLB) of £235M and market loans of £9M.

Included within the PWLB portfolio is £35M of variable rate loans, which are estimated to average 0.70% for the year and are helping to keep overall borrowing costs down. Whilst in the current climate of low interest rates this remains a sound strategy, the Council need to review these regularly and if appropriate switching into fixed rate loans if interest rates start to rise rapidly.

The Council does not have any temporary borrowing at present having repaid outstanding balances during 2014/15 and whilst these have remained affordable and attractive, due to our continued high level of cash (and subsequent investments) no need has arisen.

As at the 31 March 2015 the Council used £92M of internal resources in lieu of borrowing which has been the most cost effective means of funding past capital expenditure to date. This has lowered overall treasury risk by reducing both external debt and temporary investments. However, this position will not be sustainable over the medium to long term and the Council will need to borrow to cover this amount as balances fall.

Based on the latest Capital update the Council is expected to have a borrowing need up to £107.1M between 2015/16 and 2018/19. Of this £57.1M relates to new HRA capital spend, £28.4M for new capital spend on the GF, the remainder relates to the refinancing of existing debt and externalising internal debt to cover the expected fall in balances.

No new borrowing has been taken to date and none is expected to be taken until the end of the year and will be assessed in conjunction with the development of the capital programme, cash balances and advice from the Council's treasury advisor.

#### **Budgeted Expenditure**

The interest cost of financing the Authority's long term and short term loan debt is charged corporately to the Income and Expenditure account. The interest cost in 2015/16 of financing the Authority's loan debt is currently expected to give a saving to the general fund of £2.30M.. This is mainly due to variable interest rates being lower than those estimated, no new long term borrowing being taken in either 2013/14 or 2014/15, slippage on the HRA capital programme and deferring any new borrowing to later in the year.

#### **2. Investment Activity**

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves.

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles. Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its TM Strategy Statement for 2015/16.

Counterparty credit quality is assessed and monitored with reference to: Credit Ratings; credit default swaps; financial statements, information on potential government support and reports in the quality financial press.

### **Internal investments**

There has been an increase in balances since the beginning of the year (£92M), peaking at £125M in mid- April, currently £102M, current cash flow forecast indicate that balances are expected to fall during February and March due to the reduction and change in profiling of RSG.

As reported previously, following advice from our advisors Arlingclose, we have invested in bonds to optimise investment income. Including corporate bonds as an alternative to fixed term deposits with banks as although the risk of insolvency remains, there is no risk of pre-emptive bail-in by the regulator and corporates are far less geared than banks. These deals will generate around £600K for the year.

Included within the corporate bond investments is a £1.5M bond for Volkswagen Financial Services which has recently been down rated to BBB+. The downgrade factors in further financial implications the group will face following the problems the company is currently having regarding emissions, however the rating agencies continues to believe that Volkswagen's credit metrics remain solid and has the capacity to absorb losses arising, which it believes will be spread over the next few years. Our Advisors still remain comfortable with us holding these investments until maturity (May 2016).

The Authority has internal investments amounting to £94.7M, with an average rate of return of 1.30% as detailed in Table 1 below:

**Table 1: Quarter 3 Internal Investments**

<b>Investments</b>	<b>At 31 December 2015 £000</b>	<b>Date of Maturity</b>	<b>Yield %</b>	<b>Rating</b>
<b>Cash</b>				
Barclays Bank PLC	5,000	Call	0.50	A
Santander UK Plc	600	Call	0.40	A
Aberdeen MMF	10,000	MMF	0.50	A+
Blackrock MMF	55	MMF	0.45	AA-
Deutsche MMF	3,038	MMF	0.43	AA-
Federated Prime MMF	9,830	MMF	0.52	AA-
Goldman Sachs MMF	26	MMF	0.45	AA
Insight MMF	200	MMF	0.42	A+
Invesco MMF	3,670	MMF	0.45	AA-
J P Morgan MMF	3,954	MMF	0.46	AA-



Standard Life MMF	10,000	MMF	0.50	A+
<b>Total Cash</b>	<b>46,373</b>		<b>0.49</b>	
<b>Corporate Bonds</b>				
Linde Finance BV	4,588	29/01/2016	0.99	A
Heathrow Funding Ltd	4,915	31/03/2016	0.96	A-
Volkswagen Financial Service NV	1,496	26/05/2016	0.90	A
Rolls Royce PLC	2,189	14/06/2016	0.89	A-
Mobility Operations Group Plc	2,080	28/09/2016	1.23	A+
<b>Total Corporate Bonds</b>	<b>15,268</b>		<b>0.98</b>	
<b>Other Short Term Bonds</b>				
Yorkshire Building Society Covered Bond	4,016	23/03/2016	0.77	AAA
Svenska Handelsbanken AB	2,197	26/05/2016	0.95	AA-
Nederlandse Waterschapsbank	4,828	07/09/2016	0.77	AA+
Bank of Scotland PLC Covered Bond	4,164	08/11/2016	0.68	AAA
Laneskreditbank Baden-Wuert	2,010	15/12/2016	0.72	AAA
<b>Total Other Bonds</b>	<b>17,215</b>		<b>0.77</b>	
<b>Long Term Bonds</b>				
Lloyds Bank Covered Bond	2,003	16/01/2017	0.68	AAA
Nationwide Building Society Covered Bond	1,484	17/07/2017	0.68	AAA
Leeds Building Society Covered Bond	2,002	09/02/2018	0.82	AAA
Barclays Bank Covered Bond	1,001	12/02/2018	0.71	AAA
Yorkshire Building Society Covered Bond	3,234	12/08/2018	1.94	AA+
Leeds Building Society Covered Bond	3,004	01/10/2019	0.95	AAA

European Investment Bank - Bond	1,069	15/04/2025	5.27	AAA
European Investment Bank - Bond	1,054	07/06/2025	5.16	AAA
European Investment Bank - Bond	1,039	07/06/2025	5.49	AAA
<b>Total Long Term Bonds</b>	<b>15,890</b>		<b>1.90</b>	
<b>Total Investments</b>	<b>94,746</b>		<b>1.30</b>	

### **External Managed investments**

On the 30 April 2014 the Council invested £5M in property funds which offer the potential for enhanced returns over the longer term, but may be more volatile in the shorter term. These funds are managed by professional fund managers which allows the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. This investment returned £0.24M in 2014/15, a yield of 5.21% and the net asset value of the fund at 31st March was £5.3M a notional "gain" of £0.3M against initial investment. Whilst recognising the increased risk (as the value of the fund can also go down) due to the strong performance to date an additional £2M was invested on the 30 April 2015, as at the 31 December the sell price of our total investments were valued at £7.5M a notional "gain" of £0.5M against investments. The current quoted dividend yield on the fund is 4.67% and is expected to return £0.36M for the year.

### **Budgeted Income**

The Council does not expect any losses from non-performance in relation to its investments by any of its counterparties. The UK Bank Rate has been maintained at 0.5% since March 2009 and as a consequence short-term money market rates have remained at relatively low levels, investments in Money Market Funds and call accounts currently generated an average rate of 0.49%. Investments in bonds have performed better returning an average of 1.19% for the year to date. The average cash balances during the quarter was £103.7M; these are expected to decline towards the end of the financial year as the incidence of government grant income and council tax income is skewed towards the earlier part of the year.

The Authority's budgeted investment income for the year was estimated at £0.6M, the Authority currently anticipates an investment outturn of £1.2M for the year based on current and committed deals. As reported previously the Authority continues to review investments in suitable longer term financial instruments which will generate a better return, as it is envisaged that there be sufficient cash balances over the medium term.

### **3. Compliance with Prudential Indicators**

The Council can confirm that it has complied with its Prudential Indicators for 2015/16, approved by Full Council on 11 February 2015. Table 2 below summarises the Key Prudential Indicators and performance to date:

**Table 2: Compliance with Prudential Indicators**

<b>Indicator</b>	<b>Limit</b>	<b>Actual at 31 December 2015</b>
Authorised Limit for external debt £M	£727M	£326M
Operational Limit for external debt £M	£553M	£326M
Maximum external borrowing year to date		£253M
Limit of fixed interest debt %	100%	82%
Limit of variable interest debt %	50%	18%

Limit for Non-specified investments £M	£70M	£38M
--	------	------

#### 4. Minimum Revenue Provision (MRP)

The CLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP, the Council's strategy was approved as part of the 2015/16 report. However following a review of the guidance the Council has revised this in order to achieve revenue savings whilst still proving a prudent provision, which we are currently discussing with our Auditors.

We will continue to apply set aside capital receipts to reduce the level of MRP which the council needs to set aside from revenue as a prudent provision, as detailed in paragraphs 45 to 48 in the Review of Prudential Limits and Treasury Management Outturn report submitted to Council on 15 July, item 37

<http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=122&MIId=3044&Ver=4>

The impact of these changes is an increased MRP of £0.7M which has been reflected in the forecast position.

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### HOUSING REVENUE ACCOUNT

#### KEY ISSUES – QUARTER 3

The Housing Revenue Account (HRA) is currently forecast to over spend by **£0.22M** at year-end, which represents a percentage over spend against budget of **0.3%**. The portfolio variance has moved favourably by **£0.11M** from the position reported at Quarter 2. The forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view.

	<b>Forecast Variance £M</b>	<b>%</b>	<b>Movement from Quarter 2 £M</b>	<b>%</b>
<b>Housing Revenue Account</b>	<b>0.22 A</b>	<b>0.3</b>	<b>0.11 F</b>	<b>0.1</b>
Potential Carry Forward Requests	0.00		0.00	

A summary of the monthly movements in the Portfolio forecast variance, are shown in the table below:

<b>Division / Service Activity</b>	<b>Forecast Variance Quarter 3 £M</b>	<b>Forecast Variance Quarter 2 £M</b>	<b>Movement £M</b>	<b>Ref.</b>
Responsive Repairs	0.65 A	0.65 A	0.00	HRA 1
Dwelling rents	0.58 A	0.63 A	0.05 F	HRA 2
Leaseholder income	0.46 F	0.65 F	0.19 A	HRA 3
Supervision & Management	0.19 A	0.30 A	0.11 F	HRA 4
Interest Repayments	0.54 F	0.60 F	0.06 A	HRA 5
Rents / rates payable	0.20 F	0.00	0.20 F	HRA 6
<b>Total</b>	<b>0.22 A</b>	<b>0.33 A</b>	<b>0.11 F</b>	

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

#### **HRA 1 – Responsive Repairs (£0.65M adverse, no movement)**

There is an ongoing review of the Housing Operations Division.

Forecast range **£0.70M** adverse to **£0.10M** adverse

As previously reported, there is an adverse variance on Responsive Repairs of £0.65M.

It is envisaged that a restructure of the repairs team in 2015/16, and the ongoing implementation of mobile working, will deliver part-year savings and reduce the forecast overspend. However, the current forecast is unchanged from Quarter 2.

**HRA 2 – Dwelling Rents / Voids (£0.58M adverse, £0.05M favourable movement)**

**There will be a shortfall in rental income.**

**Forecast range £0.70M adverse to £0.50M adverse**

As part of the estimate process, certain assumptions were made as to the size of the housing stock. A larger number of right-to-buy sales than estimated were made during the last few months of 2014/15, which has led to a reduced income from dwelling rents of £0.44M. This is unchanged from Quarter 2.

In addition, dwelling and hostel voids are higher than estimated, which has led to a reduced income of £0.14M. The recently recruited Empty Properties Manager will aim to continue to improve the void turnaround time and thus lower the rental income loss from void properties. There is already a favourable movement of £0.05M from Quarter 2.

**HRA 3 – Leaseholder Service Charges (£0.46M favourable, £0.19M adverse movement)**

**There has been an increase in Repair & Maintenance work to leaseholder properties.**

**Forecast range £0.30M favourable to £0.50M favourable**

As previously reported, there is a forecast additional income from charges to leaseholders. A quarterly review revealed that the charges for major works (revenue) were lower than anticipated since Quarter 2, due to a reduced level of repair works for storm / water damage. The forecast has, therefore, been reduced by £0.19M.

**HRA 4 – Supervision and Management (£0.19M adverse, £0.11M favourable movement)**

**A number of minor variances contribute to this figure.**

**Forecast range £0.40M adverse to £0.10M adverse**

As previously reported, there are unbudgeted redundancy / pension release costs (£0.08M), costs associated with the implementation of the Living Wage for SCC, which is being backdated to April 2013 (£0.17M) and larger than budgeted disrepair claims (£0.06M). These are now offset by savings of £0.11M mainly as a result of revised forecasts following a review of utility costs to sheltered accommodation properties.

**HRA 5 – Interest & Capital Repayments (£0.54M favourable, £0.06M adverse movement)**

**There is a reduced borrowing requirement for the capital programme.**

**Forecast range £0.50M favourable to £0.60M favourable**

As previously reported, a re-evaluation of the capital programme has resulted in the reduction in the borrowing requirement, and thus reduced the financing cost charged to revenue. An adverse re-alignment of capital repayments and a further favourable movement in the financing costs has resulted in a net adverse movement of £0.06M from Quarter 2.

**HRA 6 – Rents / Rates payable (£0.20M favourable, £0.20M favourable movement)**

**There is a reduction in council tax payable on empty properties.**

**Forecast range £0.15M favourable to £0.25M favourable**

Following an investigation into council tax payable on empty properties set aside for regeneration, an exemption from council tax was agreed, resulting in a large prior-year credit being received and a reduction in the forecast for current year costs. A favourable variance of £0.20M is reported for the first time`.

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# Agenda Item 8

## Appendix 7

### COUNCIL TAX COLLECTION FUND REVENUE ACCOUNT FOR YEAR ENDED 31ST MARCH 2016

	Original Estimate 2015/16 £M	Forecast 2015/16 £M	Variance Adverse / (Favourable) 2015/16 £M
<b>Council Tax</b>			
<u>Income</u>			
Income due from Council Tax Payers	(92.77)	(93.29)	(0.52)
Transfers to General Fund - Hardship Fund	(0.20)	(0.20)	0.00
	(92.97)	(93.49)	(0.52)
<u>Expenditure</u>			
Southampton City Council Precept	77.27	77.27	0.00
Hampshire Police Authority Precept	9.26	9.26	0.00
Fire & Rescue Services Precept	3.61	3.61	0.00
Distribution of previous year's surplus	3.74	3.74	0.00
Provision for Bad Debts CT	2.84	1.86	(0.97)
	96.71	95.74	(0.97)
CT - Deficit / (Surplus) for the Year	3.74	2.25	(1.49)
CT - Deficit / (Surplus) Brought Forward	(3.74)	(3.27)	0.47
<b>CT Deficit / (Surplus) Carried Forward</b>	<b>0.00</b>	<b>(1.02)</b>	<b>(1.02)</b>
<b>NDR</b>			
<u>Income</u>			
Income from NDR Payers	(104.29)	(103.34)	0.95
Apportionment of Previous Years Deficit			
SCC	2.37	2.37	0.00
DCLG	2.42	2.42	0.00
Hampshire Fire & Rescue Authority	0.05	0.05	0.00
	<b>(99.46)</b>	<b>(98.51)</b>	<b>0.95</b>
<u>Expenditure</u>			
Payment to DCLG Transitional Arrangements	0.00	0.79	0.79
Payments to DCLG	47.45	47.45	0.00
SCC - NDR Dist to General Fund	46.50	46.51	0.00
Hampshire Fire & Rescue NDR Distrib.	0.95	0.95	0.00
Allowance to General Fund for NDR Collection	0.31	0.31	0.00
Provision for Bad Debts NDR	1.50	1.00	(0.50)
Appeals Provision 15/16	7.57	6.30	(1.27)
Appeals Provision Prior Years	0.00	(5.17)	(5.17)
	<b>104.29</b>	<b>98.15</b>	<b>(6.15)</b>
NDR Deficit / (Surplus) for the Year	4.83	(0.36)	(5.19)
NDR - Deficit / (Surplus) Brought Forward	(4.83)	(5.78)	(0.95)
<b>NDR Deficit / (Surplus) Carried Forward</b>	<b>0.00</b>	<b>(6.14)</b>	<b>(6.14)</b>
<b>Total Deficit / (Surplus) Carried Forward</b>	<b>0.00</b>	<b>(7.16)</b>	<b>(7.16)</b>
<b>Council Tax (Surplus)/Deficit</b>			
Contribution (to)/ from SCC		(1.72)	(0.87)
Contribution (to)/ from HPA		(0.21)	(0.11)
Contribution (to)/ from F&RS		(0.08)	(0.04)
Council Tax Collection Fund Balance c/f		(2.01)	(1.02)
<b>NDR (Surplus)/Deficit</b>			
Contribution (to)/ from SCC		(3.75)	(3.01)
Contribution (to)/ from DCLG		(3.83)	(3.07)
Contribution (to)/ from HF&R		(0.08)	(0.06)
NDR Collection Fund Balance c/f		(7.66)	(6.14)
Additional Surplus		(5.47)	(3.88)

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# Agenda Item 9

<b>DECISION-MAKER:</b>	CABINET COUNCIL			
<b>SUBJECT:</b>	THE MEDIUM TERM FINANCIAL STRATEGY 2015/16 to 2020/21			
<b>DATE OF DECISION:</b>	9 FEBRUARY 2016 10 FEBRUARY 2016			
<b>REPORT OF:</b>	CABINET MEMBER FOR FINANCE			
<b><u>CONTACT DETAILS</u></b>				
<b>AUTHOR:</b>	<b>Name:</b>	<b>Melanie Creighton</b>	<b>Tel:</b>	<b>023 8083 4897</b>
	<b>E-mail:</b>	<b>Mel.creighton@southampton.gov.uk</b>		
<b>Chief Financial Officer</b>	<b>Name:</b>	<b>Andrew Lowe</b>	<b>Tel:</b>	<b>023 8083 2049</b>
	<b>E-mail:</b>	<b>Andrew.lowe@southampton.gov.uk</b>		

## **STATEMENT OF CONFIDENTIALITY**

**Not Applicable**

## **BRIEF SUMMARY**

The purpose of the report is to set out the Council's Medium Term Financial Strategy (MTFS) for 2015/16 to 2019/20.

The report considers the environment the Council is operating in and the projected financial position for the next 4 years taking into account potential opportunities, threats, strengths and weaknesses.

## **RECOMMENDATIONS:**

### **Cabinet is recommended to**

- (i) Approve and recommend to Council the Medium Term Financial Strategy as set in Appendix 1.
- (ii) Approve and recommend to Council the Efficiency Strategy set out in Appendix 1

### **Council is recommended to**

- (i) Approve the Medium Term Financial Strategy as detailed in Appendix 1 including the Medium Term Financial Forecast in Appendix 2.
- (ii) Approve the Reserves Policy as set out in the Medium Term Financial Strategy at Appendix 1.
- (iii) Approve the Efficiency Strategy set out in Appendix 1.
- (iv) Authorise the Chief Executive and Chief Officers to develop options to close the remaining gap for the financial years 2017/18 to 2019/20.

## **REASONS FOR REPORT RECOMMENDATIONS**

1. During the budget setting process the Council regularly revises its Medium Term Financial Strategy (MTFS) and Medium Term Financial Model to enable financial position to be clear for budget proposals to be drawn up for the forthcoming year. The MTFS sets out various elements relating to the financial position that need to be considered and addressed by the Cabinet in preparing the final papers that will be presented to Council.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

2. 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 Council budget setting meeting on 10 February 2016. The current set of assumptions contained within this report will be reviewed on a regular basis but represent the most up to date information available at this time.

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

3. The Council currently spends £632M delivering services and funds this from income from Central Government grants, Council Tax, Business Rates, Rents, and other fees and charges. Of this £632M, £79M is spent on Housing within the Housing Revenue Account, £126M is spent on Schools, and £118M is spent on Housing Benefits. All this expenditure relates to specific ring-fenced funding and for the purposes of the General Fund budget setting cannot be utilised to achieve savings from. This leaves a targetable spend of £309M to address the Council's outcomes and priorities as well as savings required to meet the budget challenge by 2019/20.
4. The aim of the Council's 5 year Medium Term Financial Strategy is "To provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the Council's key priorities".
5. There are 6 key objectives of the strategy:
  1. To provide financial parameters within which budget and service planning should take place
  2. To ensure the Council sets a balanced and sustainable budget
  3. To focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources
  4. To ensure the Council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area
  5. To plan the level of taxation in line with levels that the Council regard as being necessary, acceptable and affordable to meet the Council's aims, objectives, policies and priorities
  6. To ensure that the Council's long term financial health and viability remain sound.
6. The full strategy is attached at Appendix 1 and has been fully updated following receipt of the Comprehensive Spending Review and the Provisional Local Government Finance Settlement.

## **MEDIUM TERM FINANCIAL STRATEGY MODEL**

7. Based on the above strategy the forecast financial position for the 4 years to 2019/20 is set out in Table 1 and Appendix 2. The February 2015 budget report set out a gap over the period of £90M.

8. **Table 1 Original Savings Requirement**

	<b>2016/17 £M</b>	<b>2017/18 £M</b>	<b>2018/19 £M</b>	<b>2019/20 £M</b>
Net Saving Requirement	39.1	60.7	77.7	90.1
Annual Saving Requirement	39.1	21.6	17.0	12.4

9. The MTFS has been reviewed to take into account the following:

- The current forecast outturn position for 2015/16;
- The Provisional Local Government Finance Settlement;
- Review of the pressures the Council is facing;
- Review of the current levels of government funding;
- Review of the pay and inflation assumptions.

The updated position is set out below and shows a revised medium term budget shortfall of £42M.

10. **Table 2 Changes to the Medium Term Financial Model**

	<b>2016/17 £M</b>	<b>2017/18 £M</b>	<b>2018/19 £M</b>	<b>2019/20 £M</b>
Original Savings Requirement	39.1	60.7	77.7	90.1
<b><u>Changes in Expenditure</u></b>				
Reduced Pay Award Provision	(0.8)	(0.8)	(0.8)	(0.8)
Reduced inflation Provision	(0.4)	(0.4)	(0.4)	(0.4)
Adult Social Care Pressures	4.0	4.0	4.0	4.0
Children's Social Care Pressures	5.0	5.0	5.0	5.0
Funding to Support Roads Capital Programme	0.4	0.4	0.4	0.4
Release of Pressures & Risk Provisions	(2.8)	(2.8)	(2.8)	(2.8)
Apprentice Levy	0.0	0.4	0.4	0.4
Further Identified Pressures	4.0	6.7	8.4	11.1
<b><u>Changes In Funding</u></b>				
New Homes Bonus (1 year only)	(4.5)	-	-	-
Increase in Business Rates and Council Tax	(1.8)	(1.8)	(1.8)	(1.8)
Collection Fund Surplus 2015/16	(3.8)	-	-	-
Remove Council Tax increase @1.99%	1.5	1.5	1.5	1.5
Increase to Council Tax Base	(1.0)	(1.0)	(1.0)	(1.0)
<b><u>Provisional Local Government Finance Settlement Amendments</u></b>				
Revenue Support Grant	(1.8)	(3.4)	(6.9)	(5.6)

New Homes Bonus	(1.6)	(6.0)	(3.8)	(3.7)
Business Rates	1.0	2.2	2.7	3.2
Improved Better Care Fund	0.0	(0.6)	(4.4)	(7.7)
Other Government Grants	(1.2)	(0.6)	(0.6)	(0.6)
Adult Social Care Council Tax Precept	(1.6)	(3.2)	(5.0)	(6.8)
<b>Revised Savings Requirement</b>	<b>33.7</b>	<b>60.3</b>	<b>72.6</b>	<b>84.5</b>
<b>Total Savings Agreed &amp; being Proposed</b>	<b>29.9</b>	<b>35.7</b>	<b>41.3</b>	<b>42.2</b>
<b>Use of General Fund Balance</b>	<b>3.9</b>	-	-	-
<b>Savings Requirement</b>		<b>24.6</b>	<b>31.3</b>	<b>42.3</b>

11. The remaining annual savings requirement is set out in the Table 3.

**Table 3 Remaining Annual Savings Requirement**

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Revised Net Revenue Expenditure	180.9	190.4	192.4	200.4
Revised Funding Available	(180.9)	(165.8)	(161.1)	(158.1)
Remaining Savings Requirement	-	24.6	31.3	42.3
Annual Savings Requirement	-	24.6	6.7	11.0

**Provisional Local Government Finance Settlement (PLGFS)**

Following the Comprehensive Spending Review the Government issued Provisional Local Government Finance Settlement that gave local authorities 4 years of indicative funding figures. The key messages from the Spending Review are attached at Appendix 3 and the impact of the PLGFS allocations have been reflected within the Strategy and model attached at Appendices 1 and 2.

12. **Efficiency Strategy**

The PLGFS set out the requirement for local authorities to have an Efficiency Strategy in place in order to take up the offer of a 4 year settlement and to be able to utilise the new power of flexibility for capital receipts. The MTFS now includes this strategy. It is expected this will need to be revised following receipt of the Final Settlement information which should contain more detail on this matter.

**RESOURCE IMPLICATIONS**

**Capital/Revenue**

13. This report is concerned with the Medium Term Financial Strategy and Model for 2016/17 and beyond. All implications are included within the report and appendices.

**Property/Other**

14. None

## LEGAL IMPLICATIONS

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

15. Local Government Finance Act 1992 And Local Government Acts 1972 to 2003.

### Other Legal Implications:

16. None.

## POLICY FRAMEWORK IMPLICATIONS

17. The Medium Term Financial Strategy provides the financial framework for the Council to deliver priority outcomes detailed in the Council Strategy. The Medium Term Plan and the Budget are key parts of the Policy Framework of the Council and a Budget and Council Tax for 2015/16 must be proposed by the Executive (Cabinet) for consideration by the Full Council under the Constitution.

<b>KEY DECISION?</b>	no	
<b>WARDS/COMMUNITIES AFFECTED:</b>	All	
<u>SUPPORTING DOCUMENTATION</u>		
<b>Appendices</b>		
1.	Medium Term Financial Strategy 2015/16 to 2019/20	
2.	Medium Term Financial Model	
3.	Highlights of the Comprehensive Spending Review	
<b>Documents In Members' Rooms</b>		
1.	None	
<b>Equality Impact Assessment</b>		
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.		No
<b>Privacy Impact Assessment</b>		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.		No
<b>Other Background Documents</b>		
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)	

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## **SOUTHAMPTON CITY COUNCIL MEDIUM TERM FINANCIAL STRATEGY 2015/16 TO 2019/20**

**FEBRUARY 2016**

**MEDIUM TERM FINANCIAL STRATEGY 2015/16 to 2020/21**

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## 1 **INTRODUCTION**

### 1.1 **Aims and Purpose of the Medium Term Financial Strategy**

The Medium Term Financial Strategy (MTFS) is a core part of the Council's strategic framework and plays a pivotal role in translating the Council's strategic plans and ambitions into action.

The MTFS focuses on determining the financial position for the next five years 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.

This forecast forms part of the base assumptions for developing the overall budget, together with unavoidable service pressures agreed by the Cabinet and the Council's Management Team (CMT) that need to be taken into account in the overall budget deliberations.

The Council's Medium Term Financial Strategy has been developed in order to secure a forward looking approach and long term sustainability in service provision. The strategy concentrates on the principles that will provide a strong direction for the medium term.

An overarching MTFS is not only good practice, but is required to provide the strategic financial framework for the authority at a time of considerable pressure and change, be this delivering key priorities and ongoing efficiency gains, closer budget scrutiny, the management of financial pressures, or political change.

The key overriding aim of the MTFS is therefore:

**'To provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the Council's key strategic outcomes, priorities and sustainable services.'**

In addition to its 6 key objectives of the MTFS are to:

- Provide the parameters within which budget and service planning should take place;
- Ensure that the Council sets a balanced and sustainable budget;
- Focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources;
- Ensure that the Council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area;
- Plan the level of local 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;
- Ensure that the Council's long term financial health and viability remain sound.

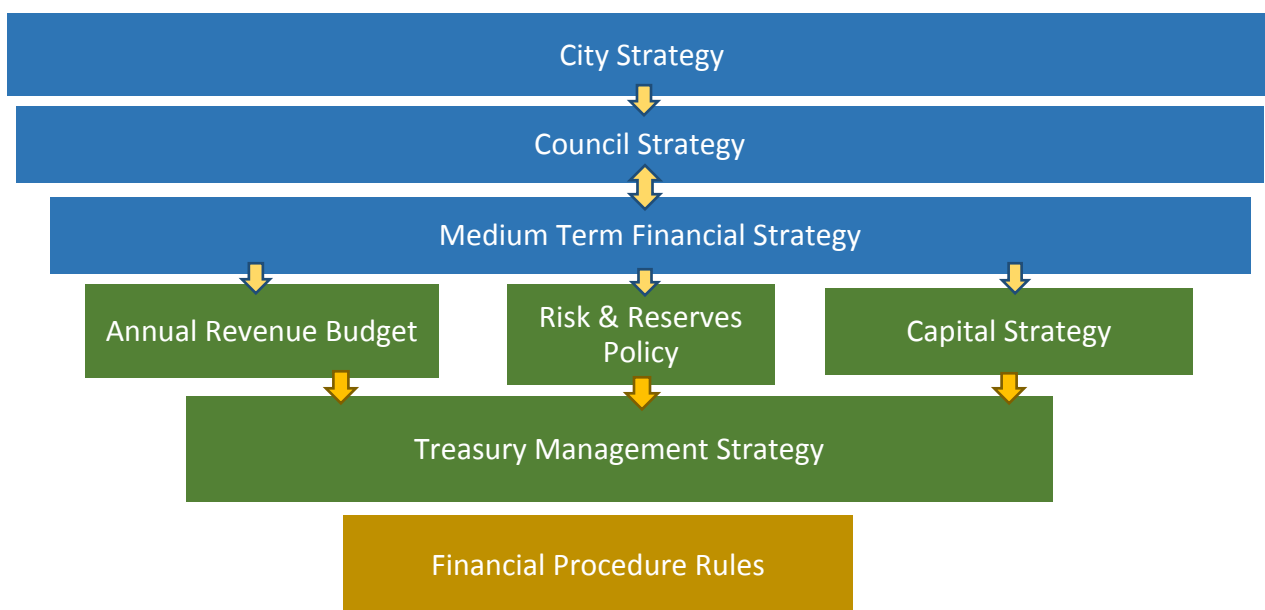
The MTFS therefore aims to move the Council on from the historical position of setting annual budgets in isolation to future years, to integrated service and financial planning over the medium term.

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. A sustainable MTFS is therefore key to the effective delivery of the Council's overall aims of achieving better outcomes for residents.

The resulting Medium Term Financial Model does not however represent a committed budget, but provides the framework within which decisions relating to future service provision can be made. The detailed budget, taking account of constantly changing circumstances, will continue to be

considered by the Council on an annual basis.

To aid understanding the diagram below sets out where the MTFs sits in relation to the City and Council Strategies and other financial strategies and plans.



## 1.2 **Key Influencing Strategies And Plans**

There are a number of strategies, policies and plans which impact on the direction of the Council and the day to day operations therefore impacting on the MTFs. The main items are detailed below along with the elements which impact on the MTFs.

### 1.2.1 **Southampton City Strategy 2015-25**

The MTFs is framed by the City Strategy 2015-2025, and the City Vision, which has been developed by Southampton Connect, a partnership group consisting of representatives from business, the public, voluntary and education sectors and the City Council.

The city vision is ‘Southampton – City of opportunity where everyone thrives’. “This goal is to achieve prosperity for all. We want to build on Southampton’s unique sea city location with exceptional transport links, its strong position nationally for economic growth, excellent reputation for teaching and learning, strong business community, good regional specialist hospital, varied retail offer, night time economy, vibrant voluntary and student communities, and rich diversity and cultural mix”.

The City Strategy identifies three key priorities:

- Economic Growth with social responsibility
- Skills and Employment
- Healthier and safer communities.

It also includes 4 cross cutting themes:

- Fostering City Pride and Community capacity
- Delivering whole place thinking and innovation
- Improving mental health
- Tackling poverty and inequality

Southampton Connect works closely with the key city partnerships to deliver against the vision, priorities and themes: Employment, Skills and Learning Partnership, Health and Wellbeing Board and Safe City Partnership.

### 1.2.2 **Southampton City Council Strategy 2014-17**

The City Strategy is a long term document, setting out priorities and themes which all partners will work together to achieve. Southampton City Council has a key role to play in this. The Council has set out its priorities in the Council Strategy 2014-17 which is due to be refreshed later this year.

The Council has agreed 7 main priorities within the Council Strategy. These are:

- Jobs for Local People
- Prevention and Early Intervention
- Protecting Vulnerable People
- Good Quality and Affordable Housing
- Services for all
- City Pride
- A Sustainable Council

We expect the shape of the Council, including the types of services we deliver and how we will deliver them, will be very different by 2017. The Council Strategy sets out that by 2017 we expect changes in terms of:

- Commissioning Services
- Community Ownership
- Better Customer Experiences
- More flexible ways of working
- A wide range of service delivery models
- Listen and improve learning from our mistakes
- Increased focus on digital capabilities of customers

A public consultation on priority outcomes was undertaken in August 2015 and the feedback received led to a focus on three major outcomes:

- Children and young people getting a good start in life;
- A modern, vibrant city where everyone works together to keep it clean and attractive; and
- Strong, sustainable economic growth.

This work is ongoing and as a result the Council Strategy will be updated later in 2016 to reflect the final conclusions of the review.

### 1.2.3 **Other Major Strategies and Policies**

As well as the overarching City Strategy and the Southampton City Council Strategy, there are a range of other strategies and policies and work programmes which will influence the MTFS.

The two other key financial strategies are detailed below:

#### 1.2.3.1 **Capital Strategy**

The Council has a separate Capital Strategy that details the priorities of the Council in terms of capital expenditure and provides a framework for the Council's capital plans to be delivered within.

The Capital Strategy forms an appendix to the General Fund Capital Programme 2015/16 to 2019/20. The programme is approved each year in February by Council. Key issues and developments that are now incorporated in the strategy include:

- Recognition of the Council's Devolution proposals, noting that one of the key themes is accelerated housing delivery;
- Changes to the use of capital receipts, giving rise to the need to consider the use of this key funding source;
- Reviewing the alternative options for the disposal or development of land notably the setting up of a Development Company and the use of our property partner PSP;
- Recognition of the importance of the need for additional preventative Flood Defence schemes in the City;
- An update on the Council's Efficiency Strategy and transformation programme;
- The intention to set up a Property Investment Fund; and
- Clearer links to the service priorities.

#### 1.2.3.2 **Treasury Management Strategy 2016/17 to 2018/19**

The Treasury Management Strategy is reviewed annually and provides the framework within which authority is delegated to the Service Director for Finance and Commercialisation to make decisions on the management of the City Council's debt and investment of surplus funds.

The City Council is able to borrow on a long term basis to finance capital and on a short term basis to manage cash flow fluctuations. The Council is also able to invest surplus funds.

The core elements of the 2016/17 strategy are :

- To continue to make use of short term variable rate debt to take advantage of the current market conditions of low interest rates;
- To constantly review longer term forecasts and to lock in to longer term rates through a variety of instruments, as appropriate during the year, in order to provide a balanced portfolio against interest rate risk;
- To secure the best short term rates for borrowing and investments consistent with maintaining flexibility and liquidity within the portfolio;
- To invest surplus funds prudently, the Council's priorities being:
  - Security of invested capital
  - Liquidity of invested capital

## Medium Term Financial Strategy 2015/16 to 2019/20

- An optimum yield which is commensurate with security and liquidity; and

To approve borrowing limits that provide for debt restructuring opportunities and pursue debt restructuring where appropriate and within the Council's risk boundaries.

### Investment Strategy

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £92M and £125M. As at December 2015, the authority had internal investments amounting to £94.7M with an average rate of return of 1.30%.

The current strategy is to continue to diversify into more secure and/or higher yielding asset classes in 2016/17 as there is increasing risk and low returns from short term unsecured bank investments.

Investment limits are set as part of the strategy to help mitigate and spread risk across a number of financial institutions. The Service Director for Finance and Commercialisation has delegated authority to review these in year and they will be updated quarterly as relevant in line with advice received from the Council's treasury management advisors, Arlingclose.

### Borrowing Strategy

As at the 31 December 2015, the Council's overall outstanding long term borrowing was £244M, at an average rate of 3.33% and an average maturity of 23 years. This has fallen by £9M since 1 April 2015 due to maturing debt which has not yet been replaced. The total long term debt portfolio is made up of loans from the Public Works Loan Board (PWLB) of £235M and market loans of £9M.

The Council's primary focus when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is secondary to this. This is key to managing borrowing costs within the overall financial constraints of the authority.

By doing this the Council is able to reduce net borrowing costs and reduce overall treasury risk. Details of borrowing options are included in full within the Prudential Limits and Treasury Management Strategy 2016/17 to 2018/19.

The budget for debt interest paid in 2016/17 is £14.5M based on an average debt portfolio of £401.5M at an average interest rate of 3.6%. Investment income for 2016/17 is budgeted at £0.8M based on an average portfolio of £55M at an average of 1.44%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondently different.

### 1.2.3.3 Other Strategies

Below is a sample of further strategies that have been considered in drawing up the MTFs:

- Solent Economic Plan 2014-20
- Health and Wellbeing Strategy
- Better Care Plan
- Safe City Strategy
- Local Transport Plan and Transport Asset Management Plan
- Customer Strategy

- Housing Revenue Account Business Plan 2016/17 to 2045/46
- Corporate Property Strategy and Asset Management Plan

### 1.3 **National and External Factors**

The MTFFS is set within the context of national economic and public expenditure plans, and takes into account the national legislation setting out the City Council's ability to borrow and to raise income from council tax and other sources.

#### 1.3.1 **Comprehensive Spending Review 2015 (Autumn Spending Review)**

The Autumn Spending Review brought the announcement that the Government's intention was to radically change the way local authorities are funded by moving from 50% to 100% business rate retention and phasing out the Revenue Support Grant by 2020. Alongside this there would be additional responsibilities for local government to ensure the move was fiscally neutral to Central Government plans.

The Government also reiterated its earlier proposal, made in October 2015, to abolish Uniform Business Rates by 2020, giving local authorities the power to cut rates to boost growth, and giving directly elected mayors for combined authorities the power to levy a business rates premium for local infrastructure projects with the support of local business.

The current system of top ups and tariffs for redistributing revenues between local authorities will be retained.

The announcement also included a new flexibility allowing local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects. Instead of holding assets that could be made surplus, councils will be able to sell them and reinvest in their services.

In recognition of the increasing demand for local authority adult social care services, councils will be able to levy a "social care precept" of up to 2% in council tax which must be spent exclusively on social care, with the potential to bring almost £2B more into the care system across the country. An announcement was also made that the Better Care Fund would be increased to support this and local authorities will be able to access an additional £1.5B by 2019-20.

Alongside savings in the Public Health grant, the Government announced it will consult on transferring new powers and the responsibility for its funding and elements of the administration, to local authorities.

The government will also consult on reforms to the New Homes Bonus, including means of sharpening the incentive to reward communities for additional homes and reducing the length of payments from 6 years to 4 years. This will include a preferred option for savings of at least £800M, which can be used for social care.

The national housing budget will be doubled, to £2Bn, and 400,000 affordable homes will be built, both to rent and to buy; almost half of these will be starter homes, while 135,000 will be available for the Help to Buy: Shared Ownership scheme.

Funding for the Troubled Families programme will continue, with efficiencies found from central budgets and current levels of funding will be maintained for community integration programmes, which will be targeted at supporting the recommendations made in Louise Casey's review of opportunity and integration in isolated and deprived communities.

The Chancellor confirmed that there will be 30 hours of free, funded early education for three and four year olds from 2017, for families working for more than 16 hours and whose incomes are below



£100,000 per parent. Free childcare for the most disadvantaged two year olds will be maintained and funding for the sector will be increased by £300M to support more free places.

Funding for Free School Meals will be maintained, rates for the pupil premium will be protected and there will be an increase in the cash for the Dedicated Schools Grant.

The Government has expressed the view that local authorities will no longer run local schools, creating a governmental saving of £600m, on the Education Services Grant.

The government will phase out current school funding regime and create a new national funding formula to address the current inequities in funding, especially for the most disadvantaged pupils. Consultation for this will begin in the New Year, with a view to introducing the formula in 2017.

The Government reiterated its commitment to creating three million apprenticeships by 2020. It will also introduce an Apprenticeship Levy from 2017, set at 0.5% of employers' pay bill, in order to raise £3B a year.

Further information on the announcements contained within the Autumn Spending Review can be found at Appendix 3.

### Devolution – Hampshire and Isle of Wight

The Council is currently an active partner in the Hampshire and Isle of Wight Devolution Deal, along with 15 other councils, two Local Enterprise Partnerships and two national park authorities, to Central Government to have more powers devolved to the area.

The Deal includes a proposal to retain 100% of the business rates collected within the area, currently 50% of all business rates collected are passed over to Central Government. In return for foregoing Revenue Support Grants from Central Government, the prospectus asks to keep 100% of business rates generated in the area and assumes the proposal will be fiscally neutral to the Government.

The proposals focus around four key themes: boosting business and skills for work; accelerating housing delivery; investing in infrastructure; and transforming public services.

Plans for homes include delivery of 10,000 homes over the next 10 years including in the priority home categories of rural affordable, low-cost starter, council new-build and extra care, by making use of exception sites including redundant public land. A commitment has been made to develop at least 2,000 new starter homes within the city. This has been supported to date by additional government funding with the introduction of Help to Buy in 2013.

Help to Buy was created to ensure that working people who were doing the right thing and saving for a deposit could achieve their aspiration of buying their own home through Government support. Home ownership is a key part of the government's long term plan to provide economic security for working people across the UK. To date this has been facilitated through Equity Loans and Mortgage Guarantee Schemes with 80% of completions to date being made by first time buyers with just under 50% of the properties being new build. The government announced two further initiatives in the Comprehensive Spending Review on 25<sup>th</sup> November 2015 which will further encourage this agenda.

- a) Help to Buy ISA introduced from 1<sup>st</sup> December 2015 whereby under the scheme, first-time buyers can save up to £200 a month towards their first home and the government will boost their savings by 25%, or £50 for every £200, up to a £3,000 bonus.
- b) New streams of funding, such as for low-cost home ownership are intended to be available

## Medium Term Financial Strategy 2015/16 to 2019/20

for councils as well as housing associations and private developers. Councils are encouraged to think creatively about the homes they could deliver by accessing some of the new grants.

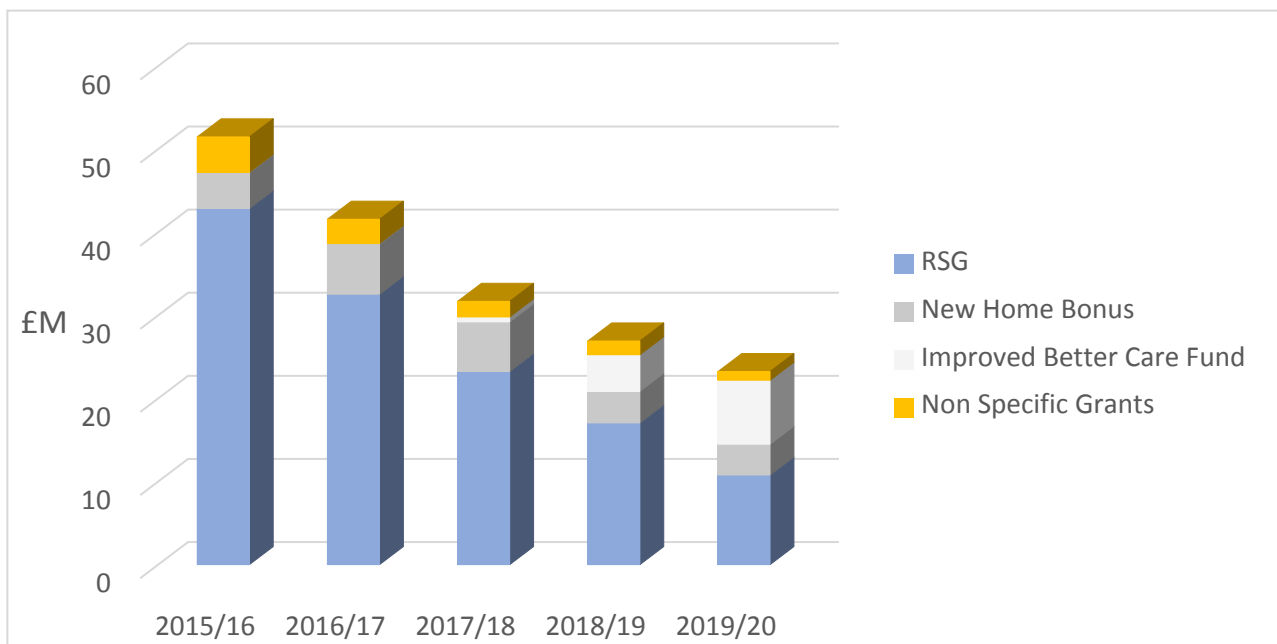
It is anticipated that future disposal or development decisions within the Council will be mindful of the need to consider opportunities to fully utilise all available funding streams and to meet the low-cost starter home commitments.

### Provisional Local Government Finance Settlement

Following on from the Autumn Statement, the Government announced the Provisional Local Government Finance Settlement on the 17<sup>th</sup> December 2015.

This gave proposed local government funding figures for 2016/17 to 2019/20. It also came with the offer for local authorities to receive a four year funding settlement on the production of an Efficiency Strategy, and more detail regarding the flexible use of capital receipts. The settlement looked to redistribute funding to authorities that have social care responsibilities.

For Southampton the impact of the settlement in terms of grant funding can be seen in the graph below. This shows Southampton's grant funding reducing by 55% from 2015/16 to 2019/20



The financial impact of the Provisional Local Government Finance Settlement has been included in the Medium Term Financial Model attached in Appendix 1.

### 1.4 Key Assumptions

Local Authority budgeting is by its very nature difficult to forecast with absolute certainty since there are so many variables that need to be assessed and so much of the information is not known until very late in the process.

Summary of Key Assumptions

Table 1 summarises the key assumptions contained within the Medium Term Financial Model from 2017/18, to arrive at the financial figures presented in Section 3. 2016/17 budgets have been updated to reflect the actual figures and are contained within the figures included in the budget report. Figures in brackets represent a reduction.

**Table 1 – Summary of Key Assumptions**

Item	2017/18	2018/19	2019/20
Business Rates	1.00%	1.00%	1.00%
Council Tax	3.99%	3.99%	3.99%
Revenue Support Grant	(28.6%)	(26.6%)	(36.7%)
New Homes Bonus	0	(36.2%)	(2.63%)
Other Grants	(38.9%)	(12.2%)	(36.6%)
Consumer Price Index (CPI)	1.8%	1.9%	2.0%
Retail Price Index	3.1%	3.1%	3.2%
Pay Award	1.0%	1.0%	1.0%
Superannuation	13.1%	13.1%	13.1%
Past Service Costs and Compulsory Added Years	8.8%	8.8%	8.8%

Business Rate Retention Scheme

The Business Rate Retention (BRR) Scheme was introduced in April 2013 and represented a major change in the way in which local government is funded. It is seen by the Government as providing a direct link between business rates growth and the amount of money local authorities have available to spend on local services.

Councils are able to retain a proportion of their growth in business rates and will also be taking the risk for reductions in business rates, although there are ‘safety net’ arrangements in place to protect against very large reductions. By the end of this Parliament it is expected there will be a 100% business rates retention alongside additional responsibilities to ensure fiscal neutrality for Central Government.

The scheme as it currently stands means whilst Southampton has no influence over the rateable value, rates charged or the percentage increase each year, it does retain almost half the risk from the volatile nature of the receipts. The one element that the local authority can influence is the economic growth within the region which may result in increased revenues from Business Rates.

The Valuations Office is undertaking a reset of rateable values from 2017/18. This means the level of volatility of business rates in 2017 is at the moment even higher until the outcome of the reset exercise is known.

Businesses can appeal against the rateable value given, and under the new scheme the Council carries approximately half the risk if values are reduced. Appeals can be backdated and as a consequence of this the Council has set aside a provision to deal with this element of the financial impact. In December 2014 the Government announced it was closing the appeals window and that appeals received on or after 1 April 2015 will only be backdated until this date.

During January 2016, a number of local authorities have received requests for 80% mandatory

relief in respect of NHS trusts. The letter, which was sent by agents GVA is very detailed and is also accompanied by legal opinion from a QC.

The claim being made by agents on behalf of the hospital is for a refund of rates paid back six years (in line with s9 Limitation Act 1980).

In Southampton there are 34 business rated properties which are occupied by NHS trusts, and a letter in respect of local trust has recently been received.

If the agents are successful it would potentially result in up to £9.6M business rates being refunded to NHS trusts locally and a loss of £2.6M business rates pa in future years.

The LGA, supported by SCC, will instruct Leading Counsel this week for advice, to assist local authorities to determine how to deal with the applications.

The current assumption built into the MTFS is fairly neutral, with a 1% increase per annum reflecting the uplift set by the Government. At this stage, no assumptions have been made about growth. This is not because there will be no growth, but because it is difficult to model real growth against downside reductions for displacement, reduced gross rateable value overall due to impact of appeals and business closure. As our evidence base builds on business rates, we anticipate that our modelling will become more sophisticated over time.

### Council Tax

The tax base for 2014/15 reflected the required adjustments as a result of the localisation of Council Tax Benefits and changes to associated funding which was implemented from 2013/14.

A new Local Council Tax Scheme (LCTS) was introduced in 2013/14 which, as a result of the localisation of Council Tax Benefits, allows the Council to set its own criteria for offering reduced Council Tax for those eligible.

The changes to discounts, exemptions and LCTS are now in place, and the LCTS administration grant has been confirmed and included in the forecast position.

As set out in Table 1 above, the assumption is that Council Tax rises will be set at just below the 2% referendum limit in future years, at 1.99%. There remains a risk that the Government could impose a lower Council Tax referendum threshold.

### Adult Social Care Precept

As set out in the Autumn Spending Review local authorities with adult social care responsibilities can now increase Council Tax by a further 2% adult social care precept. The MTFS assumes this precept will be taken in all years as the calculated increase in funding needed for adult social care far outweighs the income gained from this precept.

### Revenue Support Grant Update Post Settlement

Historically a major source of funding for the Council has been the Revenue Support Grant (RSG), however since the austerity measures have been introduced this grant has been reduced drastically with the Council seeing a 28.5% reduction in 2015/16, and a 24.1% reduction in 2016/17. The MTFS reflects the allocations given in the PLGFS.

### Housing Benefit Administration Subsidy

In addition to the changes resulting from the localisation of Council Tax Benefits, 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, may cease from 2016/17.

Confirmation has now been received from the Department for Work & Pensions (DWP) that this funding will continue into 2016/17 whilst the delivery plans for the introduction of the Universal

Credit are reviewed.

A further £1.2M of non-recurrent grant funding has therefore been assumed in setting the forecast position for 2016/17.

#### Public Health Grant

The Public Health Grant that was introduced in April 2013, will continue to be a ring-fenced grant to Local Authorities into 2016/17 and 2017/18. The allocation will be subject to a new formula and will incorporate the transfer of funding for Children’s 0-5 Public Health services. The final allocation of Public Health grant for 2016/17 is still to be confirmed for local authorities. As part of the spending review it was announced that there would be further reductions in the grant, in addition to the £200M announced for 2015/16, through to 2020/21, as outlined in Table 2 below.

**Table 2 – Public Health Grant Reductions**

	2016/17	2017/18	2018/19	2019/20	2020/21
Percentage reduction in total grant from 2015/16 baseline	2.2%	2.5%	2.6%	2.6%	0%

The Council is committed to identifying savings from within the total Public Health programme, comprising the delivery of internal and external services, in order to achieve the level of savings required.

#### Care Act

The Care Act 2014 came into force 1 April 2015. The Act deals with the reform of adult social care and support legislation. The introduction of the Act was to be phased over two years. Changes including the rights of Carers, a national eligibility criteria and universal Deferred Payments which came into force on 1 April 2015. However the changes programmed to come into force from 1 April 2016, including the funding reforms, have now been postponed until at least 2020. This decision was taken nationally in recognition of the overwhelming pressure, across the country, within Adult Social Care services. In recognition of this the government have announced the flexibility for local authorities to increase the council tax by a further 2% as an Adult Social Care precept above the 1.99% referendum limit.

It is currently viewed that the additional burdens introduced from April 2015 have been met within the additional funding provided during 2015/16. It is also assumed for 2016/17 that the continued contribution from the Better Care Fund and funding levels announced within the settlement, although no longer subject to a specific grant, will be sufficient to meet the cost of these responsibilities in 2016/17.

#### New Homes Bonus

To encourage an increase in the number of homes available in the UK, in 2011 the Government brought in a grant payable to local authorities referred to as the New Homes Bonus. This grant was calculated based on the amount of extra council tax revenue raised for new build homes, conversions and long term empty homes brought into use, with an additional payment for affordable homes. This grant was payable for 6 years.

The PLGFS provided a further update on the scheme with funding confirmed up to and including 2019/20. The funding for 2016/17 will be allocated on the basis of the current methodology, however, consultation is currently underway seeking views on how the funding should be

allocated from 2017/18. Additional funding assumptions have now been included in the medium term financial forecast but due to the uncertainty around methodology, has been included per the allocations provided for within the PLGFS. These are shown in Table 3 below:

**Table 3 – New Homes Bonus Allocations**

	<b>2016/17</b> <b>£M</b>	<b>2017/18</b> <b>£M</b>	<b>2018/19</b> <b>£M</b>	<b>2019/20</b> <b>£M</b>
New Homes Bonus Assumption	5.96	5.96	3.80	3.70
Returned Funding	0.14	0.00	0.00	0.00
<b>Total</b>	<b>6.10</b>	<b>5.96</b>	<b>3.80</b>	<b>3.70</b>

### Education Services Grant

The Education Services Grant received by local authorities will be reduced in 2016/17 as the per pupil rate has reduced from the 2015/16 level of £87 to £77 for 2016/17. For Southampton this will mean an estimated minimal reduction in grant of £0.30M. The grant is calculated based on several rates per pupil dependant on the type of educational establishment they attend. A decrease in the number of pupils attending maintained schools during the year will adversely affect the grant level. Assumptions regarding the number of schools converting to Academies during 2016/17 indicate that the reduction in grant is more likely to be £0.50M for Southampton.

The longer term view of the Government is that local authorities will no longer run local schools, forecasting this will create a governmental saving of £600M on the Education Services Grant. The estimated impact on Southampton will be a reduction in grant of £1.70M by 2018/19.

### Other grants

The Council receives a variety of other grants from Government and the MTFs assumes these will decline over the life of the forecast to circa £0.3M, as per the PLGFS.

The result of these assumptions is that the Council will receive minimal levels of funding from Central Government by the end of the term of the MTFs. This is in line with the PLGFS and the Government's Autumn Statement.

### Pay Inflation

Assumptions have been made in the forecast about the likely level of pay inflation that will apply from April 2016. As a large proportion of the Council's expenditure is pay related, this can have a significant impact if actual rates are much higher than predicated.

The previous MTFs model was based on a pay award of 2% per annum, however following the Government's announcement in the summer budget to cap public sector pay awards at 1% this assumption has now been amended to 1% over the medium term.

### National Living Wage

The Government's July 2015 budget announcement introduced a new premium for those aged 25 and over leading to a new National Living Wage (NLW) of £7.20 in April 2016. The Government's ambition is for the NLW to increase to 60% of the median earnings by 2020, and it will ask the Low Pay Commission to recommend the premium rate in light of this ambition going forward. Based on Office of Budget Responsibility forecasts, this means the NLW is expected to reach over £9 by 2020.

The Council has adopted the National Living Wage Foundation's recommended living wage, which

is currently £8.25 (set in November 2015 but implemented by the Council from 1<sup>st</sup> April 2016), for payment of SCC employees, and this rate is presently higher than the initial NLW.

The Council is mindful of the impact of the NLW on its suppliers, in particular on social care providers, but at present does not intend to alter any of its existing contracts to take account of NLW.

#### Ending of Contracted out Pensions Schemes

Provision has also been made for the financial impact of changes made to the national pension arrangements which no longer allow National Insurance Rate reductions to public sector employees who opt out of SERPS from 2016/17.

This has been based on the assumption the current staffing levels will continue.

#### General Inflation

Assumptions have been made in the forecast about the likely level of general inflation that will apply from April 2016. If inflation were to increase at a higher rate than anticipated then this would have an impact on the Council, not least because the Council's major outsourced/partnership contracts are uplifted by indexation linked to inflation on an annual basis.

Current indications are that in the short term an increase is unlikely. However, the risk has been mitigated by the inclusion of amounts in the Risk Fund to cover key elements of inflation, for example in relation to fuel and energy costs, which can be volatile.

Beyond this provision, it is likely that this would be managed as an 'in year' issue and that services would be expected to absorb the difference.

#### Pension Fund – Past Service Pension Cost and Compulsory Added Years

Employer contributions to the Hampshire Local Government Pension scheme will be reviewed as part of the 2017 triennial revaluation process, with any resulting change in rates applying from April 2017. The position for past service costs and compulsory added years has been included within the forecast for 2016/17 to 2019/20, the using the current valuation from Hampshire County Council an 8.8% per annum increase for the six year period 2014/15 to 2019/20 is assumed within the MTFS Model.

#### Public Sector Employment – Restrictions on Exit Payments

The Enterprise Bill for 2015 sets up new restrictions on public sector exit payments with a cap of £95,000 being implemented in 2016/17. No date has been stated but is expected to be late summer/early autumn 2016. In addition to a cap being introduced new regulations come into force from April 2016 on the requirement to repay exit payments for up to 12 months after exit payment if further employment is undertaken within the public sector during that time.

In summary:

- Exit payment will be restricted to a cap of £95,000;
- This includes the pension strain costs for all employees aged 55 and over, it is expected that the LGPS regulations will also be amended to limit the liability to the local authority to £95,000;
- Includes redundancy payment, severance or ex-gratia payments, payments for outstanding entitlement such as annual leave owing, compensation under the terms of a contract and pay in lieu of notice; and
- Effective from the 1<sup>st</sup> April 2016, there will be sliding scale of repayment for any one earning £80,000 or more who returns to public sector employment after 1 day and up to 12 months

after leaving.

The implications for these changes are currently being assessed by HR and Payroll and in consultation with Hampshire County Council. A review is being undertaken of the leavers process and paperwork and the required communication to current leavers earning in excess of £80,000. The financial impact of these changes will be considered in due course and built into future updates of the medium term financial forecast

## 1.5 **KEY RISKS**

There is a significant degree of risk and uncertainty, arising from both internal and external factors, which could have a significant impact on the key assumptions made within the MTFS. The macro financial systems within which the Council operates is complex and highly sensitive to a range of variables. It is therefore important that those key risks, that could have a material effect on the financial position of the Council, are identified and understood in terms of the potential impact (positive or negative) and the likelihood of occurrence. The foregoing recognises that it is vital to have adequate mechanisms to manage risks if financial stability is to be achieved. These risks are reflected in the assessment and adequacy of detailed estimates and reserves.

Factors that can have a material effect on the financial position of the Council include:

- The lack of certainty in Government funding for future years including grants;
- Changes in function;
- Changes in how services are funded;
- Changes in the economy;
- Changes in Members' priorities;
- Unmanaged service pressures and increases in demand;
- Council tax policy;
- Changes in legislation;
- Level of future pay awards and general inflation assumptions;
- Adequacy of the Risk Fund in any one period;
- Business Rate Volatility and Business Rate Retention;
- Treasury Management and interest rate changes;
- Projected income levels from fees & charges;
- Non achievement of savings;
- Impact of National Living Wage;
- Level of provision for insurances;
- New burdens; and
- Welfare reforms.
- Demographic changes

Risks to the MTFS can clearly therefore arise from both external and internal factors, and it is therefore vital to have adequate mechanisms to manage risks if financial stability is to be achieved.

It is important to note that the revised forecast represents the most realistic forecast position moving forward. However, there are a number of risks associated with these revised forecasts, the main risks being as follows:



1. **Financial Risk** – the majority of the future years' strategy and model is based on a series of assumptions, the further into the future you look the higher the risk that these assumptions are inaccurate.
2. **Political Risk** – The Government are providing more certainty and transparency over central government funding levels for the term to 2019/20. Details to move to 100% Business Rate Retention and the impact of any new burdens that will be imposed on the local authority as a result of that will need to be considered in due course once further clarity and guidance is given.
3. **Treasury Risk**- the MTFFS is based on a stable global financial position going forward with early indications of a recession in the last year of the strategy being taken into account. If this changes it may have a major impact on the financial position of the Council particularly around business rate income, and interest payments. Whilst the Treasury Management Strategy sets the parameters in which borrowing is undertaken a treasury risk reserve of £2M is held to address any transitional costs if it were necessary to undertake a major debt restructuring exercise. Further, a taxation reserve of £2M is held to meet one off shortfall in business rate income as this funding position becomes more reliant on this source of funding.
4. **Transformational Change** – It is essential that the Council undergoes radical transformation to ensure the organisation is fit for future and is sustainable. There is a degree of risk associated with this type of change, particularly as the management capacity to drive this change through reduces, and as we seek to deliver significant change against a backdrop of constrained funding.

## 2 HORIZON SCANNING

Key issues affecting council services and finances are detailed below as they can have a major impact on the Council's budget in the short and medium term. Annex C provides further context of the demographic and system wide social-economic factors which undoubtedly impact the residents of Southampton and have an impact on the services which the City Council and its partners deliver across the city. Table 6 sets out the financial resources included in the Medium Term Financial Forecast in Annex A to address the factors detailed below, where it has been possible to make a financial assessment at this time. The financial consequences of these items will be reassessed during the MTFFS update in September 2016.

### 2.1 Demographics

Population forecasts for Southampton and nationally show that average life expectancy is increasing and as a consequence more people are living longer. The fastest growing sector of the population is that aged 65 years and over. Forecasts made using known residential development plans predict the over 65s will rise by 11% between 2011 and 2018 whilst the number of people over 85 years is forecast to grow from 5,300 to 6,000, an increase of 13%. Longer term projections, based on past trends, predict a 42% increase in over 65s in Southampton between 2010 and 2035 with the number of residents in the city aged over 85 reaching 10,000 by 2035.

The increasing proportion of older people creates challenges for individuals and policy makers alike, and it increases pressures on social care resources and other public services. Medical advances mean that people who previously might have died at a young age are living longer, often into adulthood, but do so frequently with long-term conditions and needs which require support to help them live as independently as possible. Likewise, with old age being extended, demands for social care and support are increasing. At the same time, the proportion of the working age population is steadily declining and this may impact on availability of informal and community care.

In 2011/12, 213 older people per 1,000 were in receipt of adult social care services in Southampton

compared to a national average of just 113.5 per 1,000. As more people live longer the number of people living with dementia will continue to rise. It is anticipated that as techniques for diagnosing dementia improve, this will add to the total number of individuals requiring support. In 2011/12 there were 1,439 Southampton residents recorded on GP registers as having dementia; this has increased from 1,022 in 2006/07. This increase represents increasing prevalence and the ageing of the population as well as increased diagnosis and recording by GPs.

## 2.2 **National and Local Policy**

### Welfare reforms and introduction of Universal Credit

Southampton will be in the first tranche of the national roll out of Universal Credit. Once Universal Credit is fully implemented, Local Authorities will be asked to provide 3 main services, mainly to the most vulnerable claimants who have complex support needs. These are:

- Supported on-line access, where claimants need one-to-one support to access the UC claimant portal on gov.uk website or to complete the UC on-line application or both.
- Personal Budgeting Support, where the UC claimant needs support to manage financial affairs on a monthly basis.
- Support for the UC Service Centre for administering the housing element of UC. This includes queries about Housing Benefit and the more complex housing issues that may arise.

'Universal Services – Delivered Locally' will provide the 'partnership framework agreement' for this. Although there have been a range of pilots and projects linked to Universal Credit, it is difficult to predict the direct and indirect impacts locally at this time.

The withdrawal of Central Government funding for Local Welfare Provision will also have an impact on the support the Council and other key services in the city can provide for individuals and household in crisis and for crisis prevention.

### Better Care Fund

The Better Care Fund commenced 1 April 2015 and is framed within a formal contract with Southampton City Clinical Commissioning Group for a pooled budget under S75 of the National Health Service Act 2006. The purpose of this Fund is to ensure closer integration between health and social care.

The Southampton Better Care Fund pools funding for a significantly greater number of services than the minimum required which is consistent with the ambition locally to integrate and pool resources at a scale to significantly transform its health and care services. To further meet this aim, plans are being developed to increase the pool and the services provided during 2016/17.

The Southampton Better Care Plan has identified key areas where greater integration between Health and Social Care will make system wide efficiencies that will benefit both organisations. For the Council these efficiencies have been included within the medium term financial forecast.

In addition to the flexibility given to local authorities to raise Council Tax by 2% above the referendum threshold the government have also provided £1.5 billion additional funding for local authorities to spend on adult social care by 2019-20, to be included in an improved Better Care Fund. Taken together, it is estimated that this will provide £3.5BN by 2019/20 to address the demographic pressures facing the social care system. The impact on Southampton of the additional funding through the improved Better Care Fund is shown in the Table 4 below:

**Table 4 Additional Better Care funding to be received by Southampton 2016/17 to 2019/20.**

2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M
0.00	0.60	4.40	7.70

### 2.3 **Socio- Economic Factors**

#### Children Looked After

There has been an on-going increase in the referrals of children and young people at risk of abuse or neglect over the past few years. Over the period 2010 to 2014, the rate of Children looked after (per 10,000 children aged under 18) has increased by 42.9% in Southampton compared to a 5.3% increase nationally (England average). In the year ending March 2015, Southampton City Council carried out 436.4 Section 47 Child Protection investigations for every 10,000 children (compared with 138.2 per 10,000 nationally) and the city had 101.9 children subject to an initial child protection conference compared with 61.6 per 10,000 nationally.

These high rates in Southampton reflect both the level of need in the City and children's service provision. To ensure that children's needs are met at the earliest stage, a children's services transformation programme is underway. Historically, economic hardship has been linked to pressure on families and increased demand for safeguarding services so there is a very real risk of a worsening situation as the global economic recession and national welfare reforms start to impact.

The financial implications for the city of the number of children in care has continued to be an issue. Since April 2015, the number of Children looked after in the City has remained over 600, when in previous years, the figure stayed between approximately 470 and 590.

The percentage of fostering placements made with independent fostering agencies, (IFA) from April 2014 to December 2015 is approx. 30% (average). The cost of an IFA is, on average two to three times more expensive than an internal placement. This has created and continues to create a significant pressure on the Children Services budget.

IFAs continue to become a greater proportion of the number of looked after children placements than was the case two years ago. We are reviewing our contracts with commissioned IFAs to standardise service provision and pricing structures, allowing us to better predict and manage the future costs of IFA placements. We are also increasing the numbers of 'in-house' foster carers through targeted recruitment, providing more options for in-house placements where appropriate.

The medium term financial forecast incorporates the impact of a reduction in cost of the number of looked after children over the next three years. For 2016/17 the planned trajectory of fostering placement numbers is shown in the Table 5 below.

**Table 5 - LAC trajectory 2016/17**

Placement/Allowance Type	April 2016	March 2017
In-house Fostering	315	326
IFA	177	154
Residential	23	18
New Independent Living Provision	3	4

Should this projection or an equivalent not be achieved there will be an additional pressure that is not currently allowed for within the councils medium term financial forecast.

### 2.4 **Physical-environmental factors**

#### Housing

There are many issues in respect of housing. In Southampton 25% of households live in privately rented housing compared with 17% nationally. Over 7,000 are HMOs. Around 38% or 28,000 private owned or rented homes do not meet the decent homes standard. Nearly a quarter of all homes are in the social rented sector with 17,000 managed by the Council With 14,000 households on its housing waiting list. The cost of housing has increased significantly and there is an affordability issue (house cost-to-average pay ratio). The number of new affordable homes available needs to be increased.

## 2.5 **Wider Partnership Working**

### Community Budgeting

Southampton has trialled a Community Budgeting approach across skills, employment and criminal justice agencies to meet defined collective outcomes on a PBR basis, and the mechanism is still in place to respond to opportunities. The City Deal employment programmes will also be delivered through this route. However, Combined Authority/devolution outcomes are more likely to provide the governance and processes for Community Budgeting in the future.

### One Public Estate

Southampton has been involved in the One Public Estate programme that looks to reduce accommodation costs through joint work with other public sector partners as part of the One Public Estate programme. This includes a coordinated redevelopment project involving two health sites, which will achieve considerable estate rationalisation with the opportunity for reduced running costs and land release.

Other key achievements in relation to property rationalisation and partnership working include:

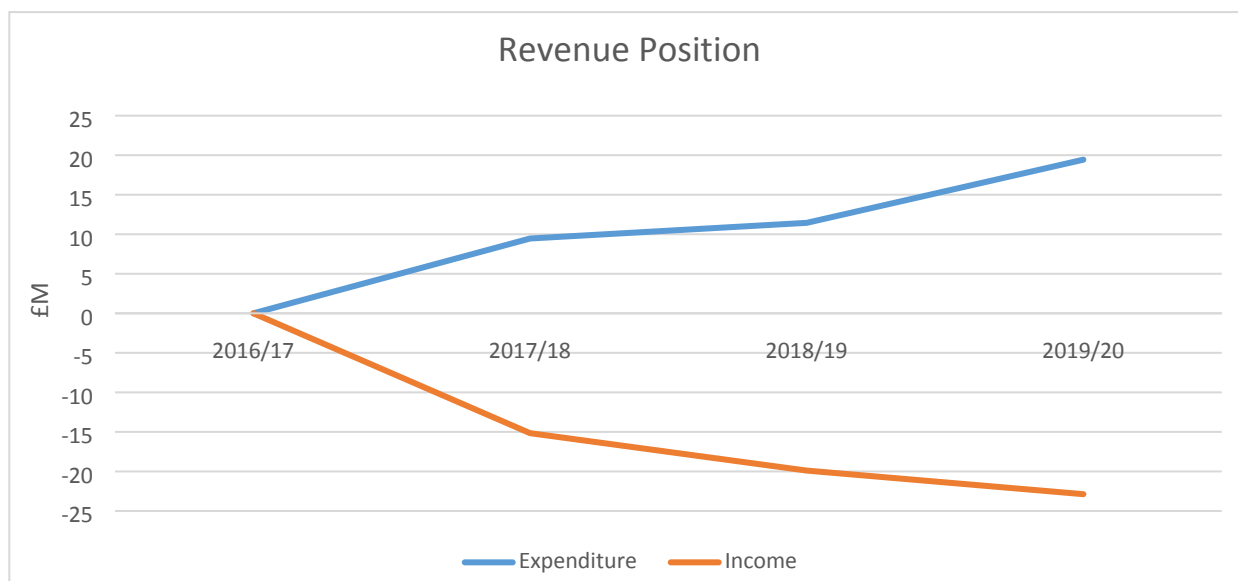
- The partial vacation of the One Guildhall Square building and leasing it to Southampton University from January 2015 which provides an annual income of £0.9M,
- Saving of £0.1M per year from Castle Way,
- A capital receipt of £1.8M from Marland House.

## 3 **THE FINANCIAL CHALLENGE**

### 3.1 **Forecast Financial Position 2016/17 – 2019/20**

The Council's forecast financial position is detailed below and includes the implications of the PLGFS, implementation of the transformation agenda, and will be reviewed each year of budget setting to reflect any new pressures and any revision to the Council Strategy.

Where possible factors described in the preceding sections have been built into the financial modelling to ascertain the forecast financial position. The graph below demonstrates the funding gap to 2019/20.



The current model shows the Council is required to make £42.3M savings over the next 4 years and Table 6 below shows the summary position, with the detail being included in Appendix 2

**Table 6 – Summary of Savings Requirements**

	2016/17	2017/18	2018/19	2019/20
	£M	£M	£M	£M
Net Expenditure	180.9	190.4	192.4	200.4
Baseline Funding	(180.9)	(165.8)	(161.1)	(158.1)
<b>Savings Requirement</b>	<b>0</b>	<b>24.6</b>	<b>31.3</b>	<b>42.3</b>

3.2 **Pressures**

Table 7 summarises the pressures included in the forecast from the issues described in the preceding sections as well as pressures that have been identified via the individual service areas through regular financial monitoring and budget setting.

**Table 7 – Summary of Pressures**

	2016/17	2017/18	2018/19	2019/20
	£M	£M	£M	£M
Demographic	6.3	3.4	2.2	2.4
National/Policy	0.8	2.3	1.0	1.0
Socio- Economic	9.2	0.0	0.0	0.0
Physical-Environment	2.4	0.0	0.0	0.0
<b>Total</b>	<b>18.8</b>	<b>5.7</b>	<b>3.2</b>	<b>3.4</b>

### 3.3 **New Initiatives**

As well as experiencing pressures the Council have also identified a number of new initiatives that it wishes to undertake to help stimulate the economy. In the main these are being achieved by capital and third party investment in the city for example Cultural Quarter and Watermark.

### 3.4 **Income Generation**

The Council's approach regarding income generation is to maximise opportunities where possible and income generation forms a key strand of the Transformation programme therefore once proposals are more certain the income generation assumptions contained within the Medium Term Financial Model will be revised.

### 3.5 **Key Financial Commitments**

The council has in previous years entered into a number of strategic contracts which have resulted in ongoing financial commitment. Whilst these contracts can be monitored and performance managed to ensure they deliver value for money, it can be lengthy and more difficult to renegotiate these contracts to reduce expenditure.

The current commitments are

#### A) PFI Schools

A PFI contract was approved by the Government to significantly improve the quality of the buildings in three of the City's secondary schools and to provide additional places in two of them. The contract with Pyramid Schools (Southampton) Ltd started on the 29 October 2001 and will terminate on 31 August 2031. The annual fee (Unitary Charge) is £6.426M supported by an income stream (PFI credits from Government) of £3.856M. The DfE have supported the Council in reviewing the PFI contracts with the aim of driving out savings. A significant amount of savings have already been achieved for both the benefit of the schools and the council. A tranche of further savings have been identified and are currently subject to negotiations with Pyramid Schools (Southampton). It is envisaged that these will be finalised during 2016/17.

#### B) Hampshire Waste Contract

In 1996 the Council entered into a tri-partite arrangement with Hampshire County Council and Portsmouth City Council, in respect of Waste Management Services from Veolia Environment Services. The contract involved the building and running of three Energy Recovery Facilities, two Material Recycling Facilities and the provision of waste management services. The original contract was for a 25 year period until 2025, but it has recently been extended to 2030. The Council is delivering savings in the contract, which has a net value of £7.6M per annum, from 2015/16 onwards due to the agreed contract extension.

#### C) BUPA Care Homes (Northlands, and Oak Lodge Nursing Homes) Public Private Partnership

The Council has agreed to lease the land, on which the nursing homes have been built, to BUPA for an annual £1 peppercorn rent for 50 years, and has block contracts for 25 years, Northlands until July 2030, and Oak Lodge until 2035.

D) Strategic Services Partnership (SSP)

The Council has outsourced Customer Services, Local Taxation and Benefits, Procurement, Property, Information Technology, Printing, Health and Safety and Human Resources to Capita via the SSP, which commenced on 1 October 2007. The SSP is scheduled to run until 30 September 2022, following an exercise in December 2013 of an option to extend it by five years. The current cost to the Council is circa £20M p.a. for the core fixed contract charges.

E) Highways Service Partnership (HSP)

The HSP with Balfour Beatty commenced on 4 October 2010 and is due to run until 3 October 2020 with options to extend by up to five further years subject to Service Provider performance against Key Strategic Indicators and at the Council's sole discretion. The services covered include highway maintenance, scheme delivery, network management, and winter gritting and asset management.

The annual Lump Sum is currently £2.7M. Current capital and miscellaneous variable spend through the contract is around £10M p.a.

F) Citywatch

The Citywatch contract commenced on 1 October 2012 for a duration of ten years, with extension options of up to five further years at the Council's discretion. The services provided include public safety CCTV cameras and their monitoring, Intelligent Traffic Systems, asset management and asset investment and routine repairs.

The annual Lump sum payment for the services is currently £0.85M.

G) Street Lighting PFI

The Street Lighting PFI is designed to support significant investment in the city's street lighting estate during its first five years of 'Core Investment'. The Government awarded the Council £28M of PFI Credits to replace approximately 16,500 lighting columns and convert 10,250 lantern to create new energy efficient lighting, white light output and install Remote Monitoring and Central Management Systems. The contract commenced on 1 April 2010 and is for a duration of 25 years. The Service Provider is Tay Valley Lighting (Southampton) who sub contract day-to-day management and operations to SSE.

H) Leisure Services

Sports and recreation services are outsourced to Places for People who sub contract operational and day-to-day management to Active Nation. The contract commenced on 1 September 2010 and the term is fifteen years. There is a three year extension option built into the contract. The scope of the contract covers the management of leisure facilities including Bitterne Leisure Centre, The Quays, Chamberlayne Leisure Centre, Woodmill, Southampton Water Activities Centre, the Outdoor Sports Centre, Ski

Centre and seven outlying sports pitches. The contract includes provision for the Provider to invest £4.5M of capital expenditure over the contract term through a lifecycle budget. The current annual expenditure for the Management Fee is £1.2M.

I) Southampton Guildhall

The Council entered into a contract on 10 February 2003 with Live Nation to manage Southampton Guildhall. The initial term was ten years, extendable by agreement to twenty five years i.e. until 2028. The Council then elected to extend the contract in 2013 for a further ten years and retained the option to extend by a further five years. The net cost of the contract is £0.2M p.a. which consists of a management fee or subsidy of £0.5M less service and energy charges.

J) Sports Development

Sports Development services are provided under contract by Southampton Solent University (SSU) under the banner of Sport Solent. The service promotes and increases sport and physical activity across the City. The contract commenced on 5 December 2011 with a ten year term. The Management Fee is £0.13M p.a.

### 3.6 Collection Fund

The assumptions made around Council Tax and NDR 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 Section 1.4, the forecast position for the Collection Fund is shown in Table 8 below along with the Southampton City Council share.

**Table 8 – Collection Fund Assumptions**

	2016/17	2017/18	2018/19	2019/20
	£M	£M	£M	£M
Southampton City Council, Council tax Precept	79.37	80.94	82.49	84.12
Council Tax Adult Social Care Precept	1.58	3.22	4.99	6.82
Business Rates Draw	47.48	47.94	48.42	48.89

### 3.7 Housing Revenue Account

The national self-financing regime for the Housing Revenue Account (HRA) was introduced in April 2012. A 30 year HRA Business Plan, covering both capital and revenue expenditure projections, has been prepared using the planning principles agreed by Council in November 2011 and amended by subsequent budget reports.



The main points to note are:

- All HRA debt can be repaid over the 30 year life of the Plan.
- The capital spending plans include provision to maintain and improve all existing dwellings and feature an increase in the level of planned expenditure in the early years.
- This investment can be achieved within the Government's borrowing limit of £199.6M, also known as the 'debt cap'. Additionally, a reserve of at least £6M borrowing headroom is retained throughout.
- A provision of £130M is set aside for stock replacement, which will support the renewal of any of the existing dwellings that may be required over the next 30 years. This provision has been phased between year 9 and year 30 of the Plan.
- The revenue budget meets the minimum balances of £2M over the life of the Plan.

The HRA Business Plan has consistently shown revenue balances that increase above minimum levels within the 30 year period. This remains the case, although in the proposed updated plan for 2016/17 onwards the year 30 projected revenue balance will be reduced to £18.8M compared to the equivalent figure of £80.6M in the previous approved Plan. The change is principally due to the impact of a 1% per annum reduction in rents charged to tenants for a 4 year period from 2016 to 2020. This rent reduction is to be imposed by Government in proposals contained within the Welfare Reform and Work Bill 2015/16. The predicted revenue surpluses do not now begin to significantly exceed minimum levels until 2026/27, rather than 2022/23 in the previous plan.

The main risk to the long term plan remains that, if building inflation was to exceed general inflation over a prolonged period, this would have a significant adverse impact on HRA balances. Therefore the surpluses are liable to change annually, either favourably or not, and will reflect the annual review of stock investment needs and estimated unit rates.

In addition, the Housing and Planning Bill 2015/16 sets out a number of proposed changes to Housing legislation which will impact on the current delivery of services to tenants and the resources required to do so. The financial implications of this bill and other potential pressures are described in the Housing Revenue Account Budget Report and Business Plan (*paragraphs 49 to 54*).

### 3.8 **Capital**

The Capital Programme report details the capital programme for 2015/16 to 2019/20. A high level summary is included in Appendix 2. All the revenue implications of the capital projects have been built into both the General Fund Estimates and Housing Revenue Account Business Plan.

### 3.9 **Reserves and Balances**

In accordance with the best practice guidance issued by CIPFA, the minimum level of General Fund balances should be reviewed and risk assessed on an annual basis.

The CFO recommends that the minimum level of the General Fund Balances should be £5.5M. This is derived by taking a risk-based approach to assessing the overall General Fund Revenue Account, including reviewing income volatility, interest rate exposure, new contracts, potential overspends in demand led areas such as social care and safeguarding for both adults and children and any other potential issues which may need to be taken into consideration.

Balances should only be used to fund one-off revenue expenditure; any one-off draw from balances should be prudent, and subject to agreement by the Chief Financial officer. Appendix 2 details the expected level of General Fund Balance going forward after contributions have been made to fund the capital programme and to support the revenue programme. The balance is forecast to be £8.9M at the end of the medium term financial forecast period.

As well as maintaining a risk based General Fund balance the Council can also set aside Earmarked Reserves (for these purposes earmarked reserves excludes school balances) for specific items. Bearing in mind the current pressures detailed in the report the following reserves prioritisation is recommended should any underspends or additional monies become available during each financial year

1. Medium term financial risk reserve – Following on from the compilation of the MTFs, the risks that currently in the funding system, demand pressures and the potential for savings to be delayed as the Council goes through a period of major change, it would be financial sound to set aside monies to mitigate these risks on a non-recurrent basis. This will help to ensure the Council can deal with any pressures whilst it reviews its practices and the medium term financial forecast.
2. Taxation Reserve – due to the volatile nature of business rates and also as the predicted recession in 2019/20 it is suggested the Council looks at setting aside monies to mitigate against any loss if income from both this and council tax, to enable a smoothing of the impact.
3. Transformation Reserve – to ensure the Council can continue to transform and innovate in order to reduce costs whilst improving outcomes, a reserve is set aside to pump prime this transformation.
4. Social Enterprise Fund – to assist staff wishing to set up a social enterprise to run services, subject to meeting a criteria to determine this is the correct future operating model.

A further review of reserves and balances will be undertaken each year as part of the budget setting and final accounts process to ensure the council has adequate resources to cover the uncertainty and risk.

### 3.10 **Efficiency Strategy**

As part of the Provisional Local Government Finance Settlement announced in December 2015 the Government gave local authorities the offer of a 4 year settlement and additional flexibility regarding the use of capital receipts, providing the Council publish an Efficiency Strategy. The Council already has something similar in the shape of the transformation programme.

Considering the continued financial challenge facing the Council there is an increased need for fundamental, transformational change across the organisation, in both the services it delivers and how it delivers them. This programme is the main driver to ensuring the council has a balanced and sustainable set of services.

The Efficiency Strategy has been developed into a number of streams:

**Operating Model** – the concept of which was presented to and approved by Council in February 2015 and involved the implementation of a new organisation structure to support outcome based budgeting and reduce budget envelopes. This will be achieved by reducing the top layers of the Council so the Council's structure reflects a smaller number of management layers with broader spans of control. As the Council, is in main, a people driven organisation, a large proportion of our expenditure is linked to staff costs. As such, it is inevitable that the

restructuring in support of the new operating model will need to extend beyond the management tiers mentioned above. Further phases of staff consultation will need to be rolled out in the next financial year and beyond. These will be informed by other transformation initiatives such as those described below and further joined up working and integration of services with partner organisations.

**Digital** – A fundamental review of the Council’s use of technology, with the objective of positioning this not merely as an essential tool for the delivery of services, but rather an intrinsic part of the Council’s future ‘DNA’. The Council its customers to have an increased and better ability to self-serve, online, at a time that suits them, while ensuring that the requisite support is available for customers who do not have the skills or means to interact with us digitally. The ‘Digital’ programme will be pursued in two elements. The first will initially focus on ‘digitising’ high volume, high cost services in order to drive efficiencies through the automation of process and enhanced levels of integrated workflow solutions. The second element will build on this fundamental step to position the Council as a ‘digital’ organisation by facilitating better integration of services across departments, ensuring better and more seamless customer journeys. These initiatives will enable the Council to operate a leaner structure, whilst also delivering savings in third party spend (with contractors and suppliers) and assets (such as property and office accommodation). These will be through enabled reductions in facility requirements, customer contact structures, consolidation of back office and corporate service functions and retirement of old IT legacy.

**Service Excellence** – An ‘organisational development’ programme’ that looks to address the need for efficiencies through the deployment of performance management and improvement processes aimed at freeing up staffing capacity as well as service standards, through a planned and better focus on service objective setting, KPI management and measurement, workflow, and agile team based working.

**HR policies and procedures** – Various efficiency improvement initiatives relating to staffing considerations, including vacancy management, the management of temporary and agency staff, sickness and absence management, and exit process.

**Activity Analysis** - reviewing the various service activity to ensure efficient and effective delivery of services.

**Service Cost Recovery** – Cost reduction, minimisation or avoidance activities whose main focus is ensuring that discretionary services provided by the Council are delivered on a basis that either enables the relevant service to recover all of the fixed and variable costs and overheads incurred in the provision of those services, and/or generate the appropriate level of income that is commensurate with the market value of the service being delivered.

**Procurement & Contract Management** – A review of the Council’s expenditure on third party service provision, including the re-procurement of services to secure better market rates, as well as a more fundamental look and consideration of the actual need for future services and the introduction of measures that can help suppress demand in the first place. As part of this workstream, negotiations are ongoing with the Council’s strategic service delivery partners to deliver further contract efficiencies and savings.

**Commercialisation** – investigating all opportunities for generating income to the council to replace reducing Government funding.

**Prevention and Early Intervention Approach** – the Council has also embarked on an programme of reshaping its resources to invest in prevent and early intervention to achieve better outcomes for residents and reduce costs in the longer term. The first areas of focus are social care services for children and adults.

This programme will not be without cost and where it is financially sound to do so the Council will be looking to utilise the new flexibility around capital receipts (Further information regarding this flexibility is contained within the Capital Strategy 2015/16 to 2019/20). Further updates will be presented once more detail is known on the use of this flexibility

### **Outcomes Based Budgeting**

The Council will move to an outcomes based commissioning approach to determine the best way of delivering services, and the aims of budgeting process will follow suit to deliver an outcomes based budget. The Council will review its current expenditure on an outcomes basis and from this baseline point will determine what the appropriate level of spend needs to be to deliver on its agreed priorities, within the financial envelope available.

This is a very different approach to the current one whereby individual services develop savings proposals for consideration by Cabinet and the Council's Management Team, as reflected in the 2015/16 budget report. The sheer scale of the financial challenge ahead will make the current incremental method of finding efficiencies unlikely to identify the level of savings required. Nor will it target resources allocation to the priority outcomes in the most effective way.

Implementing an outcome based budgeting approach will not be a quick process, The timing and approach taken to implement this fundamental review of services will be critical. The outcome based budgeting and commissioning needs to

- Frame the right commissioning question regarding outcomes to determine the service design principals
- Be integrated with the service design gateway process, so that the options appraisals and business cases prepared for services as part of the service design process are consistent with the objectives of this bottom-up review and the commissioning approach (i.e. the fundamental needs and outcomes for the services must be reviewed in addition to scope and delivery model options);
- Not be constrained by the current scope of services and the way things are traditionally done;
- Not be constrained by pre-determined views from within the Council or from models elsewhere;
- Be open to innovation, new ideas and technology and to challenging thinking in relation to how services are scoped, structured and delivered;
- Have political buy-in and be owned at the top level of the Council; and
- Embed the new Operating Model's commissioning principles and approach within the

organisation.

### 3.11 **Governance Framework for Updating and Monitoring the Medium Term Financial Model**

The Medium Term Financial model is a dynamic model and as such will be changing constantly. It is anticipated that this model will be updated on a quarterly basis via the Quarterly Financial Monitoring Reports. A major review will be undertaken each year and a revised MTFS will be published at the same time. A further review will need to be undertaken each year following the announcement of the Council's settlement funding, when a review of the financial model and assumptions will need to be undertaken.

Both revisions will need to be agreed by Full Council.

### 3.12 **Managing Budgets and Forecasting**

In setting the annual budget and the MTFS the Council will ensure potential risks are assessed and managed so that their impact is minimised or accounted for either via the Risk Fund, Balances or Earmarked Reserves as is necessary.

#### Risk Based Budget Monitoring

In year, the Council will monitor its revenue and capital budgets (including the HRA) on a monthly basis and report on a quarterly basis. Budgets will be monitored using a Risk Based approach to budget monitoring using the following principles.

- The focus of Risk Based Budget Monitoring will be on the forecast outturn i.e. forward looking, focused on large high risk or volatile budgets, and will be reported to Cabinet and the Council's Management Team.
- If the in-year budget monitoring gives rise to significant forecast under or overspends, the underlying issues will be considered in terms of likely impact on future year's budgets, and the future year forecasts will be adjusted accordingly as appropriate. The operation of the Risk Fund itself is of course a key factor in monitoring and managing the finances of the Council.

#### Accountability and Responsibility

Whilst the responsibility lies with Finance for reporting to Cabinet the financial position, the responsibility and accountability for the financial position of the services lies with the budget holder.

All budget holders are responsible for ensuring external income is maximised for their service and for seeking out new opportunities to generate income.

If the budget holder cannot resolve issues within their own service area budgets these should be dealt by Service Directors and Chief Officers.

### **CONCLUSION**

The current forecast position for the Council remains very challenging, whilst it is better than previously expected as a result of the additional funding and flexibilities regarding Adult Social Care Precept. The Council will have seen a reduction in its grant funding of 55% between

## Medium Term Financial Strategy 2015/16 to 2019/20

2015/16 and 2019/20 alongside increasing demand for services and funding reducing at an unprecedented rate. This does however produce some opportunities to reshape how the Council currently operates and interact with its customers and this is being explored as part of the Efficiency Strategy and Transformation programme that is already in place.

If the Council is to achieve a £42.3M saving by the end of the period of this Medium Term Financial Strategy, it will need to stop carrying out some services, transform the way in which delivers services, provide less of other services and completely reshape the Council and the way it operates.

**MEDIUM TERM FINANCIAL MODEL**

**GENERAL FUND REVENUE ACCOUNT**

	2015/16 Budget £M	Forecast Changes £M	2016/17 Budget £M	Forecast Changes £M	2017/18 Budget £M	Forecast Changes £M	2018/19 Budget £M	Forecast Changes £M	2019/20 Budget £M
Communities Culture and Leisure	7.08	(1.70)	5.38	-	5.38	-	5.38	-	5.38
Education & Children's Social Care	38.95	6.32	45.28	(0.75)	44.53	(0.50)	44.03	-	44.03
Environment & Transport	22.32	(1.45)	20.87	-	20.83	-	20.83	-	20.83
Finance	35.51	(0.17)	35.34	-	35.14	-	35.14	-	35.14
Health & Adult Social Care	57.85	4.37	62.22	3.15	65.36	2.20	67.56	2.40	69.96
Housing & Sustainability	1.81	0.78	2.58	-	2.58	-	2.58	-	2.58
Leader's Portfolio	11.04	1.94	12.99	1.32	14.31	(1.96)	12.35	-	12.35
Transformation	0.64	(7.16)	(6.52)	-	(10.34)	-	(9.78)	-	(9.51)
Pressures - Future Years	-	-	-	1.00	1.00	1.00	2.00	1.00	3.00
Base Changes & Inflation	-	0.30	0.30	8.58	8.88	9.35	18.23	9.52	27.74
Transport Funding	-	0.00	0.00	-	0.40	-	0.40	-	0.40
Improved Better Care Fund	-	-	-	(0.60)	(0.60)	(3.80)	(4.40)	(3.30)	(7.70)
<b>Portfolio Expenditure</b>	<b>175.20</b>	<b>3.23</b>	<b>178.43</b>	<b>12.70</b>	<b>187.47</b>	<b>6.29</b>	<b>194.31</b>	<b>9.62</b>	<b>204.20</b>
<b>Levies &amp; Contributions</b>	0.63	-	0.63	-	0.63	-	0.63	-	0.63
<b>Capital Asset Management</b>	1.96	2.57	4.53	5.65	9.78	-	9.78	-	9.78
<b>Other Expenditure &amp; Income</b>	13.81	(7.85)	5.96	2.08	8.04	(0.70)	7.34	(0.70)	6.64
February Savings	0.00	(8.57)	(8.57)	(6.91)	(15.48)	(4.16)	(19.64)	(1.20)	(20.84)
<b>Net Revenue Expenditure</b>	<b>191.60</b>	<b>(10.62)</b>	<b>180.98</b>	<b>13.53</b>	<b>190.44</b>	<b>1.42</b>	<b>192.43</b>	<b>7.71</b>	<b>200.41</b>
<b>Funding</b>									
Addition to / (Draw From) Balances	(7.13)	3.24	(3.89)	3.89	-	-	-	-	-
Council Tax	(77.27)	(2.16)	(79.43)	(1.57)	(81.00)	(1.55)	(82.55)	(1.63)	(84.18)
Adult Social Care Council Tax Levy	-	(1.58)	(1.58)	(1.64)	(3.22)	(1.76)	(4.99)	(1.83)	(6.82)
Other Government Grants	(4.27)	1.35	(2.92)	1.05	(1.87)	0.22	(1.65)	0.61	(1.04)
Revenue Support Grant	(42.86)	10.32	(32.55)	9.30	(23.25)	6.19	(17.06)	6.27	(10.79)
New Homes Bonus	(4.34)	(1.62)	(5.96)	-	(5.96)	2.16	(3.80)	0.10	(3.70)
New Homes Bonus Returned Funding	-	(0.14)	(0.14)	0.14	-	-	-	-	-
Business Rates	(46.55)	(0.92)	(47.48)	(0.47)	(47.94)	(0.47)	(48.42)	(0.48)	(48.89)
Top Up Grant	(1.60)	(0.02)	(1.62)	(0.03)	(1.65)	(0.05)	(1.70)	(0.06)	(1.76)
S31 Business Rates Grants	(0.80)	(0.08)	(0.88)	0.68	(0.20)	-	(0.20)	-	(0.20)
Other Business Rates Relief Grants	(1.20)	0.46	(0.74)	0.01	(0.73)	-	(0.73)	-	(0.73)
Collection Fund Surplus	(5.57)	1.77	(3.80)	3.80	-	-	-	-	-
<b>Total Funding</b>	<b>(191.60)</b>	<b>10.62</b>	<b>(180.98)</b>	<b>15.16</b>	<b>(165.82)</b>	<b>4.73</b>	<b>(161.09)</b>	<b>2.98</b>	<b>(158.10)</b>
<b>Savings Requirement</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>28.68</b>	<b>24.62</b>	<b>6.16</b>	<b>31.34</b>	<b>10.70</b>	<b>42.31</b>

**HOUSING REVENUE ACCOUNT**

	2015/16 Budget £M	2016/17 Budget £M	2017/18 Budget £M	2018/19 Budget £M	2019/20 Budget £M
Net rent Income	(73.38)	(72.19)	(71.47)	(70.95)	(71.70)
Service charges & other income	(4.05)	(3.00)	(3.14)	(3.22)	(3.30)
Misc. Adjustments	-	(0.21)	(0.21)	(0.21)	0.02
RTB Admin	-	(0.13)	(0.13)	(0.13)	(0.10)
<b>Total Income</b>	<b>(77.44)</b>	<b>(75.53)</b>	<b>(74.95)</b>	<b>(74.51)</b>	<b>(75.08)</b>
Management	21.31	20.02	20.53	21.05	21.59
Contribution to Depreciation Reserve	18.98	19.89	20.33	20.71	21.29
Responsive & Cyclical Repairs	17.21	12.99	13.39	13.78	14.16
Other Revenue spend	0.17	0.10	0.41	0.43	0.44
HRA Cost of Rent Rebates	-	-	-	-	-
<b>Total service expenses</b>	<b>57.66</b>	<b>53.00</b>	<b>54.66</b>	<b>55.98</b>	<b>57.48</b>
Capital Charges	5.46	6.72	7.07	7.02	7.00
Repayment of loans	4.91	5.42	5.42	5.42	16.53
Revenue Contribution to capital spending	9.37	9.38	8.80	9.66	1.50
<b>Total Expenditure</b>	<b>77.40</b>	<b>74.52</b>	<b>75.95</b>	<b>78.08</b>	<b>82.51</b>
Savings Requirement	-	-	-	(3.57)	(7.43)
<b>(Surplus) /Deficit for the Year</b>	<b>(0.04)</b>	<b>(1.01)</b>	<b>1.00</b>	<b>(0.00)</b>	<b>(0.00)</b>

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**RESERVES AND BALANCES**

	2015/16 Budget £M	Forecast Changes £M	2016/17 Budget £M	Forecast Changes £M	2017/18 Budget £M	Forecast Changes £M	2018/19 Budget £M	Forecast Changes £M	2019/20 Budget £M	Forecast Changes £M	2020/21 Budget £M
General Fund Balance	(19.9)	7.1	(12.8)	3.9	(8.9)	0.0	(8.9)	0.0	(8.9)	0.0	(8.9)
HRA Balance	(2.0)	(0.0)	(2.0)	(1.0)	(3.0)	1.0	(2.0)	(0.0)	(2.0)	0	(2.0)
Earmarked Reserves - School Balances	(10.9)	5.4	(5.5)	0.0	(5.5)	0.0	(5.5)	0.0	(5.5)	0.0	(5.5)
Earmarked Reserves - Revenue Grants	(5.1)	0.9	(4.2)	0.0	(4.2)	0.0	(4.2)	0.0	(4.2)	0.0	(4.2)
Earmarked Reserves - Revenue Account	(43.5)	(9.6)	(53.1)	(2.5)	(55.6)	(4.0)	(59.5)	(2.96)	(62.5)	(1.96)	(64.4)
Earmarked Reserves - Capital	(3.3)	3.3	0.0	0.0	0	0.0	0	0.0	0.0	0.0	0
<b>Total Reserves &amp; Balances</b>	<b>(84.7)</b>	<b>9.4</b>	<b>(75.3)</b>	<b>0.4</b>	<b>(77.2)</b>	<b>(3.0)</b>	<b>(80.1)</b>	<b>(3.0)</b>	<b>(83.1)</b>	<b>(2.0)</b>	<b>(85.0)</b>



**CAPITAL PROGRAMME - 2015/16 TO 2019/20**

<b>Programme</b>	<b>Estimate 2015/16 £M</b>	<b>Forecast 2016/17 £M</b>	<b>Forecast 2017/18 £M</b>	<b>Forecast 2018/19 £M</b>	<b>Forecast 2019/20 £M</b>	<b>Total £M</b>
Communities, Culture & Leisure	1.38	0.84	0.08	0.00	0.00	2.30
City Services	0.87	1.58	0.00	0.00	0.00	2.45
Education & Children's Social Care	8.19	17.31	4.95	0.00	0.00	30.45
Finance	1.40	1.28	0.29	0.00	0.00	2.97
Health & Adult Social Care	0.35	0.25	0.00	0.00	0.00	0.60
Housing & Sustainability	3.17	2.45	0.00	0.00	0.00	5.62
Leaders	14.90	9.47	0.35	0.10	0.00	24.82
Transport	18.98	13.06	0.62	0.17	0.10	32.92
<b>Total General Fund Programme</b>	<b>49.25</b>	<b>46.24</b>	<b>6.28</b>	<b>0.27</b>	<b>0.10</b>	<b>102.13</b>
Housing Revenue Account	54.96	58.89	35.37	30.97	27.12	207.31
<b>TOTAL CAPITAL PROGRAMME</b>	<b>104.21</b>	<b>105.13</b>	<b>41.65</b>	<b>31.24</b>	<b>27.22</b>	<b>309.44</b>
<b>Capital Programme Financing</b>						
Council Resources	44.16	38.64	5.20	2.85	4.43	95.29
Contributions	6.66	3.81	1.90	0.08	0.00	12.45
Capital Grants	25.05	31.15	4.95	0.00	0.00	61.16
Direct Revenue Financing (Portfolios)	28.34	31.52	29.60	28.31	22.79	140.55
<b>TOTAL PROGRAMME FINANCING</b>	<b>104.21</b>	<b>105.13</b>	<b>41.65</b>	<b>31.24</b>	<b>27.22</b>	<b>309.44</b>

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### **Highlights of the Comprehensive Spending Review**

#### **Background:**

1. The Autumn Statement was based on increased tax receipts and improved projected growth figures from the Office of Budget Responsibility (OBR), which the Chancellor used to establish targets for reductions in the national debt and borrowing figures, leading to a predicted surplus by 2019-20.
2. The Spending Review presented a headline of reducing funding to local government compensated by increased income from a greater share of business rates. Further analysis by Specialist Interest Group of Municipal Authorities (SIGOMA) of the Budget and (OBR) documents suggests that any increased funding from business rates and Council Tax will be accompanied by increased costs. Therefore the headline real term cuts of 56% to local government grant, represent a cut to core funding for which further efficiencies will be required.
3. A number of government departments will be making significant cuts:
  - Department of Business, Innovation and Skills - 17%
  - Department of the Environment, Food and Rural Affairs - 15%
  - Department of Energy and Climate Change - 22%
  - Cabinet Office - 26%
  - Department for Transport - 37%
  - Department for Work and Pensions - 14%
  - Department of Culture, Media and Sport - 20%
  - Home Office - 30%
  - Department for Communities and Local Government - 29%
  - Department of Health - 25%.

#### **Local Government Finance Settlement**

4. The Review updated Departmental Expenditure Limits (DEL), which increased from the July Budget statement. This was attributed an improved forecast budget surplus against target which has allowed the Chancellor to absorb the additional £4 billion of pressure from reversing the decision on working tax credit and reduce the profile of cuts shown the July budget.

#### **Regions and Local Government:**

5. The Government reiterated its earlier proposal, made in October 2015, to abolish Uniform Business Rates by 2020, giving local authorities the power to cut rates to boost growth, and giving elected city-wide mayors the power to levy a business rates premium for local infrastructure projects with the support of local business.
6. The current system of top ups and tariffs redistributing revenues between local authorities will be retained. At the present time Southampton is a top up authority receiving £1.6M

7. As part of this reform the Government set out they would be consulting on phasing out the Revenue Support Grant by the end of this Parliament and devolving additional responsibilities to local authorities. For example, transferring responsibility for funding the administration of Housing Benefit for pensioners, and the funding of public health.
8. The Government will deliver its commitment to a £12 billion Local Growth Fund between 2015-16 and 2020-21. The Chancellor also announced 26 new Enterprise Zones, including expanding 8 Zones on the current programme.
9. The Temporary Accommodation Management Fee will no longer be paid through the benefits system from 2017/18 – instead, councils will receive £10m a year more, upfront, to provide more help to homeless people. At the moment there is no further detail on what this will mean for Southampton.
10. The government will allow local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects. Instead of holding assets that could be made surplus, councils will be able to sell them and reinvest in their services. The flexibility to use asset receipts for reform projects will be subject to a number of conditions, including limits on the years in which the flexibility will be offered and the qualifying criteria for reform projects.

#### **Health and Social Care:**

11. Local authorities will be able to levy a “social care precept” of up to 2% in council tax which must be spent exclusively on social care, with the potential to bring almost £2bn more into the care system across the country. The Better Care Fund will be increased to support this and local authorities will be able to access an additional £1.5bn by 2019-20.
12. The Chancellor reaffirmed his commitment to a £10bn real increase in the health service budget and will deliver £6bn of this ‘up front’ to fund the NHS’ Five Year Forward View. As a result, there will be more than £5bn of health research, including a new Dementia Institute. There will be an extra £600m of extra funding to support mental health, including talking therapies, crisis care and perinatal care.
13. Alongside savings in the public health grant, the government will consult on transferring new powers and the responsibility for its funding and elements of the administration, to local authorities
14. Funding for Troubled Families will continue, with efficiencies found from central budgets and current levels of funding will be maintained for community integration programmes, which will be targeted at supporting the recommendations made in Louise Casey’s review of opportunity and integration in isolated and deprived communities.

#### **Welfare and Pension:**

15. The Chancellor confirmed that the welfare bill will be reduced by £12bn over the life of the Parliament. He also announced that the proposed tax credit cuts will

not be implemented, and have been completely dropped, prior to being phased out with the introduction of Universal Credit.

16. There has been a 3.2% reduction in unemployment rates; in order to reduce this figure further, the Government will extend support to more claimants and require weekly attendance for the first three months. The Department of Work and Pensions will be required to reduce its estate, which will include co-locating with local authorities.
17. The basic state pension will rise by £3.35 a week from next year, to £119.30, and a single-tier pension will be created for new pensioners from next year, at £155.65.

### **Housing:**

18. The national housing budget will be doubled, to £2bn, and 400,000 affordable homes will be built, both to rent and to buy; almost half of these will be starter homes, while 135,000 will be available for the Help to Buy: Shared Ownership scheme. From midnight on 25 November 2015, a right-to-buy pilot scheme, allowing tenants from five housing associations (L&Q, Riverside, Sovereign, Saffron Housing and Thames Valley), to buy their own homes.
19. There will be a 3% increase in stamp duty on homes bought as buy-to-let or second homes, which will be used to support families in places where prices are high and houses are limited effective from next year, raising £1bn by 2021 with some of the money being reinvested into local communities where local people are being priced out of home ownership.
20. The government will also consult on reforms to the New Homes Bonus, including means of sharpening the incentive to reward communities for additional homes and reducing the length of payments from 6 years to 4 years. This will include a preferred option for savings of at least £800 million, which can be used for social care.
21. The rate of housing benefit in the social sector will be capped at local housing allowance rate and housing benefit and pension credit will be capped for recipients who are out of the country for more than a month.

### **Education and Skills:**

22. The Chancellor confirmed that there will be 30 hours of free, funded early education for three and four year olds from 2017, for families working for more than 16 hours and whose incomes are below £100,000 per parent. Free childcare for the most disadvantaged two year olds will be maintained and funding for the sector will be increased by £300m to support more free places.
23. All 3 and 4 year olds currently receive 15 hours of free childcare a week. In the summer term 2015 Southampton had 6,746 3-4 year olds taking advantage of their placements.

24. Funding for Free School Meals will be maintained, rates for the pupil premium will be protected and there will be an increase in the cash for the Dedicated Schools Grant.
25. The Chancellor pledged to open a further 500 free schools and university technical colleges and said that every secondary school will be given the chance to become an academy. The Government has expressed the view that local authorities will no longer run local schools, creating a governmental saving of £600m, on the Education Services Grant.
26. £23bn will be invested in school buildings and 600,000 new school places will be created. The current national base of funding for 16-19 year olds will be maintained and the National Citizen Service will be expanded, so that it will be available to 300,000 young people by 2020.
27. The government will phase out current school funding regime and create a new national funding formula to address the current inequities in funding, especially for the most disadvantaged pupils. Consultation for this will begin in the New Year, with a view to introducing the formula in 2017.
28. The Government reiterated its commitment to creating three million apprenticeships by 2020. It will also introduce an apprenticeship levy from 2017, set at 0.5% of employers' pay bill, in order to raise £3bn a year. Every employer will receive a £15,000 allowance to off-set against the levy, which means that over 98% of all employers, and all those with pay bills of less than £3m, will pay no levy at all. It is expected that local authorities will not be exempt from the levy.

#### **Security and Policing:**

29. The Government is committed to spending 2% of income on defence. The Single Intelligence Account will reach £2.8bn and the Defence budget will rise to £40bn by 2021; the National Security Strategy and Strategic Defence and Security Review 2015 suggests that there will be investment in security for ports and airports, which is likely to include Southampton. An additional £500m will go to the counter-terrorism budget.
30. There will be no cuts to police budgets and real terms protection for their funding was announced.

#### **Other announcements:**

31. Despite the Department for Transport's operational budget being reduced by 37%, its capital spending will increase by 50% to 61bn, to fund road infrastructure and other major infrastructure projects, such as HS2. There will be more than £300m of funding for cycling investment between now and 2020-21, including delivering in full the £144m Cycle Ambition City scheme and a permanent 'Pothole Fund' of £250m over the next five years.
32. There will be a £2bn fund to protect 300,000 homes for flooding and protection for national parks and forests.

33. Underused courts will be closed and the money saved will fund £700m of investment in new technology to speed up the justice process.
34. Outdated prisons will be closed and new, purpose built facilities will be built as replacements.

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<b>DECISION-MAKER:</b>	CABINET COUNCIL		
<b>SUBJECT:</b>	THE GENERAL FUND CAPITAL PROGRAMME 2015/16 TO 2019/20		
<b>DATE OF DECISION:</b>	9 FEBRUARY 2016 10 FEBRUARY 2016		
<b>REPORT OF:</b>	CABINET MEMBER FOR FINANCE		
<b><u>CONTACT DETAILS</u></b>			
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<b>STATEMENT OF CONFIDENTIALITY</b>			
N/A			

## **BRIEF SUMMARY**

The purpose of this report is to inform Cabinet and Council of any major changes in the overall General Fund Capital Programme for the period of 2015/16 to 2019/20, highlighting the changes in the programme since the last reported position to Cabinet in November 2015.

The net result of the changes in this report is that the current overall programme has increased by £89.20M.

## **RECOMMENDATIONS:**

### **CABINET**

#### **Recommends that Full Council**

- i) Approve the changes to the General Fund Capital Programme as set out in Council recommendations i- viii.

### **COUNCIL**

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

- i) Approve the revised General Fund Capital Programme, which totals £167.13M (as detailed in paragraph 4) and the associated use of resources.
- ii) To note that £0.84M has been added to the programme, with approval to spend, under delegated powers (£0.42M 2015/16 and £0.42M 2016/17). These additions are detailed in Appendix 3.
- iii) Approve the addition of a total of £88.36M to the programme with approval to spend £88.36M as detailed in paragraph 7, Appendices 1 and 3. Approval to spend is requested subject to any variations from the scheme spend detailed in the report being reviewed by the Council Capital Board,

approved in accordance with Financial Procedure Rules and not exceeding the Portfolio totals identified within this programme.

- iv) To note the increase in the Leaders Portfolio Capital Programme to include the additional of a new scheme for the creation of a Property Investment Fund in 2016/17 for the sum of £65M to be funded by council resources. This is detailed further in paragraph 20.
- v) Note that the revised General Fund Capital Programme is based on prudent assumptions of future Government Grants to be received.
- vi) Note the changes to the programme as summarised in Appendix 2 and described in detail in Appendix 3.
- vii) Note the slippage and re-phasing as set out in paragraph 11 and as described in detail in Appendix 3.
- viii) Note that a review of the Council's capital strategy has been undertaken as detailed in Appendix 5.

## **REASONS FOR REPORT RECOMMENDATIONS**

1. The Capital Programme is now reviewed on a quarterly basis in accordance with the Council's Capital Strategy. The forecast position is reported to the Council Capital Board with any required programme update reported to Cabinet and Council for approval. This is required to enable schemes in the programme to proceed and to approve additions and changes to the programme.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

2. The update of the Capital Programme is undertaken within the resource constraints imposed on it. No new schemes can be added unless specific additional resources are identified. Alternative options for new capital spending are considered as part of the budget setting process in the light of the funding available and the overall financial position.

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

### **CONSULTATION**

3. The General Fund Capital Programme update summarises additions to the capital programme and slippage and rephasing since the last approved programme in November 2015. Each addition to the capital programme has been subject to the relevant consultation process which now reflects the role played by Council Capital Board. The content of this report has been subject to consultation with Finance Officers from each portfolio.

### **THE FORWARD CAPITAL PROGRAMME**

4. Table 1 below shows a comparison of the latest forecast planned capital expenditure for the period 2015/16 to 2019/20 compared to the previously reported programme.

Table 1 – Programme Comparison

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Latest Programme	49.25	111.24	6.28	0.27	0.10	<b>167.13</b>
Previous Programme	59.51	17.61	0.71	0.10	0.00	<b>77.93</b>
<b>Variance</b>	<b>(10.26)</b>	<b>93.63</b>	<b>5.57</b>	<b>0.17</b>	<b>0.10</b>	<b>89.20</b>

5. The above table shows that the General Fund Capital Programme has increased by £89.20M. Appendix 1 provides details of each portfolios latest forecast programme and the financing of that programme.
6. Of this increase £0.84M relates to additions to the programme approved under delegated powers, £0.42M in 2015/16 and £0.42M in 2016/17. These changes are detailed in Appendix 3.
7. The remaining increase of £88.36M in the programme is detailed in Table 2 below. Approval is sought to add these sums to the capital programme and to give approval to spend subject to any variations to the scheme spend from that detailed in the report being reviewed by the Council Capital Board, approved in accordance with Financial Procedure Rules and not exceeding the Portfolio totals identified within this programme and shown in Table 2. Appendix 1 details the overall schemes and funding assumptions and detail of actual spend in contained with Appendix 3. Spend will not be incurred on individual schemes until detailed project plans, outputs and impact assessments are approved by the appropriate project sponsor.

Table 2 – Additions to Programme

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
City Services	0.00	0.48	0.00	0.00	0.00	<b>0.48</b>
Education and Childrens Social Care	0.00	6.01	4.95	0.00	0.00	<b>10.96</b>
Leaders	0.00	65.00	0.00	0.00	0.00	<b>65.00</b>
Transport	0.78	10.26	0.62	0.16	0.10	<b>11.92</b>
<b>Total Additions</b>	<b>0.78</b>	<b>81.75</b>	<b>5.57</b>	<b>0.16</b>	<b>0.10</b>	<b>88.36</b>

## **CHANGES TO THE OVERALL PROGRAMME**

8. The change in individual portfolios' capital programmes is shown in Table 3.

Table 3 – Changes in Portfolio Programmes

	<b>Latest Programme £M</b>	<b>Previous Programme £M</b>	<b>Total Change £M</b>
City Services	2.45	1.61	0.84
Communities, Culture & Leisure	2.30	2.30	0.00
Education and Childrens Social Care	30.45	19.49	10.96
Finance	2.97	2.97	0.00
Health & Adult Social Care	0.60	0.60	0.00
Housing & Sustainability	5.62	5.62	0.00
Leaders	89.82	24.82	65.00
Transport	32.92	20.52	12.40
<b>Total GF Capital Programme</b>	<b>167.13</b>	<b>77.93</b>	<b>89.20</b>

9. Appendix 3 details the changes by individual portfolio programmes. This includes new schemes and changes to existing schemes where approval has been previously given by Council, Cabinet or made under delegated authority to amend the programme. It further details those changes that still require approval to amend the programme for slippage or rephasing.
10. Funding for the Councils capital programme is a scarce resource therefore additions need to be considered in terms of the priorities and desired outcomes of the Council. Currently all additions that require Council resources are being funded from borrowing so it is essential other specific sources of funding can be identified.

#### **SLIPPAGE AND REPHASING**

11. The proposed programme identifies £11.36M of slippage and rephasing from 2015/16 into future years as detailed in table 4 below. This is a significant sum (19.1% of the 2015/16 programme) and supports the recommendation that capital expenditure should be regularly reviewed and the profile of spend considered in more depth. It is also important to understand the profile of spend when updating our Treasury Management assumptions, in particular the implications for the need to borrow. Major items of slippage are detailed in Appendix 4 which further explanation detailed in Appendix 3.

Table 4 – Slippage and Rephasing by Portfolio

	<b>Slippage/ Rephasing £M</b>
City Services	0.55
Communities, Culture & Leisure	0.79
Education & Children's Social Care	3.42
Finance	0.26
Health & Adult Social Care	0.25
Housing & Sustainability	2.16
Leaders	1.40
Transport	2.53
<b>Total Slippage/Rephasing</b>	<b>11.36</b>

### **UNDER AND OVERSPENDS**

12. The capital programme is now being monitored on a quarterly basis. Identified under and overspends are reported to the Council Capital Board. Programme changes for these will not be made until the outturn position is known and will be reported as part of the outturn report in June 2016, with approval to update the programme for these being sought at that time.

### **CAPITAL RESOURCES**

13. The resources which can be used to fund the capital programme are as follows:
- Council Resources - Borrowing
  - Council Resources - Capital Receipts from the sale of HRA assets
  - Council Resources - Capital Receipts from the sale of General Fund assets
  - Contributions from third parties
  - Central Government Grants and from other bodies
  - Direct Revenue Financing (DRF)
14. Capital Receipts from the sale of Right to Buy (RTB) properties are passed to the General Fund capital programme to support the Private Sector Housing schemes within the Housing & Sustainability Portfolio.

### **CHANGES IN AVAILABLE RESOURCES**

15. The additional spending within the Capital programme must be met from additional sources of finance. Table 5 shows the resource changes that have taken place.

Table 5 – Changes in Resource Requirements

	<b>£M</b>
Council Resources	74.51
Contributions	2.06
Capital Grants	14.82
Direct Revenue Financing (Portfolios)	(2.19)
<b>Total Change in Available Resources</b>	<b>89.20</b>

16. It should be noted that the largest increase in available resources relates to the use of Council Resources. This is predominantly due to a new scheme added to the Leaders Portfolio for the creation of a Property Investment Fund for the sum of £65M.
17. It should also be noted that the revised General Fund Capital Programme is based on prudent assumptions of future Government Grants to be received. The majority of these grants relate to funding for schools and transport and are unringfenced. However in 2015/16 these grants have been passported to these areas. This has been further recommended for 2016/17 in financing this revised capital programme update. The grants are predominantly in relation to the schools programme and allocation of the Schools Basic Needs and Condition Grants in 2016/17.

#### **OVERALL CAPITAL PROGRAMME (GF ONLY)**

18. Table 6 and Table 7 show capital expenditure by portfolio and the use of resources to finance the General Fund Capital Programme up to and including 2019/20.

Table 6 – Capital Expenditure by Programme

	2015/16 £M	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	Total £M
City Services	0.87	1.58	0.00	0.00	0.00	<b>2.45</b>
Communities, Culture & Leisure	1.38	0.84	0.08	0.00	0.00	<b>2.30</b>
Education & Childrens Social Care	8.19	17.31	4.95	0.00	0.00	<b>30.45</b>
Finance	1.40	1.28	0.29	0.00	0.00	<b>2.97</b>
Health & Adult Social Care	0.35	0.25	0.00	0.00	0.00	<b>0.60</b>
Housing & Sustainability	3.17	2.45	0.00	0.00	0.00	<b>5.62</b>
Leaders	14.90	74.47	0.35	0.10	0.00	<b>89.82</b>
Transport	18.98	13.06	0.62	0.17	0.10	<b>32.92</b>
	<b>49.25</b>	<b>111.24</b>	<b>6.28</b>	<b>0.27</b>	<b>0.10</b>	<b>167.13</b>

Table 7 – Use of Resources

	2015/16 £M	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	Total £M
Council Resources	17.54	75.68	0.27	0.09	0.10	<b>93.69</b>
Contributions	6.66	3.51	0.60	0.08	0.00	<b>10.85</b>
Capital Grants	25.05	29.80	4.95	0.00	0.00	<b>59.81</b>
DRF from Portfolios	0.00	2.24	0.46	0.10	0.00	<b>2.79</b>
<b>Total Financing</b>	<b>49.25</b>	<b>111.24</b>	<b>6.28</b>	<b>0.27</b>	<b>0.10</b>	<b>167.13</b>

19. It can be seen from Table 6 that the significant programme spend relates to the Leaders Portfolio (Property Investment Fund & SNAC); Education and Childrens Social Care Portfolio (Schools Programme); and E & T Portfolio (Roads Programme). It should be noted that 2016/17 capital grant assumptions have now been built in where relevant.
20. It should be noted that a new scheme for the sum of £65M has been added to the Leaders Portfolio Capital Programme for the creation of a Property Investment Fund following a recommendation from the Council Capital Board. Spend on the scheme will be subject to an Investment Business Plan being reviewed and approved by the Council Capital Board. Spend will be in accordance with Financial Procedure Rules with delegations for approval being determined once the Investment Business Plan has been agreed.
21. Table 7 demonstrates that the most a significant amount for funding is provided by Council Resources. In this financial year this will be mainly through borrowing. It should be noted that this position assumes borrowing in lieu of DRF, for 2015/16 only, as it is anticipated that the previously assumed DRF funding will be held in revenue to offset the shortfall in the approved MRP revenue saving, as detailed in paragraph 24, due to the timing of expected capital receipts.

### **CAPITAL RECEIPTS**

22. Capital receipts funding assumptions have been previously based on an estimated value of the receipt, in the year of disposal. The estimate was further risk adjusted depending on where in the process the disposal had progressed i.e. 'On Market', 'Contract Under Negotiation' etc.
23. Capital receipts are now monitored and reported based on the agreed sale price and expected year of receipt in order to achieve certainty around the level of useable receipts within each financial year. Further, it has been agreed by the Council Capital Board that receipts for properties that are on the disposal list but not yet on the market will not be included in capital receipt assumptions.
24. The Revenue Budget report to Cabinet in August 2015 detailed changes to the Councils MRP policy including utilising capital receipts to repay debt enabling a revenue MRP holiday. This allows a significant non recurrent saving to be made. This was the methodology used in in 2014/15, and it is proposed to continue this strategy for 2015/16 and 2016/17. The impact of this will be that capital expenditure is currently planned to be funded from capital receipts will need to be funded from borrowing in these financial years. The impact of this is an increase

in borrowing costs, however as borrowing is based on cash need it is unlikely that new borrowing will occur in the short term.

25. It should be noted that this proposal is currently being reviewed in light of the level of actual capital receipts now expected to be received in 2015/16. Whilst there are several significant land disposals currently being actioned it is now expected that the receipt for these disposals will now be received in 2016/17 due to the complexity of the disposals.
26. Alternative options to market disposal are now being considered such as opportunities that could be achieved the Development Company Model. This is further detailed in the Capital Strategy at Appendix 5.
27. Table 8 shows the previous and current capital receipt assumptions based on either original sale price or where known the actual sale price in the year that the receipt is expected rather than the year of disposal. It should be noted that both the previous and latest forecast positions have been adjusted to remove receipts for properties not yet on the market. The estimated market value of these receipts is £10.0M.

Table 8 – Capital Receipt Assumptions

	<b>2015/16 £M</b>	<b>2016/17 £M</b>	<b>2017/18 £M</b>	<b>2018/19 £M</b>	<b>2019/20 £M</b>	<b>Total £M</b>
Latest Forecast	2.61	15.31	1.17	0.00	0.00	19.09
Previous Forecast	2.48	13.21	1.17	0.00	0.00	16.86
<b>Change</b>	<b>0.13</b>	<b>2.10</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2.23</b>

28. It can be seen that there is likely to be an overall increase in the level of capital receipts of £2.23M mainly due to the higher sale values. It should be noted that if alternative options to disposal are considered this will affect the overall level of receipts. Further work is being undertaken on capital receipts to ascertain disposal methods and timing to ensure the Council receives best value.

### **CAPITAL STRATEGY**

29. The Council needs to have a fit for purpose Capital Strategy to ensure that all the priorities within the Council Strategy are accounted for in the allocation of resources to the capital programme. A review has therefore been undertaken to update the Capital Strategy for the period 2015/16 to 2019/20 and this is attached in Appendix 5.

## **RESOURCE IMPLICATIONS**

### **Capital**

30. As set out in the report details.

### **Revenue**



31. This report principally deals with capital. However, the revenue implications arising from borrowing to support the capital programme are included as part of the General Fund Revenue Budget considered elsewhere on this agenda. In addition any revenue consequences arising from new capital schemes are considered as part of the approval process for each individual scheme.

### **Property**

32. There are no specific property implications arising from this report other than the schemes already referred to within the main body of the report.

### **Other**

33. None

## **LEGAL IMPLICATIONS**

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

34. The General Fund Capital Programme update is prepared in accordance with the Local Government Acts 1972 – 2003.

### **Other Legal Implications:**

35. None directly, but in preparing this report, the Council has had regard to the Human Rights Act 1998, the Equality Act 2010, the duty to achieve best value and statutory guidance issued associated with that, and other associated legislation.

## **POLICY FRAMEWORK IMPLICATIONS**

36. The update of the Capital Programme forms part of the overall Budget Strategy of the Council.

KEY DECISION? Yes

WARDS/COMMUNITIES AFFECTED:	All
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**SUPPORTING DOCUMENTATION**

**Appendices**

1.	General Fund Capital Programme – Scheme Details
2.	Major Variations Since the September 2016 Programme Update
3.	Key Issues – February 2016 Programme Update
4.	Major Slippage and Rephasing
5.	Capital Strategy

**Documents In Members' Rooms**

1.	None
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**Equality Impact Assessment**

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

Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	No
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**Other Background Documents**

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

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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### CITY SERVICES

Scheme No.	Description	Estimate	Forecast	Forecast	Forecast	Forecast	Total	Project Manager
		2015/16 £M	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	£M	
<b>Approved Schemes</b>								
C2921	Wealdy Collection Support Scheme	0.054	0.000	0.000	0.000	0.000	0.054	Smith, Gale
E3001	Houndwell Park Play Area	0.005	0.000	0.000	0.000	0.000	0.005	Saward, Helen
E3007	Fresmantle Common Play Area	0.048	0.000	0.000	0.000	0.000	0.048	Hill, Tony
E3011	Deep Dene Play Area	0.025	0.000	0.000	0.000	0.000	0.025	Hill, Tony
E3025	Blitame Precinct Play Area	0.001	0.000	0.000	0.000	0.000	0.001	Hill, Tony
J333A	Central Depot - Feasibility	0.008	0.000	0.000	0.000	0.000	0.008	Cooper, Malcolm
J333B	Central Depot Development	0.437	0.826	0.000	0.000	0.000	1.263	Cooper, Malcolm
J426L	Southampton Common	0.000	0.014	0.000	0.000	0.000	0.014	Yeats, Nicholas
J427H	Fresmantle Lake Park Improvements Yr 2008-11	0.003	0.000	0.000	0.000	0.000	0.003	Brown, Clifford
J4310	Deep Dene Improvements	0.012	0.000	0.000	0.000	0.000	0.012	Brown, Clifford
J4340	Hindler Green Green Flag Improvements Yr 2010/11	0.001	0.000	0.000	0.000	0.000	0.001	Brown, Clifford
J4370	Park Code for Green Space	0.022	0.000	0.000	0.000	0.000	0.022	Yeats, Nicholas
J4410	Mayflower Park Basket Ball Court Renovation	0.000	0.027	0.000	0.000	0.000	0.027	Brown, Clifford
J4430	Weston Shore Improvements Phase 2	0.051	0.000	0.000	0.000	0.000	0.051	Brown, Clifford
J4440	Sports Centre Water Supply Upgrade	0.011	0.015	0.000	0.000	0.000	0.026	Brown, Clifford
J4450	Riverside Park Pitch & Putt Irrigation System Upgrade	0.000	0.050	0.000	0.000	0.000	0.050	Brown, Clifford
J4460	Cedar Lodge Open Space	0.000	0.017	0.000	0.000	0.000	0.017	Brown, Clifford
J4460	Green Park	0.002	0.000	0.000	0.000	0.000	0.002	Brown, Clifford
J4490	Hum Hole	0.008	0.000	0.000	0.000	0.000	0.008	Brown, Clifford
J4500	Lordsdale Greenway	0.005	0.000	0.000	0.000	0.000	0.005	Brown, Clifford
J4510	Mansbridge Open Space	0.002	0.000	0.000	0.000	0.000	0.002	Brown, Clifford
J4520	Riverside Park	0.009	0.030	0.000	0.000	0.000	0.039	Brown, Clifford
J4540	Sullivan Recreation Ground	0.002	0.000	0.000	0.000	0.000	0.002	Brown, Clifford
J4560	Westwood Greenway	0.003	0.000	0.000	0.000	0.000	0.003	Brown, Clifford
J4570	Mayfield Park Improvements	0.002	0.024	0.000	0.000	0.000	0.026	Brown, Clifford
J4580	City Pride - Crazy Paving & Community Mosaic Project	0.021	0.000	0.000	0.000	0.000	0.021	Brown, Clifford
J4590	City Pride H&S - Replace Boardwalks at Lordswood Green	0.004	0.000	0.000	0.000	0.000	0.004	Brown, Clifford
J8100	Mobile Working for P & C Frontline	0.007	0.000	0.000	0.000	0.000	0.007	Horton, John
J814B	St James Park - Implementation	0.013	0.000	0.000	0.000	0.000	0.013	Saward, Helen
J8240	Parks Safety Improvements Yrs 2009-11	0.002	0.000	0.000	0.000	0.000	0.002	Horton, John
J4600	City Pride - Improvements to Shirley Pond Rec	0.003	0.000	0.000	0.000	0.000	0.003	Brown, Clifford
J4610	City Pride - Improvements to Queens Park	0.025	0.069	0.000	0.000	0.000	0.094	Brown, Clifford
J6280	Realignment of Park Walk Entrance to East Park	0.070	0.026	0.000	0.000	0.000	0.096	Brown, Clifford
		<b>0.856</b>	<b>1.097</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>1.953</b>	
<b>Unapproved Schemes</b>								
E3013	The Common Play Area	0.018	0.482	0.000	0.000	0.000	0.500	Hill, Tony
		<b>0.018</b>	<b>0.482</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.500</b>	
<b>Total Programme</b>		<b>0.874</b>	<b>1.579</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>2.453</b>	
<b>Sources of Finance</b>								
Council Resources		0.546	1.236	0.000	0.000	0.000	1.782	
Contributions		0.261	0.343	0.000	0.000	0.000	0.604	
Central Govt Grants		0.054	0.000	0.000	0.000	0.000	0.054	
Other Grants		0.013	0.000	0.000	0.000	0.000	0.013	
<b>Total Programme</b>		<b>0.874</b>	<b>1.579</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>2.453</b>	



**COMMUNITIES, CULTURE & LEISURE**

Scheme No.	Description	Estimate	Forecast	Forecast	Forecast	Forecast	Forecast	Total	Project Manager
		2015/16 £M	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	2020/21 £M	£M	
<b>Approved Schemes</b>									
L1000	Oaklands Swimming Pool Feasibility	0.242	0.000	0.000	0.000	0.000	0.000	0.242	Dyer-Slade, Tina
L1001	Lordshill Community Hall	0.208	0.000	0.000	0.000	0.000	0.000	0.208	Cooper, Malcolm
L1010	Bargate Monument Repairs	0.046	0.193	0.000	0.000	0.000	0.000	0.239	Shepherd, Lisa
L1020	Gulldhall Square Electricity Supply Enhancement	0.000	0.040	0.000	0.000	0.000	0.000	0.040	Lintott, Craig
L1440	Tudor House Museum Phase 1	0.005	0.000	0.000	0.000	0.000	0.000	0.005	Matthews, Daniel
L6790	Sections 106 Playing Field Improvement	0.000	0.080	0.000	0.000	0.000	0.000	0.080	Dyer-Slade, Tina
L6791	Lordshill Playing Field Drainage	0.184	0.000	0.000	0.000	0.000	0.000	0.184	Yeats, Nicholas
L7000	Gulldhall Refurbishment	0.213	0.050	0.078	0.000	0.000	0.000	0.341	Greene, Nigel
L810U	Art in Public Places – Millbrook and Weston	0.017	0.000	0.000	0.000	0.000	0.000	0.017	Harris, Michael
L8260	Tudor House Museum Phase 2 Implementation	0.021	0.029	0.000	0.000	0.000	0.000	0.050	Matthews, Daniel
L8370	Woolston Library	0.446	0.446	0.000	0.000	0.000	0.000	0.892	Baldwin, David
<b>Total Programme</b>		<b>1.382</b>	<b>0.838</b>	<b>0.078</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>2.298</b>	

**Sources of Finance**

Council Resources	1.178	0.729	0.003	0.000	0.000	0.000	1.910
Contributions	0.133	0.080	0.075	0.000	0.000	0.000	0.288
Other Grants	0.071	0.029	0.000	0.000	0.000	0.000	0.100
<b>Total Programme</b>	<b>1.382</b>	<b>0.838</b>	<b>0.078</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>2.298</b>



EDUCATION & CHILDREN'S SOCIAL CARE

Scheme No.	Description	Project Description	Estimate 2015/16 £M	Forecast 2016/17 £M	Forecast 2017/18 £M	Forecast 2018/19 £M	Forecast 2019/20 £M	Total £M	Project Manager
<b>Approved Schemes</b>									
E0ACA	Academies	Academies Management	0.092	0.000	0.000	0.000	0.000	0.092	Gill, Oliver
E0ACA	Academies	Lordshill Academy	0.044	0.284	0.000	0.000	0.000	0.308	Gill, Oliver
E0ACA	Academies	Mayfield Academy	0.042	0.080	0.000	0.000	0.000	0.122	Gill, Oliver
E0BPS	Bitterne Park 6th Form	Bitterne Park 6th Form	0.242	0.000	0.000	0.000	0.000	0.242	Hards, Richard
E0CSL	C S & L General Other	Civil Services Sports Ground	0.058	0.000	0.000	0.000	0.000	0.058	Read, Maureen
E0CSL	C S & L General Other	Schools Devolved Capital	0.437	0.000	0.000	0.000	0.000	0.437	Gill, Oliver
E0EYP	Early Years Expansion Programme	Early Years Expansion Programme	0.233	0.411	0.000	0.000	0.000	0.644	Read, Maureen
E0ICT	ICT	ICT Harnessing Technology Grant	0.013	0.015	0.000	0.000	0.000	0.028	Taylor, Nicholas
E0PR2	Primary Review Phase 2	Expansion of Bevois Town Primary	0.033	0.000	0.000	0.000	0.000	0.033	Floyd, Colin
E0PR2	Primary Review Phase 2	Expansion of Springwell School	0.016	0.000	0.000	0.000	0.000	0.016	Floyd, Colin
E0PR2	Primary Review Phase 2	Expansion of St Johns Primary & Nursery	1.100	0.100	0.000	0.000	0.000	1.200	Hards, Richard
E0PR2	Primary Review Phase 2	Primary Review P2 - Fairisle Infant & Nursery	0.400	0.000	0.000	0.000	0.000	0.400	Floyd, Colin
E0PR2	Primary Review Phase 2	Primary Review P2 - Fairisle Junior	0.010	1.290	0.000	0.000	0.000	1.300	Floyd, Colin
E0PR2	Primary Review Phase 2	Primary Review P2 - Heatfield Junior School	0.049	1.021	0.000	0.000	0.000	1.070	Floyd, Colin
E0PR2	Primary Review Phase 2	Primary Review P2 - Shirley Warren Primary	0.371	0.000	0.000	0.000	0.000	0.371	Floyd, Colin
E0PR2	Primary Review Phase 2	Primary Review P2 - Sholing Junior	0.250	1.230	0.000	0.000	0.000	1.480	Floyd, Colin
E0PR2	Primary Review Phase 2	Primary Review P2 - Tanners Brook Junior	0.180	0.400	0.000	0.000	0.000	0.580	Floyd, Colin
E0PR2	Primary Review Phase 2	Springwell School - Main Expansion 15/16	0.500	2.200	0.000	0.000	0.000	2.700	Read, Maureen
E0PR3	School Expansion Programme - Phase 3	Bitterne Manor Primary Expansion	0.131	0.034	0.000	0.000	0.000	0.165	Floyd, Colin
E0PR3	School Expansion Programme - Phase 3	Great Oaks Special School Expansion	0.092	0.000	0.000	0.000	0.000	0.092	Gill, Oliver
E0PR3	School Expansion Programme - Phase 3	Mansbridge Primary Expansion	0.017	0.000	0.000	0.000	0.000	0.017	Read, Maureen
E0PR3	School Expansion Programme - Phase 3	Polygon School Expansion at Morris House	0.456	0.000	0.000	0.000	0.000	0.456	Mullen, Nigel
E0PR3	School Expansion Programme - Phase 3	Portsmouth Primary Expansion	0.050	0.533	0.000	0.000	0.000	0.583	Read, Maureen
E0PR3	School Expansion Programme - Phase 3	Remedial works at Sholing - spring well intake 2015	0.110	0.000	0.000	0.000	0.000	0.110	Mullen, Nigel
E0PR3	School Expansion Programme - Phase 3	Springhill Primary Academy School one modular building	0.050	0.350	0.000	0.000	0.000	0.400	Mullen, Nigel
E0PR3	School Expansion Programme - Phase 3	Weston Park Primary School	0.100	0.000	0.000	0.000	0.000	0.100	Hards, Richard
E0PRN	Primary Rebuild - Newlands	Newlands Primary Rebuild Project	0.067	0.000	0.000	0.000	0.000	0.067	Hards, Richard
E0PRW	Primary Review	Increased Places at St Mary's Primary - Phase 2	0.162	0.010	0.000	0.000	0.000	0.172	Floyd, Colin
E0SAF	Safeguarding	Middlecroft Lane Loft Extension	0.003	0.000	0.000	0.000	0.000	0.003	Floyd, Colin
E0SCM	School Capital Maintenance	Asbestos Removal	0.254	0.076	0.000	0.000	0.000	0.330	Saxby, Jacqueline
E0SCM	School Capital Maintenance	Health and Safety Capital	0.250	0.513	0.000	0.000	0.000	0.763	Saxby, Jacqueline
E0SCM	School Capital Maintenance	Mods - Valentine Infants Roof	0.003	0.000	0.000	0.000	0.000	0.003	Hards, Richard
E0SCM	School Capital Maintenance	Primary Review Contingency	0.100	0.000	0.000	0.000	0.000	0.100	Gill, Oliver
E0SCM	School Capital Maintenance	Pupil Referral Unit Capital	0.030	0.000	0.000	0.000	0.000	0.030	Read, Maureen
E0SCM	School Capital Maintenance	R&M Planned Programme 13 - 14	0.103	0.000	0.000	0.000	0.000	0.103	Gill, Oliver
E0SCM	School Capital Maintenance	R&M Planned Programme 14-15	1.536	2.298	0.000	0.000	0.000	3.836	Gill, Oliver
E0SCM	School Capital Maintenance	Renewable Heat Incentive	0.014	0.000	0.000	0.000	0.000	0.014	Davies, Ian
E0SCM	School Capital Maintenance	School Capital Maintenance	0.138	0.000	0.000	0.000	0.000	0.138	Gill, Oliver
E0SCM	School Capital Maintenance	Schools Access Initiative	0.100	0.095	0.000	0.000	0.000	0.195	Read, Maureen
E0SCM	School Capital Maintenance	Solar PV Resources Project	0.099	0.110	0.000	0.000	0.000	0.209	Davies, Ian
E0SSM	Secondary School Capital Maintenance	Chamberlayne Capital Maintenance	0.052	0.000	0.000	0.000	0.000	0.052	Hards, Richard
E0SSM	Secondary School Capital Maintenance	Secondary School Estates Capital	0.129	0.000	0.000	0.000	0.000	0.129	Hards, Richard
E0SSM	Secondary School Capital Maintenance	St Anne's Capital Maintenance	0.021	0.000	0.000	0.000	0.000	0.021	Hards, Richard
E0SSM	Secondary School Capital Maintenance	Upper Shirley High	0.002	0.000	0.000	0.000	0.000	0.002	Hards, Richard
E0SE1	Secondary Expansion phase 1	Bitterne Park Secondary Building programme -planning con	0.010	0.190	0.000	0.000	0.000	0.200	Hards, Richard
E0SE1	Secondary Expansion phase 1	Secondary School Expansion Feasibility	0.043	0.057	0.000	0.000	0.000	0.100	Floyd, Colin
			<b>8.194</b>	<b>11.318</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>19.512</b>	

EDUCATION & CHILDREN'S SOCIAL CARE

Scheme No.	Description	Project Description	Estimate	Forecast	Forecast	Forecast	Forecast	Total	Project Manager
			2015/16 £M	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	£M	
<b>Unapproved Schemes</b>									
TBC	Early Years Expansion Programme	Early Years Expansion	0.000	0.500	0.550	0.000	0.000	1.050	(blank)
TBC	School Capital Maintenance	Schools Access Initiative	0.000	0.150	0.150	0.000	0.000	0.300	Read, Maureen
TBC	School Capital Maintenance	R&M Planned Programme 16-17	0.000	2.900	3.300	0.000	0.000	6.200	Mullen, Nigel
TBC	School Capital Maintenance	Health & Safety Programme	0.000	0.200	0.200	0.000	0.000	0.400	Saxby, Jacqueline
TBC	School Capital Maintenance	Asbestos	0.000	0.250	0.250	0.000	0.000	0.500	Saxby, Jacqueline
TBC	School Expansion Programme - Phase 3	St Patricks Expansion	0.000	0.210	0.000	0.000	0.000	0.210	Mullen, Nigel
TBC	School Expansion Programme - Phase 3	St Monica (bulge class)	0.000	0.350	0.000	0.000	0.000	0.350	(blank)
TBC	School Expansion Programme - Phase 3	Bitterne CE (Bulge class)	0.000	0.350	0.000	0.000	0.000	0.350	(blank)
TBC	School Expansion Programme - Phase 3	Thornhill Expansion	0.000	0.030	0.000	0.000	0.000	0.030	(blank)
TBC	School Expansion Programme - Phase 3	PSBP Valentine and St Denys	0.000	0.400	0.000	0.000	0.000	0.400	(blank)
TBC	School Expansion Programme - Phase 3	Building for Excellence	0.000	0.500	0.500	0.000	0.000	1.000	(blank)
TBC	Secondary School Capital Maintenance (blank)	Bitterne Park Autism Resource Base	0.000	0.150	0.000	0.000	0.000	0.150	Mullen, Nigel
<b>Total Programme</b>			<b>0.000</b>	<b>5.890</b>	<b>4.950</b>	<b>0.000</b>	<b>0.000</b>	<b>10.840</b>	
<b>Total Programme</b>			<b>8.194</b>	<b>17.308</b>	<b>4.950</b>	<b>0.000</b>	<b>0.000</b>	<b>30.452</b>	

Sources of Finance

Council Resources	0.102	0.020	0.000	0.000	0.000	0.122
Contributions	0.042	0.000	0.000	0.000	0.000	0.042
Central Govt Grants	8.050	17.288	4.950	0.000	0.000	30.288
<b>Total Programme</b>	<b>8.194</b>	<b>17.308</b>	<b>4.950</b>	<b>0.000</b>	<b>0.000</b>	<b>30.452</b>



**FINANCE**

Scheme No.	Description	Estimate 2015/16 £M	Forecast 2016/17 £M	Forecast 2017/18 £M	Forecast 2018/19 £M	Forecast 2019/20 £M	Total £M	Project Manager
<b>Approved Schemes</b>								
M9710	Accommodation Strategy Action Programme (ASAP)	0.420	0.279	0.000	0.000	0.000	0.699	Verner, Andrew
P5100	Desktop Refresh Programme	0.387	0.312	0.285	0.000	0.000	0.984	Foley, Kevin
P5110	Civic Centre Clock Tower Repairs	0.108	0.000	0.000	0.000	0.000	0.108	Hodge, Richard
P5120	Works to Enable Accommodation Strategy	0.267	0.531	0.000	0.000	0.000	0.798	Fox, Annabel
P5130	Investment in Local Capital Finance Company	0.020	0.000	0.000	0.000	0.000	0.020	Poynter, Susan
P5140	Customer Portal	0.200	0.160	0.000	0.000	0.000	0.360	Dawtry, Sean
<b>Total Programme</b>		<b>1.402</b>	<b>1.282</b>	<b>0.285</b>	<b>0.000</b>	<b>0.000</b>	<b>2.969</b>	

**Sources of Finance**

Council Resources	1.402	0.528	0.000	0.000	0.000	1.930
Direct Revenue	0.000	0.754	0.285	0.000	0.000	1.039
<b>Total Programme</b>	<b>1.402</b>	<b>1.282</b>	<b>0.285</b>	<b>0.000</b>	<b>0.000</b>	<b>2.969</b>



**HEALTH & ADULT SOCIAL CARE**

Scheme No.	Description	Estimate	Forecast	Forecast	Forecast	Forecast	Total	Project Manager
		2015/16 £M	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	£M	
<b>Approved Schemes</b>								
R9330	National Care Standards and H&S Work	0.070	0.067	0.000	0.000	0.000	0.137	Flint, Tracy
R9340	Replacement of Appliances and Equipment	0.012	0.036	0.000	0.000	0.000	0.048	Flint, Tracy
R9700	Common Assessment Framework	0.080	0.129	0.000	0.000	0.000	0.209	Mark Howell
R9720	Residential Homes fabric furnishing CQC	0.004	0.013	0.000	0.000	0.000	0.017	Flint, Tracy
R9750	Paris 5.1 Upgrade	0.187	0.000	0.000	0.000	0.000	0.187	Alan Frankcom
	<b>Total Programme</b>	<b>0.353</b>	<b>0.245</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.598</b>	

**Sources of Finance**

Central Govt Grants	0.353	0.245	0.000	0.000	0.000	0.598
<b>Total Programme</b>	<b>0.353</b>	<b>0.245</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.598</b>



## HOUSING & SUSTAINABILITY

Scheme No.	Description	Estimate		Forecast			Total	Project Manager
		2015/16 £M	2016/17 £M	Forecast 2017/18 £M	2018/19 £M	2019/20 £M		
<b>Approved Schemes</b>								
C242C	Awareness Raising/Developing Community Resilience	0.004	0.000	0.000	0.000	0.000	0.004	Maguire, Bernadine
C242D	Property Level Surveys	0.001	0.000	0.000	0.000	0.000	0.001	Maguire, Bernadine
C242E	Implementation of Property Level Measures	0.215	0.000	0.000	0.000	0.000	0.215	Maguire, Bernadine
C242F	Understanding The Risk Reduction Measures	0.001	0.000	0.000	0.000	0.000	0.001	Maguire, Bernadine
C242G	Project Management	0.006	0.000	0.000	0.000	0.000	0.006	Maguire, Bernadine
C2430	Repair & Renew Grants (Flood Recovery)	0.010	0.000	0.000	0.000	0.000	0.010	Maguire, Bernadine
C257F	Civic Centre IT server room	0.082	0.000	0.000	0.000	0.000	0.082	Taylor, Jason
C257G	Lighting Upgrades Salix Works	0.020	0.000	0.000	0.000	0.000	0.020	Taylor, Jason
C257I	Insulation Salix Works	0.005	0.000	0.000	0.000	0.000	0.005	Taylor, Jason
C257P	Salix Non Office Buildings	0.031	0.000	0.000	0.000	0.000	0.031	Taylor, Jason
G4330	Support for Vulnerable DFG Customers	0.022	0.000	0.000	0.000	0.000	0.022	Hawkins, Janet
G4490	Insulation and Fuel Poverty Initiatives	0.010	0.038	0.000	0.000	0.000	0.048	Hawkins, Janet
G4620	Handyperson Service	0.080	0.080	0.000	0.000	0.000	0.160	Hawkins, Janet
G4650	Disabled Facilities Grants approved in 2013/14	0.081	0.000	0.000	0.000	0.000	0.081	Hawkins, Janet
G4670	Disabled Facilities Grants approved in 2014/15	0.495	0.000	0.000	0.000	0.000	0.495	Hawkins, Janet
G4690	Disabled Facilities Grants Approved in 2015/16	0.908	0.292	0.000	0.000	0.000	1.200	Hawkins, Janet
G4700	Disabled Facilities Grants Support Costs 2015/16	0.146	0.000	0.000	0.000	0.000	0.146	Hawkins, Janet
G6550	Estate Regeneration Cumbrian Way	0.033	0.000	0.000	0.000	0.000	0.033	Windebank, Jane
G6580	Estate Parking Improvements	0.092	0.204	0.000	0.000	0.000	0.296	Cooper, Aidan
G6610	DevCo Setup	0.130	0.120	0.000	0.000	0.000	0.250	Compton, Barbara
		<b>2.372</b>	<b>0.734</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>3.106</b>	
<b>Unapproved Schemes</b>								
G4310	Green Projects	0.050	0.329	0.000	0.000	0.000	0.379	Hawkins, Janet
G4710	Green Deal Communities Engagement	0.750	0.000	0.000	0.000	0.000	0.750	Hawkins, Janet
G4720	HIL/DFG Repayments	0.000	0.455	0.000	0.000	0.000	0.455	Hawkins, Janet
G6430	Support for Estate Regeneration	0.000	0.932	0.000	0.000	0.000	0.932	Stanley, Sherree
		<b>0.800</b>	<b>1.716</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>2.516</b>	
<b>Total Programme</b>		<b>3.172</b>	<b>2.450</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>5.622</b>	

**HOUSING & SUSTAINABILITY**

Scheme No.	Description	Estimate		Forecast			Total	Project Manager
		2015/16 £M	2016/17 £M	Forecast 2017/18 £M	Forecast 2018/19 £M	Forecast 2019/20 £M		

**Sources of Finance**

Council Resources	0.130	0.000	0.000	0.000	0.000	0.130
Contributions	1.690	1.963	0.000	0.000	0.000	3.653
Central Govt Grants	1.352	0.367	0.000	0.000	0.000	1.719
Direct Revenue	0.000	0.120	0.000	0.000	0.000	0.120
<b>Total Programme</b>	<b>3.172</b>	<b>2.450</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>5.622</b>

## LEADER'S

Scheme No.	Description	Estimate	Forecast	Forecast	Forecast	Forecast	Total	Project Manager
		2015/16 £M	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	£M	
<b>Approved Schemes</b>								
C620Y	QE2 Mile - Bargate Square	0.060	0.900	0.000	0.000	0.000	0.960	Bennett, Wendy
J7895	District Shopping Centre	0.010	0.000	0.000	0.000	0.000	0.010	Connelly, John
L8200	Southampton New Arts Centre (SNAC)	11.034	5.016	0.178	0.000	0.000	16.228	Low, Jill
L8201	Southampton New Arts Centre - Developer Payments	0.323	0.000	0.000	0.000	0.000	0.323	Low, Jill
M1000	42 Northam Road - Roof	0.001	0.000	0.000	0.000	0.000	0.001	Connelly, John
M8000	Station Quarter Southside	0.039	0.313	0.000	0.000	0.000	0.352	Dobson, Alastair
M8370	Town Depot	0.123	0.000	0.000	0.000	0.000	0.123	Dobson, Alastair
M8390	Royal Pier	0.059	0.150	0.100	0.100	0.000	0.409	Meredith, Emma
M9420	West Quay Phase 3 WWQ	0.119	0.345	0.070	0.000	0.000	0.534	Couch, Wendy
M9425	Watermark WestQuay	2.800	2.700	0.000	0.000	0.000	5.500	Bennett, Wendy
M942B	West Quay Phase 3 Site B	0.015	0.050	0.000	0.000	0.000	0.065	Couch, Wendy
M9430	Northern Above Bar Fees - T&G Marketing Fees	0.025	0.000	0.000	0.000	0.000	0.025	Meredith, Emma
M9480	Fruit & Veg (Disposal)	0.016	0.000	0.000	0.000	0.000	0.016	Dobson, Alastair
M9500	Northern Above Bar - Guildhall Square	0.197	0.000	0.000	0.000	0.000	0.197	Bennett, Wendy
M9830	Feasibility - Major Site Devlpmnt	0.059	0.000	0.000	0.000	0.000	0.059	Couch, Wendy
M9870	Northern Above Bar - Tyrrell & Green Building Demolition	0.003	0.000	0.000	0.000	0.000	0.003	Bennett, Wendy
		<b>14.883</b>	<b>9.474</b>	<b>0.348</b>	<b>0.100</b>	<b>0.000</b>	<b>24.805</b>	
<b>Unapproved Schemes</b>								
M9400	Mayflower Park Spitfire Memorial	0.015	0.000	0.000	0.000	0.000	0.015	Meredith, Emma
TBC	Property Investment Fund	0.000	65.000	0.000	0.000	0.000	65.000	Bradbury, Mark
		<b>0.015</b>	<b>65.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>65.015</b>	
<b>Total Programme</b>		<b>14.898</b>	<b>74.474</b>	<b>0.348</b>	<b>0.100</b>	<b>0.000</b>	<b>89.820</b>	
<b>Sources of Finance</b>								
Council Resources		8.076	67.359	0.178	0.000	0.000	75.613	
Contributions		1.990	0.286	0.000	0.000	0.000	2.276	
Central Govt Grants		2.800	2.700	0.000	0.000	0.000	5.500	
Other Grants		2.032	3.314	0.000	0.000	0.000	5.346	
Direct Revenue		0.000	0.815	0.170	0.100	0.000	1.085	
<b>Total Programme</b>		<b>14.898</b>	<b>74.474</b>	<b>0.348</b>	<b>0.100</b>	<b>0.000</b>	<b>89.820</b>	





TRANSPORT

Scheme No.	Description	Project Description	Estimate	Forecast	Forecast	Forecast	Forecast	Total	Project Manager
			2015/16 £M	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M		
<b>Approved Schemes</b>									
C2300	Digital Radio Service 2013	Digital Radio Service	0.003	0.000	0.000	0.000	0.000	0.003	Walker, Paul
C2400	Planning	Itchen Masterplan	0.003	0.000	0.000	0.000	0.000	0.003	Brown, Kay
C2400	Invest To Save - Building Control	Scanning the property Register/Accessibility	0.019	0.000	0.000	0.000	0.000	0.019	Dray, Luan
C2690	Relocation of Town Depot	Mobile Working	0.000	0.048	0.000	0.000	0.000	0.048	Ferris, Neil
C2730	Itchen Bridge Toll Automation	Dock Gate 20 - Contingency	0.007	0.000	0.000	0.000	0.000	0.007	Cooper, Malcolm
C2730	Itchen Bridge Toll Automation	Itchen Bridge Toll Automation Construction Stage	0.021	0.000	0.000	0.000	0.000	0.021	Bell, Simon
C2740	Crematorium Major Works	Itchen Bridge Toll Automation Delivery Supervision	0.068	0.000	0.000	0.000	0.000	0.068	Bell, Simon
C7131	Cycling Improvements	Replacement of the Cremators	0.042	0.000	0.000	0.000	0.000	0.042	Sanders, Mitch
C7131	Cycling Improvements	Cycle Network Improvements	0.031	0.000	0.000	0.000	0.000	0.031	Bostock, Dale
C7131	Cycling Improvements	Cycle parking at key locations	0.029	0.000	0.000	0.000	0.000	0.029	Bostock, Dale
C7131	Cycling Improvements	Eastern strategic cycle route development	0.079	0.121	0.027	0.000	0.000	0.227	Bostock, Dale
C7131	Cycling Improvements	Lovers Walk Design	0.015	0.000	0.000	0.000	0.000	0.015	Bostock, Dale
C7131	Cycling Improvements	Major Cycle Route Signage	0.034	0.000	0.000	0.000	0.000	0.034	Bostock, Dale
C7131	Cycling Improvements	Northern strategic cycle route development	0.346	0.134	0.000	0.000	0.000	0.480	Bostock, Dale
C7131	Cycling Improvements	Second Avenue Millbrook Cycle Scheme	0.171	0.308	0.000	0.000	0.000	0.479	Bostock, Dale
C7141	Public Transport	Bus Corridor Minor Works	0.258	0.171	0.259	0.022	0.000	0.710	Churcher, Greg
C7141	Public Transport	Travelline (PTI 2005)	0.020	0.000	0.000	0.000	0.000	0.020	Bell, Simon
C7151	Improved Safety	Improved Safety 2013/14 - Engineering	0.012	0.000	0.000	0.000	0.000	0.012	Churcher, Greg
C7151	Improved Safety	Improved Safety 2015/16 - Engineering	0.263	0.111	0.000	0.000	0.000	0.374	Churcher, Greg
C7151	Improved Safety	Road Safety Partnership	0.037	0.000	0.000	0.000	0.000	0.037	Churcher, Greg
C7161	Sustainable Travel	Central Station Canopy Extension	0.170	0.000	0.000	0.000	0.000	0.170	Churcher, Greg
C7161	Sustainable Travel	School Travel Plan Measures	0.113	0.043	0.000	0.000	0.000	0.156	Tuck, Neil
C7161	Sustainable Travel	Workplace Travel Plan Measures	0.025	0.140	0.000	0.018	0.000	0.183	Tuck, Neil
C7171	Accessibility	Athelston Road	0.007	0.000	0.000	0.000	0.000	0.007	Harvey, John
C7171	Accessibility	District Schemes Programme	0.022	0.000	0.000	0.000	0.000	0.022	Alderson, Richard
C7171	Accessibility	Estate Regeneration - Transport Policy Contribution	0.000	0.076	0.000	0.000	0.000	0.076	Walker, Paul
C7171	Accessibility	Kingsbridge Lane Public Realm Enhancements	0.050	0.000	0.000	0.000	0.000	0.050	Churcher, Greg
C7171	Accessibility	Local Transport Improvement Fund	0.150	0.159	0.000	0.000	0.000	0.308	Bousted, Pete
C7171	Accessibility	Station Boulevard	0.080	0.070	0.000	0.000	0.000	0.150	Bousted, Pete
C7171	Accessibility	Cleaner Bus Transport Fund	0.000	0.786	0.000	0.000	0.000	0.786	Churcher, Greg
C7181	Congestion Reduction	ITS	0.154	0.467	0.000	0.000	0.000	0.621	Walker, Paul
C7181	Congestion Reduction	LTP Monitoring	0.040	0.000	0.000	0.000	0.000	0.040	Alderson, Richard
C7181	Congestion Reduction	Motor Cycle Parking	0.036	0.000	0.000	0.000	0.000	0.036	Bousted, Pete
C7181	Congestion Reduction	Redbridge Roundabout Junction Improvements	0.010	0.140	0.000	0.000	0.000	0.150	Churcher, Greg
C7181	Congestion Reduction	Urban Freight Strategy - Delivery Service Plans	0.100	0.000	0.000	0.000	0.000	0.100	Bousted, Pete
C7191	Other Highways	Essential Highways Minor Works	0.072	0.105	0.000	0.000	0.000	0.177	Fry, Simon
C7191	Other Highways	Highways Drainage Investigations	0.110	0.060	0.000	0.000	0.000	0.170	Ferris, Colin
C7191	Other Highways	Road Restraint Systems 2012/13	0.040	0.000	0.000	0.000	0.000	0.040	Armstrong, David
C7770	B2P Bridge Scheme	b2P - Vicarage Bridge	0.472	0.070	0.000	0.000	0.000	0.542	Harvey, John
C7770	B2P Bridge Scheme	B2P - Western Approach Flyover	0.018	0.000	0.000	0.000	0.000	0.018	Harvey, John
C7770	B2P Bridge Scheme	B2P Northam River Bridge	0.368	0.030	0.000	0.000	0.000	0.398	Harvey, John
C7770	B2P Bridge Scheme	B2P Western Approach Rail	0.054	0.000	0.000	0.000	0.000	0.054	Harvey, John

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Scheme No.	Description	Project Description	Estimate 2015/16		Forecast 2016/17		Forecast 2017/18		Forecast 2018/19		Forecast 2019/20		Total		Project Manager
			£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	
C7911	Bridges Maintenance	Other Bridge Works	0.077	0.250	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.327	Harvey, John
C7911	Bridges Maintenance	Wilton Avenue Culvert Repair	0.199	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.199	Harvey, John	
C7921	Principal Roads	Bitterne Road East (Maybray King Way to o/s 509 Bitterne F	0.199	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.199	Armstrong, David	
C7921	Principal Roads	Bitterne Road East (Mon Crescent to Upper Deacon Rd)	0.126	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.126	Armstrong, David	
C7921	Principal Roads	Burgess Road (Approach to Bassett Ave / The Avenue)	0.150	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.150	Armstrong, David	
C7921	Principal Roads	Central Station (Full extent)	0.064	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.064	Armstrong, David	
C7921	Principal Roads	Commercial Road (Four Post Hill to Blechynden Terrace)	0.139	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.139	Armstrong, David	
C7921	Principal Roads	Four Posts Hill R'o'B (Full extent)	0.084	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.084	Armstrong, David	
C7921	Principal Roads	Highfield Avenue (Furzedown Rd to The Avenue)	0.076	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.076	Armstrong, David	
C7921	Principal Roads	Inner Avenue (Southcliffe Road to Rockstone Place)	0.020	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.020	Armstrong, David	
C7921	Principal Roads	Millbrook Rd West / Mountbatten Way	0.250	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.250	Armstrong, David	
C7921	Principal Roads	Mountbatten Way (Inbound)	0.185	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.185	Armstrong, David	
C7921	Principal Roads	Mountbatten Way (Outbound)	0.049	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.049	Armstrong, David	
C7921	Principal Roads	Northam Road (Part 1) (Railway Bridge Area)	0.045	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.045	Armstrong, David	
C7921	Principal Roads	Northam Road (Part 2) (Britannia Road Junction)	0.024	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.024	Armstrong, David	
C7921	Principal Roads	Romsey Road (Approach to Redbridge Lane Jctn)	0.007	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.007	Armstrong, David	
C7921	Principal Roads	St Andrews Road (Targeted Structural Patching (Inbound & St Thomas Lewis Way (Stoneham Way to Dukess Road)	0.079	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.079	Armstrong, David	
C7921	Principal Roads	Thornhill Park Road (Bitterne Rd to o/s 57 Thornhill Park Rd	0.136	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.136	Armstrong, David	
C7921	Principal Roads	Waterproofing project	0.194	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.194	Armstrong, David	
C7921	Principal Roads	Winchester Road (Anglesea Rd to Grange Rd)	0.032	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.032	Armstrong, David	
C7921	Principal Roads	Millbrook Roundabout Detailed Design	0.284	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.284	Armstrong, David	
C7923	SLEP Millbrook Roundabout	Millbrook Roundabout Detailed Design	0.100	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.100	Armstrong, David	
C8000	Classified Roads	Banister Road (Land Rover Garage to Archers Road/Caritor	0.020	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.020	Armstrong, David	
C8000	Classified Roads	Brownhill Way (Nr Frogmore Ln to City Boundary)	0.092	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.092	Armstrong, David	
C8000	Classified Roads	Butts Road (Open Rd to Butts Crescent)	0.193	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.193	Armstrong, David	
C8000	Classified Roads	Chapel Road (Elm Street to train crossing)	0.033	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.033	Armstrong, David	
C8000	Classified Roads	High Road (O/s 30 to Burgess Rd Jct)	0.126	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.126	Armstrong, David	
C8000	Classified Roads	High Road/ Stoneham Way (High Rd to Thomas Lewis Way	0.371	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.371	Armstrong, David	
C8000	Classified Roads	Lords Hill Way (Coxford Road to Lords Hill Centre West)	0.009	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.009	Armstrong, David	
C8000	Classified Roads	Mousehole Lane (O/s 124-110 Mousehole Lane (Inbound))	0.017	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.017	Armstrong, David	
C8000	Classified Roads	New Road / Palmerston Road (East Park Terrace/ New Rd/	0.390	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.390	Armstrong, David	
C8000	Classified Roads	Newtown Road (Tickleford Drive to City Boundary)	0.009	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.009	Armstrong, David	
C8000	Classified Roads	Olive Road (Aldermeer Road to Coxford Road)	0.015	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.015	Armstrong, David	
C8000	Classified Roads	Peartree Avenue (Junction Sholing Road)	0.090	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.090	Armstrong, David	
C8000	Classified Roads	Peartree Avenue (O/s Peartree Church)	0.045	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.045	Armstrong, David	
C8000	Classified Roads	Townhill Way (Mousehole Ln R'o'B to Meggeson Ave)	0.113	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.113	Armstrong, David	
C8000	Classified Roads	Upper Brownhill Road (S/o 94 Porlock Rd to Turning head)	0.182	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.182	Armstrong, David	
C8000	Classified Roads	Upper Brownhill Road (S2/53 lower Brownhill Rd to r/o 1-5 O)	0.064	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.064	Armstrong, David	
C8000	Classified Roads	Weston Lane (Archery Rd R' B Weston Parade	0.102	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.102	Armstrong, David	
C8000	Classified Roads	Weston Lane (Scott Rd to Wallacc Rd)	0.116	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.116	Armstrong, David	
C8000	Classified Roads	Weston Lane (Weston Ln cul-de-sac to Archery Rd R'o'B)	0.116	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.116	Armstrong, David	
C8100	Unclassified Roads	Above Bar	0.349	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.349	Armstrong, David	
C8100	Unclassified Roads	Avon Road (Full extent)	0.123	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.123	Armstrong, David	
C8100	Unclassified Roads	Bond Road (Part 1) (St Catherine's Road to Manor Farm Rd	0.093	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.093	Armstrong, David	
C8100	Unclassified Roads	Bond Road (Part 2) (St Catherine's Road to Diamond Hill )	0.105	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.105	Armstrong, David	

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Scheme No.	Description	Project Description	Estimate	Forecast	Forecast	Forecast	Forecast	Total	Project Manager
			2015/16 £M	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	£M	
C8100	Unclassified Roads	Bond Street (Millbank Street to Lower William Street )	0.088	0.000	0.000	0.000	0.000	0.088	Armstrong, David
C8100	Unclassified Roads	Borrowdale Road (Full extent)	0.110	0.000	0.000	0.000	0.000	0.110	Armstrong, David
C8100	Unclassified Roads	Canford Close (Full extent)	0.028	0.000	0.000	0.000	0.000	0.028	Armstrong, David
C8100	Unclassified Roads	Cemetery Road (Part1) (Full extent)	0.050	0.000	0.000	0.000	0.000	0.050	Armstrong, David
C8100	Unclassified Roads	Cemetery Road (Part2) (Full extent)	0.075	0.000	0.000	0.000	0.000	0.075	Armstrong, David
C8100	Unclassified Roads	Charles Knott Gardens (Full extent)	0.066	0.000	0.000	0.000	0.000	0.066	Armstrong, David
C8100	Unclassified Roads	Crookham Road (Burghdrene Road to Sparsholt Road)	0.006	0.000	0.000	0.000	0.000	0.006	Armstrong, David
C8100	Unclassified Roads	Crookham Road (Kingsclere Avenue to Sparsholt Rd )	0.033	0.000	0.000	0.000	0.000	0.033	Armstrong, David
C8100	Unclassified Roads	Decant Neighbourhoods	0.023	0.000	0.000	0.000	0.000	0.023	Armstrong, David
C8100	Unclassified Roads	Douglas Crescent (Full extent)	0.080	0.000	0.000	0.000	0.000	0.080	Armstrong, David
C8100	Unclassified Roads	Evenlode Road (Jctn Windrush Rd to o/s 18 Evenlode Rd )	0.071	0.000	0.000	0.000	0.000	0.071	Armstrong, David
C8100	Unclassified Roads	Footway Improvement Programme 2015/16	0.051	0.000	0.000	0.000	0.000	0.051	Armstrong, David
C8100	Unclassified Roads	Foxcoft Close (Full extent)	0.036	0.000	0.000	0.000	0.000	0.036	Armstrong, David
C8100	Unclassified Roads	High View Way (Full extent)	0.096	0.000	0.000	0.000	0.000	0.096	Armstrong, David
C8100	Unclassified Roads	Ivanhoe Road (Full extent)	0.069	0.000	0.000	0.000	0.000	0.069	Armstrong, David
C8100	Unclassified Roads	Lower William Street (Full extent)	0.108	0.000	0.000	0.000	0.000	0.108	Armstrong, David
C8100	Unclassified Roads	Middle Street (Full extent)	0.137	0.000	0.000	0.000	0.000	0.137	Armstrong, David
C8100	Unclassified Roads	Outer Circle Part 1 (Holly Oak Road to Alder Moor Avenue )	0.104	0.000	0.000	0.000	0.000	0.104	Armstrong, David
C8100	Unclassified Roads	Paington Road (Full extent)	0.091	0.000	0.000	0.000	0.000	0.091	Armstrong, David
C8100	Unclassified Roads	Pedestrian Enhancements	0.053	0.000	0.000	0.000	0.000	0.053	Armstrong, David
C8100	Unclassified Roads	Peterborough Road (o/s 64 to No through Road )	0.060	0.000	0.000	0.000	0.000	0.060	Armstrong, David
C8100	Unclassified Roads	Porlock Road Part 1 (94 Porlock rd to turning head)	0.074	0.000	0.000	0.000	0.000	0.074	Armstrong, David
C8100	Unclassified Roads	Porlock Road Part 2 (Kendal Avenue to t/o 65 Porlock Rd )	0.096	0.000	0.000	0.000	0.000	0.096	Armstrong, David
C8100	Unclassified Roads	Rossington Way (Full extent)	0.090	0.000	0.000	0.000	0.000	0.090	Armstrong, David
C8100	Unclassified Roads	Rosyth Road (Full extent)	0.039	0.000	0.000	0.000	0.000	0.039	Armstrong, David
C8100	Unclassified Roads	Rother Dale Investigation	0.032	0.000	0.000	0.000	0.000	0.032	Armstrong, David
C8100	Unclassified Roads	St Annes Road (Obelisk Road to Portsmouth Rd )	0.145	0.000	0.000	0.000	0.000	0.145	Armstrong, David
C8100	Unclassified Roads	Studland Road (Full extent)	0.039	0.000	0.000	0.000	0.000	0.039	Armstrong, David
C8100	Unclassified Roads	Tremona Road (Part) (Tremona Close to Warren Avenue)	0.044	0.000	0.000	0.000	0.000	0.044	Armstrong, David
C8100	Unclassified Roads	West Marlands Road Slab Repairs	0.045	0.000	0.000	0.000	0.000	0.045	Armstrong, David
C8100	Unclassified Roads	William Street (Full extent)	0.123	0.000	0.000	0.000	0.000	0.123	Armstrong, David
C8100	Unclassified Roads	Wilton Crescent (Full extent)	0.100	0.000	0.000	0.000	0.000	0.100	Armstrong, David
C8100	Unclassified Roads	Wilton Gardens (Full extent)	0.127	0.000	0.000	0.000	0.000	0.127	Armstrong, David
C8300	Street Lighting	St Lighting	0.072	0.000	0.000	0.000	0.000	0.072	Adams, Michael
C8600	Street Furniture	St Nameplates	0.010	0.000	0.000	0.000	0.000	0.010	Perris, Colin
C8900	City Centre Improvements	Above Bar Carriageway Resurfacing	0.010	0.000	0.000	0.000	0.000	0.010	Bousted, Pete
C8911	Platform for Prosperity	Platform for Prosperity	0.000	0.120	0.000	0.000	0.000	0.120	Cheal, Matthew
C8911	Platform for Prosperity	Platform for Prosperity Queens Terrace	0.287	0.000	0.000	0.000	0.000	0.287	Cheal, Matthew
C8911	Platform for Prosperity	Platform Road – Town Quay Design	0.049	0.000	0.000	0.000	0.000	0.049	Cheal, Matthew
C8911	Platform for Prosperity	Platform Road and Gyrotrials Advanced Design	0.021	0.000	0.000	0.000	0.000	0.021	Cheal, Matthew
C8911	Platform for Prosperity	Platform Road Construction	0.072	0.000	0.000	0.000	0.000	0.072	Cheal, Matthew
C8911	Platform for Prosperity	Platform Road Detailed Design	0.008	0.000	0.000	0.000	0.000	0.008	Cheal, Matthew
C8922	Centenary Quay	Centenary Quay - Design & Assessment	0.019	0.000	0.000	0.000	0.000	0.019	Bousted, Pete
C8922	Centenary Quay	Woolston District Centre Improvement Scheme	1.377	0.000	0.000	0.000	0.000	1.377	Bousted, Pete
C8933	North of Station	North of Station - Phase 2	4.400	0.000	0.000	0.000	0.000	4.400	Bousted, Pete

TRANSPORT

Scheme No.	Description	Project Description	Estimate	Forecast	Forecast	Forecast	Forecast	Total	Project Manager
			2015/16 £M	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	£M	
C9120	Highways Improvements Developers	Highways Improvements (Developer)	0.209	0.167	0.000	0.000	0.000	0.376	Armstrong, David
C9200	Highways Maintenance Risk Fund	Highways Maintenance Compensation Event Fund	0.018	0.000	0.000	0.000	0.000	0.018	Armstrong, David
C9471	MSCP 10 Yr Maint. Programme	Emergency Repairs to MSCPs	0.002	0.134	0.000	0.000	0.000	0.136	Sahota, Jaswinder
			<b>17.834</b>	<b>3.710</b>	<b>0.286</b>	<b>0.040</b>	<b>0.000</b>	<b>21.870</b>	
<b>Unapproved Schemes</b>									
C7131	Cycling Improvements	Cycling	0.000	0.415	0.223	0.030	0.000	0.668	Bostock, Dale
C7141	Public Transport	Public Transport	0.187	0.250	0.000	0.000	0.000	0.437	Walker, Paul
C7151	Improved Safety	Improved Safety	0.000	0.200	0.000	0.006	0.000	0.206	Churcher, Greg
C7151	Improved Safety	Improved Safety - Minor Works	0.000	0.050	0.000	0.000	0.000	0.050	Churcher, Greg
C7171	Accessibility	Accessibility	0.000	0.080	0.017	0.000	0.000	0.097	Walker, Paul
C7181	Congestion Reduction	Millbrook Roundabout Highway Capacity Improvements	0.000	0.500	0.000	0.000	0.000	0.500	Walker, Paul
C7181	Congestion Reduction	Northam Rail Bridge Replacement and corridor improvements	0.000	0.050	0.000	0.000	0.000	0.050	Walker, Paul
C7181	Congestion Reduction	Redbridge Roundabout New Scheme 16/17	0.000	0.150	0.000	0.000	0.000	0.150	Walker, Paul
C7191	Other Highways	Road Restraint Systems	0.000	0.050	0.000	0.000	0.000	0.050	Armstrong, David
C7911	Bridges Maintenance	Northam River Bridge Containment	0.000	0.200	0.000	0.000	0.000	0.200	Harvey, John
C7921	Principal Roads	Bitterne Road West (Athenistan Road to Rampart Road)	0.000	0.426	0.000	0.000	0.000	0.426	Armstrong, David
C7921	Principal Roads	Bitterne Road West (Outside 509 to outside 693)	0.000	0.617	0.000	0.000	0.000	0.617	Armstrong, David
C7921	Principal Roads	West Quay Road (Mayflower Roundabout to Southern Road)	0.000	1.867	0.000	0.000	0.000	1.867	Armstrong, David
C8000	Classified Roads	Athelstan Road (Cross Road to outside 5 Athelstan Road)	0.000	0.046	0.000	0.000	0.000	0.046	Armstrong, David
C8000	Classified Roads	Bath Road (Bursledon Road to Bitterne Road East)	0.000	0.119	0.000	0.000	0.000	0.119	Armstrong, David
C8000	Classified Roads	Botley Road (Portsmouth Road to Bursledon Road)	0.000	0.150	0.000	0.000	0.000	0.150	Armstrong, David
C8000	Classified Roads	Butts Road (Shooters Hill Close to outside Butts Crescent)	0.000	0.506	0.000	0.000	0.000	0.506	Armstrong, David
C8000	Classified Roads	Cobden Avenue (Midanbury lane to outside 50 Cobden Ave)	0.000	0.174	0.000	0.000	0.000	0.174	Armstrong, David
C8000	Classified Roads	Middle Road (South east Road to Station Road)	0.000	0.304	0.000	0.000	0.000	0.304	Armstrong, David
C8000	Classified Roads	Mousehole lane (Witts Hill to West End Road roundabout)	0.000	0.235	0.000	0.000	0.000	0.235	Armstrong, David
C8000	Classified Roads	Portsmouth Road (Grosvenor Road to outside Waggoners A)	0.000	0.089	0.000	0.000	0.000	0.089	Armstrong, David
C8000	Classified Roads	Stoneham lane (Bassett Green Road to Channel farm Road)	0.000	0.094	0.000	0.000	0.000	0.094	Armstrong, David
C8000	Classified Roads	Woodmill Lane (Oliver Road to approach to Thomas Lewis 1)	0.000	0.148	0.000	0.000	0.000	0.148	Armstrong, David
C8100	Unclassified Roads	Braeside Crescent	0.000	0.030	0.000	0.000	0.000	0.030	Armstrong, David
C8100	Unclassified Roads	Bramdean Road (part)	0.000	0.082	0.000	0.000	0.000	0.082	Armstrong, David
C8100	Unclassified Roads	Brookwood Road	0.000	0.217	0.000	0.000	0.000	0.217	Armstrong, David
C8100	Unclassified Roads	Cunningham Crescent	0.000	0.087	0.000	0.000	0.000	0.087	Armstrong, David
C8100	Unclassified Roads	Drayton Close	0.000	0.064	0.000	0.000	0.000	0.064	Armstrong, David
C8100	Unclassified Roads	Durlston Road	0.000	0.063	0.000	0.000	0.000	0.063	Armstrong, David
C8100	Unclassified Roads	Footways - Various Treatments	0.000	0.200	0.000	0.000	0.000	0.200	Armstrong, David
C8100	Unclassified Roads	Fullerton Close (part)	0.000	0.041	0.000	0.000	0.000	0.041	Armstrong, David
C8100	Unclassified Roads	Glenfield Crescent	0.000	0.132	0.000	0.000	0.000	0.132	Armstrong, David
C8100	Unclassified Roads	Heathfield Road	0.000	0.111	0.000	0.000	0.000	0.111	Armstrong, David
C8100	Unclassified Roads	Longstock Close	0.000	0.030	0.000	0.000	0.000	0.030	Armstrong, David
C8100	Unclassified Roads	Lydgate Road	0.000	0.148	0.000	0.000	0.000	0.148	Armstrong, David
C8100	Unclassified Roads	Milbury Crescent	0.000	0.162	0.000	0.000	0.000	0.162	Armstrong, David
C8100	Unclassified Roads	Summit way	0.000	0.058	0.000	0.000	0.000	0.058	Armstrong, David

TRANSPORT

Scheme No.	Description	Project Description	Estimate	Forecast	Forecast	Forecast	Forecast	Total	Project Manager
			2015/16 £M	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	£M	
C8100	Unclassified Roads	Various Unclassified Roads	0.100	0.100	0.000	0.000	0.000	0.200	Armstrong, David
C8900	City Centre Improvements	City Centre Improvements	0.000	0.304	0.000	0.000	0.000	0.304	Walker, Paul
C9200	Highways Maintenance Risk Fund	Highways Maintenance Risk Fund	0.080	0.080	0.000	0.000	0.000	0.160	Armstrong, David
C2100	Purchase of Vehicles	Purchase of Vehicles	0.778	0.722	0.090	0.090	0.100	1.780	Wheeler, Paul
			<b>1.145</b>	<b>9.351</b>	<b>0.330</b>	<b>0.126</b>	<b>0.100</b>	<b>11.052</b>	
	<b>Total Programme</b>		<b>18.979</b>	<b>13.061</b>	<b>0.616</b>	<b>0.166</b>	<b>0.100</b>	<b>32.922</b>	

Sources of Finance

Council Resources	6.110	5.811	0.090	0.090	0.100	12.201
Contributions	2.539	0.841	0.526	0.076	0.000	3.982
Central Govt Grants	10.330	5.859	0.000	0.000	0.000	16.189
Direct Revenue Financing	0.000	0.550	0.000	0.000	0.000	0.550
<b>Total Programme</b>	<b>18.979</b>	<b>13.061</b>	<b>0.616</b>	<b>0.166</b>	<b>0.100</b>	<b>32.922</b>



## MAJOR VARIATIONS SINCE SEPTEMBER 2015 CAPITAL UPDATE

Portfolio	Scheme	£M	Funding Source
<b>Increases to the Programme</b>			
City Services	Southampton Common Play Area	0.4	S106/Council Resources
Education & Childrens Social Care	Allocation of Basic Needs and Condition Grant to Schools Capital Programme Programme	11.0	Government Grants
Leaders	Property Investment Portfolio	65.0	Council Resources
Transport	Addition to Roads Programme 2016/17	6.4	Government Grants/Council Resources/Contributions
	Purchase of Replacement Vehicles	1.8	
	Congestion Reduction	0.7	
	Cyling Improvements	0.7	
	Public Transport	0.4	
	Other	2.0	
<b>Total</b>		<b>88.4</b>	

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### KEY ISSUES – QTR 3

#### CITY SERVICES

The portfolio programme currently totals **£2.45M**. This can be compared to the previous reported programme position of **£1.61M** resulting in an increase of **£0.84M** on the programme which represents a percentage increase of **52.2%**.

The changes to the programme are shown in the following summarised table:

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Programme at last report	1.31	0.30	0.00	0.00	0.00	1.61
Approvals since last report	0.11	0.25	0.00	0.00	0.00	0.36
New Additions for Approval	0.00	0.48	0.00	0.00	0.00	0.48
Other Changes for Approval	0.00	0.00	0.00	0.00	0.00	0.00
(Under)/Overspends	0.00	0.00	0.00	0.00	0.00	0.00
Slippage/Rephasing	(0.55)	0.55	0.00	0.00	0.00	0.00
<b>Programme Total</b>	<b>0.87</b>	<b>1.58</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2.45</b>

#### PROGRAMME CHANGES

##### **APPROVALS SINCE LAST REPORT**

##### **CS1 – City Pride Park Development Works (£0.11M Increase)**

##### **City Pride Development Works across various parks**

The Director, Place, approved an increase of £0.11M, phased £0.04M in 2015/16 and £0.07M in 2016/17, funded from additional S106 Developer Contributions, for City Pride improvement works across various parks.

##### **CS2 – Realignment of Park Walk Entrance to East Park (£0.10M Increase)**

##### **Realignment of the Park Walk entrance to East Park between the two SNAC buildings**

The Council Capital Board approved an increase of £0.10M, phased £0.07 in 2015/16 and £0.03M in 2016/17, for works to enable the high priority realignment of the Park Walk entrance to East Park in line with the connection path from Guildhall between the two new SNAC project buildings.

##### **CS 3 – Central Depot Development (£0.15M Increase)**

##### **Higher than anticipated costs of refurbishment.**

The Council Capital Board approved an increase of £0.15M in 2016/17 to meet additional costs of refurbishment mainly due to roofing and lighting costs. This is to be funded from Council Resources.

## NEW ADDITIONS

### **CS 4 – Southampton Common Play Area (£0.48M Increase)**

#### **Regeneration of the Southampton Common Play Area to provide a state of the art water and dry play area**

Cabinet approval is being sought for the addition of a scheme of up to £0.50M in 2016/17 to provide a state of the art water and dry play area in place of the existing paddling pool and play area at Southampton Common. Funding of £0.40M from Council Resources will be sought, along with a further £0.08M from S106 Developer Contributions, to add to the existing provision of £0.02M. Once full consultation and design have been completed and there is an understanding of the cost, approval to spend will be sought.

## SLIPPAGE/REPHASING

### **CS 5 – Central Depot Development (Slippage of £0.38M from 15/16 to 16/17)**

#### **Refurbishment works are now due to start in April 2016**

There is Slippage of £0.38M on the new Central Depot Development as refurbishment works on the Granville Street site are not now due to start until April 2016.

### **CS 6 - Minor Parks Development Works (Slippage of £0.17M from 15/16 to 16/17)**

#### **More time has been allocated to work up proposals to deliver this scheme.**

There is slippage across various Minor Parks Development Works schemes, funded from S106 Developer Contributions, due to ongoing works with Friends groups to agree appropriate improvements and match funding bids to progress projects.

## **COMMUNITIES, CULTURE & LEISURE PORTFOLIO**

The portfolio programme currently totals **£2.30M**. This can be compared to the previous reported programme position of **£2.30M** resulting in a **nil** movement on the programme.

The changes to the programme are shown in the following summarised table:

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Programme at last report	2.17	0.05	0.08	0.00	0.00	2.30
Approvals since last report	0.00	0.00	0.00	0.00	0.00	0.00
New Additions for Approval	0.00	0.00	0.00	0.00	0.00	0.00
Other Changes for Approval	0.00	0.00	0.00	0.00	0.00	0.00
Slippage/Rephasing	(0.79)	0.79	0.00	0.00	0.00	0.00
<b>Programme Total</b>	<b>1.38</b>	<b>0.84</b>	<b>0.08</b>	<b>0.00</b>	<b>0.00</b>	<b>2.30</b>

## **PROGRAMME CHANGES**

### **APPROVALS SINCE LAST REPORT**

None

### **NEW ADDITIONS**

None

### **OTHER CHANGES TO EXISTING SCHEMES**

None

### **SLIPPAGE/REPHASING**

#### **CCL 1 – Woolston Library (Slippage of £0.45M from 2015/16 to 2016/17)**

##### **There is slippage due to a delay in signing the contract for the new Library**

There is slippage of £0.45M from 2015/16 to 2016/17 due to a delay in signing the contract of the new Library. It is expected that the works will now be completed by May 2016.

#### **CCL 2– Bargate Monument Repairs (Slippage of £0.19 M from 2015/16 to 2016/17)**

##### **There is slippage due to waiting for Ancient Monument Building Consent**

There is slippage of £0.19M from 2015/16 to 2016/17 on the Bargate Monument Repairs due to a delay in receiving Ancient Monument Building consent from Historic England for the works and having to re-schedule works around the German Christmas Market.

#### **CCL 3 – S106 Playing Field Improvements (Slippage of £0.08 M from 2015/16 to 2016/17)**

##### **There is slippage as no works have been scheduled for 2015/16**

There is slippage of £0.08M from 2015/16 to 2016/17 on this project as no works have been scheduled for this financial year to give more time to develop project plans.

## **EDUCATION & CHILDRENS SOCIAL CARE PORTFOLIO**

The portfolio programme currently totals **£30.45M**. This can be compared to the previous reported programme position of **£19.49M** resulting in an increase of **£10.96M** on the programme which represents a percentage increase of **56.2%**.

The changes to the programme are shown in the following summarised table:

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Programme at last report	11.62	7.87	0.00	0.00	0.00	19.49
Approvals since last report	0.00	0.00	0.00	0.00	0.00	0.00
New Additions for Approval	0.00	6.01	4.95	0.00	0.00	10.96
Other Changes for Approval	0.00	0.00	0.00	0.00	0.00	0.00
Slippage/Rephasing	(3.43)	3.43	0.00	0.00	0.00	0.00
<b>Programme Total</b>	<b>8.19</b>	<b>17.31</b>	<b>4.95</b>	<b>0.00</b>	<b>0.00</b>	<b>30.45</b>

## **PROGRAMME CHANGES**

### **APPROVALS SINCE LAST REPORT**

None

### **NEW ADDITIONS**

#### **ECSC 1 – R&M Programme for Schools 2016/17 (£6.2M Increase)**

##### **Addition of 2.9M (2016/17) and £3.3M (2017/18) for the repair and maintenance issues for maintained schools.**

The recent condition survey of the schools within the city identified a substantial back-log of works required. The list has been prioritised and this scheme is the resultant value of additional works assessed as being achievable in 2016/17 and 2017/18.

#### **ECSC 2 – St Patrick's expansion (£0.21M Increase)**

##### **Addition of £0.21M (2016/17) for one additional classroom.**

This is to fund an additional classroom, which forms the final element of expansion of this school, which although drawing on a city-wide catchment, will help meet the shortfall of places in the East planning area.

#### **ECSC 3 – Bitterne Park Autism Resource Base (£0.15M Increase)**

##### **Addition of £0.15M (2016/17) to retain capacity within the school for an Autism Resource Base, (ARB).**

At present the school operates an ARB to support pupils with high levels of assessed Special Educational Needs, including those with Statements or Education Health & Care Plans. The specialist provision within the current buildings will not be replicated as part of the Priority School Building Programme, (PSBP) work.

One of the current school buildings can be retained and refurbished to provide this resource (and offers the opportunity to expand the capacity of the ARB from 9 to up to 20 pupils). This work would be managed under a formal agreement between SCC and the EFA as part of their larger contract to extract maximum value for spend to avoid the loss of this provision and to have in place the capacity to expand that will be needed as the secondary age population increases.

#### **ECSC 4 – St Monica (bulge class) (£0.35M Increase)**

##### **Addition of £0.35M (2016/17) for adaptations required to accommodate a bulge class.**

Based on similar projects at other schools, to provide on-site a new pre-school building to allow the school to expand within the main building.

#### **ECSC 5 – Bitterne CE (bulge class) (£0.35M Increase)**

##### **Addition of £0.35M (2016/17) for adaptations required to accommodate a bulge class.**

Based on similar projects at other schools, to provide on-site a new pre-school building to allow the school to expand within the main building, or to refurbish the former Sure Start area at the school.

### **ECSC 6 – Thornhill expansion (£0.03M Increase)**

**Addition of £0.03M (2016/17) for adaptations to provide space for group and breakout classes.**

Based on the Net Capacity Assessment the school has made available space for the required expansion. However, the school now lacks provision for small group and breakout classes. It is proposed that this sum would assist in re-creating these spaces within the school.

### **ECSC 7 – PSBP Valentine and St Denys (£0.40M Increase)**

**Addition of £0.40M (2016/17) for the infrastructure costs associated with two EFA funded school expansion schemes.**

As with Bitterne Park Secondary School, Valentine and St Denys Primary Schools have made successful bids to the EFA for funding to expand their schools. However the projects are dependent on the Council funding the associated infrastructure costs. The provision for each school has been set at £0.2M, the level used for Bitterne Park Secondary School. This is a condition of the PSBP2 programme and failing to secure such funding could jeopardise the programme.

### **ECSC 8 – Building for Excellence (£1.00M Increase)**

**Addition of £0.50M (2016/17) and £0.50M (2017/18) for the continuation of projects to achieve the expansion of secondary schools.**

The earliest expansion via extensive Capital works at Secondary Schools will be Chamberlayne, Regents Park and Upper Shirley High by September 2019. Whilst any works will be undertaken from 2017/18 the design and planning stages of such projects are currently underway. In addition, prior to 2018/19 this project would fund minor works at several secondary schools to achieve expansion within the current buildings. The forecast peak year of admissions for Year 7 (September 2022) will be preceded, by several years of rapid expansion, as outlined in the Building for Excellence Discussion Paper. Without intervention there will be a deficit of Year 7 places across the City for September 2018.

### **ECSC 9 – Early Years Expansion (£1.05M Increase)**

**Addition of 0.50M (2016/17) and £0.55M (2017/18) to provide additional Early Years capacity within the city.**

Following the Government's announcement to increase free early years education entitlement up to 30hrs for qualifying parents and the council's application to be a pilot authority, we would require additional funding to meet our statutory requirement should our bid be successful. Whilst the final guidance from the DfE is awaited the service has calculated an indicative requirement of 700 additional places will be required to meet parental demand. The government have announced that £50M will be made available nationally to create the required additional places; it is currently unknown how much of this funding will be made available to the council.

### **ECSC 10 - Health and Safety (incl. Fire Risk Assessments) (£0.40M Increase)**

**Addition of £0.20M (2016/17) and £0.20M (2017/18) for the annual programme of Health and Safety works at maintained schools.**

An ongoing programme of H&S compliance works is needed in relation to all council owned buildings within this Portfolio.

### **ECSC 11 – Asbestos Removal (£0.50M Increase)**

**Addition of £0.25M (2016/17) and £0.25M (2017/18) for the ongoing annual asbestos management for maintained schools.**

The Council has a statutory responsibility to provide an ongoing programme of asbestos management for all its maintained schools that are affected by this issue. The cost of this inspection and works programme is generally stable from each financial year to the next.

### **ECSC 12 – Schools Access Initiative (£0.30M Increase)**

**Addition of £0.15M (2016/17) and £0.15M (2017/18) for the ongoing programme of works to provide accessibility to educational facilities.**

The Council has an ongoing statutory responsibility to provide accessibility to educational facilities for children with disabilities, which requires adaptations to be made to school buildings. This programme of work is reactive, with money being spent in response to requests from schools throughout the course of a given year. Previous examples of work carried out include the provision of access ramps, accessible toilets, stair lifts and changing benches. The level of spend is generally consistent, although there is a gradual trend for expenditure to increase year-on-year, in line with the numbers of children with disabilities educated within a mainstream setting.

### **ECSC 13 – Solar PV Resources Project (£0.02M Increase)**

**Addition of £0.02M (2016/17) to enable works pending roll out of full Solar PV programme.**

An additional £0.02M has been added to the programme following a recommendation by the Council Capital Board to carry out further enabling works to identify other potential Solar PV sites across the City including the feasibility of engaging private sector partners to inform the full roll out of the project.

## **OTHER CHANGES TO EXISTING SCHEMES**

None

## **SLIPPAGE/REPHASING**

### **ECSC 14 – Primary Review P2 - Shirley Warren Primary (Slippage of £0.04M from 2015/16 to 2016/17)**

**Slippage of £0.04M from 2015/16 to 2016/17 to cover the cost of the retention payment.**

The project is expected to finish by March 2017. The retention payment is payable 12 months after completion of the project.

### **ECSC 15 – Primary Review P2 – Heathfield Junior School (Slippage of £0.05M from 2015/16 to 2016/17)**

**Slippage of £0.05M from 2015/16 to 2016/17 to cover the cost of the retention payment.**

The retention cost for one additional classroom that has already been delivered is due in September 2016. The project is currently on hold subject to the development of the new

build to be managed by the EfA. Within the new build arrangement SCC will contribute for the cost of three additional classrooms.

**ECSC 16 – Primary Review P2 – Fairisle Junior (Slippage of £0.04M from 2015/16 to 2016/17)**

**Slippage of £0.04M from 2015/16 to 2016/17 due to a later than anticipated start to work on the design phase.**

It is now anticipated that both the design and works phase of this project will be completed during 2016/17.

**ECSC 17 – Bitterne Manor Primary Expansion (Slippage of £0.03M from 2015/16 to 2016/17)**

**Slippage of £0.03M from 2015/16 to 2016/17 to cover the cost of the retention payment.**

The retention payment for this project is due by November 2016.

**ECSC 18 – Health & Safety Capital (Slippage of £0.51M from 2015/16 to 2016/17)**

**Slippage of £0.51M from 2015/16 to 2016/17 due to delays arising from a dispute in relation to the processing of orders.**

The dispute has caused a significant reduction in the planned expenditure. Now that this issue has been resolved it has been required to obtain a more up-to-date list of requirements from schools and for these requirements to be used to generate specific new orders both of which have created further delays. The majority of works will now be completed in 2016/17.

**ECSC 19 – R&M Planned Programme (Slippage of £1.70M from 2015/16 to 2016/17)**

**Slippage of £1.70M from 2015/16 to 2016/17 due to delays starting works and the difficulties in managing the volume and complexity of works required.**

Delays in starting works can have a substantial impact on the project budget as many works if not completed during the summer holidays are delayed considerably, possibly until the following year.

**ECSC 20 – Early Years Expansion Programme (Slippage of £0.27M from 2015/16 to 2016/17)**

**Slippage of £0.27M from 2015/16 to 2016/17 due to delays in the commencement of identification of works required.**

This is an on-going programme of works to ensure that there remains to be a sufficient level of high quality places available within the city for 2, 3 & 4 year olds to meet the council's statutory obligations. In this year there has been an underspend which is expected to be offset in the following year from undertaking a programme to catch up on works required. Programme on target to complete by March 2017.

**ECSC 21 – Schools Access Initiative (Slippage of £0.10M from 2015/16 to 2016/17)**

**Slippage of £0.10M from 2015/16 to 2016/17 to complete the current programme of works that have incurred a delay during 2015/16.**

As outlined in ECSC 12 this is a rolling and reactive programme to ensure that educational facilities are accessible. The planned works that have not been completed in 2015/16 will be required during 2016/17 as well as the schedule of work that is identified as new for 2016/17.

**ECSC 22 – Mayfield Academy (Slippage of £0.08M from 2015/16 to 2016/17)**

**Slippage of £0.08M from 2015/16 to 2016/17 due to a dispute regarding the build management system.**

Once the dispute is resolved the academy lease will be finalised and the final retention payment will be made. This is anticipated to occur in 2016/17.

**ECSC 23 – Lordshill Academy Slippage of £0.26M from 2015/16 to 2016/17)**

**Slippage of £0.26M from 2015/16 to 2016/17 due to a dispute regarding the build management system.**

Once the dispute is resolved the academy lease will be finalised and the final retention payment will be made. This is anticipated to occur in 2016/17.

**ECSC 24 – Asbestos Removal (Slippage of £0.08M from 2015/16 to 2016/17)**

**Slippage of £0.08M from 2015/16 to 2016/17 to enable the completion of the current year programme.**

As outlined in ECSC 11 the council have a statutory legal requirement to manage asbestos in schools. The current value of works underway plus a contingency of £0.05M for urgent works required in the last three months of the year totals £0.25M. All other works required will need to be deferred to 2016/17.

**ECSC 25 – Secondary School Expansion Feasibility (Slippage of £0.06M from 2015/16 to 2016/17)**

**Slippage of £0.06M from 2015/16 to 2016/17 to enable the continuation and finalisation of the feasibility study into secondary expansion**

Upon completion of this project the minor works and design stage of the secondary expansion project will commence as outlined within ECSC 8 – Building for Excellence. Work is on-going with the feasibility but it is now expected to be completed by Capita during 2016/17.

**ECSC 26 – Bitterne Park Secondary Building programme - planning contribution (Slippage of £0.19M from 2015/16 to 2016/17)**

**Slippage of £0.19M from 2015/16 to 2016/17 due to changes in the timescale for this EfA run project.**

This project is for the contribution of the infrastructure costs associated with a new build project that is being funded and run by the EfA. The timing of the council's contribution is very dependant on the progress of the EfA's new build project. It is currently expected that the infrastructure works will be completed during 2016/17.



**ECSC 27 – Portswood Primary Expansion (Slippage of £0.05M from 2015/16 to 2016/17)**

**Slippage of £0.05M from 2015/16 to 2016/17 due to delays arising from an unsuccessful tender process.**

As outlined in the quarter 2 update this project was initially delayed due to the tender process for a modular build being unsuccessful. The project is to be completed through a traditional build and had an on site start date of January 2016. Since quarter 2 there have been further delays due to planning requirements which may require a redesign of the building. Costs incurred to date and forecast for the rest of the year include surveys and design fees.

**ECSC 28 – St Mary’s Primary Phase 2 (Slippage of £0.01M from 2015/16 to 2016/17)**

**Slippage of £0.01M from 2015/16 to 2016/17 as the retention fee is due in September 2016.**

The project has now finished. A retention amount will be withheld until September 2016.

**ECSC 29 – Tanners Brook Junior Phase 2 (Rephasing of £0.05M from 2016/17 to 2015/16)**

**Rephasing of £0.05M from 2016/17 to 2015/16 as the initial phase of the project has been completed earlier than anticipated.**

Work on the initial element of this project was on site between August and October and has now completed. In relation to this only an element of the fees and the retention payment are outstanding. The fees will now be paid in 2015/16. In addition, the relocation of the Community Centre will now commence in February 2016.

**FINANCE PORTFOLIO**

The portfolio programme currently totals **£2.97M**. This can be compared to the previous reported programme position of **£2.97M** resulting in a **nil** movement on the programme.

The changes to the programme are shown in the following summarised table:

	<b>2015/16 £M</b>	<b>2016/17 £M</b>	<b>2017/18 £M</b>	<b>2018/19 £M</b>	<b>2019/20 £M</b>	<b>Total £M</b>
Programme at last report	1.66	1.02	0.29	0	0	2.97
Approvals since last report	0	0	0	0	0	0
New Additions for Approval	0	0	0	0	0	0
Other Changes for Approval	0	0	0	0	0	0
Slippage/Rephasing	(0.26)	0.26	0	0	0	0
<b>Programme Total</b>	<b>1.40</b>	<b>1.28</b>	<b>0.29</b>	<b>0</b>	<b>0</b>	<b>2.97</b>

## **PROGRAMME CHANGES**

### **APPROVALS SINCE LAST REPORT**

None

### **NEW ADDITIONS**

None

### **OTHER CHANGES TO EXISTING SCHEMES**

None

### **SLIPPAGE/REPHASING**

#### **FIN 1 – Accommodation Strategy Action Programme (ASAP) (Slippage of £0.19M from 2015/16 to 2016/17)**

##### **Revised phasing of works under the Accommodation Strategy Action Programme.**

The slippage has arisen due to the updated phasing of works to complete the programme together with disputed amounts. These works include increased IT capacity and provision of a backup generator to the IT suite.

#### **FIN 2 – Customer Portal (Slippage of £0.07M from 2015/16 to 2016/17)**

##### **Delays to project due to technical issues and re-scoping of project**

The slippage has arisen due to delay in delivery in a number of key areas due to technical issues. The project is being reviewed to re-direct focus as some of the project components are now infeasible as a result of the technical issues.

## **HEALTH & ADULT SOCIAL CARE PORTFOLIO**

The portfolio programme currently totals **£0.60M**. This can be compared to the previous reported programme position of **£0.60M** resulting in a **nil** movement on the programme.

The changes to the programme are shown in the following summarised table:

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Programme at last report	0.60	0.00	0.00	0.00	0.00	0.60
Approvals since last report	0.00	0.00	0.00	0.00	0.00	0.00
New Additions for Approval	0.00	0.00	0.00	0.00	0.00	0.00
Other Changes for Approval	0.00	0.00	0.00	0.00	0.00	0.00
Slippage/Rephasing	(0.25)	0.25	0.00	0.00	0.00	0.00
<b>Programme Total</b>	<b>0.35</b>	<b>0.25</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.60</b>

## **PROGRAMME CHANGES**

### **APPROVALS SINCE LAST REPORT**

At October Capital Board approval was given to make minor amendments to the Health & Adult Social Care Capital Programme to transfer resources across schemes. The net effect of these changes on the overall Portfolio Programme were nil.

### **NEW ADDITIONS**

None

### **OTHER CHANGES TO EXISTING SCHEMES**

None

### **SLIPPAGE/REPHASING**

#### **HASC 1 – National Care Standards and H&S Work (Slippage of £0.07M from 2015/16 to 2016/17)**

##### **Slippage of £0.07M from 2015/16 to 2016/17 due to delay in planned work.**

The project is expected to slip as it was not possible to undergo the process to identify needs and instigate orders until the budget was approved in October. New quotations are being sought as previous ones are now out of date. The balance of the funds will be required for ongoing work in next year for essential works that need doing to ensure deliver services to vulnerable people effectively and safely. It is anticipated that this sum will be sufficient to meet the project demands in 2016/17 without a further addition of funding for 2016/17.

#### **HASC 2 – Replacement of Appliances and Equipment (Slippage of £0.04M from 2015/16 to 2016/17)**

##### **Slippage of £0.04M from 2015/16 to 2016/17 to undertake the programme of works required in 2016/17.**

This is a re-active budget with funding readily available to avoid disruption in service delivery. As a Care Quality Commission (CQC) regulated service we must make sure that the services remain operational, so this budget is required to ensure essential equipment is replaced or maintained immediately. Only a quarter of the budget is expected to be spent this year, the rest is to be slipped into 2016/17 to cover the cost of maintenance and replacements required next year. It is anticipated that this sum will be sufficient to meet the project demands in 2016/17 without a further addition of funding for 2016/17.

#### **HASC 3 – Common Assessment Framework (CAFA) (Slippage of £0.13M from 2015/16 to 2016/17)**

##### **Slippage of £0.13M from 2015/16 to 2016/17 due to delaying this project until Paris 5.1 has been completed.**

Project has slipped because CAFA projects are delayed due in part to Paris 5.1 Project timescales and several of the CAFA projects (Personal Demographic Service, Hampshire Health Record, Mobile Working) are planned for completion during 2016/17.

#### **HASC 4 – Residential Homes Fabric Furnishing CQC (Slippage of £0.01M from 2015/16 to 2016/17)**

**Slippage of £0.01M from 2015/16 to 2016/17 to cover the cost of works expected to be required during 2016/17.**

Only a quarter of the budget is expected to be spent this year, the rest is to be slipped into 2016/17 to cover the cost of furnishing requirements next year. As a CQC regulated service this budget is required for unplanned expenditure. It is needed for any reactive works required to ensure Southampton City Council remain compliant and fulfil our statutory requirements.

### **HOUSING & SUSTAINABILITY PORTFOLIO**

The portfolio programme currently totals **£5.62M**. This can be compared to the previous reported programme position of **£5.62M** resulting in a **nil** movement on the programme.

The changes to the programme are shown in the following summarised table:

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Programme at last report	5.33	0.29	0.00	0.00	0.00	5.62
Approvals since last report	0.00	0.00	0.00	0.00	0.00	0.00
New Additions for Approval	0.00	0.00	0.00	0.00	0.00	0.00
Other Changes for Approval	0.00	0.00	0.00	0.00	0.00	0.00
Slippage/Rephasing	(2.16)	2.16	0.00	0.00	0.00	0.00
<b>Programme Total</b>	<b>3.17</b>	<b>2.45</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>5.62</b>

#### **PROGRAMME CHANGES**

##### **APPROVALS SINCE LAST REPORT**

None

##### **NEW ADDITIONS**

None

##### **OTHER CHANGES TO EXISTING SCHEMES**

None

##### **SLIPPAGE/REPHASING**

#### **H&S 1 – Estate Parking Improvements (£0.20M Decrease)**

##### **Slippage into 2016/17 due to delay completion of final improvement schemes**

In order for work to begin on the parking improvement schemes, commitment was required from all residents affected. There was a delay in obtaining this commitment and this will result in only one completed scheme, Hinkler Road, in 2015/16. Commitment has now been obtained from all residents and the remaining parking improvement schemes are expected to be completed in 2016/17.

#### **H&S 2 – DevCo Setup (£0.12M Decrease)**

### **Slippage into 2016/17 due to a delay in the completion of DevCo business model**

There was a delay in the expenditure of this budget while further work was carried out by Capita on the costing of the inputs to the Development Company (DevCo) business model. This has recently been completed and work can now commence on the Dev Co business model with the remaining budget expected to be used in 2016/17.

### **H&S 3 – Support for Estate Regeneration (£0.93M Decrease)**

#### **Slippage into 2016/17 as plans for use of Section 106 contributions are decided**

Section 106 developer contributions had been earmarked as funding for city-wide Estate Regeneration expenditure. Managers are currently considering the development method for the use of this funding. The budget is therefore being slipped into 2016-17.

### **H&S 4 – HIL/DFG Repayments (£0.54M Decrease)**

#### **Slippage as funding is needed for projects starting in 2016/17**

Of the £0.60M budget, £0.06M will fund the Handyman Service in 2015/16. This was previously funded by a contribution from the Partnership for Urban South Hampshire. The remaining £0.54M is needed in 2016/17. £0.46M is planned to be used to carry out House Condition Surveys and £80,000 will fund the Handyman Service in 2016/17.

### **H&S 5 – Green Projects (£0.33M Decrease)**

#### **Slippage as this funding has been allocated to projects starting in 2016/17**

£0.33M has now been allocated to the Southampton Healthy Homes project which will begin in 2016/17.

### **H&S 6 – Insulation and Fuel Poverty Initiatives (£0.04M Decrease)**

#### **Slippage as boiler installations needed in 2015/16 were lower than expected**

Only £0.01M is required for the installation of boilers in 2015/16. The balance will be slipped in order to fund similar work in 2016/17.

## **LEADERS PORTFOLIO**

The portfolio programme currently totals **£24.82M**. This can be compared to the previous reported programme position of **£89.82M** resulting in an increase of **£65.0M** on the programme which represents a percentage increase of **361.9%**.

The changes to the programme are shown in the following summarised table:

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Programme at last report	16.30	8.07	0.35	0.10	0.00	24.82
Approvals since last report	0.00	0.00	0.00	0.00	0.00	0.00
New Additions for Approval	0.00	65.00	0.00	0.00	0.00	65.00
Other Changes for Approval	0.00	0.00	0.00	0.00	0.00	0.00
Slippage/Rephasing	(1.40)	1.40	0.00	0.00	0.00	0.00
<b>Programme Total</b>	<b>14.90</b>	<b>74.47</b>	<b>0.35</b>	<b>0.10</b>	<b>0.00</b>	<b>89.82</b>

## **PROGRAMME CHANGES**

### **APPROVALS SINCE LAST REPORT**

None

### **NEW ADDITIONS**

#### **LD 1 – Property Investment Fund (£65.00M Increase)**

**Creation of a Property Investment Fund to invest in revenue income producing property.**

Approval is being sought to add a scheme in 2016/17 for the creation of a Property Investment Fund for the sum of £65M to be funded by Council Resources. It is intended that a detailed Investment Business Plan will be presented to the Council Capital Board with details on proposed investments, governance and decision making prior to any initial investments.

The purpose of the fund is to generate a net additional annual revenue income stream after allowing for borrowing, running and void costs. This additional income is included as a proposed saving proposal in the General Fund Revenue Budget Report 2016/17 to 2019/20 which is being reported to Council on 10 February 2016 for approval.

### **OTHER CHANGES TO EXISTING SCHEMES**

None

### **SLIPPAGE/REPHASING**

#### **LD 2 – West Quay Phase 3 WWQ (£0.20M Decrease)**

**Delay in completion of the development plan**

Discussions are ongoing with the developer in relation to phase two of this project. The detail of the development and how it is delivered is taking longer than originally envisaged to resolve. It is therefore necessary to slip some of the funding into 2016/17.

#### **LD 3 - West Quay Phase 3 Site B (£0.05M Decrease)**

**Delay in completion of legal agreement relating to the project**

The legal agreement in relation to the development of the site for a hotel has now been completed. This took longer than anticipated to agree however the developer is now in the process of preparing detailed plans for approval. As this has taken slightly longer than anticipated, there is a need to slip the funding into 2016/17.

#### **LD 4 – QE2 Mile – Bargate Square (£0.90M Decrease)**

**Delay in obtaining plans from developer for the Bargate building**

This scheme is currently on hold while the developer produces redevelopment proposals for the Bargate Shopping Centre. Development of the pedestrian section of Bargate Square cannot be moved forward until these plans have been delivered. The budget is therefore being slipped into 2016/17.

### **LD 5 – Royal Pier (£0.05M Decrease)**

#### **Delay in completion of the development plan for the project**

This complex project has taken longer than anticipated to reach the planning application stage which has now been submitted for approval. It is currently anticipated that work will start next year. The budget has therefore been slipped into 2016/17.

### **LD 6 – Station Quarter Southside (£0.20M Decrease)**

#### **Delay due to change in development plans**

The focus of this project is now on the north side of the station, building on the opportunity to regenerate Nelson Gate, Frobisher House and Grenville House. The site will be marketed in quarter four of 2015/16. The budget has therefore been slipped into 2016/17.

## **ENVIRONMENT & TRANSPORT PORTFOLIO**

The portfolio programme currently totals **£32.92M**. This can be compared to the previous reported programme position of **£20.52M** resulting in an increase of **£12.40M** on the programme which represents a percentage increase of **60.4%**.

The changes to the programme are shown in the following summarised table:

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Programme at last report	20.52	0.00	0.00	0.00	0.00	20.52
Approvals since last report	0.31	0.17	0.00	0.00	0.00	0.48
New Additions for Approval	0.78	10.26	0.62	0.16	0.10	11.92
Other Changes for Approval	(0.10)	0.10	0.00	0.00	0.00	0.00
Slippage/Rephasing	(2.53)	2.53	0.00	0.00	0.00	0.00
<b>Programme Total</b>	<b>18.98</b>	<b>13.06</b>	<b>0.62</b>	<b>0.16</b>	<b>0.10</b>	<b>32.92</b>

## **PROGRAMME CHANGES**

### **APPROVALS SINCE LAST REPORT**

#### **E&T 1 – Accessibility (£0.26M Increase)**

The Director, Place approved the addition of £0.26M of S. 106 developer contributions for 2015/16, in accordance with Financial Procedure Rules, to allow delivery of transport minor works for Council wards.

#### **E&T 2 – Highways Improvements Developers (£0.20M Increase)**

The Director, Place approved the addition of £0.03M of S. 106 developer contributions for 2015/16 and £0.17M for 2016/17, in accordance with Financial Procedure Rules, to allow highways infrastructure improvements.

**E&T 3 – Network Management (£0.02M Increase)**

The Director, Place approved the addition of £0.02M of S. 106 developer contributions for 2015/16, in accordance with Financial Procedure Rules, to support a Solent Transport bid to the Office for Low Emission Vehicles (OLEV) for funding to deliver 52 new vehicles to the local bus fleet.

**E&T 4 – Bridges/ Structures Maintenance - culvert at Wilton Avenue (Nil Net Change)**

The Director, Place approved the virement of £0.20M of Local Transport Plan (LTP) government grants in 2015/16, in accordance with Financial Procedure Rules, to the Bridges/ Structures Maintenance scheme to allow for the essential repair to the failed culvert at Wilton Avenue. The source of the virement was £0.01M from Classified Roads, £0.13M from Unclassified Roads and £0.06M from Highways Maintenance Risk Fund.

**NEW ADDITIONS**

**E&T 5 – Principal Roads (£2.91M Increase)**

The addition of £1.65M of Council Resources and £1.26M of LTP government grants will allow delivery of repairs to Bitterne Road and West Quay Road, in accordance with the Transport Asset Management Plan (TAMP), in 2016/17.

**E&T 6 – Classified Roads (£1.87M Increase)**

The addition of £1.87M of Council Resources will allow delivery of repairs to 10 roads, in accordance with the TAMP, in 2016/17. The list of roads are as follows:

Portswood Road (Grosvenor Road to outside Waggoners Arms PH)
Bath Road (Bursledon Road to Bitterne Road East)
Middle Road (South east Road to Station Road)
Stoneham lane (Bassett Green Road to Channel farm Road)
Butts Road (Shooters Hill Close to outside Butts Crescent)
Mousehole lane (Witts Hill to West End Road roundabout)
Botley Road (Portsmouth Road to Bursledon Road)
Cobden Avenue (Midanbury lane to outside 50 Cobden Avenue)
Athelstan Road (Cross Road to outside 5 Athelstan Road)
Woodmill Lane (Oliver Road to approach to Thomas Lewis Way)



### **E&T 7 – Unclassified Roads (£1.43M Increase)**

The addition of £1.23M of Council Resources will allow delivery of repairs to 15 roads, in accordance with the TAMP, in 2016/17. The list of roads are as follows:

Glenfield Crescent
Bramdean Road (part)
Summit way
Lydgate Road
Cunningham Crescent
Heathfield Road
Court Close
Milbury Crescent
Bitterne Service Road (part)
Brookwood Road
Braeside Crescent
Drayton Close
Durlston Road
Fullerton Close (part)
Longstock Close

### **E&T 8 – Street Furniture (£0.05M Increase)**

The addition of £0.05M of Council Resources will allow essential barrier repairs, in accordance with the Highway Asset Management Plan (HAMP), in 2016/17.

### **E&T 9 – Other Highways (£0.06M Increase)**

The addition of £0.06M of Council Resources will allow progress on the resolution of drainage issues on the network in 2016/17.

### **E&T 10 – Bridges/ Structures Maintenance (£0.45M Increase)**

The addition of £0.45M of Council Resources will allow delivery of vehicle restraint measures on Northam Road Bridge and essential maintenance of key structures. The works, in accordance with the HAMP, are being programmed in conjunction with the 2016/17 Highways programme.

### **E&T 11 – MSCP Maintenance Programme (£0.05M Increase)**

The addition of £0.05M revenue from the On-street Parking Reserve will allow delivery of minor ad-hoc emergency repairs to the Council's multi-storey car parks in 2016/17.

### **E&T 12 – Public Transport (£0.56M Increase)**

The addition of £0.28M in site specific S. 106 developer contributions will allow delivery of infrastructure improvements, phased £0.26M in 2017/18 and £0.02M in 2018/19. Also, the addition £0.25M of LTP government grants will allow for public transport works in 2016/17.

### **E&T 13 – Cycling Improvements (£0.71M Increase)**

The addition of £0.36M in site specific S. 106 developer contributions will allow delivery of infrastructure improvements, phased £0.08M in 2016/17, £0.25M in 2017/18 and £0.03M in 2018/19. Also, the addition £0.35M of LTP government grants will allow for cycling works in 2016/17.

### **E&T 14 – City Centre Improvements (£1.00M Increase)**

The addition of £0.50M of LTP government grants will allow for repair works to commence on Millbrook roundabout in 2016/17. The addition of £0.15M of LTP government grants will allow for repair works to commence on Redbridge Roundabout in 2016/17. The addition of £0.05M of LTP government grants will allow for repair works to commence on the Northam Rail Bridge Replacement and corridor improvements scheme. Also, the addition of £0.30M of LTP government grants will allow for public realm works in 2016/17.

### **E&T 15 – Accessibility (£0.17M Increase)**

The addition of £0.02M site specific S. 106 developer contributions will allow delivery of infrastructure improvements in 2017/18. Also, the addition £0.08M of LTP government grants and £0.05M of Council Resources will allow for accessibility works in 2016/17. In addition, there is a proposed virement in 2015/16 of £0.02M to this scheme from the Network Management scheme in order to fund an over spend on the Athelston Road project.

### **E&T 16 – Improved Safety (£0.26M Increase)**

The addition of £0.01M in site specific S. 106 developer contributions will allow delivery of infrastructure improvements in 2018/19. Also, the addition of £0.20M in LTP government grants and £0.05M of Council Resources will allow for improved safety works in 2016/17.

### **E&T 17 – Network Management (£0.38M Increase)**

The addition of £0.40M in LTP government grants will allow for congestion reduction works in 2016/17. In addition, there is a proposed virement in 2015/16 of £0.02M from this scheme to the Accessibility scheme (as described in E&T 15 above).

### **E&T 18 – Sustainable Travel (£0.20M Increase)**

The addition of £0.06M in site specific S. 106 developer contributions will allow delivery of infrastructure improvements, phased £0.04M in 2016/17 and £0.02M in 2018/19. Also, the addition £0.14M of LTP government grants will allow for congestion reduction works in 2016/17.

### **E&T 19 – Purchase of Vehicles (£1.78M Increase)**

The addition of £1.78M in Council Resources will allow for the purchase of council vehicles over a period of five years. This programme will fund the purchase of 39 vehicles for Housing, 31 vehicles for Open Spaces, 9 vehicles for Waste Services, 9 vehicles for Transport Services and 2 vehicles for Regulatory Services.

## **OTHER CHANGES TO EXISTING SCHEMES**

### **E&T 20 – Unclassified Roads (Nil Net Change)**

There has been savings on two unclassified roads projects that have completed at less than the approved budget. There was a saving on £0.07M on Cromer Road and £0.13M on Pedestrian Enhancements. This funding of £0.20M has been re-allocated to support additional works within the 2015/16 Unclassified Roads programme. However, it is anticipated that £0.10M of this expenditure will not be incurred until 2016/17.

## **SLIPPAGE/REPHASING**

### **E&T 21 – Accessibility (Slippage of £0.26M from 15/16 to 16/17)**

There is slippage of £0.07M on the Station Boulevard project with the preliminary design being completed in 2015/16. However the Council funding is re phased to 2016/17 as the delivery of the works are subject to the Council securing additional funding, possibly externally sourced, where SCC match funding is likely to be required.

There is slippage of £0.08M on the Estate Regeneration project due to the Millbrook and Maybush Steering Group review of the regeneration proposals now requiring public consultation in summer 2016. The use of this funding will be informed by the consultation. Also there is slippage of £0.11M on the Local Transport Improvement Fund project due to additional consultation with Members required to finalise the programme of prioritised schemes.

### **E&T 22 – Cycling Improvements (Slippage of £0.55M from 15/16 to 16/17)**

There is slippage of £0.31M on the Second Avenue Millbrook Cycle Scheme project, this is due to revised design consultation and programme to avoid the Christmas parcel delivery peak. There is also slippage of £0.250M on the Eastern Cycle and Northern Cycle Routes firstly as the Morrison's site did not progress and further data surveys of Palmerston Road are required. Secondly there were delays with the Section 38 submission as the planning application is required to be submitted. This is now forecast to be considered in early 2016.

### **E&T 23 – Congestion Reduction (Slippage of £0.99M from 15/16 to 16/17)**

There is slippage of £0.14M on the Redbridge Roundabout Junction Improvements project, this is match funding being allocated as part of a total Council £0.50M commitment of match funding towards the larger Highways England project to be completed in 2017. The earliest the match funding of £0.14M will be released is 2016/17. There is slippage of £0.77M on the Cleaner Bus Transport Fund project, this is due to a review of the proposed technology due to be installed on buses. There is also slippage of £0.14M on the general intelligent transport systems with the monies being allocated for variable message systems.

### **E&T 24 – Other Highways (Slippage of £0.11M from 15/16 to 16/17)**

There is slippage of £0.11M is on the Minor Works project as planned works this year will be delivered at a lower cost and the residue of funding is being slipped to the following year.

### **E&T 25 – MSCP 10 Yr Maintenance Programme (Slippage of £0.09M from 15/16 to 16/17)**

There is slippage of £0.09M on the Emergency Repairs to MSCPs project as there is currently no expenditure planned for this financial year.

**E&T 26 – Bridges to Prosperity (Slippage of £0.10M from 15/16 to 16/17)**

There is slippage of £0.10M on the Vicarage Bridge and Northam Road Bridge project due to the requirement to keep back contract retention monies and complete minor outstanding items on these Bridges to Prosperity works.

**E&T 27 – Platform for Prosperity (Slippage of £0.12M from 15/16 to 16/17)**

There is slippage of £0.12M on the completed scheme due to the requirement to set aside sums for potential Part 1 claims which could come in at any point over the next 7 years. There is also a chance that some of the slippage could be used to cover any unexpected costs once all payments are finalised.

**E&T 28 – Public Transport (Slippage of £0.17M from 15/16 to 16/17)**

There is slippage of £0.17M on the Bus Corridor Minor Works project as spend on related works are now not planned to occur until the 2016/17 financial year.

**E&T 29 – Improved Safety (Slippage of £0.11M from 15/16 to 16/17)**

There is slippage of £0.11M on the Improved Safety - Engineering 2015/16 project as spend on related works are now not planned to occur until the 2016/17 financial year.

**E&T 30 – Invest to Save (Building Control) (Slippage of £0.05M from 15/16 to 16/17)**

There is slippage of £0.05M on this Mobile Working project as options are currently being explored and works are now not planned to occur until the 2016/17 financial year.

## MAJOR SLIPPAGE & REPHASING SINCE SEPTEMBER 2015 CAPITAL UPDATE

Portfolio	Scheme	Appendix 3 Reference	(Slippage)/ Rephasing £M
Education & Childrens Social Care	Health & Safety	ECSC 18	(0.5)
	R& M Planned Maintenance	ECSC 19	(1.7)
	Early Years Expansion Programme	ECSC 20	(0.3)
	Schools Access Initiative	ECSC 21	(0.1)
	Lordshill Academy	ECSC 23	(0.3)
	Bitterne Park	ECSC 26	(0.2)
Environment & Transport	Accessibility	E&T 21	(0.3)
	Cycling Improvements	E&T 22	(0.6)
	Congestion Reduction	E&T 23	(1.0)
	Other Highways	E&T 24	(0.1)
	MSCP Maintenance Programme	E&T 25	(0.1)
	Bridges to Prosperity	E&T 26	(0.1)
	Platform for Prosperity	E&T 27	(0.1)
	Public Transport	E&T 28	(0.2)
Environment & Transport - City Services	Central Depot Development	CS 5	(0.4)
	Minor Parks Development Works	CS 6	(0.2)
Health & Adult Social Care	Common Assessment Framework	HASC 3	(0.1)
Housing & Sustainability	Support for Estate Regeneration	H&S 3	(0.9)
	HIL/DFG Repayments	H&S 4	(0.5)
	Green Projects	H&S 5	(0.3)
Leaders	West Quay Phase 3	LD 1& 2	(0.3)
	QE2 Mile	LD 4	(0.9)
	Station Quarter Southside	LD 6	(0.2)
Communities, Culture & Leisure	Woolston Library	CCL 1	(0.5)
	Bargate Monument Repairs	CCL 2	(0.2)
Finance	Accommodation Strategy Action Plan	FIN 1	(0.2)
	Other Slippage & Rephasing		(1.3)
			<u>(11.4)</u>

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**SOUTHAMPTON CITY COUNCIL  
CAPITAL STRATEGY  
2015/16 TO 2019/20**

**FEBRUARY 2016**

# Capital Strategy 2015/16 to 2019/20

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## **SECTION ONE - THE SOUTHAMPTON CAPITAL STRATEGY**

### **Aims of the Strategy and its links to the Councils budget framework**

The overarching aim of the Southampton Capital Strategy is to provide a framework within which the Council's Capital Investment plans will be prioritised and delivered. These plans are driven by the Southampton City Council Strategy, the City Strategy and the City Vision - "City of Opportunity – where everyone thrives"

In order to reflect the ambition and vision above the Council's priorities were revised in 2015 to:

- Jobs for local people
- Prevention and early intervention
- Protecting vulnerable people
- Good quality and affordable housing
- Services for all
- City pride
- A sustainable council

These objectives reflect the on-going commitment to ensure the Council works to put residents and the customers at the heart of what we do reflecting the city's diversity. Such strong leadership is essential if the city is to be able to meet the immediate challenges faced in a way that means it is sustainable and able to make the most of opportunities in the future.

We expect the shape of the Council, including the types of services we deliver and how we will deliver them, will be very different by 2017. The Council Strategy sets out that by 2017 we expect changes in terms of:

- Commissioning Services
- Community Ownership
- Better Customer Experiences
- More flexible ways of working
- A wide range of service delivery models
- Listen and improve learning from our mistakes
- Increased focus on digital capabilities of customers

A major public consultation was undertaken in August 2015 to gauge public opinion on what the Council priorities and outcomes should be focused on. The feedback received has led to a review of the all Council services around three major 'Obsessions' or Outcomes;

- Children and young people getting a good start in life;
- A modern vibrant city where everyone works together to keep it clean and attractive; and
- Strong, sustainable economic growth.

This work is ongoing and as a result the Council Strategy will be updated later in 2016 to reflect the final conclusions of the review.

## The Capital Strategy

The Council's capital strategy is to ensure that all the priorities of the Council Strategy are accounted for in the allocation of any available resources. The principles of the strategy are as follows:

- The Council Capital Board (CCB) will lead the strategic direction of capital investment for the Council. The CCB will operate on a commissioning basis. This will enable funding to be better aligned with other partners and funding sources and ensure a city wide approach is taken.

The commissioning approach will be of greater importance with the increased requirement for links to regional strategies and programmes and the need to apply for funds on a regional basis and as a result, the Council must also ensure that its capital strategy reflects the LEP, PUSH, and Transport for South Hampshire all of which aim to work together with other stakeholders to secure a more prosperous and sustainable future for the Solent area.

- The first call on capital resources will always be the financing of any over programming from previous years. In addition, all projects already approved in the capital programme or contractually committed will be supported and sufficient resources will be provided to enable them to proceed or complete.
- A capital project sponsor must also be able to demonstrate that a rigorous process of options appraisal has been followed, requiring evidence of need, cost, risk, outcomes and methods of financing. Capital investment proposals which will result in a revenue cost saving or efficiency are encouraged.
- All capital investment decisions will be made with reference to Council objectives, priorities, outcomes and regional strategies and, only after a positive contribution to one or more of the objectives has been demonstrated, is a project to be considered for resource allocation.
- The CCB will ensure that the Council can take full advantage of the increased freedom and flexibility afforded by the removal of ring fencing from most funding allocations to facilitate the achievement of the Council's objectives. This funding will be allocated as the CCB feel is appropriate to achieve these objectives, following receipt of the required business case. Regard will however be had to obligations around: the transport agenda, and asset management plans for schools and corporate assets, particularly around health and safety issues.
- The un-ringfenced and corporate resources will managed by the CCB and it will review all bids for resources, evaluate them and then agree on the prioritisation of resources accordingly. A proposal will be prioritised in accordance with criteria set out in Section Four of the strategy.
- The CCB will also review the use of any ring fenced resources to ensure alignment with other spending plans and the maximisation of benefits to the Council and achievement of Council objectives, priorities and outcomes.

- The CCB will recommend the use of both un-ringfenced and ring-fenced resources and also the general prioritisation of resources so that Cabinet/Council can make a final well informed decision on the utilisation of resources, as per the timeline set out in Section Five.
- There will be no ring-fencing of capital receipts to specific projects unless the use of the receipt is governed by legislation or by a specific agreement. For example, the Council signed an agreement on the use of retained Right to Buy (RTB) receipts in June 2012 (amended in June 2013) which stipulates that any receipts held by the Council under the agreement, which are not used for the specific purpose of providing replacement affordable housing, must be returned to DCLG.
- Prior to the annual review of the capital strategy a review of the individual projects will be undertaken to:
  - a) Ensure that schemes still meet strategic priorities and outcomes;
  - b) Review their continued relevance in the context of a dynamic and constantly developing organisation;
  - c) Consider the progress of schemes including any reasons for delayed starts or variations to approved budgetary allocations and rephasing of planned expenditure; and
  - d) Identify any unutilised or underutilised resources.
  - e) Consider any reallocation of resources.
- All applications/bids for capital grant funding will be brought to the CCB prior to submission to ensure they are in line with agreed priorities and outcomes and that all capital and revenue consequences have been explored. The Council is conscious that the Government is likely to introduce a range of grant funding opportunities for which bids must be submitted at short notice, some of which may have a matched funding requirement. The Council's strategy will be to respond as it considers appropriate to these in line with priorities and outcomes.

## The Wider Region

### Solent Local Enterprise Partnership

With a population of more than 1.3 million and over 50,000 businesses, the Solent area is an internationally-recognised key economic hub anchored around the Southampton, Portsmouth, the Isle of Wight, the M27 corridor and the Solent waterway.

The Solent Local Enterprise Partnership (LEP) was formed after the Government offered local areas the opportunity to take control of their future economic development. It is a locally-owned partnership between businesses and local authorities and plays a central role in determining local economic priorities and undertaking activities to drive economic growth and the creation of local jobs.

The Solent LEP is led by the business community and supported by three university partners, the further education sector, three unitary authorities, eight district councils, one county council and the voluntary and community sector – all working together to secure a more prosperous and sustainable future for the Solent area.

The vision for the Solent was set out in the initial growth strategy, *A Strategy for Growth*, in December 2012:

*“Our vision is to create an environment that will bring about sustainable economic growth and private sector investment in the Solent. It will assist this globally-competitive area reach its full potential, enabling existing businesses to grow, become more profitable and to be greener; enabling the creation of new businesses and attracting new businesses to the region.”*

Within the broader vision, the Solent LEP strategy includes the following objectives:

- Maximise the economic impact of our economic assets in the area and sectors with the potential for growth. Promoting the area as the UK’s leading growth hub for advanced manufacturing, marine and aerospace both at home and, more importantly, in the global marketplace. Developing the advanced engineering and manufacturing sector through a business-led approach and supporting the visitor economy;
- Unlock critical employment sites to enable the Solent businesses, particularly the marine, maritime and advanced manufacturing sectors of their economy, to expand;
- Provide new housing to support the growing workforce;
- Ensure people have the right skills to access employment and support the growing sectors;
- Provide effective support to small and medium-sized enterprises (SMEs) to enable them to grow – including marine and maritime SMEs; and
- Unlock innovation led growth to engage more businesses in knowledge exchange and innovation, develop links to wider Higher Education Institutions (HEIs) and demonstrate the benefits of working with knowledge based partners.

Targets to 2020 include the following:

- In addition to current forecasts, create an additional 15,500 new jobs in the Solent LEP area;

- Achieve GVA growth of 3%;
- In addition to current forecasts, increase GVA per capita by an additional £3,000 per head, increase employment rates to 80% from the current 78% and improve economic activity rates from 80% to 81%;
- Raise the business birth rate from 3.6% to 4.1% (and create 1000 new businesses);
- Improve the business survival rate from 61.4% to 62.5%;
- Raise the proportion of the population with Level 4 and above skills to 36% of the working age population from the current 32%;
- Support the raising of education attainment rates to above the UK average;
- Increase inward investment into Solent attracting at least 5% of FDI projects entering the UK;
- Improve productivity (GDP per head) closer to the South East average; and
- In doing so, we will also seek to maximise value for money from key public sector investments focusing on areas that are economically vulnerable, and linking local people to jobs through effective procurement processes whilst leveraging private sector investment in skills and employment.

Supporting the Strategic Economic Plan is a £2.4bn Investment Plan for the Solent which brings to together:

- Local assets to unlock resources to be re invested in growth, including the Southampton – Portsmouth City Deal - a £953 million investment plan;
- European Union Strategic Investment Funding of £73.6 million including private and public sector match funding; and
- Local growth deal - a £1.38bn proposal, including Government, public and private sector match.

Solent LEP prioritisation for capital programmes uses a scored methodology including the number jobs created, private sector leverage and deliverability. City Deal and Growth Deal funding to date have largely been drawn from Regional Growth Fund and FE capital funding, for which national eligibility and reporting remain.

Portsmouth City Council takes the Lead Accountable Body role for Solent LEP in terms of financial procedures and accounting, overseen by governance arrangements including a Board and separate panels.

### Economic Development

The City Council is working with key partners such as Solent LEP, Business South, Chamber of Commerce, Higher Education and UK Trade and Investment to generate economic growth in the city and to strengthen Southampton's reputation as a place that welcomes and supports business growth.

The current focus is supporting the attraction of new businesses to the 7 VIP development schemes included in the City Centre Masterplan. Future priorities include the Itchen Waterside area and the former Ford Transit plant close to junction 5 of the M27. The Economic Development and Skills team has an active programme for working with developers and occupiers to ensure that residents of the city are given the opportunity to gain employment created by major development schemes.

## Estate Regeneration

Southampton City Council launched its Estate Regeneration programme in 2009. Its vision to create successful communities on its estates where people will want to live in the future.

Estate regeneration schemes included an initial pilot at Hinkler, and then projects at Laxton Close, Exford Avenue, Meggeson Avenue, Cumbrian Way and Weston. These projects were delivered on the basis of marketing an 'oven ready' site with preparation funded by the HRA (with some of this funding being repaid through grants and land receipts). A mixture of homes for sale and Housing Association funded affordable homes (for rent) were provided.

Further, in February 2012 Cabinet agreed to move forward with a programme of 'city-wide' estate regeneration. Looking sequentially at the Millbrook and Maybush, Northam, Thornhill and Weston Estates.

In August 2013, the administration outlined an aspiration for estate regeneration development to be council led with the HRA acquiring new homes for rent (at Affordable Rent levels). The initial focus of this work has been Townhill Park, the council's first area of comprehensive regeneration with plans to deliver nearly 700 new homes. Work has been undertaken to identify a suitable delivery model which would enable the homes to be built whilst ensuring that at the same time the HRA would be able to purchase some of the homes for Affordable Rent. The council were advised that a wholly owned Development Company (DevCo) would meet these requirements and as detailed in the section below, work is continuing to develop and set this up.

However, recent announcements by the Government, the Chancellor's Summer 2015 Budget and the Comprehensive Spending Review in November 2015, contained a number of measures affecting current and future social housing provision:

- The announcement that rents in the social rented sector will be reduced by one percent per year for the next four years;
- The compulsory introduction of "pay to stay" requiring higher income social housing tenants to pay market rents and for councils to handover to the exchequer the additional rents collected;
- A review of the use of lifetime tenancies in social housing "to limit their use and ensure households are offered tenancies that match their needs and ensure best use is made of social housing";
- The extension of the Right to Buy to Housing Associations; and
- The compulsory sale of "high value voids" in the Local Authority sector to support, in part, the RTB for Housing Associations.

Further the Housing and Planning Bill also contains significant changes to planning most notably the removal of obligatory section 106 requirements for the provision of affordable housing in favour of lower cost home ownership products. This measure will effectively change the definition of what is considered affordable housing in favour of home ownership particularly 'Starter Homes' as opposed to affordable rent. In addition there is currently consultation on the definition of affordable housing.

These announcements will not only have a significant impact on the levels of anticipated income but have also led to the need for Local Authorities and Social Landlords to review

both revenue and capital plans for future investment in their housing stock. There is likely to be a reduced capacity and viability in the ongoing development of affordable housing.

In light of these developments the Council will need to review its estate regeneration strategy and objectives. The current proposed development of Townhill Park has been reconsidered, with a view to marketing the site for development for phase 1 with an emphasis on starter homes, but to continue as planned for phases 2 and 3 aiming for Council led development through the DevCo.

## **Key Priority Issues**

### Devolution

The Council is currently an active partner in the Hampshire and Isle of Wight devolution deal, along with 15 other councils, two Local Enterprise Partnerships and two national park authorities, to Central Government to have more powers devolved to the area.

The deal includes a proposal to retain 100% of the business rates collected within the area, currently 50% of all business rates collected are passed over to Central Government. In return for foregoing Revenue Support Grants from central government, the prospectus asks to keep 100% of business rates generated in the area and assumes the proposal will be fiscally neutral to the Government.

The proposals focus around four key themes: boosting business and skills for work; accelerating housing delivery; investing in infrastructure; and transforming public services.

Plans for homes include accelerated delivery of existing local plans, as well as an additional 500 homes a year in the priority home categories of rural affordable, low-cost starter, council new-build and extra care, by making use of exception sites including redundant public land. A commitment has been made to develop 2,000 new starter homes within the city. This has been supported to date by additional government funding with the introduction of Help to Buy in 2013.

Help to Buy was created to ensure that working people who were doing the right thing and saving for a deposit could achieve their aspiration of buying their own home through government support. Home ownership is a key part of the government's long term plan to provide economic security for working people across the UK. To date this has been facilitated through Equity Loans and Mortgage Guarantee Schemes with 80% of completions to date being made by first time buyers with just under 50% of the properties being new build. The government announced two further initiatives in the Comprehensive Spending Review on 25<sup>th</sup> November 2015 which will further encourage this agenda.

- a) Help to Buy ISA introduced from 1<sup>st</sup> December 2015 whereby under the scheme, first-time buyers can save up to £200 a month towards their first home and the government will boost their savings by 25%, or £50 for every £200, up to a £3,000 bonus.
- b) New streams of funding, such as for low-cost home ownership are intended to be available for Councils as well as housing associations and private developers. Councils are encouraged to think creatively about the homes they could deliver by accessing some of the new grants.

It is anticipated that future disposal or development decisions within the Council will be mindful of the need to consider opportunities to fully utilise all available funding streams and to meet the low-cost starter home commitments.

#### Changes to use of Capital Receipts

The CSR also indicated that in the future, local authorities will be allowed to spend up to 100% of capital receipts (excluding Right to Buy receipts) on the revenue costs of reform projects. Instead of holding assets that could be made surplus, councils will be able to sell them to reinvest in their services. Guidance relating to specific conditions, number of years that this will be offered and the qualifying criteria for a 'reform' project has been issued as part of the Provisional Local Government Settlement on 17th December 2015. The key points included:

- The direction only relates to new receipts received in the period 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2019 that could be applied to meet the revenue costs of reform;
- The key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to the authority's net service expenditure and is expenditure on a project where incurring up-front costs will generate ongoing savings; and
- Individual authorities demonstrate the highest standards of accountability and transparency. The guidance recommends that each authority should prepare a strategy that includes separate disclosure of the individual projects that will be funded or part funded through capital receipts flexibility and that the strategy is approved by full Council or the equivalent. This strategy can be included as part of the annual budget documentation and approved by full Council or the equivalent at the same time as the annual budget. The guidance provides detail of the content of the strategy and that this strategy does need full council approval in advance of the intended financial year of application.
- Examples of qualifying expenditure include the sharing of back office and administrative services; investment in service reform feasibility work; collaboration between central and local government to free up land for economic use; funding the cost of service reconfiguration or restructuring leading to ongoing efficiencies; sharing Chief Executives; driving a digital approach; aggregating procurement on common goods; improving systems and processes to tackle fraud; setting up commercial or alternative delivery models to deliver services more efficiently or increase revenue income; and integrating public facing services across two or more public sector bodies.

Further guidance and confirmation is expected as part of the Final Local Government Settlement in February, the strategy will be updated as relevant.

It should also be noted that, whilst not a recent change, that the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013 were amended to allow the financial implications of meeting backdated Equal Pay claims from capital receipts in order to reduce the additional pressure the Council's revenue budget position. It provides for any capital receipt received after the 1<sup>st</sup> April 2012. It is possible that surplus capital receipts from 2016/17 could be used to mitigate the impact of this for Southampton City Council which is currently being assessed. This issue will need to be considered as part



of the overall strategy for the use of Capital Receipts and the funding of the capital programme.

### Public Sector Plc (PSP)

Southampton City Council on the 15<sup>th</sup> of September 2014 entered into a limited liability partnership with PSP Facilitating Limited and PSP Southampton LLP for a minimum period of 10 years.

It provides the Council with an additional option over and above those currently available to it with regard to the disposal, sale or use of its assets to maximise income and opportunity. The relationship brings funding opportunities which are not traditionally available and the formed LLP is required to demonstrate its value to the Council before projects are agreed for delivery.

The aims and aspirations of the Partnership are as follows:

- Overall to be a facilitating organisation and development partner for the Council enabling it to better realise the efficient management of its assets by unlocking value and reducing liabilities in relation to the Council's operation properties and investment properties;
- To undertake specific regeneration opportunities by entering into land transactions that achieve the success criteria in a way that maximises the commercial benefits of the Sites;
- To act as a facilitating organisation giving the Council choice as to how it pursues its asset management plans; and
- To assist in achieving broader social, economic and environmental outcomes through true partnership working incorporating the insourcing principle which optimises the use of Council staff or the Council's Strategic Service Partner – Capita Property and infrastructure where it is practical and prior to the appointment of any third party.

Potential schemes are identified on a scheme by scheme basis, the benefits and risks of which are considered as options are identified. It should be noted that currently the council are looking to review assets that generate a ground lease with a view to entering into agreements with the PSP, whereby a potential capital receipt could be realised or alternatively the asset value maybe increased with an increase in revenue income from ground leases. Any additional or loss of potential capital receipts generated will need to be taken into account in funding the overall capital programme.

### Flood Defence

Parts of the city are currently at risk from tidal flooding. The city centre is particularly at risk, where major new development is needed. The council is committed to protecting existing and new developments through the development of flood defences along the River Itchen, which will be designed to integrate with the city's infrastructure.

A report was presented to Capital Board 22nd October 2015 providing details of the River Itchen Flood Alleviation Scheme (RIFAS) identifying the need to strengthen flood defences in that vicinity to:

- To provide strategic flood defence infrastructure that will reduce the tidal flood risk for 679 existing commercial and 1,157 residential properties in this area over the next 70 years avoiding substantial flood damage; and
- To provide strategic flood defence infrastructure that will be future proofed which will enable future redevelopment in the area when these aspirations are realised.

Two options have been identified, a Front Route Option and a Back Option. The Front Route Option was recommended and agreed as the preferred option. This option requires a further financial contribution of £23M over and above other external funding sources such as the LEP and Environment Agency.

Whilst agreeing to support the recommendation of a Front Route Option in principle, at this stage no additional council resources have been agreed. Following a review of other EU funding options and investigation into how we unlock private sector funding and contributions from land owners and businesses, a further worked up option will be presented to Capital Board at later date.

#### Development Company

Cabinet approved at its meeting in April 2015 to undertake the necessary works to set up a wholly owned Development Company (DevCo) which could enable the Council to make maximum use of its assets. Recognising that the Council has a number of sites across the city, both in the city centre and surrounding areas of Council owned accommodation which have the potential to deliver more homes for the city and promote economic growth.

The city's estate regeneration programme is designed to create successful communities to ensure everyone in the city will benefit from this economic growth. The creation of a DevCo would afford the Council new opportunities. One of these will be to increase the supply of new housing across the city. Whilst initially considered in relation to the provision of additional homes in the City, consideration is being given to ensuring that the DevCo is adaptable to deal with all development options.

The structure of the DevCo has still to be agreed and a further report is required on options for the governance and potential financing of the Dev Co.

Further, two specific schemes have now been identified as possible development opportunities to pursue through the DevCo Model, the development of the former Oaklands School Site and stages 2 and 3 of a proposed regeneration of the Townhill Area. The Council have engaged a partner to produce detailed business cases for each of these schemes to test the viability, options, risks and benefits.

#### Efficiency Strategy & Transformation Programme

The continued financial challenge facing the Council increases the need for fundamental, transformational change in both the services it delivers and how it delivers them. The transformation programme was established in 2013, the objectives of which are further detailed in the Medium Term Financial Strategy. A number of tactical and strategic projects

have been developed to meet the Council's financial and operational objectives. These include:

- Service Excellence – aims to increase capacity and productivity through process improvement and revised organisation design;
- HR Policies and Procedures – redesign of redeployment and sickness policies and ongoing challenge and removal of vacant posts;
- Activity Analysis – Review of 'duplicate' activities across the organisation, streamlining and consolidation of activities;
- Service Cost Recovery – Income growth and cost avoidance;
- Procurement – Aim to achieve price and demand efficiencies;
- Digitalisation – reviewing processes and procedures to ensure we are using technological advances to minimise cost and maximise services both to customers and employees; and
- Operating Model – Reviewing the organisational structure to be fit for purpose and focusing on delivering outcomes and priorities.

In order to ensure the successful implementation of these projects it may be necessary to provide upfront capital investment. These costs will be included in the project's detailed business case and will be reported to Capital Board as identified. As noted in the 'Change in Capital Receipts Usage' section above, some of the revenue costs implications of these projects could now be met from the release of Capital Receipts.

#### Demographic Pressures

The Medium Term Financial Strategy details the significant demographic pressures that are impacting the financial position of the authority both now or are likely to in the future. Whilst the revenue implications are being captured there are also likely to be significant capital spend requirements.

A key pressure has been identified as a result of the need to expand secondary school places. The primary school expansion programme is due to end within the next two years, which will lead to a requirement to expand the secondary schools to meet the need for additional year 7 places. It is forecast that the current surplus of year 7 places within the City's secondary schools will be insufficient to meet both demand and the DfE requirement for a 5% surplus by September 2018. The level of capital Basic Needs grant, which is provided to Local Authorities to increase school places, is based on the differential between the forecast number of children and the number of places within the city. Across the secondary sector the total number of places exceeds demand in the city until 2023, which in turn will likely delay the allocation of any further Basic Needs funding after 2016/17 to 2020/21. Therefore during this period any required works to increase the PAN of Secondary schools, in order to accommodate the increase in year 7 children, will need to be funded from Council Resources.

#### Property Investment Fund

Local Authorities face a difficult financial climate with ever decreasing funding from Central Government. This has necessitated in Councils looking at innovative ways to generate regular revenue streams so they can reduce reliance on Central Government funding.

Many Authorities are now acting to strengthen their funding base and reduce reliance on Government grant by building asset portfolios that provide a commercial return and have made the decision to expand their investment property portfolio, which provides an important and substantial revenue income stream, in order to generate a higher level of income by acquiring additional properties.

Officers of the Council are developing a proposal to make a recommendation to Capital Board on how this could work for Southampton City Council and are looking to agree a strategy for undertaking 'Property Investment' activities.

The prime purpose of the strategy will be to:

- Set criteria for making investments;
- There are a number of types of investment and vehicles that would allow for a balanced investment portfolio. Examples which will be considered include direct investment, i.e. properties that already produce income; indirect investment i.e. investing in property investment vehicles such as investment funds; and corporate investment i.e. investment in or acquisition of property management, trading or investment companies.
- The main property sectors are retail, office, industrial and leisure/healthcare. The portfolio will aim to spread its investment across the sectors to limit exposure to any volatility in a particular area:
  - Maximise rental income and minimise management cost thus maximising returns;
  - Pursue opportunities to increase commercial return and improve investment value of commercial assets;
  - Chose property in locations driven by financial criteria, so may not be in Southampton although property in Southampton will be considered if it meets the relevant criteria; and
  - A clear exit strategy.

Approval will be sought from Council in February 2016, following recommendation by Capital Board to add £65M to the capital programme in 2016/17 to provide funding for a Property Investment Fund. Further updates on the progress of the Fund, and requests for additional funding to expand the programme will be reported to the Capital Board as relevant.

## **SERVICE PRIORITIES**

### Schools

The Council has a statutory duty to ensure that there are sufficient school places in the City, promote high educational standards, ensure fair access to educational opportunity and promote the fulfilment of every child's educational potential. This is reflected within the Councils key outcome which is aimed at ensuring children and young people getting the best start in life.

To support the achievement of this outcome a comprehensive Capital Programme is essential to ensure that there are sufficient places available, which enables parental choice and that are of appropriate quality fabric to promote a safe and suitable environment for educational attainment.

The programme is developed in line with the City's education strategy and considers both the expansion of school places through development of existing sites and new build projects in conjunction with local need and preference. In addition the maintenance and fabric of the existing buildings is a high priority to ensure all children continue to receive their education in a safe and supportive environment.

### Transport

The Council's Transport Asset Management Plan (TAMP) remains the backbone of investment decisions on the maintenance of the highways assets, and is instrumental in determining the appropriate level of investment required to maintain the condition of the roads and pavements in the City. The overall condition of the highway network and ability to assist in providing high quality transport links for all modes is seen to be a key priority in terms of providing an indication of the health and vitality of the City.

Additionally, a programme of Integrated Transport Schemes is determined by the Local Transport Plan (Implementation Plan). These schemes also aim to improve the economic vitality of the City through the delivery of transport based schemes for the benefit of the wider economy. As such schemes are prioritised through a series of criteria to identify what schemes will be delivered as part of the capital programme each year.

Further, a need to identify opportunities to make improvements to footways outside of the City Centre has been raised. These will be prioritised and implemented as additional funding is identified.

### Parks and Open Spaces

Approval is being sought, as part of the Capital Programme update to be reported to Council in February, to provide a state of the art water and dry play area in place of the existing paddling pool and play area at Southampton Common. This in part recognises the need to utilise specific funding sources such as S106 and CIL developer contributions. The proposed design and location of the play area also seeks to maximise the available space on the Common and move nearer to other commercial facilities on the Common such as the Hawthorns Café seeking to maximise revenue benefits whilst providing a safe environment and valued community facility. It is also envisaged that the play area will be more ecologically friendly and have reduced ongoing revenue costs. The scheme contributes to all three major obsessions or outcomes detailed in the proposed Council Strategy. It is expected that further schemes will be identified and in line with any potential capital scheme, any proposals will be considered against the capital strategy resource allocation criteria.

## SECTION TWO - CAPITAL RESOURCES

### Current Capital Priorities and Potential Investment levels

The table below identifies the major priorities of the capital programme for 2015/16 to 2019/20.

Priority	Major Project	2015/16 £M	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M
Children and young people getting a good start in life;	Primary Review	2.60	6.28	0.00	0.00	0.00
	School Expansion Programme	1.06	2.51	0.00	0.00	0.00
	School Capital Maintenance	2.83	6.59	0.00	0.00	0.00
	Early Years Expansion	0.00	0.50	0.55	0.00	0.00
A modern vibrant city where everyone works together to keep it clean and attractive.	Accessibility	0.31	0.34	0.02	0.00	0.00
	Bridge Programme	1.19	0.55	0.00	0.00	0.00
	Centenary Quay	1.40	0.00	0.00	0.00	0.00
	Roads Programme	7.40	6.21	0.00	0.00	0.00
	Congestion Reduction	0.39	2.09	0.00	0.00	0.00
	Cycling Improvements	0.71	0.98	0.25	0.03	0.00
	North of Station	4.40	0.00	0.00	0.00	0.00
Public Transport	0.46	0.42	0.26	0.02	0.00	
Strong, sustainable economic growth.	Central Depot Development	0.43	0.68	0.00	0.00	0.00
	SNAC	11.03	5.02	0.18	0.00	0.00
	Watermark West Quay	2.80	2.70	0.00	0.00	0.00

The capital programme report and the HRA 50 year business plan details all the projects currently being undertaken.

### Methods of funding the Capital Programme

#### Government Grants

Capital resources from Central Government can be split into two categories:

- a) Non-ringfenced – resources which are delivered through grant that can be utilised on any project (albeit that there may be an expectation of use for a specific purpose). This now encompasses the vast majority of Government funding and the Council will initially allocate these resources to a general pool from which prioritised schemes can be financed.
- b) Ringfenced – resources which are ringfenced to particular areas and therefore have restricted uses.

#### Non-Government Contributions

Where there is a requirement to make an application to an external agency to receive external funding, and when appropriate to commit Council resources as matched funding to any bid for external resources, a business case should first be presented for consideration to the CCB. The business case must demonstrate how the project aligns to Council's priorities and how matched funding and any revenue consequences can be managed within the context of the capital and revenue budget. If the CCB considers the bid meets relevant criteria, it will be referred to the Leader of the Council, Cabinet Member for Resources and the Chief Financial Officer for a decision.

### Local Enterprise Partnership

Priorities are largely as set by the Government Department concerned and jobs created, private sector leverage and deliverability. The process is led by the LEP Executive and agreed by Board. The lead accountable body is Portsmouth City Council.

### Prudential Borrowing

The Council will investigate opportunities to resource capital projects using prudential borrowing where plans are sustainable, affordable and prudent. Full appraisal will take place to ensure that, where appropriate, sufficient revenue returns are generated to cover the cost of borrowing. Prudential Borrowing will also be utilised to cover the cost of initiatives, such as redundancy capitalisation (on receipt of appropriate Government directions), where the reduction in costs is a corporate issue.

Where it is considered that prudential borrowing is the appropriate method of funding, but it requires additional revenue financing, the cost will be built into the revenue budget planning process. There are various debt instruments available for financing prudential borrowing and these are explored in detail in the Treasury Management Strategy.

The PWLB remains the Council's preferred source of long term borrowing given the transparency and control that its facilities continue to provide. The Authority qualified for borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate) for a 12 month period from 01/11/2014. In April 2015 the Authority submitted its application to Department of the Environment along with the 2015/16 Capital Estimates Return to access this reduced rate for a further 12 month period from 01/11/2015.

An alternative debt instrument that could be utilised going forward is the UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. This is explored in further detail in the Treasury Management Strategy.

### Capital Receipts

Capital Receipts come from the sale of the Council's assets. If the disposal is Housing Revenue Account land or property then not all of the receipt is available to support the capital programme as a percentage has to be paid over to the DCLG.

Where the sale of an asset leads to the requirement to repay grant, the capital receipt will be utilised for this purpose. Once this liability has been established and provided for, capital receipts will be available to support the capital programme as a corporate resource.

Where the asset has been funded from prudential borrowing a review will be undertaken to determine whether the most cost effective option is to utilise the receipt to repay debt, considering the balance sheet position of the authority.

The current strategy for the use of capital receipts is to;

- Provide for an MRP holiday to the value of external loan payments generating a revenue budget saving;
- Consider use to meet the costs of equal pay claims;

- Consider forgoing the immediate capital receipt for longer term and sustainable income stream through development of sites via instruments such as the DevCo and PSP as detailed in Key Priority Issues Section; and
- Capital Board approved that in future, assumed receipts from sale of assets not currently on the market will not be taken into consideration when assessing the total value of receipts available to fund the capital programme.

#### HRA Right to Buy Receipts

In most cases there will be no ring fencing of capital receipts to specific projects. One exception to this is the retained Right to Buy (RTB) receipts held by the Council under the agreement signed in June 2012 and amended in June 2013. Under this agreement any retained RTB receipts, which are not used for the specific purpose of providing replacement affordable housing, must be returned to DCLG.

#### Revenue Contributions

An element of the revenue budget can be set aside to fund the capital programme (Direct Revenue Financing). The Capital Programme Update Report will detail any amount that is forecast to be available for the next five years, however with increasing General Fund revenue pressures these amounts available will need to be regularly reviewed.

A service or school may wish to offer some of its revenue budget to support the financing of a capital project. This is acceptable if it can be demonstrated that this funding is unfettered.

#### Use of Leasing

The Council does have the option to lease assets utilising an operating lease arrangement, with the advent of Prudential Borrowing this source of financing is becoming less attractive. The International Accounting Standards Board have reviewed how leased assets are treated and at their meeting on the 20<sup>th</sup> October 2015 tentatively agreed to apply the new standard for annual periods starting on or after the 1<sup>st</sup> January 2019. The implications of this need to be considered but this may make this source of funding even less attractive.

The Council is currently undertaking a programme of replacing leased vehicles with purchased vehicles and this will be detailed in the Capital Programme update for 2016/17 and future years.

#### Tax Increment Financing (TIF)

The Local Government Finance Act 2012 which received Royal assent on 1 November 2012 provided the legislative framework for the introduction of TIF. This initiative was first announced in October 2010 as an incentive to grow local economies and attract new businesses to areas and has been the subject of a consultation process.

In essence TIF allows Authorities to borrow against future increases in Business Rate revenues generated as a result of local developments and growth. By capturing predicted increases in income from business rates, it will create an income stream that can be used to borrow against, repay existing borrowing incurred under existing borrowing powers or to reimburse costs to a developer for the initial lay out of infrastructure work. This alternative financing for the infrastructure work is aimed at kick-starting regeneration and thereby supporting locally driven development and growth.

This approach has been successfully used in the USA for a number of years and the American experience (both positive and negative) has been used to inform the debate on the implementation of TIF.



## S106 Agreements

S106 agreements are made with developers / landowners as part of the planning approval process and to ensure that new development mitigates its own impact and provides the necessary site specific infrastructure to support it.

These contributions are site specific or can be 'pooled' for a maximum of 5 site specific projects. Any contributions received are 'ring-fenced' for the purpose as set out in the relevant S106 agreement and are applied to fund schemes within the relevant capital programme once an eligible scheme has been identified.

S106 contribution agreements have covered all types of infrastructure including transport, affordable housing, play areas, open spaces, playing fields, public realm and public art. However, since the Council adopted CIL the planning obligations sought within S106 agreements has been scaled back to deal with just the site specific requirements, as required by the CIL Regulations and pooled contributions previously sought for strategic transport, public realm and public open space related obligations are now dealt with by CIL,.

The S106 contributions are time limited in that if they are not spent within an agreed timescale, typically 5 – 10 years, dependent on what has been agreed in the S106 agreement and any funds not spent in line with the agreement would have to be repaid to the developer, which, may include interest.

Consideration of available S106 funding should be taken into consideration when agreeing, for example, the roads programme for future years to maximise the use of the available funding and reduce the reliance on other sources of funding, predominantly borrowing. With the exception of the affordable housing the funding of the other pooled S106 obligations, such as Strategic Transport, Public Realm and Public Open Space related obligations will become zero over time as the CIL continues to be applied.

## Community Infrastructure Levy (CIL)

CIL was adopted by the Council in September 2013. CIL contributions are determined by set rates as detailed within the Council's CIL Charging Schedule, and the amount of floor space being created by the development. CIL can be used to fund a wide range of infrastructure that is needed as a result of new development but is not site specific giving more flexibility in where the funding can be used in geographical terms.

The CIL does not replace the requirement of S106 contributions. S106 contributions will still be relevant and will be sought alongside CIL.

The Planning Act and subsequent Community Infrastructure Levy Regulations 2010 (as amended) says that authorities can only spend CIL on providing infrastructure to support the development of their areas. This includes flood defence, open space, recreation and sport, roads and transport facilities, education and health facilities. However, it does not include affordable housing, which will continue to be funded by S106's. In addition, SCC have opted to continue to seek S106 contributions for strategic transport. All other S106's contributions are now agreed through CIL.

The localism act also clarifies that CIL can be spent on the ongoing costs of providing infrastructure, including maintenance works. The funding can be used towards a significant number of the Council's current programmes i.e. School Expansion and the Roads Programme.

However, it should be noted that 15% (25% if a Neighbourhood Plan is in place) of receipts need to be applied to schemes in the Ward that the receipt originated from, in consultation and agreement with the local community.

The CIL funding can be used to fund existing schemes within the current general fund capital programme that meet the definition of infrastructure, and could be used to fund major programmes such as the Schools Expansion and Roads programmes. Capital Board approved at its meeting on the 22nd October 2015 to treat the CIL monies as a central pot of funding to be allocated as overall council resources to fund the capital programme.

It should be noted that whilst CIL monies will be allocated to fund key infrastructure schemes within the overall capital programme, future potential investment sites will be identified and options for utilising CIL monies at these sites will be considered within the overarching capital strategy which supports the achievement of Council objectives, priorities and outcomes.

#### Private Finance Initiative (PFI)

Although PFI schemes are not shown within the capital programme as they are not financed by capital resources, PFI is a means by which the Council can facilitate major new infrastructure projects. PFI schemes involve partnerships between the public and private sector to fund public sector infrastructure projects with private capital.

Under PFI, a private sector contractor agrees to accept the risks associated with the design, construction and maintenance of the asset over the contract term, which is typically for a 25 year period. The public sector partner pays an annual fixed price during the contract term, part of which is subject to inflation. At the end of the term, the asset is wholly owned by the Council. The Government has provided significant support for PFI schemes although this has recently reduced in line with the general reduction in funding for the public sector.

No additional PFI projects are anticipated. Any such proposals would be presented to the CCB for evaluation before presentation for Members approval.

### **Resourcing Strategy**

The Council's strategy for deploying resources is to ensure that all resources are being utilised to achieve the Council objectives, priorities and outcomes. As most capital financing can be used for projects at the Council's discretion, then the Council is able to address its own priorities and outcomes to shape the capital programme to a locally rather than a nationally driven agenda.

The Council will ensure that it takes full advantage of the freedom and flexibility arising from the removal of ring fencing of resources to facilitate the achievement of council objectives. All non-ringfenced capital funding and other non-specific Council capital resources, will be considered a Council resource and allocated via the Council Capital Board. This resource will then be managed so that only schemes which can demonstrate the attainment of Council capital priorities and outcomes will be allocated funds. The Council Capital Board (CCB) will review the Council Strategy and the Capital Strategy each year to ensure the priorities are aligned making recommendations to Cabinet/Council on the prioritisation of resources for:

- a) The initial capital programme; and
- b) Any subsequent revisions to the capital programme.

Cabinet/Council will make the final decision on the overarching capital programme and will subsequently delegate the updating of the programme and revisions to projects to the Leader of the Council and Cabinet Member for Finance, in conjunction with the Chief Financial Officer, in order to minimise delays in the capital programme.

The CCB will review the usage of any ring fenced resources to ensure alignment with other spending plans and the maximisation of benefits to the Council.

In determining how the non-ring-fenced resources will be allocated the CCB will have regard to:

- The preparation of the statutory Local Transport Plan, and Transport Asset management strategy;
- The preparation of the Asset Management Plan for Schools and Council Buildings to ensure health and safety issues have been dealt with appropriately; and
- The Council's obligation to finance adaptations to the homes of disabled residents for which it expects to receive a grant from Central Government is now to be passported directly to the Better Care Fund along with the Adults Personal Social Services grant. It has been agreed with the CCG that these monies will be retained by the Council in 2015/16, as part of the S75 pooling arrangement detailed in the Revenue Budget Report.

Grant funding allocations notified to the Council also include information about capital maintenance funding for Voluntary Aided (VA) schools. This grant is paid directly to the Church of England and Roman Catholic diocese respectively and is not therefore included within the Councils capital programme. Expenditure undertaken by the Council on VA schools is planned with regard to the availability of contributions from this grant and diocesan resources.

### **SECTION THREE - CAPITAL INVESTMENT AND DISPOSAL APPRAISAL PROCESS**

All capital investment will be commissioned by the CCB. This will enable any expenditure and it's funding to be better aligned with the Council and City priorities and outcomes as well as that of other partners and funding sources. These partners, from both the public and private sector will be at both a regional level and also at a district level.

Once initial strategic capital requirements have been identified and prioritised, full business cases will be commissioned for the highest priority projects.

The Council is currently reviewing its programme management arrangements including a review of the documentation being utilised. Further work is required to adapt the current project management documentation to ensure it can be utilised for capital projects and for review by the CCB.

For proposals initially commissioned by the CCB the following approvals process will be put in place:

1. Outline Business Case (OBC) which will focus on options appraisal and quantifiable outcomes.
2. Full Business Case (FBC) – the final investment decision. This will focus on the how the priorities set out in the OBC will be delivered, including:
  - a) Project description
  - b) Consultation
  - c) Expenditure and funding including whole life costs and revenue implications
  - d) Outputs
  - e) Any further option appraisal
  - f) Value for Money

- g) Delivery
- h) Timescales
- i) Risk Management
- j) Sustainability, Forward strategy and evaluation
- k) Asset Management
- l) Procurement
- m) Equality Impact Assessment
- n) Environmental Impact Assessment

c) Change Requests where delegated tolerance levels will be exceeded.

For proposals that are identified by officers there will be an initial extra step in the process, which will be undertaken on an annual basis which will be a Concept Outline, this could just be an idea on a page. This will cover the initial concept idea, potential costs and funding sources, links to the Council Strategy and the City Plan, how outcomes will be improved.

It should be made clear that these will be the exception and the main focus will be on projects commissioned by the CCB.

Where there is already an agreed asset management plan the CCB can choose to request elements of the above business case to come forward as they see fit.

#### How projects will be appraised

Capital Projects will be appraised using the following criteria:

1. Does the project deliver or facilitate the delivery of a strategic priority, linked to an outcome?
2. Is it worth planning – is it value for money?
3. Can we afford to progress the project and commit funding?
4. Does the project stimulate or add to economic growth?

Business cases will be presented to CCB on the basis that they have had the appropriate clearance by finance, legal, property, and strategy.

### **SECTION 4 - HOW THE CAPITAL REQUIREMENTS WILL BE PRIORITISED**

Once a project has demonstrated that it meets the Council's strategic objectives, priorities and outcomes and it has been agreed that it is suitable for capital investment, the strategic requirements will be prioritised using the following criteria (it should be noted that these are not mutually exclusive or in ranking order):

The criteria will examine if the proposal is:

1. Related to mandatory, contractual or legislative service delivery requirements;
2. Required to achieve the delivery of a specific revenue budget saving within the revenue budget setting process;
3. Required to support Service Plan priorities;
4. Linked into other regional objectives;
5. Supporting the evolving localism agenda;
6. Reducing costs or backlog maintenance of assets management/estate management;
7. Providing a general revenue saving (not directly linked to the budget cycle) or offering the delivery of a more efficient service;
8. Fully funded from external resources (including project management etc.);

9. Bringing in substantial external resources for which Council matched funding is required; or
10. Likely to have the highest impact on achieving improved performance against the Council's key objectives.

This criteria will be reviewed and any changes reported each year in line with the Council Strategy. Following this, a process of commissioning alongside officer requests for funding will be undertaken and will be presented to Members each year as part of the process for approving the capital programme, or during the year if projects come forward outside the normal timeframe.

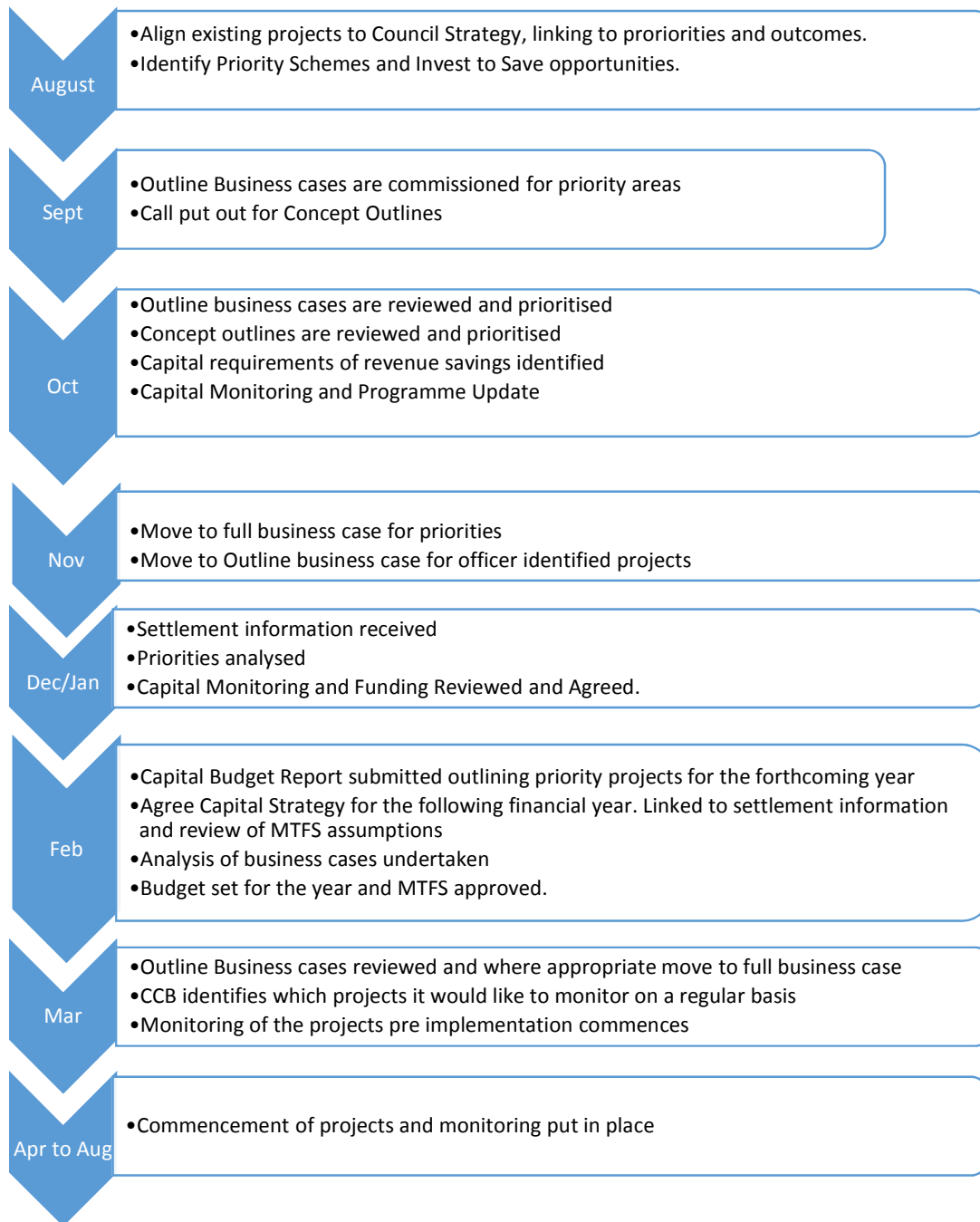
All projects should demonstrate that they:

- Deliver the highest impact in achieving the required outcomes;
- Are financially sustainable and any adverse revenue implications can be dealt with within existing budgets, and the whole life cost of the project has been considered;
- Have identified risks and appropriate actions to negate these risks;
- Have identified key milestones;
- Have a full exit strategy identified where the project involves a disposal; and
- Have a method of procurement identified and represents value for money.

This process is still under development in 2015/16 and should be fully embedded during 2016/17.

## SECTION FIVE - CAPITAL PROGRAMME DECISION MAKING CYCLE

The diagram below illustrates the decision making cycle for capital projects and the link to the revenue budget, the Medium Term Financial Strategy, and the Council Strategy



## **SECTION 6 - HOW THE COUNCIL WILL PROCURE ITS CAPITAL PROJECTS**

The structure of the Council's procurement function includes designated Commercial Procurement Managers whose focus is to support all capital projects.

Integration of revenue and capital financial planning provides opportunities for greater efficiency by selection of the most effective procurement processes.

Efficiency gains via procurement will be achieved by:

- Efficient procurement processes which are constantly being enhanced and improved;
- Strategic pro-active contract management of the wider supply chain either directly or through Primary contractors to ensure that efficiency savings and cost optimisation through project completion and beyond;
- Procuring fixed price contracts with risk / reward terms to incentivise further efficiencies. This will require a focus upon getting the design/specification right first time whilst also ensuring that services give both Property and Procurement sufficient notice of any forthcoming capital projects;
- Joining in region wide procurement initiatives and framework agreements where they can demonstrably provide savings through economies of scale;
- Exploring and introducing where practicable PFI and Public Private Partnership (PPP) agreements and other innovative financing arrangements where practicable;
- Exploring and introducing where practicable Leasing/borrowing strategies which will consider the most effective means of acquiring assets;
- Identifying from the Capital and maintenance programme the contracting/framework creation opportunities which will leverage most effectively the council's spend and return the best value for money;
- Ensure the full asset lifecycle cost is considered as part of the asset acquisition process; and
- Ensure that any capital project procurement comply with the council's sustainable procurement and ethical procurement policies as well as the Social Value Act.

One of the key objectives of complying with these policies should be to use our capital project procurements to generate jobs, apprenticeships, NEET employments opportunities and training for long term unemployed for the citizens of Southampton. As such these procurements should be used as a vehicle for delivering economic growth in Southampton.

## **SECTION 7 - HOW THE COUNCIL WILL MONITOR AND MEASURE THE PERFORMANCE OF THE CAPITAL PROGRAMME**

The CCB has a remit to review the financial performance of the capital programme. Financial monitoring reports will therefore be considered by Cabinet on a quarterly basis together with a capital outturn report. Issues that have been considered and recommend by the CCB can be reported to Cabinet as necessary via the regular financial monitoring reports. Where a potential cost overrun has been identified, the CCB will explore possible solutions in detail. It will also consider any underspending or identified surplus resources which can be reallocated to other priorities.

Where there is a delay in the commitment of programme/project resources, the CCB will require project managers to report the reasons for the delay and consider whether it would be appropriate to recommend the decommissioning of the project and the reallocation of non-ring-fenced resources to other projects. It should be noted here that there may be a potential revenue consequence of doing this due to the capital accounting requirement to transfer abortive costs to revenue.

The Local Capital Boards for individual portfolios will be responsible for monitoring the implementation and delivery of the individual projects. The CCB will decide which projects and programmes it would like to receive a regular progress and performance update on based around strategic importance and associated risk.

The performance of the capital programme is also measured by the prudential indicators which are reported to Cabinet and Council as part of the Treasury Management Strategy, the Treasury Management half yearly review, and the post year-end review.

## **SECTION 8 - THE COUNCIL CAPITAL BOARD**

The Council Capital Board will be made up of the following members:

- Cabinet Member for Finance (Chair)
- Leader of the Council
- Chief Executive
- Assistant Chief Executive
- Director of Transformation
- Finance Officer Representative
- Cabinet Members

By invite:

- Director for Place
- Director for People
- Project/Programme Managers

The Board will meet on a monthly basis with the remit of:

- Discuss and recommend actions around developing capital issues;
- Develop the capital strategy;
- Commission the coming years capital programme;
- Review the capital receipts position;
- Review the assets disposal plan;
- Monitor the performance of the capital programme overall;
- Monitor the performance of strategic and high risk projects;
- Periodically review the strategic fit of projects; and
- On an annual basis recommend the tolerance levels for project variations in time to allow the Financial Procedure Rules to be updated and approved by Council.

The full terms of reference for the Board are included in the Financial Procedure Rules and will be updated annually to reflect any changes to the Council Capital Board. These are attached as Appendix 1.



It should be noted that projects may be proposed through other boards such as the Transformation and Commissioning Boards. Whilst funding can be approved by these boards, the requests to changes and additions to the programme should still follow the proposed process detailed in the sections above.

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<b>DECISION-MAKER:</b>		CABINET COUNCIL	
<b>SUBJECT:</b>		GENERAL FUND REVENUE BUDGET 2016/17 TO 2019/20	
<b>DATE OF DECISION:</b>		9 FEBRUARY 2016 10 FEBRUARY 2016	
<b>REPORT OF:</b>		CABINET MEMBER FOR FINANCE	
<b><u>CONTACT DETAILS</u></b>			
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	<b>E-mail:</b>	<a href="mailto:Mel.Creighton@southampton.gov.uk">Mel.Creighton@southampton.gov.uk</a>	
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<b>STATEMENT OF CONFIDENTIALITY</b>
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N/A
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## BRIEF SUMMARY

The purpose of this report is to set out the latest estimated overall financial position on the General Fund Revenue Budget for 2016/17 and to outline the main issues that need to be addressed in considering the Cabinet's recommendations to Council on 10 February 2016.

## RECOMMENDATIONS:

### CABINET

#### It is recommended that Cabinet:

- i) Note the position on the estimated outturn and revised budget for 2015/16 as set out in paragraphs 3 to 17 and Appendix 4.
- ii) Note the position on the forecast roll forward budget for 2016/17 as set out in paragraphs 18 to 49 and Appendix 8.
- iii) 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 & 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 2016/17, in consultation with the Leader, for submission to Full Council on 10 February 2016.
- iv) Note the consultation on the Executives draft proposals will commence on the 11 February and note the consultation proposals and methodology as set out in paragraphs 91 to 97 and Appendix 2 of this

report.

- v) Note the Executive's savings proposals put forward for consultation in Appendix 6 which amount to £8.6M
- vi) Approves and recommends to Council where appropriate, the General Fund Revenue Budget changes as set out in Council recommendations i-xv

## **COUNCIL**

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

- i) Notes the budget consultation process that was followed as outlined in Appendix 1.
- ii) Notes the budget consultation process for the new budget proposals that will be followed as per Appendix 2.
- iii) Notes that the consultation feedback has been taken into consideration by the Cabinet and has informed their final budget proposals.
- iv) Notes the Equality and Safety Impact Assessment process that was followed as set out in paragraphs 95 to 97 and the details contained in Appendix 3 which reflect the feedback received through the consultation process.
- v) Approves the revised estimate for 2015/16 as set out in Appendix 4.
- vi) Notes the position on the forecast roll forward budget for 2016/17 as set out in paragraphs 18 to 49.
- vii) Approves the revenue pressure as set out in Appendix 5
- viii) Approves the use of balances and reserves to ensure a balanced budget in the event any of the budget proposals contained within Appendix 6 are not progressed following consultation. This will be until such a time alternative proposals are identified as per paragraph 61 to 62.
- ix) Approves the savings proposals as set out in Appendices 6 and 7.
- x) Approves the General Fund Revenue Budget 2016/17 as set out in Appendix 8, which assumes a council tax increase 2% representing the increase for the Adult Social Care Precept.
- xi) Delegates authority to the Section 151(S151) Officer to action all budget changes arising from the approved pressures, savings and incorporating any other approved amendments into the General Fund estimates.
- xii) Notes that after taking these items into account, there is an estimated General Fund balance of £8.9M at the end of 2016/17 as detailed in paragraphs 79 to 86.
- xiii) Delegates authority to the Section 151 Officer, in consultation with the Monitoring Officer, to do anything necessary to give effect to the recommendations in this report.
- xiv) Sets the Council Tax Requirement for 2016/17 at £81M as per

Appendix 9.

- xv) Notes the estimates of precepts on the Council Tax collection fund for 2016/17 as set out in Appendix 10.
- xvi) Delegates authority to the Section 151 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.

## REASONS FOR REPORT RECOMMENDATIONS

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

## ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. Alternative options for revenue spending form an integral part of the development of the overall Budget Strategy that will be considered at the budget setting meeting on 10 February 2016. Alternative options may be drawn up by opposition groups and presented at the same meeting.

## DETAIL

### REVISED BUDGET & FORECAST OUTTURN 2015/16

3. This report is concerned mainly with the revenue estimates for 2016/17. However, there are elements of the 2015/16 estimated outturn, as detailed in Appendix 4, that will have an impact on the overall financial position. The latest position, as at Quarter 3, is that there is a forecast year end overspend of £0.12M (further information regarding this forecast position is set out in the Corporate Monitoring Report which is to be considered by Cabinet at its meeting on the 9 February 2016).
4. The revenue budget for 2015/16 assumed a general draw of £7.1M would be made from balances to support the delivery of a balanced revenue budget. If the authority does end the year with a net overspend of £0.12M, the net draw made from balances to revenue will increase to £7.22M. The table below summarises the main changes:

	£M
Net Increase in Portfolio Costs	7.78
Net Decrease in Capital Asset Management	(2.10)
Other income and expenditure decrease	(5.33)
Non Specific Government Grants increase	(0.23)
Increase in Net Draw from Balances (General)	<u>0.12</u>

5. Further information regarding the forecast outturn is set out below.

### **Portfolio Outturn**

6. The forecast variance on Portfolio spend of £7.78M as at Quarter 3 is set out in the following table:

Portfolio	Budget £M	Forecast £M	Forecast Outturn Variance	
			£M	%
Communities, Culture & Leisure	6.12	6.41	0.29 A	5 A
Education and Children's Social Care	38.96	46.77	7.81 A	20 A
Environment & Transport	22.14	21.56	0.58 F	3 F
Finance	35.63	34.20	1.43 F	4 F
Health & Adult Social Care	58.05	61.52	3.47 A	6 A
Housing & Sustainability	2.69	2.78	0.09 A	3 A
Leader's	11.58	9.71	1.87 F	16 F
Transformation	0.64	0.64	-	-
<b>Portfolio Total</b>	<b>175.81</b>	<b>183.59</b>	<b>7.78 A</b>	<b>4 A</b>

### **Capital Asset Management**

7. The favourable variance of £2.1M is due to forecast interest payable being below that originally estimated, due to lower than anticipated borrowing costs, and forecast interest receivable being above that originally anticipated.
8. The cost of financing the authority's long term and short term debt in 2015/16 is currently forecast to be £2.3M less than budgeted for within the General Fund. This is mainly a result of variable interest rates being lower than estimated, no new long term borrowing being undertaken since 2013/14 and to deferring any new borrowing to later in this financial year than initially planned.
9. Investment income for the year is currently forecast to be around £0.5M higher than originally estimated.
10. This is offset by an increase in Minimum Revenue Provision (MRP) of £0.7M as a result of a change in policy for funding MRP to generate additional revenue savings.

### **Other Expenditure & income**

11. The forecast position shows a favourable variance of £5.33M against other income and expenditure. This reflects a revised figure of £4.76M for assumed use of the risk fund and £0.56M additional income from contractual refunds.

### **Non Specific Government Grants**

12. Additional non-specific Government grant income not included in the budget is anticipated resulting in a forecast favourable variance of £0.23M as follows:
13. The amount of Education Services Grant that the Council receives is primarily based on the number of pupils in maintained schools in the city. This number is continually updated as schools convert to academies. Based on known academy conversions this financial year, the amount forecast to be received in 2015/16 is expected to be £0.39M more than budget.
14. Local Reform & Community Voices Grant is expected to be £0.05M more than budget
15. Housing Benefit Admin Subsidy Grant is expected to be £0.13M lower than budget
16. Council Tax Support New Burdens funding received in May was £0.08M lower than budgeted.
17. With the continuing management actions that are in place it is expected the final position for the General fund Revenue account will be a balanced position.

### **FORECAST ROLL FORWARD BUDGET 2016/17**

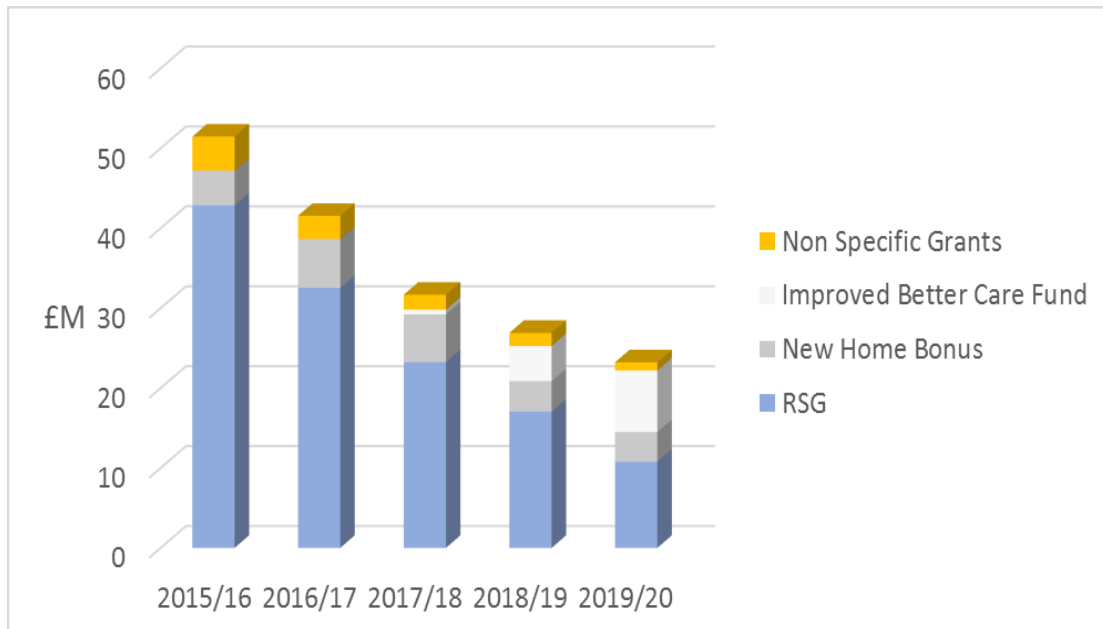
18. The report to Cabinet on 10 February 2015 identified a roll forward gap for 2015/16 of £39.1M. In November 2015 Council approved savings of £9.4M bringing the gap to £29.7M. Also in November, Cabinet approved an updated position following a number of changes revising the savings requirement to £25M. This report also asked Cabinet to approve a further £13M of savings to go to consultation. Bringing the remaining savings requirement to £12M

### **Comprehensive Spending Review & Provisional Local Government Finance Settlement**

19. The Autumn Statement and Comprehensive Spending Review set the scene for the Provisional Local Government Finance Settlement which was issued on the 17<sup>th</sup> December 2015.
20. The main headlines of the CSR for local government funding showed there would be a reduction in funding. However, this reduction is less than previously expected and forecast in the Medium Term Financial Strategy (MTFS). There was also a recognition of the pressures faced by authorities in dealing with adult social care demand with an increase to the Better Care Fund and the ability to increase council tax by a further 2% Adult Social Care Precept.
21. A commitment to continue the New Homes Bonus funding was also given although with a revised formula taking funding from a 6 year period to a 4 years.
22. The CSR also reiterated the move to a new funding regime for local authorities with the removal of the Revenue Support Grant, to be replaced by 100% Business Rates retention subject to the Top Up and Tariff system to address need continuing. In order to make this fiscally neutral to Central Government it is likely this will also involve additional responsibilities being devolved and potential for the removal of other funding streams such as the Public Health grant. Further detail on the CSR can be found in the Medium Term Financial

Strategy report Appendix 3, which is elsewhere on the agenda.

23. The Provisional Local Government Finance Settlement (PLGFS) took these headlines and gave specific allocations for each authority. For Southampton the impact of the settlement in terms of grant funding can be seen in the graph below. This shows Southampton's grant funding reducing by 55% from 2015/16 to 2019/20.



For Southampton the main changes related to:

- **Revenue Support Grant** - this has reduced by £10M (£43M in 2015/16, to £33M in 2016/17). This is marginally better than the previously predicted allocations within the MTFS Model by £1.8M however, £1.4M of this relates to grants for the Care Act and other small grants being rolled into this funding stream.
- **New Homes Bonus** – the indicative allocation shows an increase of £1.7M from 2015/16 (£4.3M in 2015/16 to £5.9M in 2016/17). It also confirmed there will be allocations in future years whereas the MTFS model assumed 2016/17 would be the final year of funding. This change has been reflected within the Medium Term Financial Model.
- **Housing Benefit Administration Grant** – there was an indicative allocation of £1.2M for this grant in 2016/17. This is a reduction of £0.3M from 2015/16. However this grant had not been assumed at all in the MTFS Model due to the implementation of Universal Credit.
- **Business Rates** – the MTFS Model has previously assumed a business rate increase of 2% however the settlement reduced this in line with Retail Price Index to 0.8% bringing the expected increase to £0.2M rather than the previously predicted £1.2M.



- **Better Care Fund** – the Settlement gave indicative allocations for the Improved Better Care fund announced in the Autumn Statement. There is no allocation for Southampton in 2016/17 but by 2019/20 the indicative allocation is £7.7M

24. The table summarises the impact of the PLGFS on the estimated non specific government influenced income streams in comparison to 2015/16.

	2015/16 Funding	PLGFS	Change from 2015/16
	£M	£M	£M
Revenue Support Grant	(42.8)	(32.5)	10.3 A
New Homes Bonus	(4.3)	(6.0)	(1.7) F
Housing Benefit Admin Grant	(1.5)	(1.2)	0.3 A
Business Rates inc Top Up Grant and S31 grants	(50.0)	(50.0)	0
<b>Total</b>	<b>(98.6)</b>	<b>(89.7)</b>	<b>8.9 A</b>

25. The table below summarises the 2016/17 non-specific government influenced funding position in comparison to 2016/17 estimated income.

	2016/17 Estimate	PLGFS	Change To 2016/17 Position
	£M	£M	£M
Revenue Support Grant	(30.7)	(32.5)	(1.8) F
New Homes Bonus	(4.4)	(6.0)	(1.6) F
Housing Benefit Admin Grant	-	(1.2)	(1.2) F
Business Rates inc Top Up Grant and S31 grants	(51.0)	(50.0)	1.0 A
<b>Total</b>	<b>(86.1)</b>	<b>(89.7)</b>	<b>(3.6) F</b>

26. 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 10 February 2016.

### **Council Tax Base**

27. The council tax base for 2016/17 has been set at 60,464 properties using delegated powers granted by Council on 17 January 2007. This is an improvement on the position assumed in November and reflects growth in the tax base and the required adjustments in respect of the Local Council Tax Reduction Scheme for 2016/17. The increased tax base leads to forecast additional income of £2.1M in 2016/17. This represents an additional increase of 1M compared with the increase reported in the November Budget report to Cabinet.

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

28. Income received into the Collection Fund comes from two sources, Non Domestic Rates (NDR) and Council Tax. Until 2013/14 income received from National Non Domestic Rate payers was paid in full to the Central Government NNDR Pool after a contribution had been made to the City Council's General Fund to meet the costs of collection. The net effect of NNDR on the Collection Fund was therefore neutral. However, from 2013/14, due to the localisation of Business Rates (previously known as NNDR) under the Business Rate Retention (BRR) Scheme, BRR variances now have an impact on the Collection Fund Outturn.
29. The remainder of the income received by the Collection Fund is the income due from Council Tax payers. Some households are entitled to various allowances to the standard rate including the Single Person Discount and Council Tax Reduction that reduce the amount that they are required to pay. Until 2013/14 the cost of Council Tax Benefit was met in full by Government subsidy. However, from 2013/14 onwards this is no longer the position due to ending of Council Tax Benefit and the introduction of a Local Council Tax Reduction scheme.

### **Council Tax Surplus 2015/16**

30. Each billing authority is required to estimate the level of surplus or deficit on the Council Tax element of the Collection Fund at the end of each financial year in order that these amounts can be included in the calculation of the Council Tax for the coming financial year.
31. These estimates must be made by the 15 January each year (or the earliest working day before this date if it falls on a weekend) and then be notified to all precepting Authorities.
32. A revised estimate of the Collection Fund surpluses and deficits as at the end of December 2015 has been calculated. This shows an estimated increase in the income due from council tax payers of £1.49M compared to the original forecast at tax setting time (a variance of 1.6% from the original estimate).
33. In addition there has been a decrease in the level of the surplus brought forward on the Council Tax Collection Fund on 1 April 2015 of £0.47M.

34. The amounts identified above combine to make a surplus of just under £1.02M on the Council Tax Account. This surplus will be shared between the precepting authorities as follows:

	£M
Southampton City Council	0.87
Police and Crime Commissioner for Hampshire	0.11
Fire & Rescue Authority	0.04
<b>Total</b>	<b>1.02</b>

This surplus of £1.02M of which the Council's share is £0.87M has been taken into account in setting the 2016/17 Council Tax.

#### **Business Rates Surplus 2015/16**

35. From 1 April 2013 the arrangements in respect of NNDR changed from a position where the Authority purely collected business rates on behalf of Central Government to one where this income is shared between Central Government, Local Authorities and major precepting bodies, (Hampshire Fire and Rescue Authority (HFRA) in Southampton's case). This change affects the retention of the income collected and also carries a risk to the Council for failure to collect rates in comparison with a predetermined "Start-Up" funding assessment. Risks of non-collection include rates billed from 1 April, those not yet collected from prior years and appeals that were not resolved before that date.
36. A revised estimate of the Business Rates Collection Fund surpluses and deficits has been calculated as at the end of December 2015. This shows an estimated increase in the income due from business rate payers of £5.19M in 2015/16 compared to the original forecast at tax setting time.
37. There is also an increase in the level of the surplus brought forward on the Business Rates Collection Fund on 1 April 2015 of £0.95M.
38. The amounts identified above combine to make a surplus of £6.14M on the Business Rates element of the Collection Fund. This surplus will be shared between Central Government, Southampton City Council and Hampshire Fire and Rescue Authority as follows:

	£M
Central Government	3.07
Southampton City Council	3.01
Hampshire Fire & Rescue Authority	0.06
<b>Total</b>	<b>6.14</b>

This surplus of £6.14M of which the Council's share is £3.01M has been taken into account in setting the 2016/17 Council Tax.

## **Business Rates**

39. The Business Rate Retention (BRR) Scheme was introduced in April 2013 and represented a major change in the way in which local government is funded. It is seen by the government as providing a direct link between business rates growth and the amount of money local authorities have available to spend on local services. However, the reality is more complex and the new system introduces a high level of risk into the financial position for local authorities without the level of control the government suggests is possible.
40. Councils are able to retain a proportion of their growth in business rates but also take the risk for reductions in business rates, although there are 'safety net' arrangements in place to protect against very large reductions.
41. The estimate for 2016/17 has taken into account the estimated rateable value of businesses within the City, adjusted for reliefs, transitional relief, appeals and any reductions in rateable value.
42. Estimating business rate income is complex, as there are many factors which can significantly affect the overall figure, including entitlement to reliefs and properties coming on to, or being taken off the rating list. The biggest uncertainty concerns revaluations arising from appeals against the Valuation Office (VO) determinations. These are very common and can lead to large refunds being backdated several years. However, appeals lodged from 1 April 2015 can now only be backdated to the 1 April 2015, which, once all the appeals lodged prior to 1 April 2015 are settled, should reduce this level of uncertainty.
43. 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.
44. The NNDR1 form for 2016/17 has now 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 changes (funded by Section 31 Grant) the Councils Net Rates Payable for 2016/17 is £106.02M.
45. After allowing for estimated losses in collection of £1.1M and estimated repayments in respect of the 2016/17 Rates of £7.7M this gives a Collectable Rates figure of £97.21M.
46. After allowing for costs of collection of £0.32M the adjusted Non Domestic Rating Income forecast is £96.9M.

47. The following table shows how the total income is shared:

	<b>£M</b>
Estimated Net Domestic Rating Income	96.90
Amount to be paid to Central Government (50%)	48.45
Amount to be retained by the Council (49%)	47.48
Amount to be passed to HFRA (1%)	0.97

48. In addition to income received from the collection of Business Rates the Council will receive grants under Section 31, and these are detailed in the table below:

<b>Grant Description</b>	<b>Estimated Grant £M</b>
Multiplier Cap – based on cost of 2% cap on small business multiplier in 2016/17	0.69
Small Business Rate Relief	0.88
Long Term Empty Property Relief	0.02
In Lieu of Transitional Relief	0.01
<b>Total</b>	<b>1.60</b>

49. The overall level of expected income for business rates for 2016/17 (including the 2015/16 surplus of £3.01M, section 31 grants of £1.6M and top up grant of £1.6M) is expected to be £53.73M to support the revenue position.

### **PRESSURES**

50. Part of the Budget process each year also looks at unavoidable pressures on services that will have a financial impact, many of which are outside of the control of the service itself and cannot be addressed by savings/efficiencies. Examples of these would be contractual changes, which have a direct impact on costs (e.g. increase in service specification), legislative changes such as new functions and standards, or areas where the current budget is not adequate for the level of demand within the service. The pressures arising since the November report amount to £4M and are detailed in Appendix 5. The main areas are:

- Adults Social Care £1.2M – relating to the increase in demand and package costs
- Adult Social Care - £0.4M – relating to expected loss of government funding for Independent Living Fund (assuming 50% loss of grant) and Deprivation of Liberties grant (assuming 100% loss of funding). Whilst the expectation is the funding will be lost the council are still required to continue with these services
- Children’s Social Care £1.8M – relating to the cost of agency staff coupled with a higher than anticipated number of safeguarding cases and difficulties recruiting in this area.

- Other pressures – including waste disposal volumes, social workers market supplements to improve recruitment and retention.

### **OVERALL CHANGE IN ROLL FORWARD POSITION**

51. The table below summarises the impact of the above on the 2016/17 position. This position represents the 'base' position from which all political groups may develop their own budgets taking into account the proposals for new spending and savings options put forward by Officers.

	<b>2016/17</b>
	<b>£M</b>
<b>Original Savings Requirement as per February Report</b>	<b>39.1</b>
<u>Previously Reported Changes</u>	
Reduced Pay Award Provision	(0.8)
Reduced inflation Provision	(0.4)
Adult Social Care Pressures	4.0
Children's Social Care Pressures	5.0
Funding to Support Roads Capital Programme	0.4
Release of Pressures & Risk Provisions	(2.8)
New Homes Bonus	(4.5)
Increase in Business Rates and Council Tax	(1.8)
Collection Fund Surplus 2015/16	(3.8)
<u>Provisional Local Government Finance Settlement</u>	
Revenue Support Grant	(1.8)
New Homes Bonus	(1.6)
Business Rates	1.0
Improved Better Care Fund	0.0
Other Government Grants	(1.2)
Adult Social Care Council Tax Precept @2.00%	(1.6)
<u>Other Changes</u>	
Removal of Council Tax increase @1.99%	1.5
Increase in Council Tax Base	(1.0)
Further identified pressures (Appendix 5)	4.0
<b>Revised Savings Requirement</b>	<b>33.7</b>

### **SAVINGS PROPOSALS**

52. The specific proposals in this report as set out in Appendices 6 & 7 and outlined in the following paragraphs represent the Executive's budget proposals for

2016/17.

53. The November Council report set out budget proposals post consultation of £9.4M relating to 2016/17 to be implemented during 2015/16.
54. Following further work on potential savings proposals a report was taken to November Cabinet, recommending that £13M of savings proceed to consultation stage. The results of this consultation are attached at Appendix 1.
55. Following this consultation process this report now recommends £11.9M of the £13M savings for approval. The following savings have been withdrawn as a result.:

Portfolio	Portfolio Ref	Service Activity	Description of Item	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M
Environment & Transport	E&T20	Transportation	Revert disabled on street parking bays into pay and display	0.03	0.04	0.04	0.04
Health & Adults Social Care	HASC 8	Long Term	Setting of Personal Budgets to meet unmet eligible adult social care need	1.10	1.10	1.10	1.10

56. If savings of £11.9M are approved this would have leave a remaining savings requirement of £12.4M still to be addressed.
57. As a result of this remaining gap further work has been undertaken identifying potential savings. These are detailed in Appendix 6 and total £8.5M. This report recommends these savings progress to consultation and the results of this consultation be reported back to Cabinet in due course.
58. If all these savings are implemented this would leave a remaining savings requirement of £3.9M. It is proposed to utilise available General Fund Balance to address this, as per paragraph 61.
59. This gives a total savings programme of £29.9M in 2016/17. A comprehensive list of all budget proposals can be found at Appendices 6 & 7.

	2016/17 £M
Revised Savings Requirement	33.7
Savings already implemented (Appendix 6 – August Savings)	(9.4)
November Savings Proposals (Appendix 6)	(11.9)
February Savings Proposals	(8.5)
<b>Remaining Gap to be funded from General Fund Balance</b>	<b>3.9</b>

60. For the purposes of considering an overall budget package, it should be noted that the roll forward budget includes a 3% vacancy factor built in to all salary budgets as well as the ongoing effects of savings identified in previous budget

rounds.

### **Change to Draw on Balances**

61. The General Fund Balance in 2016/17 is expected to be £12.8M. This report details in paragraphs 79 to 86 and Appendix 12 a requirement to maintain this balance at £5.5M. Therefore £3.9M of this balance is recommended for release to support to General Fund budget.
62. It is also recommended that should any of the savings being proposed for consultation be removed as a result of this consultation, the shortfall is initially drawn from balances, until alternative savings options are identified.

### **PUBLIC HEALTH GRANT REDUCTIONS**

63. The Public Health Grant that was introduced in April 2013, will continue to be a ring-fenced grant to Local Authorities into 2016/17 and 2017/18. The allocation will be subject to a new formula and will incorporate the transfer of funding for Childrens 0-5 Public Health services. The final allocation of Public Health grant for 2016/17 is still to be confirmed for local authorities. As part of the spending review it was announced that there would be further reductions in the grant, in addition to the £200M announced for 2015/16, through to 2020/21, as outlined in Table 2 below.

**Table 2 – Public Health Grant Reductions**

	<b>2016/ 17</b>	<b>2017/ 18</b>	<b>2018/ 19</b>	<b>2019/ 20</b>	<b>2020/ 21</b>
Percentage reduction in total grant from 2015/16 baseline	2.2%	2.5%	2.6%	2.6%	0%

The Council is committed to identifying savings from within the total Public Health programme, comprising the delivery of internal and external services, in order to achieve the level of savings required and further reports will be brought on this matter as and when required.

### **TREASURY MANAGEMENT**

64. The Council's Treasury Management Strategy was presented to the Governance Committee on 8 February 2016 and is the subject of a report on the Council agenda.
65. It aims to set out a proposed strategy for the coming year in relation to the Council's cashflow, investment and borrowing activity, and the management of the numerous tasks related to the activity. All the implications are included within the financial position set out in this report

### **STAFFING IMPLICATIONS**

66. The City Council employs 3,450 non-school employees and their staffing costs constitute a significant element of overall expenditure. Given that this is the case, it is inevitable that when the Council is faced with such a significant funding shortfall, the savings proposals put forward, (as set out in Appendices 6



& 7), will have an impact on staff cost and staff numbers.

67. The Council has therefore continued to have in place a carefully planned approach to recruitment, ensuring that vacant posts have only been recruited to where absolutely necessary and essential for key service delivery.
68. This proactive approach has meant that the Council has been able to hold a number of posts vacant which can now be deleted in order to achieve savings as part of the budget process. The deletion of vacant posts reduces the impact on existing staff in post and reduces the actual number of employees who will be made redundant.
69. Based on the current savings proposals contained in the budget 194.60 Full Time Equivalent (FTE) posts are impacted, of which 37.01 FTE of posts are vacant. The post holders will either be at risk of being made redundant or be subject to TUPE transfer, and up to 158 individuals are impacted.
70. This adds 4.28 FTE posts to the previous proposals outlined at November Cabinet and Council. In addition to these the revised Operating Model and Children's Services efficiencies are to be extended to the next phase (2016/17) with a further impact on staff and overall staffing numbers. Any impact on staffing and options for service re-design will continue to be fully explored with affected employees and trade union representatives to inform final proposals and minimise redundancies.
71. Through the consultation process the Executive has explored all avenues with the Trade Unions and staff to identify wherever possible alternative options for delivering savings, in order that the level of proposed staffing reductions and redundancies can be reduced.
72. The Executive will also continue to ensure that impacted staff are aware of all the available options which can be used to avoid compulsory redundancies and this will include:
  - Early retirement,
  - Flexible retirement,
  - Voluntary redundancy and
  - Reduced hours

#### **PROPOSED BUDGET PACKAGE**

73. Summarised below is the proposed budget package put forward by the Executive for consideration. The detailed analysis is reflected in the General Fund Revenue Account set out in Appendix 8. The proposals are based on a Council Tax increase of 2.00% for Adult Social Care Precept and include a draw from balances of £3.9M.

	<b>£M</b>
<b>Total GF Spending (After Addition to Balances &amp; Pressures)</b>	201.8
Savings Proposals (Appendices 6&7)	(29.9)
Net Grant Income	(90.9)
<b>Council Tax Requirement including Adult Social Care Precept</b>	<b>81.0</b>

## **COUNCIL TAX**

74. The Executive are recommending no increase in Council Tax for 2016/17, with regard to the general power to increase council tax by 1.99% prior to referendum. They are recommending that council tax is increased by 2.00% for the Adult Social Care Precept, and all of this increase will be used to fund Adult Social Care. The Council Tax Requirement shown in Appendix 9, takes into account Government Grants and an assumed surplus on the Collection Fund at the end of 2015/16, £81M is the level of council tax required to provide a balanced budget for 2016/17. 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 £1,313.55 plus £26.27 for the Adult Social Care Precept making a council tax of £1,339.82, this is a 2.00% increase. The full calculation is set out in Appendix 9.
75. The estimates of the payments from the Collection Fund in the form of precepts for 2016/17 are set out in Appendix 10. This also details the increase in Council Tax by property band for 2016/17.

This includes preliminary figures for the Police & Crime Commissioner (PCC) and the Fire Authority, for whom proposed council tax increases of 1.99% for a Band D property have been assumed at this stage.

76. The figures for both the PCC and the Fire Authority will not be approved until after the 10 February 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.

## **GENERAL FUND BALANCES AND RESERVES**

77. The Council continues to face funding cuts and changes to the funding regime, combined with increasing demand for services which means the Council is facing high levels of risk. In times of financial stress, one option open to Councils is to utilise reserves and balances to smooth the impact of reducing income and rising costs, allowing Members time to drive through necessary reductions in spend and service transformation.
78. As highlighted in February 2015 in the CFO's 'Statement on General Fund Budget Strategy' which formed part of the 2015/16 General Fund Budget report, the CFO set out that where the financial position allows, further contributions should be made to balances and reserves. This would provide the Council with further options to smooth and manage the impact of reducing resources and rising demand.

### **General Fund Balance**

79. It is important for Cabinet and Council to consider the position on the General Fund Balance. Balances are used either to:
- support revenue spending,
  - support the capital programme, or
  - provide a 'working' balance at a minimum level suggested by the S151

Officer with any projected excess being available to fund any one-off expenditure pressures or to reduce the council tax on a one-off basis.

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

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

81. This calculation is reviewed annually and updated to reflect current levels of expenditure, income, treasury management operations and any new considerations such as partnership arrangements. This level was reviewed in 2015/16 and the S151 officer recommended that the minimum level of balances be £5.5M in line with good practice guidance. Appendix 12 Chief Financial Officer's Statement on the Budget sets out this review.

82. The table below shows the position for General Fund balance after taking into account the budget proposals set out in this report and the current update of the Capital Programme. This balance will be £0.12M lower if the forecast outturn position is taken into account.

	2015/16	2016/17	2017/18	2018/19
	£M	£M	£M	£M
	(19.9)	(12.8)	(8.9)	(8.9)
(Draw to Support) / Contribution from Revenue	7.1	3.9	-	-
<b>Closing Balance</b>	<b>(12.8)</b>	<b>(8.9)</b>	<b>(8.9)</b>	<b>(8.9)</b>

84. The current level of balances reflects the budget proposals set out in this report to be approved by Council on 10 February. £8.9M of these proposals will still be the subject of consultation at this stage, should as a result of the consultation the savings proposals not be progressed the shortfall will impact on the General Fund Balance and Reserves, until alternative proposals can be progressed.

85. In view of the financial challenge facing the Authority the Council must not lose sight of the need to ensure that work is ongoing to develop sustainable savings proposals for future years and must be mindful of the need to carefully consider the extent to which one off funding is utilised in order to deliver a balanced budget in any one year.

86. The minimum level of balances is currently set at £5.5M. The above prediction indicates that the level of minimum balances will be maintained in the medium term, subject to the consultation.

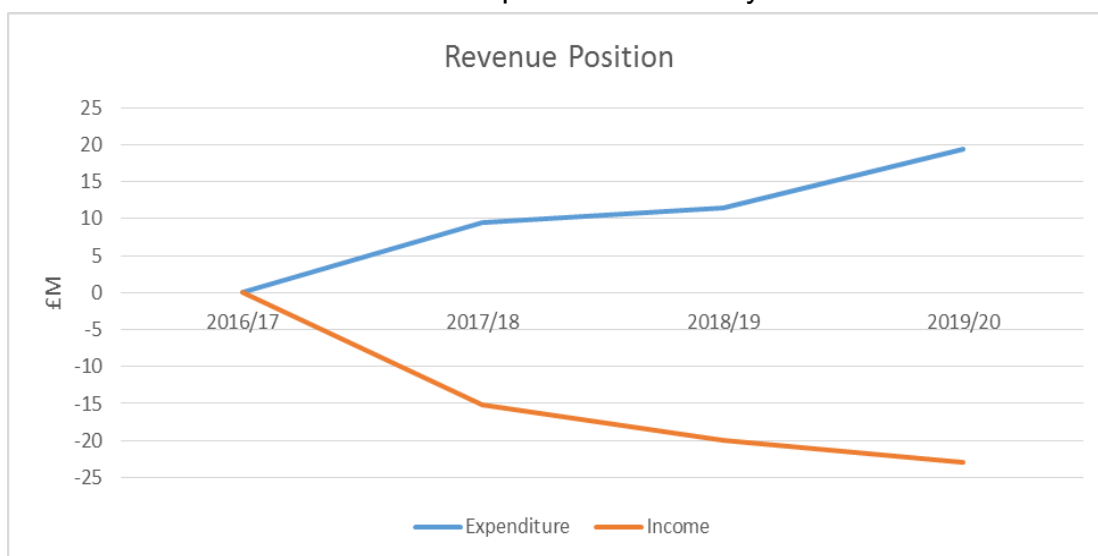
Presently, £3.4M is forecast to be available within balances above the minimum as a consequence of the position set out in this report. Given the fact that this is a forecast position and a number of proposals are subject to consultation it would not be prudent to utilise this amount at this stage of the year. However, any amount that is available within balances may be used to fund future initiatives, cover future liabilities or contribute to the revenue budget in future years.

### **Earmarked Reserves**

87. As part of the Administration’s November Council report £10.3M of savings in 2015/16 were identified. At the time of writing the report it was expected that these would be required to ensure a balanced position in 2015/16. However, current forecasts are showing a much lower projected overspend of £0.12M. This creates some headroom in the overall 2015/16 financial position proposed, enabling a contribution to reserves (Medium Term Financial Risk Reserve). This is in recognition that the budget forecasts for 2016/17 onwards remains extremely challenging. It is expected that some of the Medium Term Financial Risk Reserve would need to be utilised if any of the savings subject to consultation are not taken forward. The full reserves policy is set out in the Medium Term Financial Strategy report elsewhere on the agenda.

### **MEDIUM TERM FINANCIAL STRATEGY 2015/16 to 2019/20**

88. Elsewhere on the agenda is the Council’s Medium Term Financial Strategy setting out the financial direction of the Council, and expected financial position. It also sets out the financial planning process that is integral to the business planning process and the context within which the Medium Term Financial Strategy is set.
89. It should be noted that whilst the savings identified in this financial year and the PLGFS have gone some way to closing the gap, there does still remain a significant budget shortfall in the medium term, with a forecast savings requirement currently of £24.6M in 2017/18 rising to a cumulative requirement of £42.3M in 2019/20. This requirement will be reviewed and addressed as part of the ongoing development of longer term financial planning. The graph below shows the forecast financial position in future years.



90. Whilst the budget for future years does not need to represent a balanced position by the time that Full Council set the 2016/17 budget on 10 February 2016, Members should not lose sight of the need to ensure that work is ongoing to develop savings proposals for future years. Significant further work is required to ensure that savings can be delivered to balance the budget for these future years. It is imperative that plans are put in place as soon as possible in order that the Council can address the significant budget shortfall.

## **CONSULTATION**

### **Consultation Process for the New Proposals detailed in Appendix 2**

91. Where new proposals have been put forward these have been subject to consultation with the Council Management Team (CMT) and relevant Cabinet Members.
92. The Executive will undertake an extensive consultation process on their initial draft budget proposals following the production of this report. The Leader and the Cabinet are keen to listen to any new ideas on how to reduce costs, to receive feedback on the proposals and on the potential impact of the proposals to help to finalise the Executive's budget to be recommended to Full Council in July 2016.
93. The process used for public consultation is improved each year based on feedback from previous consultations. Consultation papers will be supported by an easy to read background to the budget, key information in themed information sheets and a set of frequently asked questions.
94. Consultation will be undertaken with Trade Unions and staff affected by the proposals in line with the agreed Human Resources (HR) policies. Public consultation will be undertaken with any people or organisations affected by the proposals to ensure all options have been considered, as well as with residents at a wider level.
95. Appendix 2 outlines the process, including the methods of consultation that will be employed.
96. As the budget proposals mean that more than 5 members of staff are at potential risk of redundancy, a minimum 45 day statutory consultation period is required. The staff consultation will commence on 11 February 2016 and will continue until 27 March 2016 for the main budget proposals, a period in excess of the minimum requirement.
97. For the public consultation on the draft 2016/17 budget a written consultation will run from 11 February 2016 to 21 April 2016 during which time responses to the formal consultation can be made. The consultation period will continue until the point of the final decision in July 2016, any feedback received during this period will be updated verbally at Cabinet.

### **Consultation Feedback**

98. A full summary of the consultation for phase 1 of the 2016/17 budget is included in Appendix 1.
99. Southampton City Council's Cabinet published their phase one draft budget proposals for 2016/17 for public consultation on 19 November 2015. The first

phase consultation ran from 19 November 2015 until 14 January 2016 and included proposals relating to the General and Housing Revenue Account budgets. The agreed approach for the public consultation was to use a combination of paper and online questionnaires. This approach enables an appropriate amount of explanatory and supporting information to be included in a structured questionnaire, helping to ensure that residents are aware of the background and context to each of the proposals. It is therefore the most suitable methodology for consulting on a complex issue such as the whole draft Council budget. The proposals were also discussed at Overview and Scrutiny Management Committee and Health Overview and Scrutiny Management Committee, the recommendations are summarised in Appendix 1.

100. In total there were 544 responses to the consultation on the first phase of budget proposals for the 2016-17 financial year. The demographic make-up of the respondents is outlined below:

- The least represented age groups were under 16 and over 85, with 0% and 1% of responses respectively.
- The age group represented the most was the 55-64 year olds, with 26% of the overall respondents belonging to these age categories.
- The gender breakdown of consultation respondents was 52% male and 44% female.
- The ethnicity breakdown of consultation respondents was 89% White, 3% Mixed/multiple ethnic groups and 1% other ethnic group, Asian/Asian British and Black African, Caribbean or Black British .
- 14% of all questionnaire respondents considered themselves to have a disability and 30% were carers.
- Of the consultees who completed a questionnaire only 12% were Southampton City Council staff.

101. All questionnaire respondents regardless of which other questions they had responded to were given 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) to give a wide range of options to pick up on more nuanced views. The average response was six which is on the more favourable side of neutral. The combined total for favourable responses (7-10) is 42%.

102. Proposals were grouped into themes and described in information sheets, each information sheet had a question asking consultees to what extent they agreed with the group of proposals. The following table shows the response for each area.

<b>Information sheet</b>	<b>% Combined agreement</b>	<b>% Combined disagreement</b>
Internal Efficiencies	59	18
Services for all	54	30
Digital	74	17
Adult Social Care	48	32
Income & Charges	57	25
Housing	68	18

The group of proposals with the highest level of engagement was Internal Efficiencies, the group with the least engagement was Housing.

103. Overall agreement with the 2016-17 draft budget was 42% with 26% in disagreement

#### **Issues Raised**

104. In total 76 respondents answered the question on impacts this represents 14% of consultees. These 76 answers equated to 118 different comments which were drawn together into 12 themed groups. The most commonly identified impacts are around disabled and older people losing out as a result of the budget proposals. Full details are available in Appendix 1.

#### **Summary of Consultation**

105. Over 500 stakeholders have engaged with the consultation process and given their views on the proposals. The consultation has engaged with a range of individuals through a variety of methods to allow residents in Southampton to give their views on the budget for 2016/17. 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 Leader and Cabinet have withdrawn two proposals having considered consultation feedback.

#### **EQUALITY AND SAFETY IMPACT ASSESSMENTS**

106. 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.

107. Individual Equality and Safety Impact Assessments (ESIAs) have been completed by Heads of Service for those proposals contained in Appendices 6 & 7, where it is felt that proposed savings could have an adverse impact on a particular group or individuals.
108. These were published alongside the Executive's draft budget proposals on 18 November 2015. 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 2015. Additional ESIAs for phase 2 are detailed in Appendix 3 along with a revised Cumulative Impact Assessment

## **RESOURCE IMPLICATIONS**

### **Capital**

109. The revenue implications of financing the General Fund Capital Programme are reflected in the 2016/17 estimates presented in Appendix 8.

### **Revenue**

110. As set out in the report.

### **Property/Other**

111. None.

## **LEGAL IMPLICATIONS**

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

#### **INTRODUCTION**

112. It is important that Members are fully aware of the full legal implications of the entire budget and Council Tax making process, when they consider any aspect of setting the Council's Budget. Formal and full advice to all Members of the Council protects Members, both in their official and personal capacity, as well as the Council. If Members have received the appropriate professional legal and financial advice and act reasonably, generally the courts will not interfere in their decisions.

#### **GENERAL POSITION**

113. The first and overriding legal duty on Members is their fiduciary duty to weigh the needs of service users against the interests of local taxpayers. In planning the budget, Members are under a fiduciary duty to act prudently, responsibly, in a businesslike manner and in their view of what constitutes the best interests of the general body of local taxpayers. In deciding upon expenditure, the Council must fairly hold a balance between recipients of the benefits of services provided by the Council and its local taxpayers. Members should note that their fiduciary duty includes consideration of future local taxpayers as well as present local taxpayers.
114. There is a general requirement in administrative law that a local authority decision must be rational, authorised by law and must take account of all relevant considerations, whilst ignoring any irrelevant ones. It should also be noted that the concept of proportionality, given great emphasis in the Human



Rights Act 1998, is also becoming a relevant factor for determining the reasonableness of any decision and should be borne in mind by Members.

115. An authority commits an illegal act if it acts beyond or in abuse of its statutory powers or in breach of its fiduciary duty. It will also act illegally if it fails to take relevant considerations into account or acts in outrageous defiance of reason.

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

116. The legal significance of the Annual Budget and setting a Council Tax derives from the Council's duty under the Local Government Finance Act 1992 (the 1992 Act) to set a balanced budget and Part 5 Chapter 1 of the Localism Act 2011. This is achieved by calculating the aggregate of:
- I. the expenditure it estimates it will incur in the year in performing its functions in the year (including an allowance for contingencies),
  - II. the payments it estimates it will make in the year in defraying expenditure already incurred and
  - III. expenditure it will incur in funding costs before a transfer of funds is made from the Collection Fund and then deducting such sums as will be paid into the General Fund, (i.e. income). Calculations made under this section must be made before 11 March in the preceding financial year.
117. In order to fulfil this duty, the Council must prepare detailed estimates of its expenditure for the coming year and of the resources which will be available to meet this expenditure. Account must be taken of any deficit brought forward from a previous year and the amount needed to cover contingencies. The resources include income from rents, fees and charges and any available balances. All of these issues must be addressed in the budget report. The estimation of the detailed resource and expenditure items is the main reason for the budget process. The budget must balance, i.e. proposed expenditure must be met from proposed income from all sources, with any shortfall being the precept on the Collection Fund.
118. Failure to make a lawful Council Tax on or before 11 March could have serious financial results for the Council and make the Council vulnerable to an Order from the Courts requiring it to make a Council Tax.
119. Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for "the proper administration of their financial affairs'.
120. Information must be published and included in the Council Tax demand notice. The Secretary of State has made regulations, which require charging authorities to issue demand notices in a form and with contents prescribed by these regulations.
121. There is also a duty under Section 65 of the 1992 Act to consult persons or bodies appearing to be representative of persons subject to non-domestic rates in each area about proposals for expenditure (including capital expenditure) for each financial year.

### **DEFICIT BUDGETING**

122. A deficit budget, one which does not cover all anticipated expenditure with

resources reasonably expected to be available, is unlawful. Any Council Tax which rests on such a budget will be invalid. Councils are constrained to make a Council Tax before all the separate elements, which will constitute available resources or anticipated expenditure, have been identified and quantified fully. Best estimates have to be employed.

123. Where these best estimates include sums for unallocated savings or unidentified expectations of income, extreme care must be taken to ensure that the estimates are reasonable and realistic and do not reflect an unlawful intention to incur a deficit.

It might be appropriate at budget setting time to require regular monitoring throughout the financial year of such estimated savings or income. Prompt action to reduce spending must be taken, if at any stage it seems likely that a balance between income and expenditure will not be achieved.

### **BORROWING**

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

### **OTHER RELEVANT LEGISLATION**

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

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

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

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

130. The 2000 Act has had a fundamental effect on the governance of the Council and in particular has resulted in a change to the working arrangements of Council, with the requirement for a Constitution setting out executive (Cabinet) and scrutiny and overview arrangements. The 2000 Act also provides a power for Councils to promote the economic, social and environmental well-being of their areas and develop community strategies. In addition, the 2000 Act establishes an ethical framework.
131. 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.
132. In addition, the Constitution contains a range of further material relevant to the setting of the Council Tax and the Budget Setting meeting:
- I. Article 12 contains guidance on decision making and the law;
  - II. The Council Procedure Rules in Part 4 regulate the conduct of the Full Council meeting (although traditionally, some of the rules relating to the conduct of the debate are suspended to allow different arrangements during the budget debate);
  - III. The Members' Code of Conduct must be followed by Members; and
  - IV. The Officer/Member Protocol contains guidance both on pre-budget discussions, but also on how officers and Members should interact with specific guidance about budget preparation issues.

#### **PERSONAL LIABILITY AND SURCHARGE**

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

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

134. 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.
135. 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.
136. All decisions must be taken within the framework of the formal decision making process of the Authority. Members must take into account all relevant matters

and disregard all irrelevant ones. Decisions taken at a political meeting, such as a political group meeting, have no status within this process. A Member, who votes in accordance with a group decision which has been reached, having regard to relevant factors and who has addressed their mind independently to those factors and to the decision itself, will be acting within the law.

137. The Courts have also advised on the balancing exercise to be undertaken by a Council when deciding whether to pursue a particular policy:

*A local authority must exercise its statutory powers in the public interest and for the purpose of which those powers have been conferred. Political views, as to the weight to be attached to the various relevant considerations and as to what is appropriate in the public interest in the light of those considerations, may properly influence the exercise of a statutory discretion. A decision will not be unlawful merely because some political advantage, such as electoral popularity, is expected to flow from it, so long as the decision is made for a legitimate purpose or purposes. Because at some stage in the evolution of a policy an improper political purpose has been espoused, does not mean that the policy ultimately adopted is necessarily unlawful. However, a political purpose extraneous to the statutory purpose can taint a decision with impropriety. Where there is more than one purpose:-*

The decision will generally be lawful provided that the permitted purpose is the true and dominant purpose behind the act. This is so even though some secondary or incidental advantage may be gained for some purpose, which is outside the authority's powers.

The decision will be invalid if there are two purposes one ultra vires and one intra vires and the ultra vires purpose is a (even if not the) major purpose of the decision. Accordingly a decision substantially influenced by a wish to alter the composition of the electorate would be unlawful.

Where there is some evidence justifying enquiry, the Court will consider whether an apparently lawful purpose e.g. home ownership is merely a colourable device to conceal an illegitimate purpose e.g. electoral advantage.

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

### **Other Legal Implications:**

138. The financial forecasts contained in this report have been prepared and are submitted as part of the budget process set out in the Council's Constitution. As part of the review process by the Council's Management Team (CMT), the proposals contained in this report have been checked from a legal viewpoint.
139. It should be noted by both Cabinet and Full Council that the decisions they are making, in terms of 'Budget setting' are effectively preliminary decisions, setting the framework for anticipated spending by the Council for 2015/16 to 2019/20. That framework and the matters set out in the budget influence and inform the strategic direction the Council will take during the budget period but specific proposals will require further implementation decisions (either at Cabinet or

Officer decision levels as appropriate) in order to be given effect.

140. The Council, as the decision-maker, will take a preliminary decision in relation to its budget, fully aware that the implementation of proposed policies may have an impact on the affected users and having considered its budget decisions having full regard to the requirements of the Equality Act 2010 and the public sector equality duty, but is not committing itself to the implementation of specific policies within the budget framework until it has carried out a full and detailed assessment of the likely impact as and where necessary. Those decisions will in turn address further equalities, consultation and practical matters without their outcome having been 'predetermined' by the approval of the budget.
141. Decision makers may also receive further representations, and/or choose to undertake further consultation on specific proposals. Decision makers will, as a result of further representations, consultation and other material considerations, be free to approve or reject implementation of specific matters proposed as part of the overall budget framework and it will, as a result, be for Council to determine how to meet any budget gap that may arise as a result of such implementation decisions.

### **POLICY FRAMEWORK IMPLICATIONS**

142. 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 2016/17 must be proposed by the Executive (Cabinet) for consideration by the Full Council under the Constitution.

<b>KEY DECISION?</b>	<b>No</b>
<b>WARDS/COMMUNITIES AFFECTED:</b>	<b>All wards</b>
<u>SUPPORTING DOCUMENTATION</u>	
<b>Appendices</b>	
1	Budget Consultation and Feedback Analysis
2	Budget Consultation Process – February 2016 proposals
3	Equality and Safety Impact Assessment
4	Revised General Fund Revenue Budget 2015/16
5	Revenue Pressures
6	February Savings Proposals
7	August and November Savings Proposals
8	2016/17 General Fund Revenue Account
9	2016/17 Council Tax Calculation
10	2016/17 Collection Fund Estimates
11	Statutory Power To Undertake Proposals In The Report
12	Chief Financial Officer's Statement

13	Key Financial Risks
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**Documents In Members' Rooms**

1	ESIA - E&T 39 -Itchen Bridge Resourcing
2	ESIA -HASC 15 - Impact on Learning Disability (LD) Package Spend
3	ESIA-E&T40-RSH and University Hospital Southampton On-Street Parking
4	ESIA-ECSC4-Review of Looked After Children Services
5	ESIA-HASC14 -Cost Effective Care and Efficient Routes to Market
6	ESIA-HS5-Community Safety
7	ICM Consultation Report

**Equality Impact Assessment**

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

<b>Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.</b>	<b>No</b>
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**Other Background Documents**

**Other Background documents available for inspection at:**

<b>Title of Background Paper(s)</b>	<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>

## Introduction

1. It is vital that the council agrees and implements a transparent, comprehensive and co-ordinated process to consultation on the proposed 2016/17 budget. This will help stakeholders better understand the proposals and therefore make the consultation more meaningful. It is important that feedback received on previous year's budget consultations is taken into account when developing subsequent consultations.
2. Over the last few years, Southampton City Council has developed an approach to consultation that includes the use of more pictorial and accessible explanations of the background to the budget situation, themed information sheets, frequently asked questions and consultation questionnaires that include highlights of the relevant information.
3. The consultation on the proposed 2016/17 budget will build on the approach used in the two previous rounds of consultation, as positive feedback has been received on this approach. Improvements will be delivered that will condense the information and reduce duplication across documents in line with feedback from last year's consultation. As the February proposals are also savings for the 2016/17 financial year, the approach to this consultation will be directly derived from the proposals that went to the November 2015 Cabinet meeting.

## Aims

4. Southampton City Council is in a challenging financial position with significant reductions in its funding from central government, at a time when demand for certain services such as adult and children's social care continues to increase. Therefore the aim of this consultation is to:
  - a. Communicate clearly and make residents aware of the financial pressures the council is facing
  - b. Ensure residents understand what is being proposed in the draft 2016/17 budget and are aware of what this will mean for them
  - c. Enable any resident, business or stakeholder who wishes to comment on the proposals the opportunity to do so, allowing them to raise any impacts the proposals may have
  - d. Ensure that the results are analysed in a meaningful, timely fashion, so that feedback is taken into account when final decisions are made
  - e. Provide feedback on the results to the consultation and how these results have influenced the final decision.

## Principles

5. Southampton City Council seeks to conduct every consultation in line with the following principles:
  - a. Inclusive: so that everyone in the City (or involved in the consultation) has the opportunity to express their views
  - b. Informative: so that people have adequate information about the proposals, what different options mean, and a balanced and fair explanation of the potential impacts, particularly the equality and safety impacts
  - c. Appropriate: by targeting people who are more likely to be affected and using a more tailored approach to get their feedback, complemented by a general approach to all residents, staff, businesses and partners
  - d. Meaningful: by ensuring decision makers have the full consultation feedback information so that they can make informed decisions

- e. Understandable: by ensuring that the language we use to communicate is simple and clear and that efforts are made to reach all stakeholders, for example people who are non-English speakers or disabled people
  - f. Length: where possible the overall period of consultation should be for at least 12 weeks as there is a compact with the voluntary sector
  - g. Reported: by letting consultees know the results and what we did with their feedback.
6. Southampton City Council is committed to consultations of the highest standard, which are meaningful, and comply with the following legal standards:
- a. Consultation must take place when the proposal is still at a formative stage
  - b. Sufficient reasons must be put forward for the proposal to allow for intelligent consideration and response
  - c. Adequate time must be given for consideration and response
  - d. The product of consultation must be carefully taken into account.

## Approach

7. The full consultation period for the 2016/17 budget will run from 10 February 2016 until the final decision is made at Full Council in July 2016. Within that time, there will be a period of formal written consultation where responses to the questionnaire can be made. The period of written consultation will run from 10 February 2016 to 20 April 2016. In addition to the formal written consultation, there will be opportunities for the public to engage through the forward plan and decision making processes at meetings. Any feedback received outside the written period of consultation will be given as a verbal update at the decision making meeting.

## Process

8. Southampton City Council will consult on the draft 2016/17 budget with: Elected Members, Overview and Scrutiny, staff and Trade Unions, residents and stakeholders, partners, contractors and affected service users.
9. The consultation will involve a range of activities to ensure all relevant groups are engaged with, including but not limited to:
- a. Internal consultation with Trade Unions through formal meetings
  - b. Staff consultation:
    - i. On the proposals as a whole through the main questionnaire
    - ii. On individual impacts through formal consultation processes and meetings with managers
  - c. Partner and external organisation consultation:
    - i. Letters to partner organisations inviting feedback
    - ii. Letters to any affected contractors inviting meeting or feedback
    - iii. Discussion at Southampton Connect
  - d. Consideration by Overview and Scrutiny Management Committee and Heath Overview and Scrutiny Panel
  - e. Affected service user consultation will take place on a service by service basis led by respective service managers and will be conducted in a way that is proportionate and appropriate to the budget proposal and service
  - f. Resident and stakeholder consultation:
    - i. Online information and consultation questionnaire
    - ii. Printed consultation questionnaire with integrated information available on request and in libraries, GP surgeries, housing offices, Civic Centre reception and Gateway.



g. Throughout the consultation there will be regular communications via a range of channels to ensure a wide range of respondents.

10. The key dates for the consultation are included in the timetable for the whole budget process which is included as a part of this report.

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### Introduction

1. Southampton City Council's Cabinet published their phase one draft budget proposals for 2016/17 for public consultation on 19 November 2015. Over the last five years, the Council has made savings of £84.7 million, and in 2016/17 it was forecasted that further savings of £39.1 million would be required. The Council is again facing a significant decrease in funding from Central Government, at a time when demand and costs are increasing for many of our services.
2. The Council has difficult decisions to make, which will impact on the city's residents, and is committed to engage and consult as part of the decision making process. This Appendix provides details of the consultation undertaken on the draft budget proposals and the feedback received, including any impacts or alternatives that have arisen during the process.
3. In September 2015, the Council consulted residents about their priorities, so we could protect these areas wherever possible, and focus budget proposals in areas of lesser priority. The results highlighted three overarching priority outcomes which:
  - Children and young people get a good start in life
  - Strong and sustainable economic growth
  - A modern, vibrant city where everyone works together to keep it clean and attractive.The Leader, Cabinet Members and Council officers took into consideration these three priorities in developing the budget proposals.
4. In October 2015, the Cabinet agreed savings of £9.4 million, and the proposals published in November 2015 totalled £13 million. This was the first phase of consultation on the 2016/17 budget, with a second phase scheduled to commence in February 2016 on further proposals to close the remaining budget gap.
5. The first phase consultation ran from 19 November 2015 until 14 January 2016 and included proposals relating to the General and Housing Revenue Account budgets. The Leader and Cabinet Member for Resources led the consultation on the budget proposals supported by other Cabinet Members, the Council's Management Team (CMT), Heads of Service and staff in the Strategy, Skills and Communication Division.
6. A variety of methods were used to assist a wide range of people to give their views to inform the final budget proposals which will be considered by Full Council on 10 February 2016. This included residents, service users, employees, partners, businesses, community and voluntary sector organisations, and other stakeholders. This is in addition to the Council's decision making processes which include feedback from the Overview and Scrutiny Management Committee and Health Overview and Scrutiny Panel.
7. This report provides a summary of the public consultation and outlines the feedback received through the public (written) consultation period. More detail can be found in a full report by the independent research company (ICM Unlimited) who conducted the consultation on behalf of Southampton City Council. This report is available as a Member's Room document. The ICM report contains the full detail of responses including quotes from consultees and detailed sub analysis of responses. Any feedback received on the proposals after the formal written consultation period will be provided verbally to Cabinet prior to any budget decisions being made.

### Aims

8. It is vital that the Council has a transparent, comprehensive and coordinated approach to consultation on the proposed budget, so that stakeholders clearly understand what is being proposed, and the consultation is meaningful. Therefore the aim of this consultation was to:
  - a. Communicate clearly and make residents aware of the financial pressures the Council is facing
  - b. Ensure residents understand what is being proposed in the draft 2016/17 budget and what this could mean for them

- c. Enable any resident, service user, business, partner, voluntary sector or community organisation, or other stakeholder who wishes to comment on the proposals the opportunity to do so, allowing them to raise any impacts the proposals may have
- d. Ensure that the results are analysed in a meaningful, timely fashion, so that feedback is taken into account when final decisions are made
- e. Provide feedback on the results to the consultation and how these results have influenced the final decision.

### Consultation principles

9. Southampton City Council is committed to consultations of the highest standard, which are meaningful, and comply with the following legal standards:
  - a. Consultation must take place when the proposal is still at a formative stage
  - b. Sufficient reasons must be put forward for the proposal to allow for intelligent consideration and response
  - c. Adequate time must be given for consideration and response
  - d. The product of consultation must be carefully taken into account.
10. In addition to the above legal standards, the Council has developed a set of consultation principles. Despite having limited resources to undertake consultation, every effort was made to ensure the consultation was:
  - **Inclusive:** so that everyone in the city has the opportunity to express their views.
  - **Informative:** so that people have adequate information about the proposals, what different options mean, and a balanced and fair explanation of the potential impact, particularly the equality and safety impact.
  - **Understandable:** by ensuring that the language used to communicate is simple and clear and that efforts are made to reach all stakeholders, for example people who are non-English speakers or disabled people.
  - **Appropriate:** by targeting people who are more likely to be affected and using a more tailored approach to get their feedback, complemented by a general approach to all residents, staff, businesses and partners.
  - **Meaningful:** by ensuring decision makers have the full consultation feedback information so that they can make informed decisions.
  - **Reported:** by letting consultees know what was done with their feedback.
11. The city of Southampton also has a compact (or agreement) with the voluntary sector in which there is a commitment to undertake public consultations for a minimum of 12 weeks wherever possible. In this case, due to the timescales involved, and with the agreement of Southampton Connect, an eight week period of formal written consultation was implemented. In addition, there were opportunities for stakeholders to engage through the Forward Plan and decision making processes at meetings, and it was agreed that any feedback received outside of the written period of consultation would be given as a verbal update at Cabinet and Council meetings.

### Methodology

12. The Council has made significant improvements in the way it conducts budget consultations over the last two years, and has received positive feedback from residents, other councils and the Local Government Association. These improvements have included the use of more pictorial and accessible explanations of the background to the budget situation, themed information sheets, frequently asked questions and consultation questionnaires that include highlights of the relevant information.
13. It is important that the Council takes into consideration any feedback on the consultation process from previous years, this feedback was used in developing subsequent consultations. The consultation on the proposed 2016/17 budget has built on the approach used in the two previous rounds of consultation. The Council also considered the feedback received last year, and as a result, condensed the information provided, and reduced duplication across documents.
14. Deciding on the best process for gathering feedback from stakeholders when conducting a consultation requires an understanding of the audience and the users of the service. It is also important to have more than one way

for stakeholders to feedback on the consultation, to enable engagement with the widest range of the population.

15. The agreed approach for this consultation was to use a combination of paper and online questionnaires. This approach enables an appropriate amount of explanatory and supporting information to be included in a structured questionnaire. This helps to ensure that residents are aware of the background and context to each of the proposals. It is therefore the most suitable methodology for consulting on a complex issue such as the whole draft Council budget.
16. All letters that were sent out as a part of the consultation, this includes letter to; partner organisations, service providers, contractors, voluntary sector group or service users. The letters directed all feedback on the consultation to either the main questionnaire or the central consultation address/ email address, this was to ensure all feedback was centrally received and managed.
17. In addition to the main questionnaire, a general response email and postal address was also advertised. This was to enable respondents who, did not wish or were unable to use the questionnaire. There was also a separate single issue consultation on the HASC8 proposal; for this, a questionnaire was sent out directly to service users, providers and voluntary and community organisations who could potentially have been affected by the proposal. The questionnaire was also available online, and a number of meetings managed by the service area were organised with stakeholders including voluntary and community organisations.

#### **Appointment of contractor**

18. A decision was taken to appoint an external contractor to undertake this consultation. This was in recognition of the fact that any proposed changes to Council services creates significant public interest and that consultations in Southampton usually have good levels of engagement. The other main benefit of using a third party for the management, analysis and reporting of consultation responses is they are, and are seen to be, impartial and completely independent from Southampton City Council. It was also recognised that the small in-house Research and Consultation team did not have the capacity to deliver this work.
19. As part of the procurement process, a specification was drawn up by the Southampton City Council Research and Consultation team. The scoring criteria within the specification allocated 50% of points for quality, broken down equally into: understanding the brief, being able to deliver in the correct time scales, and experience of similar projects. The remaining 50% was allocated according to the cost of the proposal. Once agreed, it was advertised through the UK SBS Market Research Purchasing Framework. This is a national government framework that enables a group of (80) research providers, who have met all the technical and organisational requirements for working with government bodies, to compete for projects under an agreed set of rules.
20. There was an opportunity for all the providers within Lot 2 'Quantitative and Qualitative' specialism (53 providers) to express an interest in seeing the full project research specification. In total, three submitted a tender for the project.
21. The tenders were carefully evaluated using scoring criteria laid out in the research specification. The Council appointed the highest scoring tender, ICM Unlimited. Once the appointment was made, a project inception meeting was held which began the process of jointly developing the consultation materials.

#### **Promotion and communication**

22. Throughout the consultation, every effort was made to ensure that as many people as possible were aware of the proposed budget and had an opportunity to have their say. Particular effort was made to communicate the proposals in a clear and easy to understand way. This was achieved by providing background information on the website, themed information sheets, easy to read background information about the proposals at the start of the questionnaire, and a Frequently Asked Questions (FAQs) document. The draft Equality and Safety Impact Assessments for each proposal, as well as a draft Cumulative Impact Assessment and links to support and advocacy organisations were also made available. All of these were available on a dedicated Council webpage.

23. Due to the Council's financial position and the level of savings required, a decision was made early on to limit the expense on external communications and to make the most of our 'free' communications channels including web and e-alerts. The consultation was promoted in the following ways:
- a. Posters about the consultation were on display at all of the libraries, Gateway and the Civic Centre reception throughout the consultation period, alongside consultation information, printed copies of the questionnaires and a drop box for completed copies of the questionnaire to be returned.
  - b. E-alerts containing links to the budget consultation were sent using the Council's email marketing service which has over 90,000 subscribers. Many of these contained advertising footers which linked through to the consultation pages. The following Stay Connected topics were used to carry the message:
    - o External: Your City, Your Say, Culture Vulture, Communities News and Events, Waste and Recycling Update, Council Housing Tenant News, Business News, Taxi and private hire News and Information, Fostering and Adoption News.
    - o Internal: Weekly Bulletin, Chief Executive's Bulletin, Transformation and Performance Division, Policy Watch.
    - o These bulletins were sent to 26,392 individual subscribers and internal contacts and led to 1,921 total clicks through to the budget pages with 1,510 unique clicks.
  - c. Information was issued to the local media through a media briefing, press release and direct contact with selected journalists.
  - d. There were 14 logged pieces of coverage including ITV Meridian, the Southern Daily Echo, Private Eye, Community Care magazine, Disability News, The Guardian and the TUSC website.

### **Consultation respondents**

24. In total there were 544 responses to the consultation on the first phase of budget proposals for the 2016-17 financial year. These were received as: online or paper questionnaires, letters and emails. Any questionnaire submission that had at least one question completed was included in the analysis. All letters and emails were included coded with the relevant open ended questions to give a simple overview of the feedback. It was important to include all responses even if only a single question was answered as this was still feedback on the proposal. However, this does mean that the demographic information outlined may not cover all respondents, as some may not have completed this section. This summary report presents all figures as total responses to the consultation questionnaire (individual and organisational responses) whereas the ICM report presents these separately therefore the figures will not be the same.
25. The response rate for this budget consultation is lower than the previous two budget consultations which were around 900 two years ago and around 700 last year. This consultation was promoted just as widely as the previous budget consultations, it may be surmised that the lower response rate is due to residents having a full understanding of the constraints faced by the Council, and there is a feeling of ambivalence and that people respond better to specific interest issues that are seen to affect them directly. Single issue consultations such as the Libraries Transformation or Future of the Outdoor Sports Centre tend to have far greater levels of response, with 7,706 and 1,277 responses respectively.
26. This section shows the demographic makeup of respondents to the main questionnaire, which groups were represented. Any letters or emails received are included in the analysis but will not contain demographic information about the consultee therefore they are not included in this section. As consultations should be open for anyone to answer, they will not necessarily be representative of the whole population of Southampton. It is however important that as wide a range of people as possible were engaged and given the opportunity to share their views on the proposal.
27. Figure 1 shows the age breakdown of the consultation respondents. The least represented groups were under 16 and over 85, with 0% and 1% of responses respectively. The group represented the most was the 55-64 year olds, with 26% of the overall respondents belonging to these age categories. This is in line with expectations based on previous experience, as an example, in Southampton City Council's recent consultation on Public

Spaces Protection Orders the 55-64 age category was the highest represented. See Figure 1 for the full breakdown.

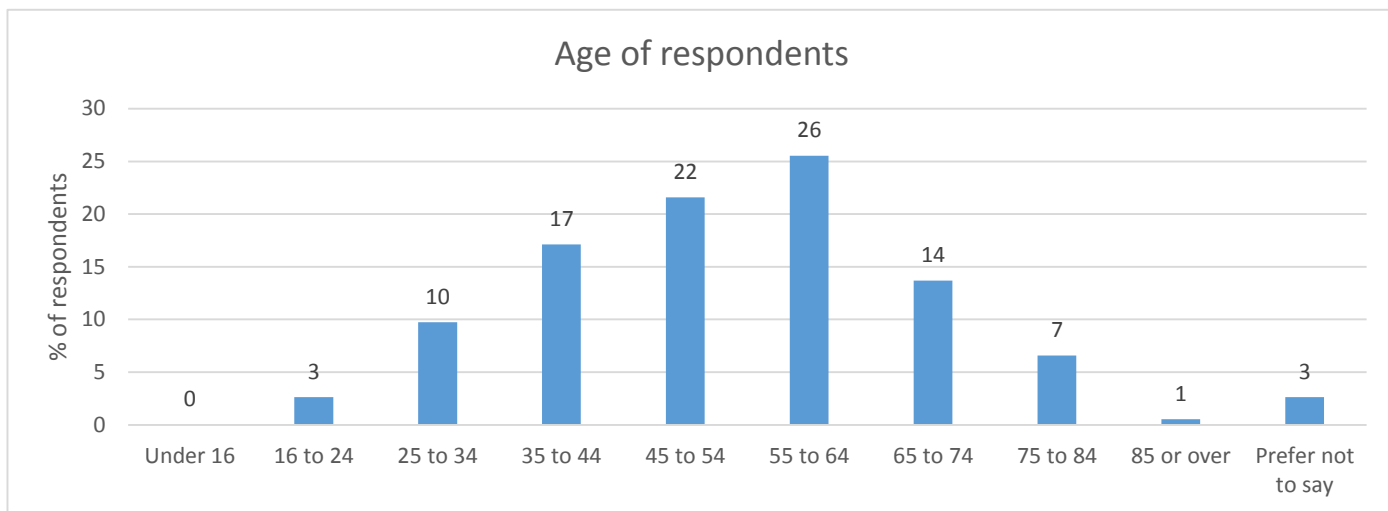


Figure 1

28. Respondents have been mapped to look at the geographic distribution of responses to the consultation. As seen in Figure 2 there is a good spread of respondents from across the city with a few responses from areas just outside the city.

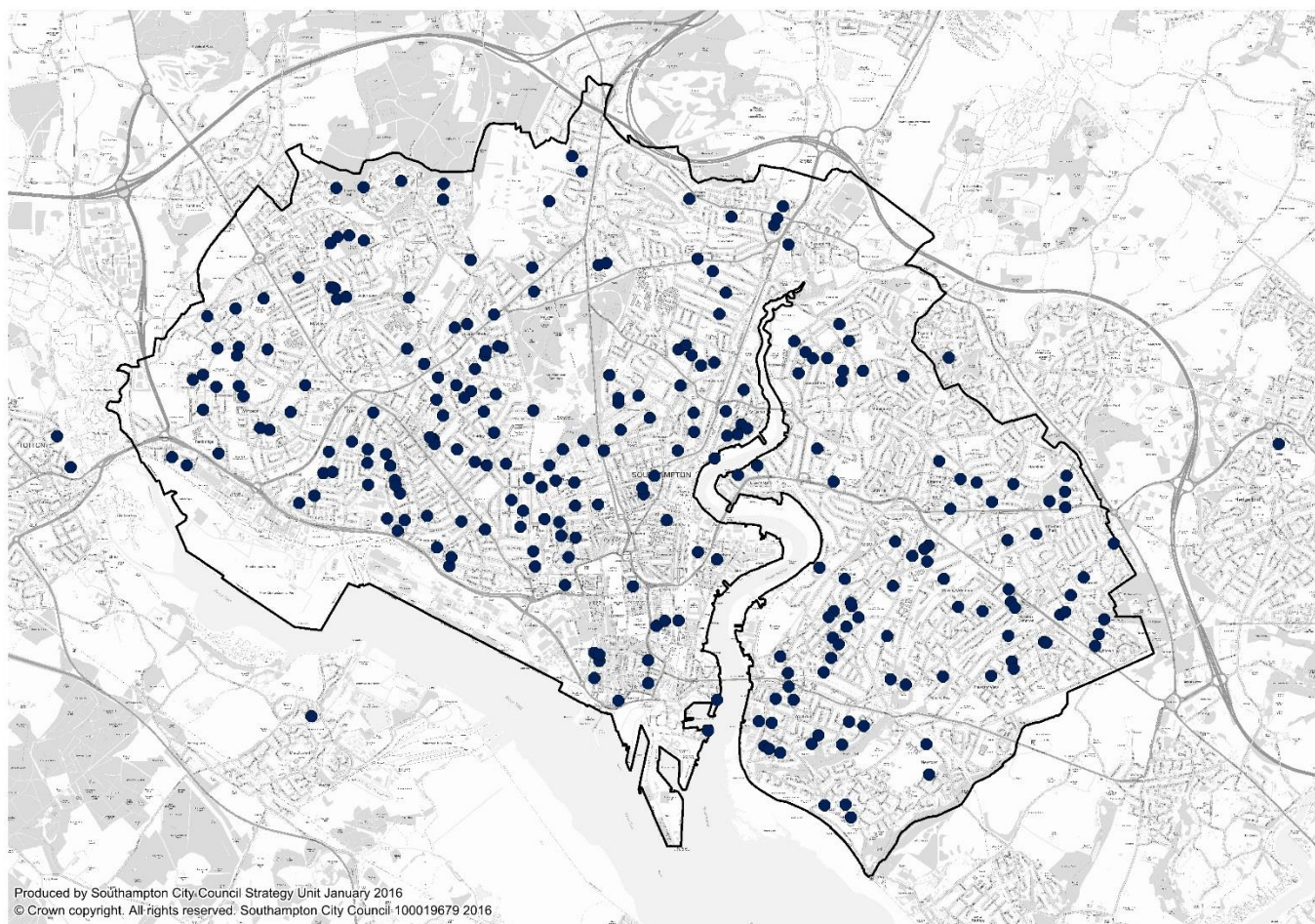


Figure 2

29. The gender breakdown of consultation respondents was 52% male and 44% female. This ratio is unusual as most consultations have greater responses from women, the recent libraries consultation for example had 63% of responses from women whereas the Southampton population is 49% women.

30. The ethnicity breakdown of consultation respondents was 89% White, 3% Mixed/multiple ethnic groups and 1% other ethnic group, Asian/Asian British and Black African, Caribbean or Black British . It is more usual to receive a greater response to consultation from people from a White ethnic background. For example the recent libraries consultation had a 92% response from the White ethnic group.
31. 14% of all questionnaire respondents considered themselves to have a disability and 30% were carers. This is higher than in previous budget consultations.
32. Of the consultees who completed a questionnaire only 12% were Southampton City Council staff, which is broadly in line with the level in last year's budget consultation (17%).
33. Out of all responses to the 2016/17 budget consultation 98% (533) were made by individuals and 2% (11) were made on behalf of an organisation.

### **Consultation results**

34. Questionnaire respondents were asked for their views on a wide range of proposals which were grouped together under the following headings:
  - a. Internal efficiencies – savings from redesigning and restructuring services, and reducing other internal costs
  - b. Digital (using technology to improve services) – improvements to online services and mobile working
  - c. Adult social care – changes in the way Adult Social Care services are provided
  - d. Housing – changes in the way services are provided to Council tenants
  - e. Services for all – changes to services everybody uses, such as parking and bus transport
  - f. Income and charges – increases and changes to charges for some Council services
35. Each heading had an information sheet which explained the groups of proposals within their thematic context. At the beginning of the questionnaire respondents were given the opportunity to choose which (if any) of the grouped proposals they wished to provide feedback for. Respondents were encouraged to look at the information sheets so they could respond to the consultation with an understanding of the proposals and their context.
36. The following paragraphs outline the responses to the six themed groupings of proposals, these are presented in order of response level stating with the highest level of engagement and work through to the least.

### **Internal efficiencies**

37. This group of proposals are about making changes to processes, structures, systems and contracts in order to deliver better value for money. The proposals grouped together under internal efficiencies included: redesigning and restructuring services, realigning budgets, reducing costs, making better use of technology and existing contracts. The proposals in this section totalled £8,645,000 of savings to the General Revenue Account. This was the group of proposals with the highest response rate with 62% of questionnaire respondents providing a view on internal efficiencies.
38. As shown in Figure 3 there was a combined agreement (strongly agree and agree) level of 59% against a combined disagreement (strongly disagree and disagree) of 18%.



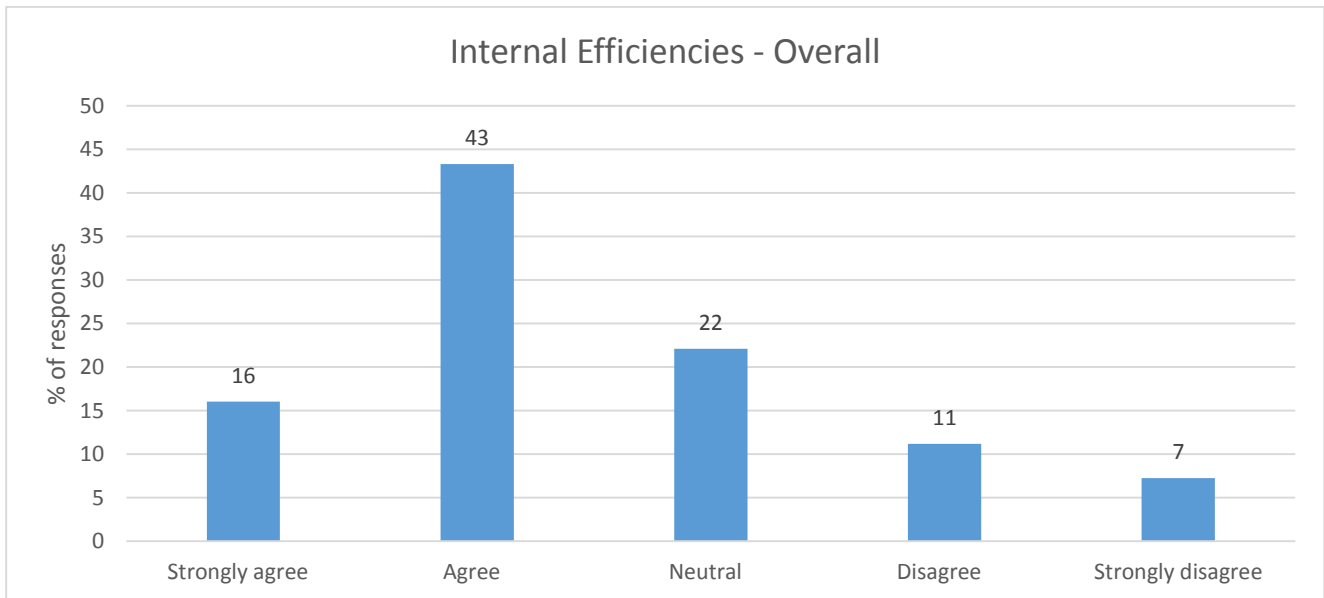


Figure 3

39. Respondents who either disagreed or strongly disagreed with the group of proposals were given the opportunity to outline the proposals they disagreed with, the five most common disagreed with proposals were;
- i. E&T 22 Transport, highways and parking – overall staffing restructure – 12%
  - ii. FIN 11 Cease insurance of the Fine Art collection
  - iii. E&T 26 Restructure of Parks, Open Spaces and Street Cleansing
  - iv. E&T 14 BBLP – Itchen Bridge further automation – extend help point call answering times by City Watch and reduce Itchen Bridge staffing costs
  - v. E&T 11 Concessionary fares – reduction in the provision for increased number of annual journeys.
40. The respondents who disagreed with the proposals were then asked to select the proposal they disagreed with most. The four proposals with the highest level of disagreement were:
- i. E&T 14 BBLP – Itchen Bridge further automation – extend help point call answering times by City Watch and reduce Itchen Bridge staffing costs
  - ii. Deletion of vacant posts
  - iii. E&T 22 Transport, highways and parking – overall staffing restructure – 12%
  - iv. E&T 11 Concessionary fares – reduction in the provision for increased number of annual journeys.

### Services for all

41. The Council provides hundreds of services to the residents of Southampton. Some of these are targeted at people with a particular need, while others are used by everyone in the city – for example, transport, leisure services, and waste and recycling. The proposals in this section impact on the Riverside Pitch and Putt course, bus transport and parking enforcement. They total £605,000 of savings to the General Revenue Account. This was the group of proposals with the second highest response rate with 54% of questionnaire respondents providing a view on services for all.
42. As shown in Figure 4 there was a combined agreement (strongly agree and agree) level of 54% against a combined disagreement (strongly disagree and disagree) of 30%.

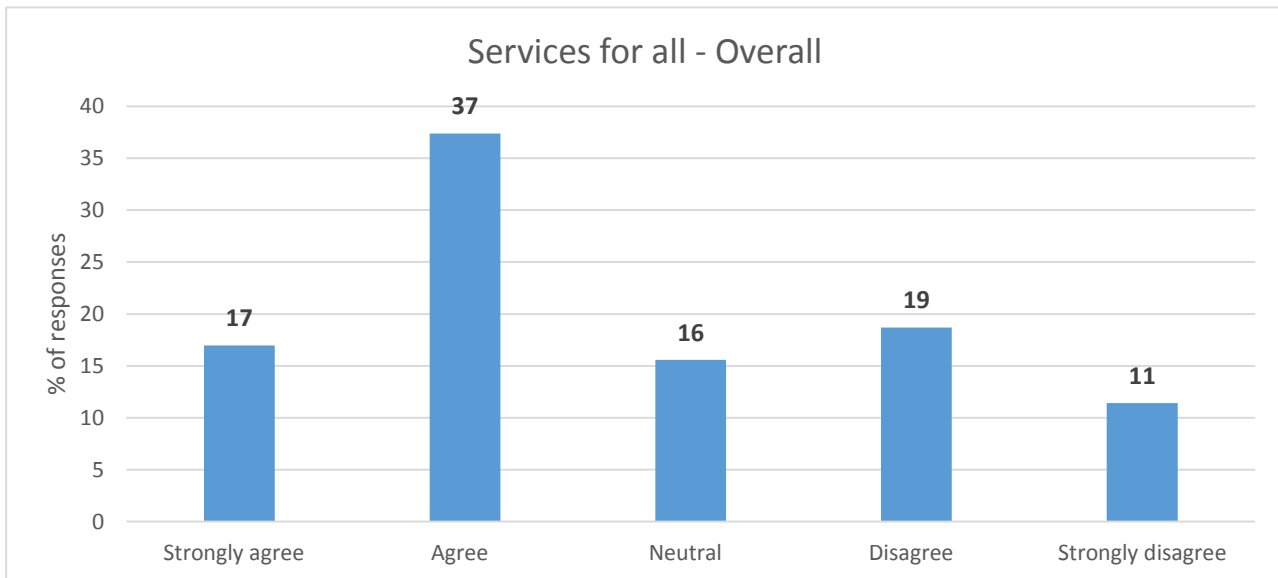


Figure 4

43. Respondents who either disagreed or strongly disagreed with the group of proposals were given the opportunity to outline the proposals they disagreed with, the two most common disagreed with proposals were;
- i. E&T 12 Reduce bus subsidy budget
  - ii. E&T 15 Bus lane, bus stop and school parking enforcement.
44. The respondents who disagreed with the proposals were then asked to select the proposal they disagreed with most. The proposal with the highest level of disagreement were:
- i. E&T 12 Reduce bus subsidy budget.

### Digital

45. This group of proposals focus on improving the way the Council works, delivering more services online, making it easier for residents to access information and services in ways that are quick, efficient and convenient. For services right across the Council, this proposal will enable customers to report, apply or pay for services online. The way Council staff work will also be improved, with better online internal processes and the introduction of more mobile working. The proposals in this grouping total £1,800,000 of savings to the Council's main budget (General Revenue Account). This was the group of proposals with the third highest response rate with 52% of questionnaire respondents providing a view on the digital proposal.
46. As shown in Figure 5 there was a combined agreement (strongly agree and agree) level of 74% against a combined disagreement (strongly disagree and disagree) of 17%. This is the highest agreement level of any of the proposal groupings.

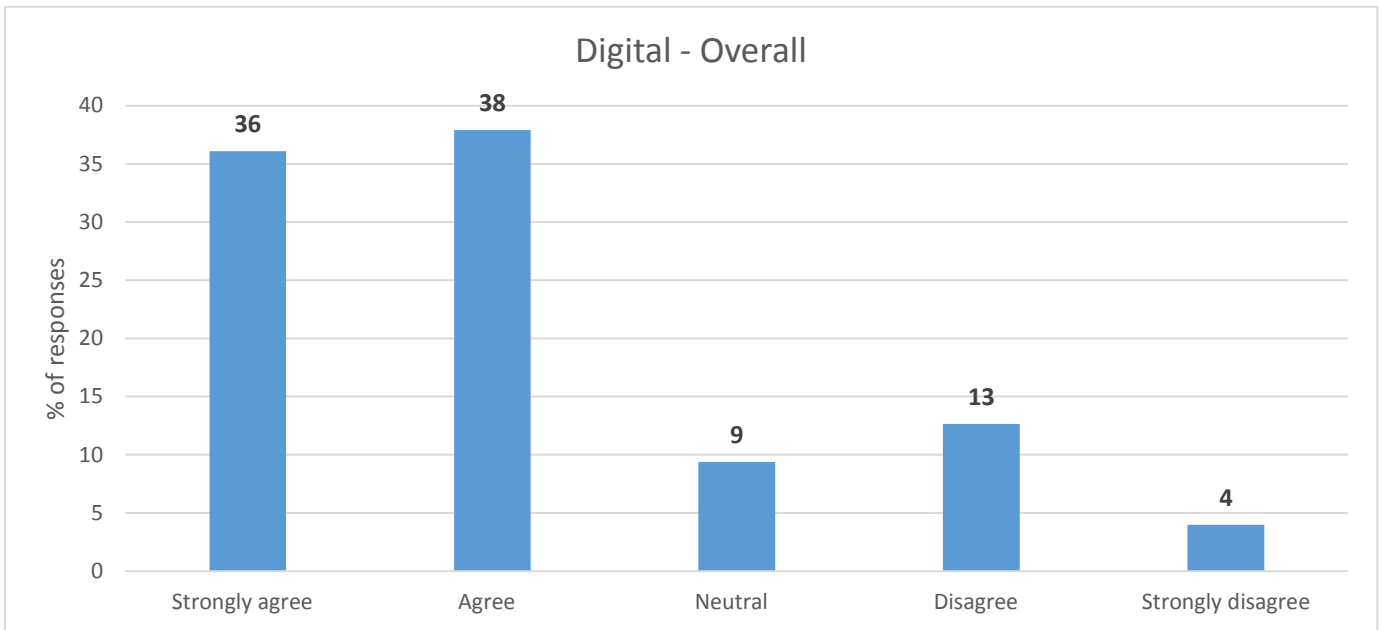


Figure 5

- 47. As the digital information sheet described one large proposal rather than a group of proposal, respondents who disagreed were asked to select the reason they disagreed. 65% of those who disagreed gave the reason 'Not everyone in society can access digital services'.
- 48. Within the section of the questionnaire on the digital proposal there was a question about with gradually reducing cash and cheque payments over time. 74% of respondents agreed or strongly agreed that cash and cheque payments should be reduced over time, while only 18% disagreed or strongly disagreed.

**Adult Social Care**

- 49. Adult Social Care services provide support for adults with long and short term health and care needs. Demand for these services is increasing significantly, and will continue to do so as, for example, the number of people over 65 living in the city is predicted to rise by 19% between 2014 and 2021. Therefore there is a need to make sure that resources are used as effectively as possible, so that residents who are eligible receive appropriate care and support, which meets their needs and provides value for money. The proposals grouped together in this section total £1,455,000 of savings to the General Revenue Account. This was the group of proposals with the fourth highest response rate with 51% of questionnaire respondents providing a view on the adult social care group of proposals.
- 50. Due to the complexity of the HASC8 proposal (Setting of personal budgets to meet unmet eligible adult social care needs) additional consultation was conducted with potentially affected service users and other stakeholders. When responses to this additional questionnaire are added to the total for the rest of the Adult Social Care responses it has the second highest response. It is important to be aware that the HASC8 proposal is not being taken forward as a decision was made to remove this proposal based on the feedback received through the consultation process.
- 51. As shown in Figure 6 there was a combined agreement (strongly agree and agree) level of 48% against a combined disagreement (strongly disagree and disagree) of 32%. This is the lowest overall agreement level of any of the proposal groupings.

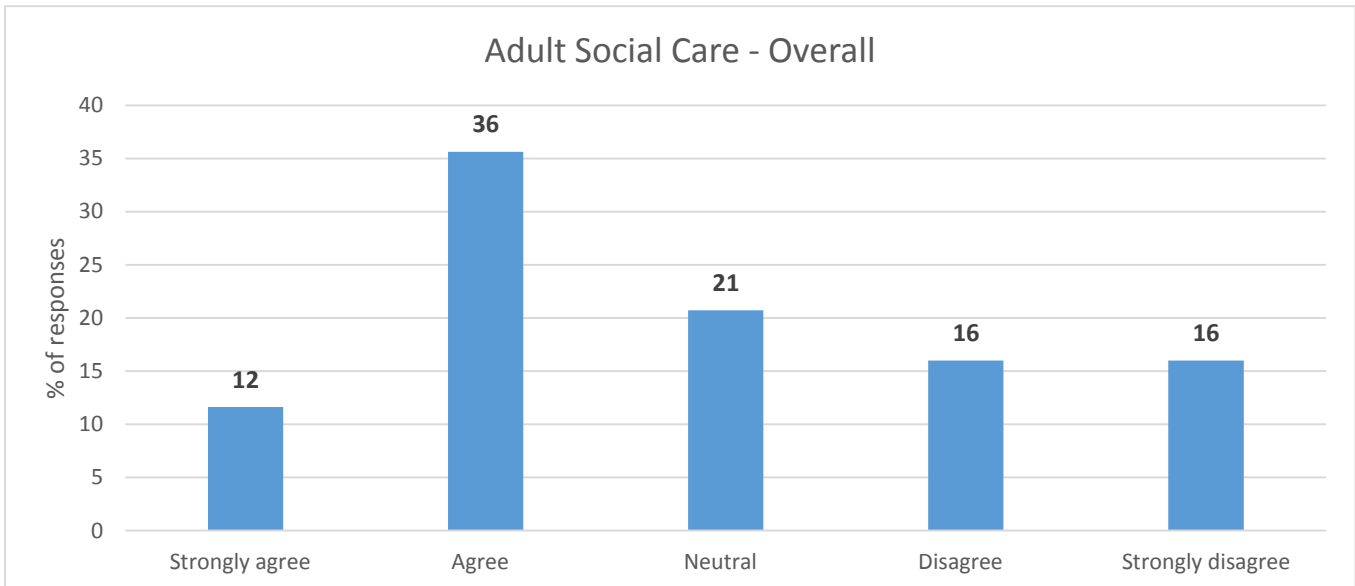


Figure 6

52. Respondents who either disagreed or strongly disagreed with the group of proposals were given the opportunity to outline the proposals they disagreed with, the three most common disagreed with proposals were;
- i. HASC 9 Introduce charge for self-funders and deferred payments
  - ii. HASC 8 Setting of personal budgets to meet unmet eligible adult social care needs
  - iii. HASC 6 Introduce wider roll out of Telecare to reduce the ongoing cost of existing packages and delay the need for clients to require long term support.
53. The respondents who disagreed with the proposals were then asked to select the proposal they disagreed with most. The two proposals with the highest level of disagreement were:
- i. HASC 8 Setting of personal budgets to meet unmet eligible adult social care needs
  - ii. HASC 9 Introduce charge for self-funders and deferred payments.
54. There was also additional consultation which was conducted directly with service users who could have been potentially affected by the 'HASC 8 Setting of personal budgets to meet unmet eligible adult social care needs' proposal. An additional opportunity for around 330 service users or carers was given through a separate questionnaire specifically about the personal budget proposal.
55. There were relatively few responses (19) to this additional consultation but out of those responses the majority (11) strongly disagreed with the proposal. The consultees who did strongly disagree raised serious issues with the proposal including: fairness, impact on families, impact on independence, impact on quality of care, how the £500 figure had been reached and service users rights.
56. It was in light of the feedback on this proposal that a decision was taken to withdraw the HASC8. As a result, consultees were informed of this decision by letter on 12 January 2016 before the consultation was due to end.

### Income and charges

57. The proposals grouped together under income and charges relate to changes to charges for services. In some cases, this means increasing charges to cover the cost of providing the service, or to generate income. The proposals in this grouping would generate £532,000 of income for the General Revenue Account, and £279,000 of income for the Housing Revenue Account. This was the group of proposals with the second lowest response rate with 47% of questionnaire respondents providing a view on the income and charges group of proposals.
58. As shown in Figure 7 there was a combined agreement (strongly agree and agree) level of 57% against a combined disagreement (strongly disagree and disagree) of 25%.

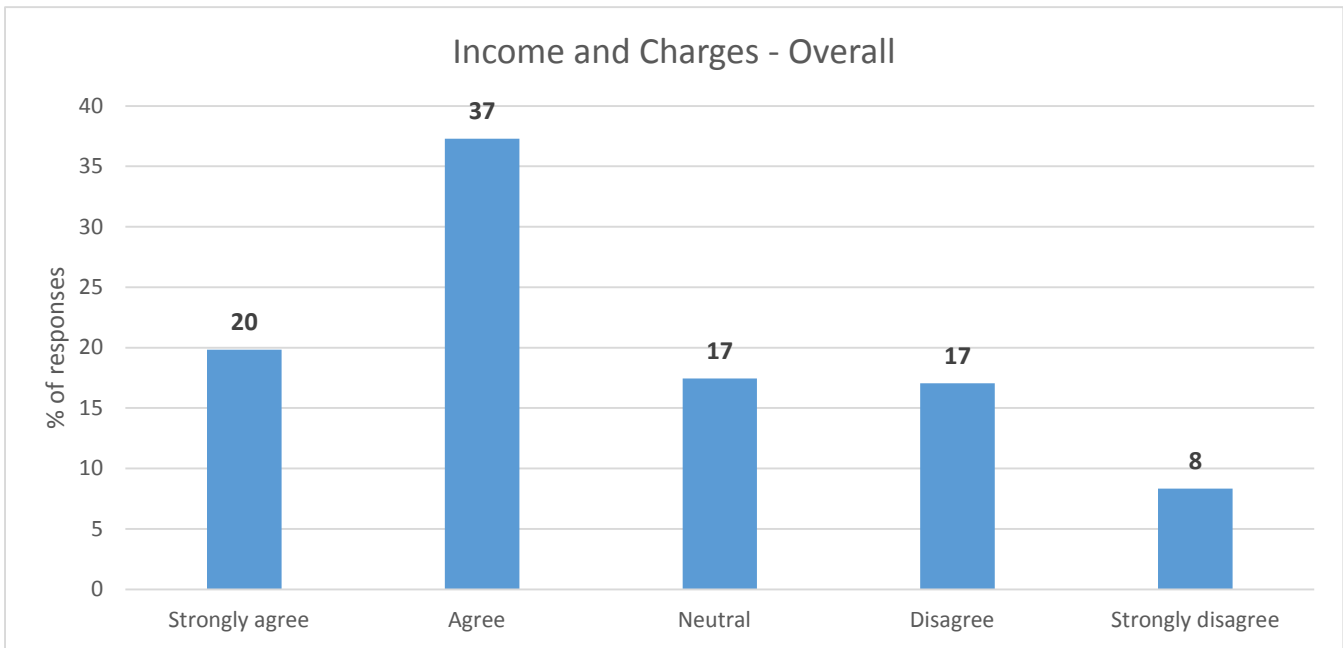


Figure 7

59. Respondents who either disagreed or strongly disagreed with the group of proposals were given the opportunity to outline the proposals they disagreed with, the four most common disagreed with proposals were;
- i. E&T 20 Revert underutilised disabled parking bays into pay and display
  - ii. E&T 27 Introduce new rates for cemeteries and crematorium
  - iii. HOU 20 Increase in charges to private CAREline alarms
  - iv. HOU 21 Introduction of new charging model for Community Alarm Customers.
60. The respondents who disagreed with the proposals were then asked to select the proposal they disagreed with most. The two proposals with the highest level of disagreement were:
- i. E&T 27 Introduce new rates for cemeteries and crematorium
  - ii. E&T 20 Revert underutilised disabled parking bays into pay and display.
61. A decision was made shortly after the close of the consultation to withdraw 'E&T 20 Revert underutilised disabled parking bays into pay and display', as a result of feedback through the consultation and other means.

## Housing

62. The Council owns and manages 16,350 homes in the city, which are rented to Council tenants, and around 2,000 leasehold homes. A wide range of services are provided to support the delivery and management of Council-owned housing, as well as support services for tenants. The proposals in this area are intended to make sure that Housing Services are efficient and cost-effective, and that support services are targeted to those people who really need them. They total £4,031,400 of savings to the Housing Revenue Account. This was the group of proposals with the lowest response rate with 46% of questionnaire respondents providing a view on the income and charges group of proposals.
63. As shown in Figure 8 there was a combined agreement (strongly agree and agree) level of 66% against a combined disagreement (strongly disagree and disagree) of 18%.

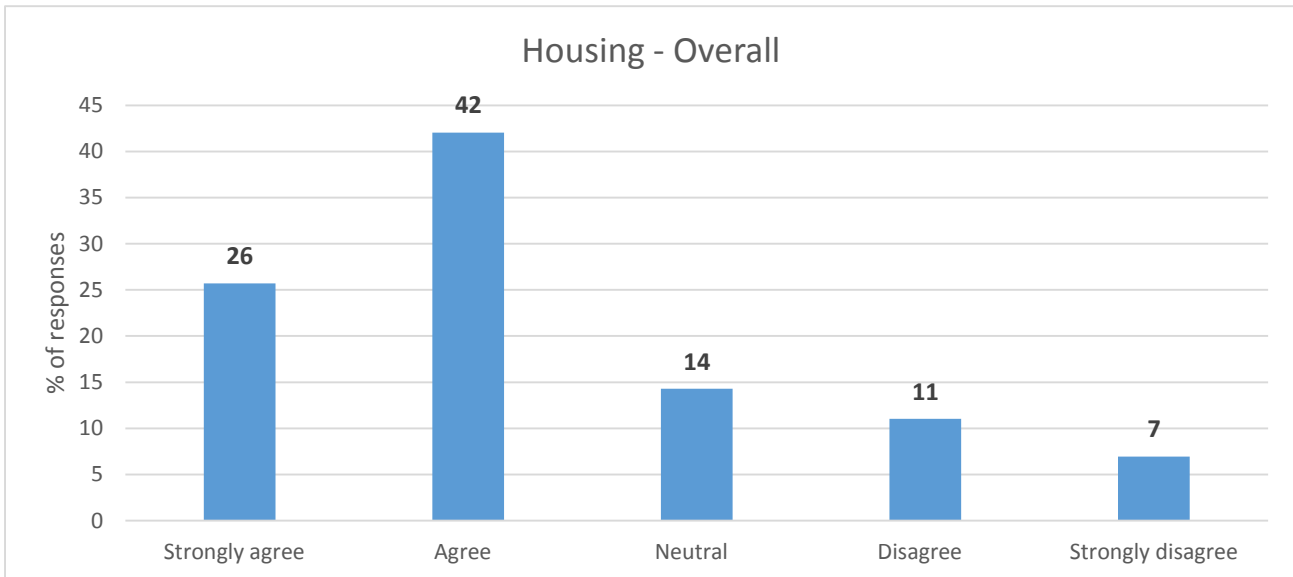


Figure 8

64. Respondents who either disagreed or strongly disagreed with the group of proposals were given the opportunity to outline the proposals they disagreed with, the four most common disagreed with proposals were;

- i. HOU 24 Removal of cash collection facility at Woolston Office Local Housing Office
- ii. HOU 26 Removal of cash collection facility at Shirley Housing Office
- iii. Housing staffing restructures (HOU 2, 3, 7, 13-16, 22, 23, 27, 31, 32)
- iv. HOU 35 Homebid magazine.

65. The respondents who disagreed with the proposals were then asked to select the proposal they disagreed with most. The two proposals with the highest level of disagreement were:

- i. HOU 26 Removal of cash collection facility at Shirley Housing Office
- ii. Housing staffing restructures (HOU 2, 3, 7, 13-16, 22, 23, 27, 31, 32).

**Overall views on the budget**

66. All questionnaire respondents, regardless of which other questions they had responded to, were given 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) to give a wide range of options to pick up on more nuanced views. Figure 9 shows the range of responses, the average response was six which is on the more favourable side of neutral. The combined total for favourable responses (7-10) is 42%.

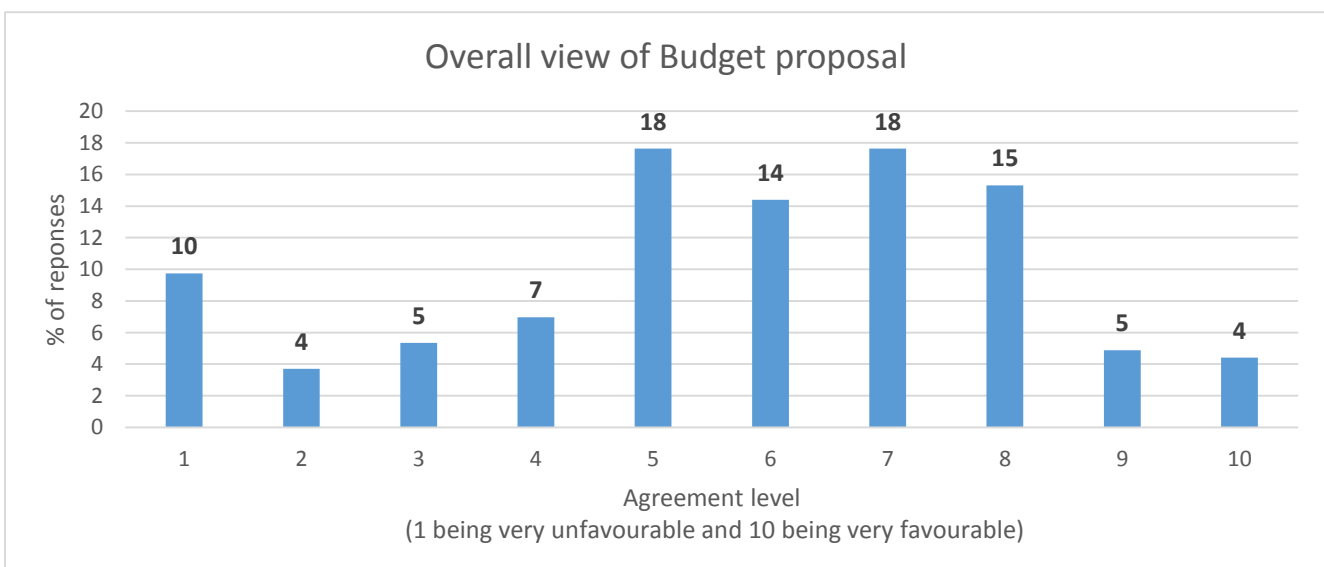


Figure 9

67. There was also opportunity to make an open ended comment about the budget proposals, in total 215 (42%) survey respondents made a comment. These responses were then grouped into 31 themes, some responses were relevant to multiple themes. All of the themes shown in Table 1 had at least 10 responses and cover the most common general responses.

Table 1

Coded comment	Count
Concern about potential impact on older and disabled groups	28
Savings package seems fair/ well thought out/ believe Council is doing its best	27
Council needs to support vulnerable people/ older people/ disabled people	24
Oppose cuts to bus subsidies and bus routes	21
Protect social care	20
Concern about staff cuts	18
Protect disabled parking/ disagree that blue badge parking is underutilised	18
Concern about accessibility of online services/ impact of reducing face to face and telephone contact with staff/ Southampton City Council online services not currently good enough	15
Reduce wages/ cut senior management/ cut number of councillors and councillors' pay	14
Council needs to be more efficient/ reduce use of agency staff	12
Other	55

## Impacts

68. Assessing the potential impact any proposal may have on individuals or communities is one of the main purposes of public consultation. Each proposal which has the potential to have an impact will have a draft Equality and Safety Impact Assessment (ESIA). There is also a draft Cumulative Impact Assessment (CIA) which looks at the combined impact of all the proposals on specific groups of residents. These documents are updated with relevant findings from the consultation, the CIA can be found at Appendix 3 of this report.

69. One of the open ended questions in the 2016-17 draft budget consultation asked respondents to identify any personal impacts or equality issues which have been overlooked in the formation of the budget proposals.

70. In total 76 respondents answered the question on impacts this represents 14% of consultees. These 76 answers equated to 118 different comments which were drawn together into 12 themed groups which are outlined in Table 2. The most commonly identified impacts are around disabled and older people losing out as a result of the budget proposals.

Table 2

Coded comment	Count
Disabled people will lose out	21
Older people will lose out	16
Online services aren't universally accessible	10

Council needs to support vulnerable people	9
Removing bus subsidies/ withdrawal of bus route X12 will be detrimental	7
Poorer people will lose out	4
Proposals are against Human Rights Act/ equality legislation	5
Working people are unfairly penalised	2
Removing Blue Badge parking will be detrimental	2
Housing shortage/ Council needs to provide more housing	2
Do not increase Council tax	2
Everyone will lose out	4
Not applicable/ none	8
Unsure	3
Other	23

## Alternatives

71. It is important to ensure alternatives to the proposals being consulted on are considered as a part of the decision making process. The information sheets outlined broad alternatives to taking the proposals forward, but it is useful to give consideration to alternatives suggested by residents and stakeholders. The consultation questionnaire sought suggestions for alternative or additional savings or sources of income for Southampton City Council.
72. In total, 161 respondents provided alternative suggestions, this represents 30% of consultees. These 161 answers equated to 243 different comments which were drawn together into 22 themed groups which are outlined in Table 3.
73. The most common suggestions were around Council efficiencies and reduction in Council staff pay and manager levels.

Table 3

Coded comment	Count
Greater Council efficiencies	36
Cut Council staff/ pay for Council staff/ review management roles	29
Introduce Park & Ride/ increase parking payment charges	14
Increase Council tax/ increase Council tax for students/ ensure full collection of Council tax	12
More development to attract money spending	11
Cut or charge for culture and leisure services/ Sell art collection	11
Increase fines for rule breaking	9
Less outsourcing	8
Reduce waste collections	7
Increase rents/ controls for Council tenants	6
Change street lighting/ reduce street lighting/ reduce traffic lights	6



More outsourcing/ privatisation	5
Introduce more checks on eligibility for benefits/ social housing	4
Introduce congestion charges	4
Need to protect vulnerable people	4
Disability rights	4
More prevention work to reduce number of children going into care/ change provision of care	3
Change bus services/ combine bus routes	3
Fundraising activities	3
Introduce port-related charges	3
Means test pensioner benefits	2
Oppose removal of disabled parking	2
Other	52
None	5

### Staff consultation

74. The Council takes its obligations under section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992 to provide our employees and their union representatives with information on budget proposals very seriously. In order for the Council to meet its obligations as a good employer and also in order to start the process of discharging its obligations under s.188 of the Trade Union and Labour Relations (Consolidation) Act 1992, a detailed staff and union consultation document launched the statutory consultation process for the budget proposals published 10th November 2014, for implementation in April 2015.
75. 21 individual consultation documents with an overarching s188 cover notice included a range of information relating to the budget proposals with implications for employees. It is important to the Council, that all employees and union representatives take the opportunity available in a minimum 45 days consultation period to discuss the proposals, including offering a wide range of alternative options to achieve the same budgetary reduction.
76. The Council also takes its responsibilities under the Equality Act 2010 very seriously and therefore employees were advised to speak to their manager, HR Pay or their trade union representative at the earliest opportunity if they consider themselves disabled under the Act and required any reasonable adjustments to the consultation and/or the selection process
77. Employees and union representatives were made aware that during the consultation period further information would be given or updated. This reflected the fact that, by the very nature of consultation, not all of the proposals will be fully formed at the point of consultation and it is important that every opportunity is given to contributing to shaping the final proposals.
78. Views and comments from affected employees and trade union representatives were invited throughout the consultation process through a series of team and individual meetings.
79. Meetings with unions have occurred at a Council-wide level with Trade Union representatives and at a directorate and service-level with affected staff during a 45 day consultation period.
80. Environment and Economy Consultation - The majority of consultations within the Place Directorate have been concluded according to schedule and without any issues outstanding. The consultation regarding the proposals to change the call out rota in Port Health was extended due to availability of parties to meet to discuss outstanding concerns.

81. There were no issues with staff consultations in the People Directorate.
82. Chief Executives Directorate Consultation - The majority of consultations within the Directorate have been concluded according to schedule and without any issues.
83. The Chief Executive conducted consultation on the organisational restructure Phase 1 of the new Operating model. The HR element of this restructure is still being finalised.

### **Overview and Management Scrutiny Committee**

84. The Overview and Scrutiny Management Committee considered the General Fund Revenue Budget 2016/17 to 18/19 budget proposals at their meeting on 12th November 2015. The Cabinet Member for Finance and the Chief Financial Officer were in attendance. The following recommendations were made:
  - a. That the Chief Financial Officer provides the Overview and Scrutiny Management Committee with an overview of the proposed savings put forward by officers that had not been included in the Cabinet report.
  - b. That, in the context of the financial sustainability of the Council, officers provide the Committee with a summary of the legal and constitutional role of elected members in relation to budget setting at Full Council in February 2016, and the requirements that need to be met to enable the Section 151 Officer to sign off the budget.
85. The Health Overview and Scrutiny Panel considered HASC 8 – Setting of Personal Budgets to meet unmet eligible adult social care needs, at their meeting on 26th November 2015. The Service Manager, Adult Social Care was in attendance. The following recommendation was made:
  - a. That feedback from the budget proposal consultation be circulated to the Panel.
86. The Overview and Scrutiny Management Committee also considered the HRA Revenue Budget 2016/17 to 18/19 budget proposals at their meeting on 12th November 2015. The Cabinet Member for Housing and Sustainability and the Head of Housing Services was in attendance. The following recommendations were made:
  - a. That the Committee is provided with a breakdown of the number of Council owned homes that are estimated to be 'high value'.
  - b. That the Cabinet Member targets closing the HRA budget through efficiencies rather than by reductions to the capital programme.
  - c. That robust and effective procedures are developed to reduce the likelihood of an increase in rent arrears following the introduction of Universal Credit.

### **Feedback on the consultation process**

87. The Council is committed to making the whole consultation process as transparent as possible. As a part of this, any feedback on the consultation process itself received during the course of the consultation is gathered together here.
88. Overall, out of the 544 people who took part in the consultation, 10 commented on the consultation process itself, representing less than 2% of total consultation responses.
89. The comments on the budget consultation process can be grouped into four categories which provided feedback on the information provided, the view that consultation does not change anything, the approach to forming priorities and the way the questionnaire was structured.
90. The comments about the information provided as a part of the consultation are shown in Table 4, in total four consultees expressed there was not sufficient information to respond the consultation.

Table 4

Can you please stop using the word "efficiencies", we're not stupid, we know that means cuts. Please be more honest...
--

Some of the proposals are given in so little detail that it is impossible to comment. For instance, the significant number of posts to be lost in Housing - it is unclear from the proposals how service efficiencies will allow this....
Some of the Information Sheets were not detailed enough to make a proper judgement for response - in particular the Adult Social Care Sheet information did not clearly match to the reference numbers for proposals. Is the proposal to "limit" a personal budget to a benchmark of £500 per week legal under the Care Act? Is this not likely to disproportionately impact on people with Learning Disabilities and therefore potentially be indirect discrimination under the Equality Act?
This consultation doesn't meet legal requirements. It is not accessible, understandable, informative in a way that is helpful, inclusive. This feedback document is badly worded, and makes it difficult to object in a sensible way. The information sheet is not available except for reference, and doesn't contain sufficient information to give an informed opinion. Yes I will send in a detailed response

91. Three consultees expressed that they feel that the decision has already been made and there is no real purpose to the exercise. The comments are outlined in Table 5.

Table 5

I wonder why you keep sending out these questionnaires and then when you get the replies you don't like you just ignore them. This is what happened when you asked us all about reducing the number of councillors and the length of term they serve and when the vast majority voted to reduce both you just carried on as normal and ignored what the majority voted for. Same thing happened with the Library review. It seems you decide what's going to happen and just send out the questionnaire as a PR exercise.
You failed to listen to the community's views about closing Bitterne Walk In so i do not believe any views provided here will be listened to or considered at all!!!
Unenthusiastic about completing budget proposal form as nothing ever seems to change. 'Your City, Your Say', doesn't seem to apply as the council usually I have made their decisions beforehand. For example when we completed a survey on the number of councillors and the libraries survey it was a waste of time because it was all already decided.

92. One consultee felt the way the priorities had been developed left certain groups of society at risk of being ignored. This comment is shown in Table 6.

Table 6

Your approach of assessing priorities by popularity with residents as a whole seems inherently discriminatory against unpopular minority groups with protected characteristics such as frail older people.
--

93. Two consultees felt that there was not the option to disagree with a set of proposals and then give reasons such as there were not enough savings in that area. These comments are summarised in Table 7.

Table 7

There is no option to be able to disagree with something and to say why - for example I wanted to disagree with the Adult Services savings because I think they can make more savings - so I don't disagree with what is being proposed but I think their savings could be greater so that savings elsewhere could be less. What about Children's Services - I could not see any savings from their budget?
I have grave concerns about this survey. I have said that I do not agree with some of the proposals and I strongly suspect that you now think that I do not believe that there should be cuts in that area, whereas I actually believe that the cuts should be much greater.

## Conclusion

94. Over 500 stakeholders have engaged with the consultation process and given their views on the proposals. The consultation has engaged with a range of individuals through a variety of methods to allow residents in Southampton to give their views on the budget for 2016/17. 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 Leader and Cabinet have withdrawn two proposals (HASC8 and E&T 20) having considered consultation feedback.

95. This consultation has ensured compliance with local and government standards. This report, the Cabinet report and appendices outline the full picture of the consultation results and will be used to inform decision makers.
96. The group of proposals with the highest level of engagement was Internal Efficiencies, the group with the least engagement was Housing.
97. Overall agreement with the 2016-17 draft budget was 42% with 26% in disagreement.
98. In conclusion, this consultation allows Southampton City Council's Cabinet to understand the views of residents and stakeholders on phase one of the draft 2016-17 budget consultation. Therefore it provides a sound base on which to make a decision.

SOUTHAMPTON CITY COUNCIL

## **Budget Proposals 2016/17**

### **Equality and Safety Cumulative Impact Assessment**

February 2016

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# Equality and Safety Cumulative Impact Assessment

## Introduction

1. Southampton City Council, in line with its statutory responsibilities, undertakes Equality and Safety Impact Assessments (ESIAs). ESIAs provide a systematic way of assessing the impact of policies, strategies, programmes, projects, services or functions on different equality groups - and on poverty and community safety. During the Council's annual budget cycle, ESIAs are completed for all proposals identified as requiring them to inform decision making.
2. This document draws in one place, a summary of all the Equality and Safety Impact Assessments for the 2016/2017 budget proposals. Unlike in previous years, the budget cycle for 2016/17 has been in 2 phases (November 2015 and February 2016).
3. This document focuses on service based proposals identified as having a direct impact on customers/residents. In addition to service based proposals, there are a range of budget proposals which are efficiencies and do not have any disproportionate impact for people within the equalities legislation, or affect mainstream, universal, or back office services by delivering efficiencies and generating additional income.
4. It is important to fully understand the impact of the budget proposals on equality groups (identified in paragraph 15) and on poverty and community safety. The City Council, working with others, will need to take action to mitigate the collective impact of any such proposals. Mitigating actions could include re-shaping services to target more efficiently and to reduce the potential of disproportionate impacts on equalities groups, poverty and community safety.
5. Consultation on phase 1 of the draft budget proposals was undertaken with residents and stakeholders between 19 November 2015 and 14 January 2016. Feedback will be incorporated into the relevant individual Equality and Safety Impact Assessments and is reflected in this Cumulative Impact Assessment.
6. Consultation on phase 2 of the draft budget proposals will be undertaken with residents and stakeholders between 10<sup>th</sup> February 2016 and 20<sup>th</sup> April 2016. The proposals put forward are included in this Cumulative Impact Assessment.

## Context

7. It should be noted that budget setting for 2016/17 to 2019/20 has had to operate in the context of ongoing demographic, policy and austerity challenges. At a national level, the Government is still looking to reduce the budget deficit and part of its strategy is to continue to reduce public sector funding, particularly for Local Government, for a minimum of the next four financial years.
8. Since 2012/13, the Council's Revenue Support Grant (RSG) funding from Central Government has been cut by 30%, a total of £50 Million (including the assumed RSG loss of 2016/17). Over the last five years, the Council has made savings of £84.7 Million. For 2016/17, the Council needs to identify £39 Million in savings.

9. In October 2015, the Cabinet agreed savings of £9.4 million, and the proposals published in November 2015 totalled £13 million. This was the first phase of consultation on the 2016/17 budget, with a second phase scheduled to commence in February 2016 on further proposals to close the remaining budget gap. These second phase proposals have been included in this Cumulative Impact Assessment.
10. This assessment is also being carried out against the backdrop of the welfare reforms, a number of which have been implemented since 2011 and the programme continues. Nationally, the biggest financial losses to benefit claimants arise from reforms to incapacity benefits (£4.3 Billion a year), changes to Tax Credits (£3.6 Billion a year) and the 1 per cent up-rating of most working-age benefits (£3.4 Billion a year)<sup>1</sup>.
11. Further announcements on welfare were made as part of the government's Summer Budget 2015. These include:
  - Freezing of working-age benefits, including Tax Credits and Local Housing Allowances for 4 years from 2016 - 2017.
  - Reducing the household benefit cap from £26,000 to £20,000 and the income thresholds for Tax Credits and Universal Credit.
  - Removing the automatic entitlement to housing support for new claims in Universal Credit from 18 - 21 year olds who are out of work.
  - Requiring tenants living in social housing who have a family income of £30,000 to pay market, or near market rate, rents.
12. More recently, in the Autumn Statement (November 2015), it was announced proposed changes to Tax Credits (from April 2016) will not be implemented. This means some low-income families who were expecting cuts in tax credit payments of up to £1,200 a year will no longer face that loss. It was also announced that the rate of housing benefit in the social sector will also be capped at the same rate as is paid to those in the private rented sector. This will apply to tenancies signed from April and affect housing benefit from April 2018 onwards.
13. In general, welfare reforms affect households with working age people on benefits - including people in work on low incomes. There are data limitations around claimant information. This means analysis of the cumulative impact of the reforms on households with particular characteristics is not possible at a local level. But available evidence indicates that young people, those who are homeless or vulnerably housed, larger families, households with a disabled person and women are some of the 'hardest hit'.

## Legal Framework – Equalities

14. The Equality Duty, section 149 of the Equality Act, came into effect on 5<sup>th</sup> April 2011 and places a duty on all public bodies and others carrying out public functions.

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<sup>1</sup> Beaty, C & Fothergill, S. (April 2013). *Hitting the Poorest Places Hardest: The Local and Regional Impact of Welfare Reform*. Centre for Regional Economic and Social Research Sheffield Hallam University. [Online]. Available from: [http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/hittingpoorest-places-hardest\\_0.pdf](http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/hittingpoorest-places-hardest_0.pdf)

15. The Act was designed to ensure public bodies consider the needs of all individuals in their day to day work, including: shaping policy, delivering services and employment of employees. It requires public bodies, such as local Councils not to discriminate against any person on the basis of a protected characteristic such as disability. The legislation strengthened existing provisions about discrimination to also include associative and perceptive discrimination as well as direct and indirect discrimination.
16. Direct discrimination occurs when a rule, policy or practice offers less favourable treatment to a group and indirect discrimination occurs by introducing a rule, policy or practice that applies to everyone but particularly disadvantages people who have a protected characteristic. Direct discrimination will always be unlawful. Indirect discrimination will not be unlawful if it can be justified, for instance it can be shown that the rule, policy or practice was intended to meet a legitimate objective in a fair, balanced and reasonable way.
17. In considering whether or not any indirect discrimination is justified, the Council must consider whether or not there is any other way to meet their objective that is not discriminatory or is less likely to disadvantage those with protected characteristics. This may well mean setting out clearly whether or not consideration has been given to other ways of achieving these objectives.
18. The Public Sector Equality Duty (the Equality Duty) replaced three previous public sector equality duties – for race, disability and gender, and broadened the breadth of protected characteristics to include:
- Age
  - Disability
  - Gender reassignment
  - Marriage and civil partnership, but only in respect of the requirements to have due regard to the need to eliminate discrimination.
  - Pregnancy and maternity
  - Race – ethnic or national origins, colour or nationality
  - Religion or Belief – including lack of belief
  - Sex (Gender)
  - Sexual orientation.
19. The Equality Duty does not impose a legal requirement to conduct an Equality Impact Assessment, rather it requires public bodies to demonstrate their consideration of the Equality Duty and the conscious thought of the Equality Duty as part of the process of decision-making. This entails an understanding of the potential effect the organisation's activities could have on different people and a record of how decisions were reached. Producing an Equality Impact Assessment post decision making is non-compliant with the Equality Duty. For this reason the Council requires adherence to the existing impact assessment framework.

## **Legal Framework - Community Safety**

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



21. Section 17 of the Crime and Disorder Act 1998, as amended by the Police and Justice Act 2006, requires responsible authorities to consider crime and disorder, including antisocial behaviour and other behaviour adversely affecting the local environment; and the misuse of drugs, alcohol and other substances in the exercise of all their duties, activities and decision-making. This means consideration must be given to the likely impact on crime and disorder in the development of any policies, strategies and service delivery. This responsibility affects all employees of the Council.
22. This responsibility is summed up by guidance issued by the Home Office. This guidance describes the legal responsibility as: *'a general duty on each local authority to take account of the community safety dimension in all of its work. All policies, strategies, plans and budgets will need to be considered from the standpoint of their potential contribution to the reduction of crime and disorder'*.

## Scope and our approach

23. This assessment identifies areas where there is a risk that changes resulting from individual budget proposals for 2016/2017, may have, when considered together, a negative impact on particular groups.
24. It is important to note this is an ongoing process. As individual budget proposals are developed and implemented, they will be subject to further assessment. This assessment also describes mitigating actions that will need to be considered.
25. The Council's approach on assessing the impact of its policies, proposals and decisions, is designed to demonstrate that it has acted over and above its statutory duties. This is reflected in including poverty in the ESIA, as the Council is committed to addressing the impact on poverty for people in work and unemployed and for other low income households.
26. In order to inform decision-making on the budget proposals, the Council has taken the following steps:
  - Managers have identified proposals which in their view require an Equality and Safety Impact Assessment (ESIA).
  - All the budget proposals for phase 1 and phase 2 have been screened independently by a group of officers to check whether or not an ESIA was required. This was based on an assessment of whether or not they were likely to have a disproportionate equalities impact on particular groups of residents, or have implications for community safety or increasing poverty.
  - This resulted in a list of proposals for which an ESIA was clearly required and those for which further detail was needed to be gathered before making a decision.
  - As a result of the screening, ESIA's have been produced for every proposal assessed as requiring one. These primarily focus on the impact of proposals on residents and service users.
  - An initial high level Cumulative Impact Assessment of the budget proposals was published in November 2015 to give an early indication of likely cumulative impacts on particular groups, along with community safety and poverty implications.

27. This Cumulative Impact Assessment has been updated and developed based on the final proposals from phase 1 and detail of individual ESAs. It has also be informed by the feedback from residents and stakeholders as part of the public budget consultation.
28. This Cumulative Impact Assessment also presents the new draft proposals put forward for phase 2, for which consultation will be undertaken with residents and stakeholders between 10th February 2016 and 20th April 2016.

## City Profile

29. This Cumulative Impact Assessment must be considered in light of the city's profile, service users and non-users, staffing profiles as well as the proportion of the Council's budget that is currently spent on targeted groups or communities.
30. The 2011 Census provides a range of data about the city that is not collected elsewhere. This Census was the first opportunity since the last census in 2001, to look at the ethnicity of residents in detail. Southampton has a diverse population with a higher proportion of residents born outside the UK than any of our comparator cities.
31. According to the Census 2011, the city's population profile comprised 236,900 total residents (the most recent population data was for 2014 and estimated the population to be 245,300).
  - There are 117,400 females and 119,500 males, a 49.6% to 50.4% split.
  - 77.7% of residents are white British (compared to 88.7% in 2001).
  - Our 'Other white' population, which includes migrants from Europe, has increased by over 200% (from 5,519 to 17,461).
  - The largest percentage increase is in our 'other Asian' population, which has increased from 833 to 5,281 people.
  - It is estimated that there are 26,929 residents whose main language is not English; of these 717 cannot speak English at all and a further 4,587 do not speak it well
  - 4,672 residents in Southampton are aged 85 or over, of whom 834 are in bad or very bad health AND have a long term illness or disability.
  - The proportion of households in privately rented accommodation has increased from 15.6% to 23.4%.
  - We have low rates of owner occupation and high rates of social housing and private renting.
  - The percentage of 16-74 year olds who were economically active increased from 64.4% in 2001 to 68.4% by 2011.
  - The city has low proportions in managerial and professional occupations; higher proportions in elementary occupations and relatively low proportions of unemployed people.
32. People's vulnerability to, and experience of, poverty differs significantly. The Index of Multiple Deprivation (IMD) focuses on the geographical profile of poverty but there is also a link between equality strands and risk factors for poverty. The Index of Multiple Deprivation (2015), as recently been published. It shows that Southampton is becoming more deprived compared to other places in the country. Of the 326 Local Authorities in England, Southampton is ranked 67<sup>th</sup> most deprived. (This compares to 81<sup>st</sup> in IMD 2010). Within the city, of the 148 neighbourhoods analysed (Lower Super Output Areas/ LSOAs),

Southampton contains 19 in the most deprived 10% in England. Almost 70% of LSOAs are more deprived in both absolute and relative terms compared with IMD (2010).

33. The main features of deprivation have not changed significantly and may have been compounded by the local impact of the current programme of welfare reforms. The most deprived geographical areas are in Bevois, Bargate, Redbridge, Woolston (Weston) and Bitterne (Thornhill) wards. Bevois and Bargate wards are more ethnically diverse than many other areas in the city.
34. The city has high levels of child poverty. HM Revenue and Customs produces child poverty data at a local level. The most recent data is for August 2012 and estimates that 9,830 or 23.4% for children (under 16) - in some areas of the city it is as high as 40%. This compares to an average of 19.2% in England. In Southampton, 85% of children in poverty in the city are in households claiming Jobseekers Allowance or Income Support and 72% are in lone parent households<sup>2</sup>.
35. The city also has a high proportion of 50 – 64 year old men in Southampton who are economically inactive, 33.2% compared to 24.6% nationally. There are higher unemployment rates amongst over 50s in Southampton (4.3%) compared to England and the South East (3.5% and 3% respectively). There is also a higher percentage of residents claiming key out-of-work benefits. In February 2015, this was 11.7% (19,700) compared to the South East average of 9.2% (however, this is lower than the national average of 12.5%)<sup>3</sup>. It is these groups who have been some of the hardest hit by changes to welfare benefits.
36. More detail about the city's population and analysis of needs can be found in the [Southampton Statistics](#) and in the [Equalities Profile](#) .

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<sup>2</sup> Children in Low Income Families. (2014) HMRC. Data from Snapshot August 2012. [Online]. Available from: <https://www.gov.uk/government/statistics/personal-tax-credits-children-in-low-income-families-local-measure-2012-snapshot-as-at-31-august-2012>.

<sup>3</sup> NOMIS <https://www.nomisweb.co.uk/reports/ImpPage4357287/report.aspx#tabwab>

## Public Consultation (Phase 1)

37. An extensive programme of consultation was undertaken between the 19th November 2015 and 14th January 2016 on the draft proposals for phase 1. A variety of methods was used including an online survey (paper copies also available), to enable a wide range of people to give their views to inform the budget - including: residents, service users, employees, partners, businesses, community and voluntary sector organisations and other stakeholders. The deadline for responding to proposal HASC 8 – Personal Budgets was extended to 31/1/2016, and a separate questionnaire was made available.
38. For both phases of the consultation, every effort will be made to ensure consultation is:
- Inclusive: so that everyone in the city has the opportunity to express their views.
  - Informative: so that people have adequate information about the proposals, what different options mean, and a balanced and fair explanation of the potential impacts, particularly the equality and safety impacts.
  - Understandable: by ensuring that the language we use to communicate is simple and clear and that efforts are made to reach all stakeholders, for example people who are non English speakers or disabled people.
  - Appropriate: by targeting people who are more likely to be affected and using a more tailored approach to get their feedback, complemented by a general approach to all residents, staff, businesses and partners.
  - Meaningful: by ensuring decision makers have the full consultation feedback information so they can make informed decisions.
  - Reported: by letting consultees know what we have done with their feedback.
39. Over 500 stakeholders have engaged with the consultation process and given their views on the proposals. The consultation has engaged with a range of individuals through a variety of methods to allow residents in Southampton to give their views on the budget for 2016/17. As this report has outlined, by looking at various demographic breakdowns of the respondents, while there was engagement across a range of ages and locations across the city.
40. The gender breakdown of consultation respondents was 52% male and 44% female. This ratio is unusual as most consultations have greater responses from women, the recent libraries consultation for example had 63% of responses from women whereas the Southampton population is 49% women.
41. The ethnicity breakdown of consultation respondents was 89% White, 3% Mixed/multiple ethnic groups and 1% other ethnic group, Asian/Asian British and Black African, Caribbean or Black British . It is normal to receive a greater response to consultation from people from a White ethnic background, but this is unusually high. For example the recent libraries consultation had a 92% response from the White ethnic group.
42. 14% of all questionnaire respondents considered themselves to have a disability and 30% were carers. This is higher than in previous budget consultations.
43. Out of all responses to the 2016/17 budget consultation 98% (533) were made by individuals and 2% (11) were made on behalf of an organisation.

44. One of the open ended questions in the 2016-17 draft budget consultation asked respondents to identify any personal impacts or equality issues which have been overlooked in the formation of the budget proposals.
45. In total 76 respondents answered the question on impacts this represents 14% of consultees. These 76 answers equated to 118 different comments which were drawn together into 12 themed groups which are outlined in Table 2. The most commonly identified impacts are around disabled and older people losing out as a result of the budget proposals.

Coded comment	Count
Disabled people will lose out	21
Older people will lose out	16
Online services aren't universally accessible	10
Council needs to support vulnerable people	9
Removing bus subsidies/ withdrawal of bus route X12 will be detrimental	7
Poorer people will lose out	4
Proposals are against Human Rights Act/ equality legislation	5
Working people are unfairly penalised	2
Removing Blue Badge parking will be detrimental	2
Housing shortage/ Council needs to provide more housing	2
Do not increase council tax	2
Everyone will lose out	4
Not applicable/ none	8
Unsure	3
Other	23

46. The table below shows the feedback on phase 1 proposals.

Information sheet	Proposal description	ESIA	Consultation feedback
Adult Social Care	Proposals focus on ensuring that resources are used as effectively as possible, so that residents who are eligible for adult social care services receive the appropriate support that meets their needs and provides value for money.	HASC 8 HASC 9	<p>Overall agreement with the Adult Social Care proposals was 48% and overall disagreement was 32%.</p> <p>The two proposals which respondents disagreed with most were: Setting personal budgets to meet unmet demand &amp; Introduce charge for self-funders and deferred payments.</p> <p>There were also 28 general comments about the potential impact on older and disabled groups, 24 general comments about supporting vulnerable people, 20 general comments about protecting adult social care and 7 general comments about the HASC 8 proposal.</p>
Housing	The proposals in this area are intended to make sure that Housing Services are efficient and cost-effective, and that support services are targeted to those people who really need them.	HOU 2,3,7,13-16,22,23,27,31,32 HOU 26	<p>Overall agreement with the Housing proposals was 68% and overall disagreement was 18%.</p> <p>The two proposals which respondents disagreed with most were: Removal of cash collection at Shirley Housing Office &amp; Housing staffing restructures.</p> <p>There were also 8 general comments about council tenants paying more and there were 7 general comments suggesting the cuts to housing are too severe.</p>
Services for All	The proposals in this section impact on the Riverside Pitch and Putt course, bus transport and parking enforcement.	E&T 12	Overall agreement with the Services for all proposals was 54% and overall disagreement was 30%.

Information sheet	Proposal description	ESIA	Consultation feedback
			<p>The proposal which respondents disagreed with most was: Reduce bus subsidy budget.</p> <p>There were also 21 general comments opposing the reduction to bus subsidies.</p>
Internal Efficiencies	<p>The proposals grouped together under internal efficiencies included: redesigning and restructuring services, realigning budgets, reducing costs, making better use of technology and existing contracts.</p>	<p>E&amp;T 14 Deletion of vacant posts E&amp;T 22 E&amp;T 11</p>	<p>Overall agreement with the Internal Efficiencies proposals was 59% and overall disagreement was 18%.</p> <p>The four proposals which respondents disagreed with most were: Itchen bridge further automation, Deletion of vacant posts, Transport, highways and parking – overall staffing restructure and Concessionary fares – reduction in the provision for increased number of annual journeys.</p> <p>There were also 18 general comments raising concern about staff cuts and there were 12 general comments suggesting the Council needs to be more efficient.</p>
Digital	<p>This proposal will enable customers to report, apply or pay for services online. The way Council staff work will also be improved, with better online internal processes and the introduction of more mobile working.</p>	TRANS 1	<p>Overall agreement with the Digital proposals was 74% and overall disagreement was 17%.</p> <p>There were also 15 general comments raising concern about the accessibility of online services and there were 7 general comments supporting the expansion of online services.</p>
Income and Charges	<p>The proposals in this grouping would generate £532,000 of income for the General Revenue Account, and £279,000 of income for the Housing Revenue</p>	<p>E&amp;T 27 E&amp;T 20</p>	<p>Overall agreement with the Income and Charges proposals was 57% and overall disagreement was 25%.</p> <p>The two proposals which</p>

Information sheet	Proposal description	ESIA	Consultation feedback
	Account.		<p>respondents disagreed with most were:</p> <p>Introduce new rates for cemeteries and cremation and revert underutilised disabled bays into pay and display.</p> <p>There were also 18 general comments raising concern about converting disabled parking bays and there were 7 general comments suggesting there should be more charges for services.</p> <p>4 general comments about the garage rent proposal being unfair.</p>

47. The Leader and the Cabinet have withdrawn two phase 1 proposals having considered consultation feedback:

- HASC 8: Setting of Personal Budgets to meet unmet eligible adult social care needs.
- E&T 20: Revert Disabled 'on-street' parking bays into pay & display.

48. The full detail of the aims, principles, timetable, methodology and findings from the 1st phase of the budget consultation is now available. Feedback from phase 2 will be available July 2016.



**Table1: Phase 1 Proposals 2016/17: Impact By Protected Characteristics, Community Safety and Poverty.**

Budget Ref	Description of Proposals	Age	Disability	Gender Reassignment	Marriage & Civil Partnership	Pregnancy & Maternity	Race	Religion & Belief	Sex	Sexual Orientation	Community Safety	Poverty	Other
TRANS 1	Digital Transformation Programme	*	*				*					*	
E&T 10	Pitch & Putt –Explore franchise/partnership	*									*		*
E&T 12	Bus Service Subsidy	*	*						*			*	*
E&T 15	Bus Lane & Traffic Marking Enforcement												*
E&T 18	Introduce charges for cone deployment											*	
E&T 19	Park & Walk Variable Charging											*	
E&T 20	Revert Disabled ‘on-street’ parking bays into pay & display (WITHDRAWN)		*										
E&T 24	Relocation of Bereavement Services		*					*				*	
E&T 27	Introduce new charges for cemeteries & cremation											*	
E&T 28	Introduce new rates for pest control, clinical waste and filthy premises.		*									*	
PHASC 6	Telecare: Introduce wider roll out	*										*	*
PHASC 8	Setting of Personal Budgets to meet unmet eligible adult social care Needs (WITHDRAWN)	*	*		*				*			*	
HOU 5	To review the use of incentive payments for Council tenants who are downsizing to target tenants who need to move to accessible property or to supported housing for older people	*	*									*	
HOU 19	Increasing garage rents for private residents renting a Council garage by £1 a week												*
HOU 20	Increase in charges to private tele/CAREline customers	*	*									*	*
HOU 21	Introduction of a new charging model or Community Alarm customers Within Southampton City Council Supported Housing accommodation	*	*									*	
HOU 24 & 26	Removal of cash collection facility at Woolston and Shirley Housing Office	*	*				*				*	*	
HOU 34	To withdraw the printed version of Tenants’ Link quarterly magazine for Council tenants and leaseholders	*										*	
HOU 35	To withdraw the printed version of Homebid magazine, the fortnightly vacancy listing of social housing for applicants on the Council’s housing waiting list	*										*	

**Table 2: Phase 2 Budget Proposals 2016/17: Impact By Protected Characteristics, Community Safety and Poverty.**

Budget Ref	Description of Proposals	Age	Disability	Gender Reassignment	Marriage & Civil Partnership	Pregnancy & Maternity	Race	Religion & Belief	Sex	Sexual Orientation	Community Safety	Poverty	Other
HS 5	Community Safety: Efficiency arising from centralisation of support.										*		
E&T 39	Itchen Bridge Resourcing		*										
E&T 40	Royal South Hants and University Hospital Southampton on-street parking											*	*
HASC 14	Cost effective care and efficient routes to market	*	*						*				
HASC 15	Impact on Learning Disability (LD) spend	*											*
ECSC 4	Review of Looked After Children Services	*				*							

## **Age – Older people:**

49. People in later life may be more likely to use some Council services and so may be more vulnerable than the general population to reductions or changes in those services. This vulnerability will be worsened for those living on low incomes. Some older people may feel the impact of several proposals. Some of the most significant are those relating to social care, and accessing services and information. Below is a summary of the main proposals that may impact on some older people.

### **Age – Older people: Phase 1**

#### **TRANS 1: Digital Transformation Programme**

50. The Digital Transformation Programme will potentially impact on all customers as the Council is moving towards a position of digital by default. This means contact with the Council will be online in the main; support will be provided to those customers who really need it, to help them access online services.
51. For the majority - of the Council's customers and employees who are already used to using online services- the move to digital by preference with simple and easy to access transactions will have a positive impact.
52. It is recognised that not all sections of the population will be able to use online services immediately and will need assistance. Older people may be less digitally capable and therefore may need assistance to move to digital. Communications will be targeted to those groups who need support and encouragement to go digital and the Council will enable digital self-service with assistance for those most vulnerable groups.

#### **E&T 12: Reduce Bus Subsidy Budget**

53. The proposal to reduce the bus subsidy budget will result in the withdrawal of support for Route X12: City Centre to Tesco Millbrook via Freemantle and Route W1 which operates from the City Centre to Romsey. (The Council currently only funds the diversion that takes in Westwood Road – Portswood – Highfield Lane).
54. The services being withdrawn are generally used by elderly and disabled people and provide off peak travel to enable residents to visit major supermarkets, local shops and other facilities for up to a few hours. In particular the area around Westwood Road has a number of housing units for the elderly. Current users of these services may find their travel options more limited. The additional distance to reach the alternative major bus services/routes will be more difficult for many. It may also result in increased social isolation.
55. Information will be placed on buses, at bus stops and at locations where customers are likely to visit in addition to social media well in advance of the service change.
56. The provision of shared taxis or community car schemes will be investigated prior to the withdrawal of the funding. Passengers would need to pay a fare to use this services.

**HASC 6: Telecare - Introduce wider role out of Telecare to reduce the ongoing cost of existing packages and delay the need for clients to require long term support**

57. Telecare is the use of personal alarms and environmental sensors to monitor people's support needs. This type of equipment can be used to support people with care needs, and enable them to remain safe and independent in their own homes for longer - for example, a sensor that sends an alert if someone falls, so that help can be sent quickly.
58. For some older people, fear of telecare and technology for providing key elements of their care may increase anxiety, resulting in deterioration of circumstances. Use of telecare also reduces the level of face to face contact. Potential ways to mitigate this are to:
  - develop robust training and communication approaches so individuals have a full understanding of the positive benefits of telecare
  - introduce telecare options that enable face to face calling with professionals, friends and local community services.

**HASC 8: Setting of Personal Budgets to meet unmet eligible adult social care needs. (This proposal has been withdrawn).**

59. The Council has a statutory duty under the Care Act 2014 to assess eligibility for social care and support and to set a Personal Budget to meet any unmet eligible social care needs.
60. The Council proposes to set a Personal Budget at a level that would enable an individual's unmet eligible social care needs to be met in the most cost effective way. Where the cost of providing care and support at home is likely to exceed the cost of meeting an individual's unmet eligible needs to be met in an appropriate extra care housing scheme, residential or nursing placement, then the Personal Budget will be set at a level at which those needs could be met in one of those settings.
61. This proposal would affect individuals who currently receive very high cost packages of care and support at home and will be the way that personal budgets for adults with care and support needs are set in the future.
62. We have used a cost of £500 per week as a benchmark cost to enable us to develop our savings proposals and, if this proposal is implemented, we would focus on reviewing those individuals with packages over £500 per week, as these are likely to offer the most opportunities to realise savings. 212 people are currently being funded by the Council to receive a package of care and support at home that costs more than £500 and so are potentially directly affected by this proposal. Others may be affected in the future if their needs change or if they require support from Adult Social Care services for the first time.
63. The impact of this may be that older people may find a move to an appropriate residential or nursing placement more difficult.
64. A phased introduction of this proposal is being considered to help mitigate any adverse effects:
  - The Council will carry out a thorough assessment and will set an individual's Personal Budget at a level that will enable their unmet eligible social care needs to be met in full.

- The options will be clearly explained to individuals and regard would be had to individual preferences.
- Individuals would be supported to find and move to an appropriate extra care housing, nursing or residential home placement.
- In each case, the Council would consider whether there were any exceptional reasons to take into account when setting the Personal Budget and this would include a consideration of any impact on the individual's wellbeing.
- A phased introduction of this proposal is also being considered to help mitigate any adverse effects.
- The way in which a Personal Budget is set will be clearly defined.

**HOU 5: Review the use of incentive payments for Council tenants who are downsizing to better target tenants who need to move to accessible property or to supported housing for older people**

65. A payment of £850 (plus a contribution towards moving costs for those moving to older person's accommodation) is granted to Council tenants moving as incentive for them to move out of larger accommodation that they no longer require. This has been operating successfully for a number of years releasing a significant number of family homes for those who need them. The need to offer financial incentives has reduced with other changes e.g. reduction in Housing Benefit where households under occupy.
66. Older people occupy homes larger than they need in greater numbers than other households. Retaining a more targeted use of the incentive for older people moving into supported housing and households who have a need for accessible homes enables larger homes to continue to be freed up for families. The ability to assist older people into specified older person's accommodation will be retained.
67. **HOU 20: Increase in charges to private tele/CAREline customers**  
The CAREline Alarm provides an emergency telecare alarm service 24 hours a day, every day of the year to any resident living in Southampton. It is a personal alarm button, which can be worn as a necklace or a wrist strap at home. In an emergency, when you press the button, it automatically dials the CAREline service. This is a targeted service - for older people and frail elderly. The proposal is to increase the charge for this service. This could potentially increase the risk of financial hardship on vulnerable residents. It may also result in customers terminating this service leading to increased risks in terms of health and safety in the home and peace of mind for relatives / carers.

**HOU 21: Introduction of a new charging model to better identify the individual service elements for Community Alarm customers within Southampton City Council Supported Housing accommodation (i.e. monitoring, maintenance and responding)**

68. The Community Alarm Service is provided via a hard wired alarm and pull chord system within the home. This is a targeted service - for older people and frail elderly. The proposal is to introduce a new charging model. The proposal will have a financial impact with the potential for increased financial hardship for vulnerable residents. Let-ability of properties could also be affected.

#### **HOU 24 & 26: Removal of cash collection facility at Woolston Housing Office and at Shirley Housing Office**

69. The proposal is to cease cash counter facilities at Woolston from April 2016 following the move from Peartree Local Housing Office to the new Woolston Library. Cash collection services in Shirley Local Housing Office will also be removed from April 2017.
70. The closure of the remaining Housing cash collection facilities will inevitably have an effect on a large number of customers both Council tenants and Council Tax payers. However, PayPoint (PP) provides tenants with a flexible and convenient method of payment. The reduction in opening hours may have an effect on elderly tenants who do not have a PayPoint outlet in the vicinity although this is unlikely given there is a wide geographical spread of over 100 outlets identifiable by a PP sign outside the shop.
71. Tenants will be issued with new PayPoint cards along with a list of outlets in their vicinity. They will also be informed of other ways in which to pay their rent including on-line, by telephone or Direct Debits.

#### **HOU 34: Withdraw the printed version of Tenants' Link quarterly magazine for Council tenants and leaseholders**

72. Tenants' Link is currently delivered quarterly to all 17,000 Council tenants and 1,800 leaseholders across the city. The proposal is to withdraw the quarterly publication, replacing it with an annual summer edition combining the annual report and other highlights and to develop an online magazine for tenants and more regular news bulletins through "Stay Connected".
73. Tenant focus groups and surveys have informed the Council that the magazine is popular and well read. The Council will continue to make similar information available through developing an online magazine, and making better use of "Stay Connected" – the Council's free email alert service. This is an extremely well used service with over 90,000 subscribers who receive information tailored to their interests.
74. However the proposal is likely to have an impact on those customers who do not currently have online access. Older people are less frequent users of online services. Housing Services already has a focus on digital inclusion, and has a number of initiatives in place, including tenant digital champions, and IT drop ins. Actions to mitigate the impact of this proposal will be to further develop the IT drop ins that already take place in supported housing complexes across the city, as well as developing a programme of initiatives and training for tenants generally to support them to get online.

#### **HOU 35: Withdraw the printed version of Homebid magazine, the fortnightly vacancy listing of social housing for applicants on the Council's housing waiting list**

75. Homebid is the Council's choice based lettings system. It is currently available online and in printed magazine format. The Council was early in its move to a choice-based letting system and opted to provide a printed magazine version as part of this. Many areas that have moved over more recently have opted to provide online only.
76. This proposal will have an impact on those who do not currently have access to online services. A new printable flyer which can be tailored to individual applicant needs is being developed which will be introduced in advance of the withdrawal of the magazine. This will

enable people to search for, select and print off a personalised selection of the properties they are interested in bidding for.

77. There is a significant number of older people seeking housing and they are less frequent users of online services. Actions to mitigate the impact of this proposal will be to further develop the IT drop ins that already take place in supported housing complexes across the city, as well as developing a programme of initiatives and training for tenants generally to support them to get online.

## **Age – Older people: Phase 2**

### **HASC 14: Cost-effective care and efficient routes to market.**

78. This proposal includes the recommendation for a policy to be developed which sets guidance for practitioners when establishing the value of a personal budget. There are approximately 2,700 adults in Southampton whose social care is whole or partly funded by the council. Carers of people in receipt of funded care may also be affected. A significant proportion of people on the adult social care caseload are over the age of 65.
79. An over-arching principle of the policy is that where an individual's unmet eligible needs are capable of being met in two or more ways, the council will favour the most cost effective given the circumstances of the individual and with regard for their preferences.
80. The policy will be subject to 12 week consultation through which the views of affected individuals will be considered. If the policy is subsequently implemented, it will be applied fairly and transparently within the adult social care business process (assessment, support planning, and reviews) with due regard for individual preference and circumstance.

### **81. HASC 15 Impact on Learning Disability (LD) Package Spend.**

Southampton City Council (SCC) provides funded care for 807 people with a learning disability (LD) at a total cost of £19.515m per annum. Whilst there have been work streams which have successfully reduced the cost of care for individual clients on the caseload through a range of methods including review, negotiation, procurement, and resettlement over the past two years, pressure on this budget arising from the cost of new care packages arranged over the same period is such that the overall cost of care for people with learning disabilities has seen a net increase of 1.7% during this period.

82. It is therefore proposed that an effective way to reduce the cost of SCC-funded LD care is to apply the working methods and business processes employed by the CHC team towards the business of SCC-funded care for people with learning disabilities and to do this at pace by integrating the SCC LD team into the structure of the Continuing Healthcare (CHC) team.
83. Fear of change, perceived loss of established case management or other familiar structures/contact networks/routines. Potentially increased anxiety and deterioration of circumstances. Possible mitigations include developing robust training and communication approaches so individuals and families have a full understanding of the positive benefits of integrated LD health and social care team.

**Next steps:**

84. A joint discussion will be held between the relevant Heads of Service or their nominated representatives on the potential impact, and any further mitigating actions and consultation requirements.

**Age - Children and young people:**

85. Nearly a quarter of children (9,830) live in poverty in the city and this figure rises to almost 40% in one of our most deprived wards. Continued economic and social pressures on families, including the impact of welfare reforms, are likely to put increase pressure on support services.
86. In September 2015, the Council undertook a public consultation on what should be prioritised so these areas could be protected wherever possible. 'Children and young people get a good start in life' has been identified as one of three overarching priorities.

**Age - Children and young people: Phase 1**

**E&T 10: Riverside Pitch & Putt Course - explore a viable external franchise or partnership arrangement**

87. The Riverside Park 18 hole Pitch & Putt course operates from April to September each year. In recent years the facility has made an operating loss of around £15k per annum. There is little current internal scope to adjust the cost or income base to positively affect this position. It is therefore proposed to seek a viable external partnership to run the facility in 2016 to remove this ongoing budget pressure, and prevent the potential closure of the facility.
88. The course is a relatively popular feature of Riverside Park and currently offers a diversionary activity for young people during the long summer evenings. A skate park and tennis courts already exist in close proximity. Consultation is currently taking place through Friends group over provision of other facilities for younger park users.

**Age - Children and young people: Phase 2**

**ECSC 4: Review of Looked After Children Services.**

89. The proposal is to review the cases of our looked after children to ensure that only those children who need to be in our care are, and those children who require support from the Local Authority need get the best quality and most appropriate care placement. We will focus on making sure that children are provided with secure, permanent homes as swiftly as possible. We will also be focusing on offering more prevention and early intervention support to reduce the numbers of children needing to move into our care.
90. The transformation of our looked after children services will have positive impacts on the children we look after, making sure that more children are moved as quickly as possible to the right permanent home.

**Next steps:**

91. A joint discussion will be held between the relevant Heads of Service or their nominated representatives on the potential impact, and any further mitigating actions and consultation requirements.



## Disability

92. According to the Equality Act 2010, a person has a disability if he or she has a physical or mental impairment which has a long term adverse effect on that person's ability to carry out day to day activities. Disabled people may feel the impact of several proposals. Some of the most significant are those relating to accessing services, information and social care. Below is a summary of the main proposals that may impact on people with a physical or mental impairment.

### Disability: Phase 1

#### **TRANS 1: Digital Transformation Programme**

93. The Digital Transformation Programme will potentially impact on all customers as the Council is moving towards a position of digital by default. This means contact with the Council will be online in the main; we will provide support to those customer who really need it, to help them access online services.
94. For the majority of the Council's customers and employees who are already used to using online services- the move to digital by preference with simple and easy to access transactions will have a positive impact. Some of those with disabilities may not be able to access all services digitally. Assisted self-serve will be available for the most vulnerable groups.

#### **E&T 12: Reduce Bus Subsidy Budget**

95. The proposal to reduce the bus subsidy budget will result in the withdrawal of support for Route X12: City Centre to Tesco Millbrook via Freemantle and Route W1 which operates from the City Centre to Romsey. (The Council currently only funds the diversion that takes in Westwood Road – Portswood – Highfield Lane).
96. The services being withdrawn are generally used by elderly and disabled people and provide off peak travel to enable residents to visit major supermarkets, local shops and other facilities for up to a few hours. Current users of these services may find their travel options more limited. These services penetrate residential areas where people may find the alternative major bus services/routes more difficult to access due to the additional distance to reach a bus stop.
97. Information will be placed on buses, at bus stops and at locations where customers are likely to visit in addition to social media well in advance of the service change. The provision of shared taxis or community car schemes will be investigated prior to the withdrawal of the funding. Passengers would need to pay a fare to use this services.

#### **E&T 20: Revert disabled on street parking bays into pay and display. (This proposal has been withdrawn).**

98. The proposal is to revert 17 Disabled Persons' Parking Bays in Ogle Road and Portland Street back to Pay and Display bays which can be utilised by all. It is proposed to leave the parking bays at their current size (which are 6.6m to accommodate mobility requirements)

so that disabled drivers will still be able to use the spaces at no charge. The impact for disabled drivers will be minimal as they can still have free parking access to these parking bays.

#### **E & T 24: Efficiencies following relocation of Bereavement Services from Bugle Street to the Crematorium**

99. The proposal to relocate Bereavement Services from Bugle Street (City Centre) to the Crematorium (Bassett Green Road). This will mean the service is moved to an outlying area which may make it less easily accessible for some customers. However, having the service on the ground floor will mean a more accessible office, with no stairs to negotiate and staff could arrange to meet at Bugle Street in exceptional circumstances.

#### **E&T 28: Introduce new rates for pest control, clinical waste and filthy premises**

100. The service provides a comprehensive pest eradication and proofing service to Southampton's residents and businesses. The main pests dealt with are rodents (rats and mice) and insects (bed bugs and cockroaches). The service collects and organises the disposal of clinical waste in partnership with the Clinical Commissioning Group. The service also arranges and carries out all aspects of cleaning up filthy or verminous premises.
101. The proposal is to increase fees in order that the service covers its costs. Those claiming a disability benefit and currently entitled to a discount may have to pay higher fees for pest control treatments. Where necessary and on a case by case basis, consideration will be given to waiving fees in cases of extreme financial hardship and, or, allowing payments to be made in instalments.

#### **HASC 8: Setting of Personal Budgets to meet unmet eligible adult social care needs. (This proposal has been withdrawn).**

102. The Council has a statutory duty under the Care Act 2014 to assess eligibility for social care and support and to set a Personal Budget to meet any unmet eligible social care needs.
103. The Council proposes to set a Personal Budget at a level that would enable an individual's unmet eligible social care needs to be met in the most cost effective way. Where the cost of providing care and support at home is likely to exceed the cost of meeting an individual's unmet eligible needs to be met in an appropriate extra care housing scheme, residential or nursing placement, then the Personal Budget will be set at a level at which those needs could be met in one of those settings.
104. This proposal would affect individuals who currently receive very high cost packages of care and support at home and will be the way that personal budgets for adults with care and support needs are set in the future.
105. We have used a cost of £500 per week as a benchmark cost to enable us to develop our savings proposals and, if this proposal is implemented, we would focus on reviewing those individuals with packages over £500 per week, as these are likely to offer the most opportunities to realise savings. 212 people are currently being funded by the Council to receive a package of care and support at home that costs more than £500 and so are potentially directly affected by this proposal.
106. Individuals with eligible care and support needs are by definition deemed to have an impairment or illness that affects their ability to achieve two or more outcomes that are defined by regulations. This proposal therefore impacts on individuals living with a physical

or disability, where they would otherwise use their Personal Budget to receive care and support at home rather than in an appropriate residential or nursing placement.

107. A phased introduction of this proposal is being considered to help mitigate any adverse effects.

**HOU 5: Review the use of incentive payments for Council tenants who are downsizing to better target tenants who need to move to accessible property or to supported housing for older people**

108. A payment of £850 (plus a contribution towards moving costs for those moving to older person's accommodation) is granted to Council tenants moving as incentive for them to move out of larger accommodation that they no longer require. This has been operating successfully for a number of years releasing a significant number of family homes for those who need them. The need to offer financial incentives has reduced with other changes e.g. reduction in Housing Benefit where households under occupy.
109. Disabled households living in adapted homes that they are under occupying need to move to smaller adapted homes. The incentives will be retained for households in this circumstance. Freeing up homes with adaptations not needed by the tenant households will create more vacancies for disabled people.

**HOU 20: Increase in charges to private tele/CAREline customers**

110. The CAREline Alarm provides an emergency telecare alarm service 24 hours a day, every day of the year to any resident living in Southampton. It is a personal alarm button, which can be worn as a necklace or a wrist strap at home. In an emergency, when you press the button, it automatically dials the CAREline service.
111. This is a targeted service - for older people, frail elderly and for disabled people. The proposal is to increase the charge for this service. This could potentially increase the risk of financial hardship on vulnerable residents. It may also result in customers terminating this service leading to increased risks in terms of health and safety in the home and peace of mind for relatives / carers.

**HOU 21: Introduction of a new charging model to better identify the individual service elements for Community Alarm customers within Southampton City Council Supported Housing accommodation (i.e. monitoring, maintenance and responding)**

112. The Community Alarm Service is provided via a hard wired alarm and pull chord system within the home. This is a targeted service - for older people, frail elderly and for disabled people. The proposal is to introduce a new charging model. The proposal will have a financial impact with the potential for increased financial hardship for vulnerable residents. Let-ability of properties could also be affected.

**HOU 24 & 26: Removal of cash collection facility at Woolston Housing Office and at Shirley Housing Office**

113. The proposal is to cease cash counter facilities at Woolston from April 2016 following the move from Peartree Local Housing Office to the new Woolston Library. Cash collection services in Shirley Local Housing Office will also be removed from April 2017.
114. The closure of the remaining Housing cash collection facilities will inevitably have an effect on a large number of customers both Council tenants and Council Tax payers. However,

PayPoint provides tenants with a flexible and convenient method of payment. The reduction in opening hours may have an effect on tenants with a physical disability or impairment who do not have a PayPoint outlet in the vicinity although this is unlikely given there is a wide geographical spread of over 100 outlets identifiable by a PP sign outside the shop.

115. Tenants will be issued with new PayPoint cards along with a list of outlets in their vicinity. They will also be informed of other ways in which to pay their rent including online, by telephone or Direct Debits.

## **Disability: Phase 2**

### **E&T 39 – Itchen Bridge Resourcing**

116. The proposal is to reduce the hours when staff are present to between 7 am and 10 pm Monday to Friday and 8 am to 8 pm weekends and bank holidays. Use of CCTV monitoring will be extended to cover the periods when staff will not be on duty.
117. Assistance via CCTV can be reached via telecom points on every machine and can be used for general information. It can also be used for deferred payments - this enables customers who wish to use the bridge but cannot make payment at the time, to use the bridge and make payment later (plus an administration charge). It can also be used to direct people from the bridge (in cases where the customer is unable to make payment and does wish to make a deferred payment). When on duty, staff are able to assist with incorrect coinage and correct money. This will not be possible during periods when assistance is provided via CCTV.
118. Many disabled people qualify for free transits if they register with the Council. A potential mitigating action will be to ensure that disabled people who qualify, have a smartcard. Using smartcards rather than cash means that customers do not have to find the correct money or have change. It will also mean that customers will not over pay.

### **HASC 14: Cost-effective care and efficient routes to market.**

119. This proposal includes the recommendation for a policy to be developed which sets guidance for practitioners when establishing the value of a personal budget. There are approximately 2,700 adults in Southampton whose social care is whole or partly funded by the council. Carers of people in receipt of funded care may also be affected. The adult social care caseload includes people with a physical disability, sensory disability, cognitive disability, learning disability, acquired brain injuries, mental health conditions.
120. An over-arching principle of the policy is that where an individual's unmet eligible needs are capable of being met in two or more ways, the council will favour the most cost effective given the circumstances of the individual and with regard for their preferences.
121. The policy will be subject to 12 week consultation through which the views of affected individuals will be considered. If the policy is subsequently implemented, it will be applied fairly and transparently within the adult social care business process (assessment, support planning, and reviews) with due regard for individual preference and circumstance.

**Next steps:**

122. A joint discussion will be held between the relevant Heads of Service or their nominated representatives on the potential impact, and any further mitigating actions and consultation requirements.

## **Marriage and Civil Partnership**

### **Marriage and Civil Partnership: Phase 1**

#### **HASC 8: Setting of Personal Budgets to meet unmet eligible adult social care needs. (This proposal has been withdrawn).**

123. The Council has a statutory duty under the Care Act 2014 to assess eligibility for social care and support and to set a Personal Budget to meet any unmet eligible social care needs.
124. The Council proposes to set a Personal Budget at a level that would enable an individual's unmet eligible social care needs to be met in the most cost effective way. Where the cost of providing care and support at home is likely to exceed the cost of meeting an individual's unmet eligible needs to be met in an appropriate extra care housing scheme, residential or nursing placement, then the Personal Budget will be set at a level at which those needs could be met in one of those settings.
125. This proposal would affect individuals who currently receive very high cost packages of care and support at home and will be the way that personal budgets for adults with care and support needs are set in the future.
126. We have used a cost of £500 per week as a benchmark cost to enable us to develop our savings proposals and, if this proposal is implemented, we would focus on reviewing those individuals with packages over £500 per week, as these are likely to offer the most opportunities to realise savings. 212 people are currently being funded by the Council to receive a package of care and support at home that costs more than £500 and so are potentially directly affected by this proposal. Others may be affected in the future if their needs change or if they require support from Adult Social Care services for the first time.
127. This could potentially adversely affect an individual's marriage or civil partnership if they moved to a residential or nursing home placement, rather than receive care and support at home.
128. A phased introduction of this proposal is being considered to help mitigate any adverse effects.
129. The Council will carry out a thorough assessment and will set an individual's Personal Budget at a level that will enable their unmet eligible social care needs to be met in full.
130. The location of a residential or nursing home placement would be taken into account when determining whether it was appropriate (for example, to allow the individual's partner to visit easily).
131. In each case, the Council would consider whether there were any exceptional reasons to take into account when setting the Personal Budget and this would include a consideration of any impact on the individual's wellbeing.

## **Marriage and Civil Partnership: Phase 2**

132. No negative impacts were identified

## **Race**

133. The 2011 Census gives the first opportunity since the last census in 2001, to look at the ethnicity of residents in detail and shows that Southampton is becoming a more ethnically diverse city. In assessing budget proposals – the impacts identified were mainly linked to potential barriers to accessing information and services where a resident has limited English language rather than any specific, disproportionate impacts on one or more ethnic group. According to the Census 2011, 7,522, or 7.7%, of households in Southampton have no people in them who have English as a main language. This means many will be bi-lingual and does not mean that they cannot speak English at all.

## **Race: Phase 1**

### **TRANS 1: Digital Transformation Programme**

134. The Digital Transformation Programme will potentially impact on all customers as the Council is moving towards a position of digital by default. This means contact with the Council will be online in the main; we will provide support to those customer who really need it, to help them access online services.
135. For the majority, the move to digital by preference with simple and easy to access transactions will have a positive impact. People whose first language is not English, may have reduced confidence around using digital. Customers can use third party online services to translate web content and interpretation services will still be provided for those deemed most vulnerable. Communications will be targeted to those groups who need support and encouragement to go digital and we will enable digital self-service with assistance for those most vulnerable groups.

### **HOU 24 & 26: Removal of cash collection facility at Woolston Housing Office and at Shirley Housing Office**

136. The proposal is to cease cash counter facilities at Woolston from April 2016 following the move from Peartree Local Housing Office to the new Woolston Library. Cash collection services in Shirley Local Housing Office will also be removed from April 2017.
137. The closure of the remaining Housing cash collection facilities will inevitably have an effect on a large number of customers both Council tenants and Council Tax payers. However, PayPoint provides tenants with a flexible and convenient method of payment. The reduction in opening hours may have an effect on may have a slight impact on those seeking advice. Mitigation could be ensuring signs and posters include consideration of language barriers and give clear indication of other ways to pay with contact numbers for other services.

## **Race: Phase 2**

138. No negative impacts were identified.

**Next steps:**

139. A joint discussion will be held between the relevant Heads of Service or their nominated representatives on the potential impact, and any further mitigating actions and consultation requirements.

## Religion & Belief

140. The religious profile of Southampton in the 2011 Census is detailed below:

2011 Census Religion	2011	
	number	%
all people	236,882	100.0
Has religion	140,793	59.4
Christian	122,018	51.5
Buddhist	1,331	0.6
Hindu	2,482	1.0
Jewish	254	0.1
Muslim	9,903	4.2
Sikh	3,476	1.5
Other religion	1,329	0.6
No religion	79,379	33.5
Religion not stated	16,710	7.1

### Religion & Belief: Phase 1

#### **E & T 24: Efficiencies following relocation of Bereavement Services from Bugle Street to the Crematorium**

141. The proposal to relocate Bereavement Services from Bugle Street (City Centre) to the Crematorium (Bassett Green Road). This will mean the service is moved to an outlying area which may make it less easily accessible for some customers. Muslim and Jewish Communities do not cremate and may not wish to enter building via chapel entrances. The may be mitigated by providing a separate entrance to administration office.

### Religion & Belief: Phase 2

142. No negative impacts were identified.

**Next steps:**

143. A joint discussion will be held between the relevant Heads of Service or their nominated representatives on the potential impact, and any further mitigating actions and consultation requirements.

## Sex

### Sex: Phase 1

144. **E&T 12: Reduce Bus Subsidy Budget**

The proposal to reduce the bus subsidy budget will result in the withdrawal of support for Route X12: City Centre to Tesco Millbrook via Freemantle and Route W1 which operates from the City Centre to Romsey. (The Council currently only funds the diversion that takes in Westwood Road – Portswood – Highfield Lane). The services being withdrawn are generally used by elderly and disabled people and provide off peak travel to enable residents to visit major supermarkets, local shops and other facilities for up to a few hours. Current users of these services may find their travel options more limited. The additional distance to reach the alternative major bus services/routes will be more difficult for many. Bus services are generally used more by women than men.

**HASC 8: Setting of Personal Budgets to meet unmet eligible adult social care needs. (This proposal has been withdrawn).**

145. The Council has a statutory duty under the Care Act 2014 to assess eligibility for social care and support and to set a Personal Budget to meet any unmet eligible social care needs.
146. The Council proposes to set a Personal Budget at a level that would enable an individual's unmet eligible social care needs to be met in the most cost effective way. Where the cost of providing care and support at home is likely to exceed the cost of meeting an individual's unmet eligible needs to be met in an appropriate extra care housing scheme, residential or nursing placement, then the Personal Budget will be set at a level at which those needs could be met in one of those settings.
147. This proposal would affect individuals who currently receive very high cost packages of care and support at home and will be the way that personal budgets for adults with care and support needs are set in the future.
148. We have used a cost of £500 per week as a benchmark cost to enable us to develop our savings proposals and, if this proposal is implemented, we would focus on reviewing those individuals with packages over £500 per week, as these are likely to offer the most opportunities to realise savings. 212 people are currently being funded by the Council to receive a package of care and support at home that costs more than £500 and so are potentially directly affected by this proposal. Others may be affected in the future if their needs change or if they require support from Adult Social Care services for the first time.
149. A higher proportion of individuals affected by this proposal are female (57%), principally because a greater proportion of older people with eligible support needs are female. The Council will carry out a thorough assessment and will set an individual's Personal Budget at a level that will enable their unmet eligible social care needs to be met in full.

**Sex: Phase 2**

**HASC 14: Cost-effective care and efficient routes to market.**

150. This proposal includes the recommendation for a policy to be developed which sets guidance for practitioners when establishing the value of a personal budget. There are approximately 2,700 adults in Southampton whose social care is whole or partly funded by the council. Carers of people in receipt of funded care may also be affected. Carers may be affected by this proposal, the majority of which are female.



151. An over-arching principle of the policy is that where an individual's unmet eligible needs are capable of being met in two or more ways, the council will favour the most cost effective given the circumstances of the individual and with regard for their preferences.
152. The policy will be subject to 12 week consultation through which the views of affected individuals will be considered. If the policy is subsequently implemented, it will be applied fairly and transparently within the adult social care business process (assessment, support planning, and reviews) with due regard for individual preference and circumstance.

**Next steps:**

153. A joint discussion will be held between the relevant Heads of Service or their nominated representatives on the potential impact, and any further mitigating actions and consultation requirements.

### **Other protected characteristics**

154. As a City council, we are aware that there is limited reference to some protected characteristics in this process. In particular, Gender Reassignment, Pregnancy and Maternity and Sexual Orientation. This may be because; these groups are not affected by our proposals; we have gaps in our information (as highlighted in our Equalities Profile) which we are seeking to fill, or because we have not yet identified these impacts. We welcome any views on the impacts of our proposals on these equalities groups as part of our consultation on the budget. In parallel with this, we are looking at relevant national information and seeking to improve our local knowledge.

## **Community Safety**

### **Community Safety: Phase 1**

155. The following proposals have been identified as having potential impacts on Community Safety.

**E&T 10: Riverside Pitch & Putt Course - explore a viable external franchise or partnership arrangement**

156. The Riverside Park 18 hole Pitch & Putt course operates from April to September each year. In recent years the facility has made an operating loss of around £15k per annum. There is little current internal scope to adjust the cost or income base to positively affect this position. It is therefore proposed to seek a viable external partnership to run the facility in 2016 to remove this ongoing budget pressure, and prevent the potential closure of the facility.
157. The course is a relatively popular feature of Riverside Park and currently offers a diversionary activity for young people during the long summer evenings. A skate park and tennis courts already exist in close proximity. Consultation currently taking place through Friends group over provision of other facilities for younger park users.

### **HOU 24 & 26: Removal of cash collection facility at Woolston Housing Office and at Shirley Housing Office**

158. The proposal is to cease cash counter facilities at Woolston from April 2016 following the move from Peartree Local Housing Office to the new Woolston Library. Cash collection services in Shirley Local Housing Office will also be removed from April 2017. The closure of the remaining Housing cash collection facilities will inevitably have an effect on a large number of customers both Council tenants and Council Tax payers. However, PayPoint provides tenants with a flexible and convenient method of payment.
159. This proposal could be perceived as a reduction in the ability to discuss neighbour problems. Potential ways to mitigate this are; more use of telephones and home visits and greater opportunity for Housing staff to spend time on the estates dealing with incidences of anti-social behaviour particularly at a lower level.

## **Community Safety: Phase 2**

### **HS 5 - Community Safety: Efficiency arising from centralisation of support.**

160. This proposal is to centralise support for the Community Safety team and as a result reduce this team by one fulltime post - support for the team can be provided by a centralised council corporate resource and on a Hampshire wide basis by the office of the Police & Crime Commissioner. The detail of the proposal is for the current Community Safety Team of 3 full time equivalents to be reduced to 2.
161. Closer partnership working with the Police, including PCSO's, has provided a more resilient response to community safety issues. The Police & Crime Commissioners Office is currently reviewing the county wide reporting arrangements for anti-social behaviour. The Community Trigger gives victims and communities the right to require a multi-agency review and ensure that effective action is taken where an ongoing problem of persistent anti-social behaviour has not been addressed. The council has moved to a centralised approach to the provision of business support.

### **Next steps:**

162. A joint discussion will be held between the relevant Heads of Service or their nominated representatives on the potential impact, and any further mitigating actions and consultation requirements.

## **Poverty**

### **Poverty: Phase 1**

163. The following proposals have been identified as having potential impacts on poverty.

### **TRANS 1: Digital Transformation Programme**

164. The Digital Transformation Programme will potentially impact on all customers as the Council is moving towards a position of digital by default. This means contact with the Council will be online in the main; we will provide support to those customers who really

need it, to help them access online services.

165. For the majority the move to digital by preference with simple and easy to access transactions will have a positive impact. Those with little or no disposable income may find it difficult to purchase IT equipment and access the internet. To mitigate this, the Council will continue to provide free access to the internet in locations such as libraries and housing offices. Communications will be targeted to those groups who need support and encouragement to go digital. We will enable digital self-service with assistance for those most vulnerable groups.

**E&T 12: Reduce Bus Subsidy Budget**

166. The proposal to reduce the bus subsidy budget will result in the withdrawal of support for Route X12: City Centre to Tesco Millbrook via Freemantle) and Route W1 which operates from the City Centre to Romsey. (The Council currently only funds the diversion that takes in Westwood Road – Portswood – Highfield Lane).
167. The services being withdrawn are generally used by elderly and disabled people and provide off peak travel to enable residents to visit major supermarkets, local shops and other facilities for up to a few hours. Current users of these services may therefore, find their travel options more limited. The additional distance to reach the alternative major bus services/routes will be more difficult for many. It may also result in increased social isolation. With the withdrawal of services, access to supermarkets will be reduced and residents may have limited access to low cost food, although local alternatives may be available - but more expensive.
168. Information will be placed on buses, at bus stops and at locations where customers are likely to visit in addition to social media well in advance of the service change. The provision of shared taxis or community car schemes will be investigated prior to the withdrawal of the funding. Passengers would need to pay a fare to use this services.

**E&T 18: Introduce charges for cone deployment**

169. The proposal is to introduce charges for cone deployment. This service is available to enable event organisers, businesses and residents to suspend an area to allow temporary access to a given location. Charges will depend on the scale of the deployment, with a proposed minimum charge of £15 for up to 10 cones.
170. Introduction of charges may be prohibited to access of facilities for certain activities. Exceptions to be made available, such as 'free' for funeral cortege.

**E&T 19: Park & Walk Variable Charging**

171. This proposal is to reduce traffic congestion around West Quay Shopping Centre by introducing a Park and Walk scheme over weekends and Bank Holidays by implementing reduced parking charges in the City's two Multi Storey Car Parks to the north of the City centre. It is proposed to introduce a Park and Walk Scheme with one charging band fee of £2 all day between 08.00 – 18.00 Saturdays and 12:00 – 18:00 Sunday and Bank/Public Holidays. Dropping the parking charge to only £2 all day will also help customers on a lower income.

**E & T 24: Efficiencies following relocation of Bereavement Services from Bugle Street to the Crematorium**

172. The proposal to relocate Bereavement Services from Bugle Street (City Centre) to the Crematorium (Bassett Green Road). This will mean the service is moved to an outlying area which may make it less easily accessible for some customers. This may mean additional expense to travel. Staff could arrange to meet at Bugle Street in exceptional circumstances.

**E&T 27: Introduce new rates for cemeteries and cremation**

173. This proposals would impact on those already under financial pressure, especially those on benefits, to fund funeral arrangements. The Council has a statutory duty under the Public Health Act 1984 to provide a funeral for those where there is no one able or willing to make the necessary arrangements.

**E&T 28: Introduce new rates for pest control, clinical waste and filthy premises**

174. The service provides a comprehensive pest eradication and proofing service to Southampton's residents and businesses. The main pests dealt with are rodents (rats and mice) and insects (bed bugs and cockroaches). The service collects and organises the disposal of clinical waste in partnership with the Clinical Commissioning Group. The service also arranges and carries out all aspects of cleaning up filthy or verminous premises.
175. The proposal is to increase fees in order that the service covers its costs. Those claiming a welfare benefit and currently entitled to a discount may have to pay higher fees for pest control treatments. Where necessary and on a case by case basis, consideration will be given to waiving fees in cases of extreme financial hardship and, or, allowing payments to be made in instalments.

**HASC 6: Telecare - Introduce wider role out of Telecare to reduce the ongoing cost of existing packages and delay the need for clients to require long term support**

176. Telecare is the use of personal alarms and environmental sensors to monitor people's support needs. This type of equipment can be used to support people with care needs, and enable them to remain safe and independent in their own homes for longer - for example, a sensor that sends an alert if someone falls, so that help can be sent quickly.
177. Individuals may experience restricted access to additional telecare options which require self-funding. Potential mitigations include ensuring assessments provide the necessary access to telecare to meet their presenting eligible needs, but also considering emerging needs and whether this should include additional equipment as a means to avoiding future demand on the Council.

**HASC 8: Setting of Personal Budgets to meet unmet eligible adult social care needs. (This proposal has been withdrawn).**

178. The Council has a statutory duty under the Care Act 2014 to assess eligibility for social care and support and to set a Personal Budget to meet any unmet eligible social care needs.
179. The Council proposes to set a Personal Budget at a level that would enable an individual's unmet eligible social care needs to be met in the most cost effective way. Where the cost of providing care and support at home is likely to exceed the cost of meeting an individual's unmet eligible needs to be met in an appropriate extra care housing scheme, residential or nursing placement, then the Personal Budget will be set at a level at which

those needs could be met in one of those settings.

180. This proposal would affect individuals who currently receive very high cost packages of care and support at home and will be the way that personal budgets for adults with care and support needs are set in the future.
181. We have used a cost of £500 per week as a benchmark cost to enable us to develop our savings proposals and, if this proposal is implemented, we would focus on reviewing those individuals with packages over £500 per week, as these are likely to offer the most opportunities to realise savings. 212 people are currently being funded by the Council to receive a package of care and support at home that costs more than £500 and so are potentially directly affected by this proposal. Others may be affected in the future if their needs change or if they require support from Adult Social Care services for the first time.
182. Eligibility for financial support to meet social care needs is means tested. Individuals with savings or assets in over £23,250 are not eligible for financial support. The value of an individual's home is not taken into account while they are living there. If they moved into a residential or nursing placement, the value of their home may then be taken into account, depending on who continued to live there. If the care and support costs exceed an individual's Personal Budget (for example, if the Personal Budget is set at a level at which their needs could be met in an appropriate residential or nursing placement but they chose to receive care and support at home at a higher cost), this could lead to financial hardship.
183. The value of an individual's home would not be taken into account if the individual moved in to a residential or nursing placement if the individual's partner or relative aged over 65 or under 18 continued to live there.
184. In each case, the Council would consider whether there were any exceptional reasons to take into account when setting the Personal Budget and this would include a consideration of any impact on the individual's wellbeing.
185. Individuals would, where appropriate, be signposted to Independent Financial Advice about funding care and support costs.
186. An Independent Financial Advisor would be able to advise on the impact of options on the adult social care financial assessment (for example, whether the value of a property would be taken into account if an individual moved into residential or nursing care). The Southampton Information Directory would also be updated to include links to information on funding care provided by Age UK, Mencap and other relevant charities and support organisations.
187. A phased introduction of this proposal is also being considered to help mitigate any adverse effects.

**HOU 5: Review the use of incentive payments for Council tenants who are downsizing to better target tenants who need to move to accessible property or to supported housing for older people**

188. A payment of £850 (plus a contribution towards moving costs for those moving to older person's accommodation) is granted to Council tenants moving as incentive for them to move out of larger accommodation that they no longer require. This has been operating successfully for a number of years releasing a significant number of family homes for those

who need them. The need to offer financial incentives has reduced with other changes e.g. reduction in Housing Benefit where households under occupy.

189. Families affected by the reduction in Housing Benefit where they have spare bedrooms will lose the right to the incentive payment. The priority awarded to downsizing households will still apply, enabling a quicker move to a smaller home. This allows families to better manage their finances in terms of lower rent. A flexible approach to rent debt will also be applied to facilitate moving while repayment continues.

**HOU 20: Increase in charges to private tele/CAREline customers**

190. The CAREline Alarm provides an emergency telecare alarm service 24 hours a day, every day of the year to any resident living in Southampton. It is a personal alarm button, which can be worn as a necklace or a wrist strap at home. In an emergency, when you press the button, it automatically dials the CAREline service.
191. This is a targeted service - for older people and elderly frail and fro disabled people. The proposal is to increase the charge for this service. This could potentially increase the risk of financial hardship on vulnerable residents. It may also result in customers terminating this service leading to increased risks in terms of health and safety in the home and peace of mind for relatives / carers.

**HOU 21: Introduction of a new charging model to better identify the individual service elements for Community Alarm customers within Southampton City Council Supported Housing accommodation (i.e. monitoring, maintenance and responding)**

192. The Community Alarm Service is provided via a hard wired alarm and pull chord system within the home. This is a targeted service - for older people, elderly frail and for disabled people. The proposal is to introduce a new charging model. The proposal will have a financial impact with the potential for increased financial hardship for vulnerable residents. Let-ability of properties could also be affected.

**HOU 24 & 26: Removal of cash collection facility at Woolston Housing Office and at Shirley Housing Office**

193. The proposal is to cease cash counter facilities at Woolston from April 2016 following the move from Peartree Local Housing Office to the new Woolston Library. Cash collection services in Shirley Local Housing Office will also be removed from April 2017. The closure of the remaining Housing cash collection facilities will inevitably have an effect on a large number of customers both Council tenants and Council Tax payers. However, PayPoint provides tenants with a flexible and convenient method of payment.
194. This proposal could be perceived as a reduction in the ability to discuss financial issues face to face. Potential mitigation includes, greater opportunity for Income Services staff to make home visits/hold surgeries and provide advice on benefits and welfare advice to tenants suffering financial exclusion. This is particularly important given the ongoing roll-out of welfare reform changes.

**HOU 34: To withdraw the printed version of Tenants' Link quarterly magazine for Council tenants and leaseholders**

195. Tenants' Link is currently delivered quarterly to all 17,000 Council tenants and 1,800 leaseholders across the city. The proposal is to withdraw the quarterly publication, replacing it with an annual summer edition combining the annual report and other

highlights and to develop an online magazine for tenants and more regular news bulletins through “Stay Connected” – the Council’s free email alert service. This is an extremely well-used service with over 90,000 subscribers who receive information tailored to their interests.

196. Tenant focus groups and surveys have informed the Council that the magazine is popular and well read. The Council will continue to make similar information available through developing an online magazine, and making better use of “Stay Connected” – the Council’s free email alert service. However the proposal is likely to have an impact on those customers who do not currently have online access. Home computer ownership is known to be less amongst the social housing population due to poverty. Stay Connected alerts can be received on mobile phone. Our training initiatives to support customers to get online will focus on areas of greatest need as identified in our tenants online survey and will cover housing tenants in the most deprived areas of the city.

**HOU 35: Withdraw the printed version of Homebid magazine, the fortnightly vacancy listing of social housing for applicants on the Council’s housing waiting list**

197. Homebid is the Council’s choice based lettings system. It is currently available on-line and in printed magazine format. The Council was early in its move to a choice-based letting system and opted to provide a printed magazine version as part of this. Many areas that have moved over more recently have opted to provide online only.
198. This proposal will have an impact on those who do not currently have access to online services. A new printable flyer which can be tailored to individual applicant needs is being developed which will be introduced in advance of the withdrawal of the magazine. This will enable people to search for, select and print off a personalised selection of the properties they are interested in bidding for.
199. Home computer ownership is known to be less amongst the social housing population due to poverty. A phone application is being developed to widen the opportunities for applicants and automated bidding is in place for those without any access.

## **Poverty: Phase 2**

**E&T 40: Royal South Hants and University Hospital Southampton On-Street Parking**

200. There are a few of streets around the Royal South Hants Hospital and University Hospital Southampton (Southampton General) which currently allow permit or limited waiting parking. The proposal is to convert these parking bays to Permit Holder Only or Pay and Display parking bays. The proposal will not affect ‘Permit Holder Only’ permit parking bays. The streets affected are; part of Coxford Road SO16, Laundry Road SO16, part of Tremona Road SO16, part of Lyon Street SO14 and part of Graham Road SO14.
201. Residents who have chosen not to purchase a permit will have their parking options reduced. Limited Waiting is currently free. This will impact on people visiting residents for only a short stay as they will no longer be able to use these bays without paying. Payment for on-street parking may have an adverse impact on low income car owners. Alternative modes of travel are available to avoid car use.

## Other significant impacts

### Other significant impacts: Phase 1

#### **E&T 10: Riverside Pitch & Putt Course - explore a viable external franchise or partnership arrangement**

202. Overall participation in the game of golf may decline in longer term without the availability of such local and accessible entry level facilities. Potential mitigation –availability of alternative facilities at Southampton Golf Course and Weston Shore.

#### **E&T 12: Reduce Bus Subsidy Budget**

203. The proposal to reduce the bus subsidy budget may well result in the in increased social isolation.

#### **E&T 15 - Bus Lane and Traffic Marking Enforcement Cameras**

204. The proposal is to introduce a camera enforcement system on bus lanes in the City.
205. Motorists may attract contraventions as they get used to the new restrictions. Warning letters will be issued when the restrictions are first implemented.

#### **HASC 6: Telecare - Introduce wider role out of Telecare to reduce the ongoing cost of existing packages and delay the need for clients to require long term support**

206. Telecare is the use of personal alarms and environmental sensors to monitor people's support needs. Ability to be conversant with technology may exclude some individuals from using telecare. A robust assessment is carried out prior to set up and/or provide suitable training.

#### **HOU 19 - Increasing garage rents for private residents renting a Council garage by £1 a week**

207. Potential impact could be an increase in number of empty garages if residents decide that this increase is significant and will not agree to make the increased rent. This could be mitigated by use of any waiting list for people wanting garages in any areas where vacancies occur and advertising vacancies.

#### **HOU 20: Increase in charges to private tele/CAREline customers**

208. The CAREline Alarm provides an emergency telecare alarm service 24 hours a day, every day of the year to any resident living in Southampton. Increasing charges could result in a reduction in number of customers and subsequent effect on other services e.g. Health and Social Care. Ensure a robust assessment is carried out prior to set up and/or provide suitable training.

### Other significant impacts: Phase 2

#### **E&T 40: Royal South Hants and University Hospital Southampton On-Street Parking**

209. There are a few of streets around the Royal South Hants Hospital and University Hospital Southampton (Southampton General) which currently allow permit or limited waiting parking. The proposal is to convert these parking bays to Permit Holder Only or Pay and Display parking bays. The proposal will not affect 'Permit Holder Only' permit parking bays.



The streets affected are; part of Coxford Road SO16, Laundry Road SO16, part of Tremona Road SO16, part of Lyon Street SO14 and part of Graham Road SO14.

210. People visiting residents for only a short stay will no longer be able to use these bays without paying. Residents who have chosen not to purchase a permit will have their parking options reduced. Limited waiting bays are still available in adjacent streets and visitor permits can be used.

**HASC 15 Impact on Learning Disability (LD) Package Spend.**

211. Southampton City Council (SCC) provides funded care for 807 people with a learning disability (LD) at a total cost of £19.515m per annum. Whilst there have been work streams which have successfully reduced the cost of care for individual clients on the caseload through a range of methods including review, negotiation, procurement, and resettlement over the past two years, pressure on this budget arising from the cost of new care packages arranged over the same period is such that the overall cost of care for people with learning disabilities has seen a net increase of 1.7% during this period.
212. It is therefore proposed that an effective way to reduce the cost of SCC-funded LD care is to apply the working methods and business processes employed by the CHC team towards the business of SCC-funded care for people with learning disabilities and to do this at pace by integrating the SCC LD team into the structure of the Continuing Healthcare (CHC) team.
213. Impacts identified include the potential disruption to normal delivery to service users during or immediately after integration. Potential for changes to be confusing for some service users and families initially and during period of transition. Possible mitigations include ensuring a robust project plan including communications team involvement is developed and to possibly include service user and provider market engagement events to support robust communication of rationale for change and management of expectation.

**Next steps:**

214. A joint discussion will be held between the relevant Heads of Service or their nominated representatives on the potential impact, and any further mitigating actions and consultation requirements.

## Staffing

215. As stated earlier, an initial cumulative impact on staffing is being completed and will be reviewed once all budget related structures and role changes have been developed and consulted on. However, in the meantime, Tables 2 and 3 provide information about the Council's workforce. Data in both tables has been rounded to the nearest decimal point.

**Table 2: Employee Profile**

Employee Profile	Total	Percentage
Total Workforce	3120	100%
No. of BME employees	122	3.9%
No. of Disabled employees	85	2.7%
No. of Women employees	1,900	60.9%

**Table 3: Top 5% of Earners**

Directorate	Total of Top 5% of Earners	Women	Disabled	Ethnic Minority
Corporate	53	40%	2%	6%
People	55	55%	0%	4%
Place	34	41%	0%	0%
Total Number of Employees	142	46%	1%	4%
	<b>Number</b>	19	1	5

Calculated by dividing the number of women, disabled or ethnic employees in Directorate falling into Top 5%, by the total number of employees in Directorate in Top 5%, multiplied by 100 to obtain percentage.

Based on Quarter 2 2015/16.

# Agenda Item 11

Appendix 4

## GENERAL FUND 2015/16 REVISED BUDGET

	Working Budget £M	Revised Budget £M	Variance £M
<b>Portfolios</b>			
Communities, Culture & Leisure	6.12	6.41	0.29 A
Education and Children's Social Care	38.96	46.77	7.81 A
Environment & Transport	22.14	21.56	0.58 F
Finance	35.63	34.2	1.43 F
Health & Adult Social Care	58.05	61.52	3.47 A
Housing & Sustainability	2.69	2.78	0.09 A
Leader's Portfolio	11.58	9.71	1.87 F
Transformation	0.64	0.64	0.00 F
<b>Sub-total for Portfolios</b>	<b>175.81</b>	<b>183.59</b>	<b>7.78 A</b>
<b>Levies &amp; Contributions</b>	0.63	0.63	0
<b>Capital Asset Management</b>	1.96	(0.14)	2.10 F
<b>Other Expenditure &amp; Income</b>			
Direct Revenue Financing of Capital	0.00	0.00	0
Trading Areas (Surplus) / Deficit	(0.02)	(0.02)	0
Net Housing Benefit Payments	(0.76)	(0.76)	0
Open Spaces and HRA	0.44	0.44	0
Risk Fund	4.76	0.00	4.76 F
Contingencies	0.07	0.07	0
Addition to / (Draw From) Reserves	0.46	(0.10)	0.56 F
<b>Sub-total for Other Expenditure &amp; Income</b>	<b>4.95</b>	<b>(0.38)</b>	<b>5.33 F</b>
Transfer from Provisions	(0.95)	(0.95)	0
Transfer to Earmarked Reserves	9.65	9.65	0
<b>Net Revenue Expenditure</b>	<b>192.05</b>	<b>192.4</b>	<b>0.35 A</b>
<b>Funded By:</b>			
Addition to / (Draw From) Balances	(7.13)	(7.13)	0
Council Tax	(77.27)	(77.27)	0
Non-Specific Government Grants & Other Funding	(51.93)	(52.16)	0.23 F
Business Rates	(50.14)	(50.14)	0
Council Tax Collection Fund (Surplus) / Deficit	(3.21)	(3.21)	0
Business Rates Collection Fund (Surplus)/Deficit	(2.37)	(2.37)	0
<b>Total Funding</b>	<b>(192.05)</b>	<b>(192.28)</b>	<b>0.23 F</b>
<b>(SURPLUS)/DEFICIT</b>	<b>0</b>	<b>0.12</b>	<b>0.12 A</b>

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## GENERAL FUND PRESSURES

Portfolio	Portfolio Ref	Service Activity	Description of Item	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Responsible Officer
Leaders	LEAD 18	Communities	Staff and property repairs & maintenance savings from transfer of properties within the Community Asset Transfer pilot.	76	0	0	0	Suki Sitaram
Health & Adult Social Care	HASC 17	Long Term	ILF grant received as a specific grant in 2015/16 assumed a reduction in 2016/17	200	200	200	200	Mark Howell
Health & Adult Social Care	HASC 18	Safeguarding and Adult Mental Health	DoLs grant received as a specific grant in 2015/16 not received in 2016/17. The demand pressure for which the grant was originally awarded is recurring. Including funding for legal advisor	239	239	239	239	Mark Howell
Health & Adult Social Care	HASC 19	Adult Social Care	Market Supplement	20	20	20	20	Mark Howell
Health & Adult Social Care	HASC 20	Adult Social Care	Increase in care purchase packages	1,220	4,620	9,320	10,320	Mark Howell
Education & Childrens Services	ECSC 6	Childrens Social Care	Market Supplement	126	126	126	126	Kim Drake
Education & Childrens Services	ECSC 7	Childrens Social Care	Service decision to fund vacant SW post across grade to reflect profile of experience required	206	206	206	206	Kim Drake
Education & Childrens Services	ECSC 8	Childrens Social Care	Pressure arising from the current forecast for Agency staff based on 15/16 levels before savings	1,787	1,100	600	600	Kim Drake
Environment & Transport	E&T 46	City Services - waste	Waste Disposal volumes - proposed draw from Risk Fund	160	160	160	160	Mitch Sanders
<b>TOTAL PRESSURES</b>				<b>4,034</b>	<b>6,671</b>	<b>10,871</b>	<b>11,871</b>	

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**FEBRUARY SAVING PROPOSALS**

Portfolio	Portfolio Ref	Service Activity	Description of Item	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Implement- ation Cost	FTE In Post	FTE Vacant	Responsible Officer	Saving Type
Leaders	LEAD 15	Property Services	Property Rationalisation and Disposals	(300)	(800)	(1,700)	(2,258)	0	0.00	0.00	Andrew Elliott	Efficiency
Leaders	LEAD 16	Property Services	Public Sector PLC	(50)	(150)	(300)	(500)	0	0.00	0.00	Andrew Elliott	Income
Leaders	LEAD 17	Property Services	Property Investment Fund	(1,000)	(1,000)	(1,000)	(1,000)	0	0.00	0.00	Andrew Elliott	Income
Finance	FIN 17	Cross Cutting	Procurement	(1,000)	(4,000)	(4,000)	(4,000)	0	0.00	0.00	Andrew Lowe	Efficiency
Finance	FIN 18	Finance Service	Minimum Revenue Provision adjustment regarding redeemed debt 2015/16 & 2016/17	(490)	(200)	(190)	(190)	0	0.00	0.00	Andrew Lowe	Efficiency
Housing & Sustainability	HS 5	Community Safety	Efficiency arising from centralisation of support	(37)	(37)	(37)	(37)	0	1.00	0.00	Mitch Sanders	Efficiency
Environment & Transport	E&T 39	Itchen Bridge	Itchen Bridge Resourcing	(40)	(61)	(61)	(61)	0	3.28	0.00	Mike Harris/ Paul Walker	Reduction
Environment & Transport	E&T 40	On-Street Parking	Royal South Hants and University Hospital Southampton: On Street Parking	(180)	(180)	(180)	(180)	0	0.00	0.00	Mike Harris/ Paul Walker	Income
Environment & Transport	E&T 44	Regulatory & City Services	Increased fees & charges	(150)	(150)	(150)	(150)	0	0.00	0.00	Mitch Sanders	Income
Environment & Transport	E&T 45	Planning	Shared Planning Resource	(20)	(40)	(40)	(40)	0	0.00	0.00	Mike Harris	Efficiency
Health & Adult Social Care	HASC 13	Provider Services	Residential and Nursing Care market shaping	(500)	(900)	(1,380)	(1,820)	0	0.00	0.00	Stephanie Ramsey/Paul Juan	Efficiency
Health & Adult Social Care	HASC 14	Long Term	Cost Effective Care & efficient routes to market	(500)	(520)	(520)	(520)	0	0.00	0.00	Stephanie Ramsey/Mark Howell	Efficiency
Health & Adult Social Care	HASC 15	Long Term	Impact on Learning Disability Package Spend	(360)	(860)	(1,500)	(1,500)	0	0.00	0.00	Stephanie Ramsey	Efficiency
Health & Adult Social Care	HASC 16	Long Term	Contract Renegotiation & decommissioning; additional DomCare Savings	(520)	(520)	(520)	(520)	0	0.00	0.00	Stephanie Ramsey	Efficiency
Education and Childrens Social Care	ECSC 4	Looked After Children	Review of Looked After Childrens Services	(561)	(2,561)	(4,561)	(4,561)	0	0.00	0.00	Kim Drake	Reduction
Education and Childrens Social Care	ECSC 5	Childrens Services	Childrens Services Efficiencies	(360)	(500)	(500)	(500)	0	TBC	TBC	Kim Drake	Reduction
Cross Cutting	TRANS 3	Cross Cutting	Phase 2 Operating Model	(2,500)	(3,000)	(3,000)	(3,000)	0	TBC	TBC	Stephen Giacchino	Efficiency
<b>TOTAL FEBRUARY SAVING PROPOSALS</b>				<b>(8,568)</b>	<b>(15,479)</b>	<b>(19,639)</b>	<b>(20,837)</b>	<b>0</b>	<b>4.28</b>	<b>0.00</b>		

SAVING PROPSALS SUMMARY TABLE	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Implement- ation Cost	FTE In Post	FTE Vacant
Communities, Culture & Leisure	0	0	0	0	0	0.00	0.00
Education and Childrens Social Care	(921)	(3,061)	(5,061)	(5,061)	0	0.00	0.00
Environment & Transport	(390)	(431)	(431)	(431)	0	3.28	0.00
Finance	(1,490)	(4,200)	(4,190)	(4,190)	0	0.00	0.00
Housing & Sustainability	(37)	(37)	(37)	(37)	0	1.00	0.00
Health & Adult Social Care	(1,880)	(2,800)	(3,920)	(4,360)	0	0.00	0.00
Leaders	(1,350)	(1,950)	(3,000)	(3,758)	0	0.00	0.00
Cross Cutting	(2,500)	(3,000)	(3,000)	(3,000)	0	0.00	0.00
<b>Total February Saving Proposals</b>	<b>(8,568)</b>	<b>(15,479)</b>	<b>(19,639)</b>	<b>(20,837)</b>	<b>0</b>	<b>4.28</b>	<b>0.00</b>

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Portfolio	Portfolio Ref	Service Activity	Description of Item	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Impleme nt- ation Cost	FTE In Post	FTE Vacant	Responsible Officer	Saving Type
<b>NOVEMBER SAVING PROPOSALS</b>												
Communities, Culture & Leisure	CCL 2	Libraries	Implement August Report	(286)	(286)	(286)	(286)	137	3.60	3.00	Mike Harris	Efficiency
Communities, Culture & Leisure	CCL 3	Leisure & Heritage	Change in revenue support to Cultural Development Trust	(17)	(17)	(17)	(17)	0	0.00	0.00	Mike Harris	Efficiency
Education and Childrens Social Care	ECSC 1	Skills	Deletion of vacant post	(47)	(47)	(47)	(47)	0	0.00	1.00	Denise Edghill	Efficiency
Education and Childrens Social Care	ECSC 2	Service Cost Recovery - Home to School Transport - Special	Provide Home to School transport in a less costly way	(10)	(70)	(70)	(70)	0	0.00	0.00	Stephen Giacchino	Reduction
Education and Childrens Social Care	ECSC 3	HR Vacancies - Early Years & Education	Deletion of vacant post	(56)	(56)	(56)	(56)	0	0.00	1.00	Stephen Giacchino	Reduction
Environment & Transport	E&T 7	Fleet Services	Review of SCC fleet - reduced borrowing costs from financing vehicles	(357)	(357)	(357)	(357)	0	0.00	0.00	Mitch Sanders	Efficiency
Environment & Transport	E&T 8	Fleet Services	Review of SCC fleet - efficiency saving from transformation programme	(100)	(100)	(100)	(100)	0	0.00	0.00	Mitch Sanders	Efficiency
Environment & Transport	E&T 9	Courier	Reduction in number of fleet vehicles	(15)	(15)	(15)	(15)	0	0.00	0.00	Mike Harris/ Paul Walker	Reduction
Environment & Transport	E&T 10	City Services - Open Spaces	Riverside Pitch & Putt Course explore a viable external franchise or partnership arrangement.	(15)	(15)	(15)	(15)	0	0.00	0.00	Mitch Sanders	Efficiency
Environment & Transport	E&T 11	Travel - Concessionary Fares	Reduction in the provision for increase number of annual journeys	(200)	(200)	(200)	(200)	0	0.00	0.00	Mike Harris/ Paul Walker	Efficiency
Environment & Transport	E&T 12	Transportation	Reduce Bus Subsidy Budget	(96)	(96)	(96)	(96)	0	0.00	0.00	Mike Harris/ Paul Walker	Reduction
Environment & Transport	E&T 13	Transportation	City Depot - revised security arrangements.	(24)	(24)	(24)	(24)	0	0.00	0.00	Rob Harwood	Reduction
Environment & Transport	E&T 14	Transportation	Itchen Bridge - extend the operating daily times of full toll automation.	(16)	(16)	(16)	(16)	0	0.00	0.00	Rob Harwood/ Paul Walker	Reduction
Environment & Transport	E&T 15	Highways	Bus lane, bus stop and school parking enforcement. The income will be accounted for a part of a separate ringfenced account. The account could fund existing General Fund transport and travel expenditure	(208)	(250)	(250)	(250)	0	0.00	0.00	Mike Harris/ Paul Walker	Income
Environment & Transport	E&T 16	City Services - Waste Management	Introduce a charge for wheeled bin replacement. (Developers Only)	(45)	(45)	(45)	(45)	0	0.00	0.00	Mitch Sanders	Income

Portfolio	Portfolio Ref	Service Activity	Description of Item	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Impleme nt- ation Cost	FTE In Post	FTE Vacant	Responsible Officer	Saving Type
Environment & Transport	E&T 17	City Services - Waste Management	Increase income from the recycling of textiles.	(10)	(10)	(10)	(10)	0	0.00	0.00	Mitch Sanders	Income
Environment & Transport	E&T 18	Transportation	Introduce charges for cone deployment	(10)	(10)	(10)	(10)	0	0.00	0.00	Mike Harris/ Paul Walker	Income
Environment & Transport	E&T 19	Transportation	Park & Walk Variable Charging	(20)	(20)	(20)	(20)	0	0.00	0.00	Mike Harris/ Paul Walker	Income
Environment & Transport	E&T 21	Planning	Increased income, partially supported by Pre-application fees	(80)	(80)	(80)	(80)	0	0.00	0.00	Mike Harris	Income
Environment & Transport	E&T 22	Transport highways & parking	Overall staffing restructure - 12%	(154)	(154)	(154)	(154)	0	6.00	2.00	Mike Harris/ Paul Walker	Efficiency
Environment & Transport	E&T 23	Regulatory Services - Environmental Health & Trading Standards	Integration of Environmental Health, Trading Standards & Port Health Services	(225)	(225)	(225)	(225)	0	2.80	4.00	Mitch Sanders	Efficiency
Environment & Transport	E&T 24	Regulatory Services - Bereavement & Registration	Efficiencies following relocation of Bereavement Services from Bugle Street to the Crematorium	(70)	(70)	(70)	(70)	40	2.00	1.00	Mitch Sanders	Efficiency
Environment & Transport	E&T 25	Planning	Overall staffing restructure 10% These are provisional figures	(105)	(105)	(105)	(105)	0	1.00	2.20	Mike Harris/ Sam Fox	Efficiency
Environment & Transport	E&T 26	City Services - Open Spaces	Restructure of Parks, Open Spaces and Street Cleansing	(300)	(300)	(300)	(300)	0	5.00	4.00	Mitch Sanders	Efficiency
Environment & Transport	E&T 27	Service Cost Recovery - Bereavement	Introduce New Rates For Cemeteries and Crematorium	(120)	(120)	(120)	(120)	0	0.00	0.00	Stephen Giacchino/ Mitch Sanders	Income
Environment & Transport	E&T 28	Service Cost Recovery - Pest Control, Clinical waste and Filthy Premises	Introduce New Rates	(25)	(25)	(25)	(25)	0	0.00	0.00	Stephen Giacchino/ Mitch Sanders	Income
Environment & Transport	E&T 29	Service Cost Recovery - Waste - Trade Waste Collection	Increase Rates	(150)	(150)	(150)	(150)	0	0.00	0.00	Stephen Giacchino/ Mitch Sanders	Income
Environment & Transport	E&T 30	Service Cost Recovery - Courier	Amend Courier service delivery	(52)	(52)	(52)	(52)	0	2.00	1.00	Stephen Giacchino/ Paul Walker	Income

Portfolio	Portfolio Ref	Service Activity	Description of Item	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Impleme nt- ation Cost	FTE In Post	FTE Vacant	Responsible Officer	Saving Type
Environment & Transport	E&T 31	HR Vacancies - Parking Enforcement	Deletion of vacant post	(26)	(26)	(26)	(26)	0	0.00	1.00	Stephen Giacchino/Paul Walker	Efficiency
Environment & Transport	E&T 32	HR Vacancies - Regulatory & City Services - Home Improvement	Deletion of vacant post	(30)	(30)	(30)	(30)	0	0.00	1.00	Stephen Giacchino/Mitch Sanders	Efficiency
Environment & Transport	E&T 33	HR Vacancies - School Crossing Patrol	Deletion of vacant posts	(8)	(8)	(8)	(8)	0	0.00	0.49	Stephen Giacchino/Paul Walker	Efficiency
Environment & Transport	E&T 34	HR Vacancies - Itchen Bridge	Deletion of vacant post	(17)	(17)	(17)	(17)	0	0.00	1.00	Stephen Giacchino/Paul Walker	Efficiency
Environment & Transport	E&T 35	HR Vacancies - Regulatory Services (Commercial) T Stand	Deletion of vacant post	(23)	(23)	(23)	(23)	0	0.00	0.81	Stephen Giacchino/Mitch Sanders	Efficiency
Environment & Transport	E&T 36	HR Vacancies - Business Development	Deletion of vacant post	(3)	(3)	(3)	(3)	0	0.00	0.10	Stephen Giacchino/Mike Harris	Efficiency
Environment & Transport	E&T 37	HR Vacancies - Regulatory Services (Comm) Port Health	Deletion of vacant post	(11)	(11)	(11)	(11)	0	0.00	0.33	Stephen Giacchino/Mitch Sanders	Efficiency
Environment & Transport	E&T 38	HR Vacancies - Transport Co-ordination	Deletion of vacant post	(18)	(18)	(18)	(18)	0	0.00	1.00	Stephen Giacchino/Paul Walker	Efficiency
Finance	FIN 10	Finance Service	Redesign the finance service function moving to full self serve model and business partnering	(200)	(400)	(400)	(400)	0	10.00	0.00	Andy Lowe	Efficiency
Finance	FIN 11	Audit & Risk Management	Cease insurance of the Fine art Collection	(50)	(50)	(50)	(50)	0	0.00	0.00	Andy Lowe	Efficiency
Finance	FIN 12	Audit & Risk Management	Insurance premiums on Service Charges	(36)	(36)	(36)	(36)	0	0.00	0.00	Andy Lowe	Efficiency
Finance	FIN 13	Audit & Risk Management	Retender of Council insurances - overall reduction in premiums	(114)	(114)	(114)	(114)	0	0.00	0.00	Andy Lowe	Efficiency
Finance	FIN 14	Business Support	Savings from replacement of current MFDs and centralising stationary budgets	(73)	(73)	(73)	(73)	0	0.00	0.00	Rob Harwood	Efficiency
Finance	FIN 15	Partnership	1 technical officer, 0.65 contract support officer	(47)	(47)	(47)	(47)	0	0.00	1.65	Rob Harwood	Efficiency
Finance	FIN 16	HR Vacancies - Creditors	Deletion of vacant posts	(33)	(33)	(33)	(33)	0	0.00	1.50	Stephen Giacchino	Efficiency

Portfolio	Portfolio Ref	Service Activity	Description of Item	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Impleme nt- ation Cost	FTE In Post	FTE Vacant	Responsible Officer	Saving Type
Health & Adult Social Care	HASC 1	ICU - Provider Relationships	Regrade a grade 13 post to Grade 11	(12)	(12)	(12)	(12)	0	1.00	0.00	Stephanie Ramsey	Efficiency
Health & Adult Social Care	HASC 2	ICU - System Redesign	Delete one Grade 11 post, reduction of a Grade 11 post by 0.2fte, reduction of a Grade 9 post by 0.4fte	(79)	(79)	(79)	(79)	0	1.00	0.00	Stephanie Ramsey	Efficiency
Health & Adult Social Care	HASC 3	ICU - Quality	Delete one Grade 9 post	(36)	(36)	(36)	(36)	0	1.00	0.00	Stephanie Ramsey	Efficiency
Health & Adult Social Care	HASC 4	Adult Services Management	Vacating of rented office space for Care Management Teams. (Thomas Lewis House and Herbert Collins House)	(220)	(220)	(220)	(220)	0	0.00	1.00	Mark Howell	Efficiency
Health & Adult Social Care	HASC 5	Long Term	Review assessments of clients to ensure where appropriate Continuing Health Care is claimed and backdated	(100)	(100)	(100)	(100)	0	0.00	0.00	Mark Howell	Efficiency
Health & Adult Social Care	HASC 6	Long Term	Introduce wider role out of Telecare to reduce the ongoing cost of existing packages and delay the need for clients to require long term support	(250)	(500)	(500)	(500)	600	0.00	0.00	Stephanie Ramsey	Efficiency
Health & Adult Social Care	HASC 7	Long Term	Improvement of processes leading to faster financial assessments bringing clients into charging earlier	(50)	(50)	(50)	(50)	0	0.00	0.00	Mark Howell	Income
Health & Adult Social Care	HASC 9	Service Cost Recovery - Adult Treatment	Introduce charge for self funders, and deferred payments	(55)	(60)	(65)	(65)	0	0.00	0.00	Stephen Giacchino	Income
Health & Adult Social Care	HASC 10	HR Vacancies - Acute Care	Deletion of vacant post	(52)	(52)	(52)	(52)	0	0.00	1.00	Stephen Giacchino/ Mark Howell	Efficiency
Health & Adult Social Care	HASC 11	HR Vacancies - Community Services	Deletion of vacant post	(33)	(33)	(33)	(33)	0	0.00	1.00	Stephen Giacchino/ Mark Howell	Efficiency
Health & Adult Social Care	HASC 12	HR Vacancies - Community Services	Deletion of vacant post	(33)	(33)	(33)	(33)	0	0.00	1.00	Stephen Giacchino/ Mark Howell	Efficiency
Housing & Sustainability	HS 3	HR Vacancies - Regeneration	Remove Council contribution to Project Officer post in Regeneration	(5)	(5)	(5)	(5)	0	0.00	0.10	Stephen Giacchino/ Denise Edghill	Efficiency
Housing & Sustainability	HS 4	Housing Renewal	Reorganisation of City Development, Housing Renewal & Estate Regeneration	(44)	(44)	(44)	(44)	0	0.41	0.00	Barbara Compton	Reduction
Leaders	LEAD 10	Property Services	Commercial hire of rooms and other space within the Civic Centre to 3rd parties not sponsored by SCC. Higher amounts carry greater risk of non-achievement	(7)	(7)	(7)	(7)	0	0.00	0.00	Rodger Hawkyard	Income
Leaders	LEAD 11	Democratic Representation & Management	Review and restructure of Democratic Services team	(68)	(68)	(68)	(68)	0	1.50	0.50	Richard Ivory	Efficiency
Leaders	LEAD 12	HR Vacancies - Communications	Deletion of vacant post	(25)	(25)	(25)	(25)	0	0.00	1.00	Stephen Giacchino	Efficiency

Portfolio	Portfolio Ref	Service Activity	Description of Item	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Impleme nt- ation Cost	FTE In Post	FTE Vacant	Responsible Officer	Saving Type	
Leaders	LEAD 13	HR Vacancies - Legal - People & Property Team	Deletion of vacant post	(56)	(56)	(56)	(56)	0	0.00	1.00	Stephen Giacchino	Efficiency	
Leaders	LEAD 14	Licensing	Late Night Levy - Community Safety and Street Cleaning	(45)	(45)	(45)	(45)	0	0.00	0.00	Richard Ivory	Income	
Cross Cutting	TRANS 1	Digital	Savings from Phase 1	(1,800)	(1,800)	(1,800)	(1,800)	0	50.00	0.00	Stephen Giacchino	Efficiency	
Cross Cutting	TRANS 2	Operating Model	Savings from redesign of organisation to ensure fitness for future	(5,435)	(9,258)	(8,700)	(8,425)	500	63.00	1.00	Stephen Giacchino	Efficiency	
<b>TOTAL NOVEMBER SAVING PROPOSALS</b>				<b>(11,907)</b>	<b>(16,287)</b>	<b>(15,734)</b>	<b>(15,459)</b>	<b>1,277</b>	<b>150.31</b>	<b>35.68</b>			
<b>AUGUST SAVING PROPOSALS</b>				<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>Implement- ation Cost</b>	<b>FTE In Post</b>	<b>FTE Vacant</b>	<b>Responsible Officer</b>	<b>Saving Type</b>
Communities, Culture & Leisure	CCL 1	Heritage, Collections & Management	Reorganisation of visitor services team within arts and heritage to improve efficiency and increase effectiveness at point of delivery.	0	(29)	(29)	(29)	(29)	0	2.00	0.00	Mike Harris	Efficiency
Environment & Transport	E&T 1	City Services - Waste Management	Recycling of Road Sweepings.	0	(25)	(25)	(25)	(25)	0	0.00	0.00	Mitch Sanders	Efficiency
Environment & Transport	E&T 2	City Services - Waste Management	Reducing waste sent to landfill.	0	(25)	(25)	(25)	(25)	0	0.00	0.00	Mitch Sanders	Efficiency
Environment & Transport	E&T 3	City Services - Waste Management	Waste Disposal Contract Savings.	0	(25)	(40)	(60)	(60)	0	0.00	0.00	Mitch Sanders	Efficiency
Environment & Transport	E&T 4	City Services - Waste Management	HWRC management contract savings.	0	(60)	(60)	(80)	(80)	0	0.00	0.00	Mitch Sanders	Efficiency
Environment & Transport	E&T 5	City Services - Waste Management	Grant Income - Recycling.	0	(30)	(30)	(30)	(30)	0	0.00	0.00	Mitch Sanders	Income
Finance	FIN 1	IT Services	Savings achieved from renewal of Vodaphone Contract.	(35)	(35)	(35)	(35)	(35)	0	0.00	0.00	Kevin Foley	Efficiency
Finance	FIN 2	IT Services	Reduction in cost of software licence agreements.	(38)	(38)	(38)	(38)	(38)	0	0.00	0.00	Kevin Foley	Efficiency
Finance	FIN 3	Partnership	Updated assumptions for Parking Cost liability for staff that transferred to Capita.	(26)	(26)	(26)	(26)	(26)	0	0.00	0.00	Rob Harwood	Efficiency
Finance	FIN 4	IT Services	Reduced cost of Internet Lines.	(28)	(28)	(28)	(28)	(28)	0	0.00	0.00	Rob Harwood	Efficiency
Finance	FIN 5	Partnership	Savings achieved from partnership contracts.	0	0	0	(2,000)	(2,000)	0	0.00	0.00	Andy Lowe	Efficiency
Finance	FIN 6	Business Support	Additional savings achieved from Phase 1 of the Business Support Review.	0	(120)	(120)	(120)	(120)	0	0.00	0.00	Andy Lowe	Efficiency
Finance	FIN 7	Finance Service	Review of method for assessing Minimum Revenue Provision for Post 2008 Borrowing	(800)	(800)	(800)	(800)	(800)	0	0.00	0.00	Andy Lowe	Efficiency
Finance	FIN 8	Finance Service	Review set aside for Pre 2008 Borrowing	(1,475)	(1,402)	(1,333)	(1,250)	(1,250)	0	0.00	0.00	Andy Lowe	Efficiency
Finance	FIN 9	Finance Service	Utilise capital receipts to repay debt enabling a MRP holiday	(6,000)	(5,400)	0	0	0	0	0.00	0.00	Andy Lowe	Efficiency

Portfolio	Portfolio Ref	Service Activity	Description of Item	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Impleme nt- ation Cost	FTE In Post	FTE Vacant	Responsible Officer	Saving Type	
Housing & Sustainability	HS 1	Housing Renewal	Reduce hours from vacant post in Housing Renewal and Delivery (Housing Development Officer)	0	(11)	(11)	(11)	(11)	0	0.00	0.33 Barbara Compton	Reduction	
Housing & Sustainability	HS 2	Housing Renewal	Delete vacant post supporting Economic Development function.	0	(11)	(11)	(11)	(11)	0	0.00	0.50 Barbara Compton	Reduction	
Leaders	LEAD 1	Property Services	Savings from utilities (based on anticipated usage now all staff consolidated into one building); reduction in legal and policy compliance work, and staff reduction.	(50)	(137)	(137)	(137)	(137)	0	1.00	0.00 Rodger Hawkyard	Efficiency	
Leaders	LEAD 2	Property Portfolio Management	Savings on property management budget (valuation and estates function); saving on central budget for managing surplus property after being declared surplus by service areas prior to disposal; and saving on budget for Council to comply with its landlord obligations in respect of investment property.	(40)	(130)	(130)	(130)	(130)	0	0.00	0.00 Rodger Hawkyard	Efficiency	
Leaders	LEAD 3	Property Services	Reduction in required Corporate Health & Safety costs.	(40)	(40)	(40)	(40)	(40)	0	0.00	0.00 John Spiers	Efficiency	
Leaders	LEAD 4	Central Repairs & Maintenance	Saving on central R&M budget for planned and reactive repairs.	(100)	(200)	(200)	(200)	(200)	0	0.00	0.00 Rodger Hawkyard	Reduction	
Leaders	LEAD 5	Property Services	Savings proposed linked to less condition surveys on council buildings; reducing/removal of ad hoc advice unless funded by service areas/project budgets; and reduction in bridge surveys.	(60)	(150)	(150)	(150)	(150)	0	TBC	TBC	0.00 Rodger Hawkyard	Reduction
Leaders	LEAD 6	Property Services	Reduced requirement of revenue financing to fund capital spend for final stage of Accommodation Strategy as a result of a review of further changes to accommodation or implementing new ways of working.	(700)	0	0	0	0	0	0.00	0.00 Rodger Hawkyard	Reduction	
Leaders	LEAD 7	Development & Economy	Reduce contribution to Solent Economic Investment Service	0	(10)	(10)	(10)	(10)	0	0.00	0.50 Denise Edghill	Reduction	
Leaders	LEAD 8	Property Services	One off reduction in bad debt provision for loss of rental income on Investment Properties.	(955)	0	0	0	0	0	0.00	0.00 Andy Lowe	Reduction	
Leaders	LEAD 9	Property Services	Delete Annual Sinking Fund Contributions for One Guildhall Square and Civic Centre.	0	(649)	(649)	(649)	(649)	0	0.00	0.00 Andy Lowe	Reduction	
<b>TOTAL AUGUST SAVING PROPOSALS</b>				<b>(10,347)</b>	<b>(9,381)</b>	<b>(3,927)</b>	<b>(5,884)</b>	<b>(5,884)</b>	<b>0</b>	<b>3.00</b>	<b>1.33</b>		
<b>TOTAL AUGUST &amp; NOVEMBER SAVING PROPOSALS</b>				<b>(10,347)</b>	<b>(21,288)</b>	<b>(20,214)</b>	<b>(21,618)</b>	<b>(21,343)</b>	<b>1,277</b>	<b>153.31</b>	<b>37.01</b>		

SAVING PROPSALS SUMMARY TABLE	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Implement- ation Cost	FTE In Post	FTE Vacant
Communities, Culture & Leisure	0	(332)	(332)	(332)	(332)	137	5.60	3.00
Education and Childrens Social Care	0	(113)	(173)	(173)	(173)	0	0.00	2.00
Environment & Transport	0	(2,698)	(2,755)	(2,795)	(2,795)	40	18.80	19.93
Finance	(8,402)	(8,402)	(3,133)	(5,050)	(5,050)	0	10.00	3.15
Housing & Sustainability	0	(71)	(71)	(71)	(71)	0	0.41	0.93
Health & Adult Social Care	0	(920)	(1,175)	(1,180)	(1,180)	600	3.00	4.00

Portfolio	Portfolio Ref	Service Activity	Description of Item	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Impleme nt- ation Cost	FTE In Post	FTE Vacant	Responsible Officer	Saving Type
			Leaders	(1,945)	(1,517)	(1,517)	(1,517)	(1,517)	0	2.50	3.00	
			Cross Cutting	0	(7,235)	(11,058)	(10,500)	(10,225)	500	113.00	1.00	
			<b>Total August &amp; November Savings Proposals</b>	<b>(10,347)</b>	<b>(21,288)</b>	<b>(20,214)</b>	<b>(21,618)</b>	<b>(21,343)</b>	<b>1,277</b>	<b>153.31</b>	<b>37.01</b>	

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## Appendix 8

### 2016/17 GENERAL FUND REVENUE ACCOUNT

	2016/17 Opening Budget £M	Revenue Pressures £M	August Savings £M	November Savings £M	February Savings Reserves & Balances £M	2016/17 Budget £M
Communities Culture and Leisure	5.76	0.00	(0.03)	(0.35)	(0.04)	5.34
Education & Children's Social Care	43.23	2.12		(0.07)	(0.92)	44.36
Environment & Transport	23.32	0.16	(0.16)	(2.46)	(0.39)	20.48
Finance	43.74		(7.85)	(0.55)		35.34
Health & Adult Social Care	61.46	1.68		(0.92)	(1.88)	60.34
Housing & Sustainability	2.72	0.00	(0.02)	(0.12)		2.58
Leader's Portfolio	14.44	0.07	(1.32)	(0.21)	(1.35)	11.64
Transformation	0.72			(7.24)	(3.50)	(10.02)
Pressures - Future Years	0.00					0.00
Base Changes & Inflation	0.30					0.30
<b>Portfolio Expenditure</b>	<b>195.69</b>	<b>4.03</b>	<b>(9.37)</b>	<b>(11.91)</b>	<b>(8.08) *</b>	<b>170.35</b>
<b>Levies &amp; Contributions</b>	0.63					0.63
	0.00					
<b>Capital Asset Management</b>	4.53				(0.49)	4.04
	0.00					
<b>Other Expenditure &amp; Income</b>	5.96					5.96
	0.00					
Pressures	0.00					0.00
August Saving Proposals	0.00					0.00
November Saving Proposals	0.00					0.00
February Saving Proposals	0.00					0.00
<b>Net Revenue Expenditure</b>	<b>206.81</b>	<b>4.03</b>	<b>(9.37)</b>	<b>(11.91)</b>	<b>(8.57)</b>	<b>180.98</b>
<b>Funding</b>						
Addition to / (Draw From) Balances	0.00				(3.89)	(3.89)
Council Tax	(79.43)					(79.43)
Adult Social Care Council Tax Levy	(1.58)					(1.58)
Other Government Grants	(2.92)					(2.92)
Revenue Support Grant	(32.55)					(32.55)
New Homes Bonus	(5.96)					(5.96)
New Homes Bonus Returned Funding	(0.14)					(0.14)
Business Rates	(47.48)					(47.48)
Top Up Grant	(1.62)					(1.62)
S31 Business Rates Grants	(0.88)					(0.88)
Other Business Rates Relief Grants	(0.74)					(0.74)
Collection Fund Surplus	(3.80)					(3.80)
<b>Total Funding</b>	<b>(177.09)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(3.89)</b>	<b>(180.98)</b>
<b>Savings Requirement</b>	<b>29.72</b>	<b>4.03</b>	<b>(9.37)</b>	<b>(11.91)</b>	<b>(12.46)</b>	<b>(0.00)</b>
	33.75					

\*

The February Savings are included subject to consultation. Should any proposals be withdrawn, following the outcome of the consultation process, a further draw on reserves and balances will be required until alternative proposals can be identified.

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## Appendix 9

### COUNCIL TAX CALCULATION 2016/17 TO 2018/19

2016/17	2015/16 £M	2016/17 £M	Change	
			£M	%
<b>Budget Requirement (a)</b>	<b>191.0</b>	<b>172.0</b>	<b>(19.1)</b>	<b>-9.99%</b>
Less NDR	(46.5)	(47.5)		
Less Top Up Payment	(1.6)	(1.6)		
S31 Grants	(2.0)	(1.6)		
Less RSG	(51.0)	(32.5)		
Contribution/(Draw) To/From Balances	(7.1)	(3.9)		
Aggregate External Finance	(108.2)	(87.1)	21.1	-19.46%
Deficit/(Surplus) on Council Tax Collection Fund	(3.2)	(0.8)		
Deficit/(Surplus) on Business Rates Collection Fund	(2.4)	(3.0)		
Net Grant Income (b)	(113.8)	(90.9)	22.8	-20.06%
<b>Amount to be met from Council Tax (a - b)</b>	<b>77.3</b>	<b>81.0</b>	<b>3.7</b>	<b>4.84%</b>
Tax base	58,825.0	60,464.0	1,639.0	2.79%
<b>Basic amount of Council Tax (Band D)</b>	<b>1,313.55</b>	<b>1,339.82</b>	<b>26.27</b>	<b>2.00%</b>
Last years Council Tax		1,313.55		
Council Tax - General Increase	0.00%	0.00		
Council Tax - Social Care Precept	2.00%	26.27		
Total Annual Cash Increase		26.27		
Increase (Cash per Week)		0.51		
Total Increase (%)		2.00%		

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# Agenda Item 11

## Appendix 10

### COLLECTION FUND ESTIMATES 2016/17

	2015/16 £000	2016/17 £000	Change £000	Change %
Southampton City Council Precept	77,269.6	81,010.9	3,741.4	4.84%
Hampshire Police Precept	9,254.9	9,702.1	447.2	4.83%
Fire and Rescue Services Precept	3,610.7	3,785.1	174.5	4.83%
Income due from Council Tax Payers	90,135.2	94,498.2	4,363.0	4.84%
Tax Base for Area	58,825.0	60,464.0	1,639.0	2.79%
<b>Basic Amount of Tax for Band D Property</b>	<b>1,532.26</b>	<b>1,562.88</b>	<b>30.62</b>	<b>2.00%</b>

### Council Tax increase per Property Band 2016/17

Band	SCC Band Charge	Council Tax Increase	Social Care Precept	SCC Band Charge	Overall Change	
	2015/16	0%	2%	2016/17	£	%
A	£875.70	0.00	17.51	£893.21	17.51	2.00%
B	£1,021.65	0.00	20.43	£1,042.08	20.43	2.00%
C	£1,167.60	0.00	23.35	£1,190.95	23.35	2.00%
D	£1,313.55	0.00	26.27	£1,339.82	26.27	2.00%
E	£1,605.46	0.00	32.10	£1,637.56	32.10	2.00%
F	£1,897.36	0.00	37.94	£1,935.30	37.94	2.00%
G	£2,189.26	0.00	43.77	£2,233.03	43.77	2.00%
H	£2,627.11	0.00	52.53	£2,679.64	52.53	2.00%

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### **STATUTORY POWER TO UNDERTAKE PROPOSALS IN THE REPORT**

#### **1. INTRODUCTION**

It is important that Members are fully aware of the full legal implications of the entire budget and Council Tax making process, when they consider any aspect of setting the Council's Budget. Formal and full advice to all Members of the Council protects Members, both in their official and personal capacity, as well as the Council. If Members have received the appropriate professional legal and financial advice and act reasonably, generally the courts will not interfere in their decisions.

#### **2. GENERAL POSITION**

- a. The first and overriding legal duty on Members is their fiduciary duty to weigh the needs of service users against the interests of local taxpayers. In planning the budget, Members are under a fiduciary duty to act prudently, responsibly, in a businesslike manner and in their view of what constitutes the best interests of the general body of local taxpayers. In deciding upon expenditure, the Council must fairly hold a balance between recipients of the benefits of services provided by the Council and its local taxpayers. Members should note that their fiduciary duty includes consideration of future local taxpayers as well as present local taxpayers.
- b. There is a general requirement in administrative law that a local authority decision must be rational, authorised by law and must take account of all relevant considerations, whilst ignoring any irrelevant ones. It should also be noted that the concept of proportionality, given great emphasis in the Human Rights Act 1998, is also becoming a relevant factor for determining the reasonableness of any decision and should be borne in mind by Members.
- c. An authority commits an illegal act if it acts beyond or in abuse of its statutory powers or in breach of its fiduciary duty. It will also act illegally if it fails to take relevant considerations into account or acts in outrageous defiance of reason.

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

- a. The legal significance of the Annual Budget and setting a Council Tax derives from the Council's duty under the Local Government Finance Act 1992 (the 1992 Act) and Part 5 Chapter 1 of the Localism Act 2011 to set a balanced budget and Part 5 Chapter 1 of the Localism Act 2011. This is achieved by calculating the aggregate of:
  - i. the expenditure it estimates it will incur in the year in performing its functions in the year (including an allowance for contingencies),

- ii. the payments it estimates it will make in the year in defraying expenditure already incurred and
  - iii. expenditure it will incur in funding costs before a transfer of funds is made from the Collection Fund and then deducting such sums as will be paid into the General Fund, i.e. income. Calculations made under this section must be made before 11 March in the preceding financial year.
- b. In order to fulfil this duty, the Council must prepare detailed estimates of its expenditure for the coming year and of the resources that will be available to meet this expenditure. Account must be taken of any deficit brought forward from a previous year and the amount needed to cover contingencies. The resources include income from rents, fees and charges and any available balances. All of these issues must be addressed in the budget report. The estimation of the detailed resource and expenditure items is the main reason for the budget process. The budget must balance, i.e. proposed expenditure must be met from proposed income from all sources, with any shortfall being the precept on the Collection Fund.
  - c. Failure to make a lawful Council Tax on or before 11 March could have serious financial results for the Council and make the Council vulnerable to an Order from the Courts requiring it to make a Council Tax.
  - d. Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for "the proper administration of their financial affairs'.
  - e. Information must be published and included in the Council Tax demand notice. The Secretary of State has made regulations, which require charging authorities to issue demand notices in a form and with contents prescribed by these regulations.
  - f. There is also a duty under Section 65 of the 1992 Act to consult persons or bodies appearing to be representative of persons subject to non-domestic rates in each area about proposals for expenditure (including capital expenditure) for each financial year.

#### **4. DEFICIT BUDGETING**

- a. A deficit budget, one which does not cover all anticipated expenditure with resources reasonably expected to be available, is unlawful. Any Council Tax which rests on such a budget will be invalid. Councils are constrained to make a Council Tax before all the separate elements, which will constitute available resources or anticipated expenditure, have been identified and quantified fully. Best estimates have to be employed.
- b. Where these best estimates include sums for unallocated savings or unidentified expectations of income, extreme care must be taken to ensure



that the estimates are reasonable and realistic and do not reflect an unlawful intention to incur a deficit. It might be appropriate at budget setting time to require regular monitoring throughout the financial year of such estimated savings or income. Prompt action to reduce spending must be taken, if at any stage it seems likely that a balance between income and expenditure will not be achieved.

## **5. BORROWING**

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

## **6. OTHER RELEVANT LEGISLATION**

- a. The Local Government Finance Act 1988 (the 1988 Act) created the (now repealed) Community Charge and the current National Non- Domestic Rating regime and deals with grants, funds, capital expenditure and the financial administration of a local authority.
- b. Under Section 114 (2) and 114 (3) of the 1988 Act, the Chief Financial Officer is required to make a report, if it appears to him/her that a decision or course of action the Council or an officer has agreed or is about to make is unlawful, or that expenditure is likely to exceed resources available.
- c. Members have a duty to determine whether they agree with the Chief Financial Officer's statutory report issued under Section 26 Local Government Act 2003. If Members were to disagree, they would need to set out cogent reasons for so doing. Unless such reasons could be set forward, Members' action in disagreeing with the Chief Financial Officer's views on the basis of his/her professional judgement would be likely to be held unreasonable and constitute wilful misconduct. It should be noted that under the Members' Code of Conduct, Members are required to take account of any advice issued by Chief Financial Officer (and the Monitoring Officer) acting in their statutory capacities.

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

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

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

- a. The 2000 Act has had a fundamental effect on the governance of the Council and in particular has resulted in a change to the working arrangements of Council, with the requirement for a Constitution setting out executive (Cabinet) and scrutiny and overview arrangements. The 2000 Act also provides a power for Councils to promote the economic, social and environmental well being of their areas and develop community strategies. In addition, the 2000 Act establishes an ethical framework.
- b. Of particular importance to the Council Tax setting process and Budget Meeting of the Full Council is the Council's Budget and Policy Framework Procedure Rules set out in Part 4 of the City Council's Constitution. These provide a legal framework for the decision making process whereby the Budget of the City Council is determined, and the Council Tax is set. In addition, Members need to be aware that these Rules provide a route whereby the Leader may require the Full Council to reconsider their position if they do not accept the Executive's recommended budget without amendment.
- c. In addition, the Constitution contains a range of further material relevant to the setting of the Council Tax and the Budget Setting meeting:
  - i. Article 12 contains guidance on decision making and the law.
  - ii. The Council Procedure Rules in Part 4 regulate the conduct of the Full Council meeting (although traditionally, some of the rules relating to the conduct of the debate are suspended to allow different arrangements during the budget debate).
  - iii. The Members' Code of Conduct must be followed by Members.
  - iv. The Officer/Member Protocol contains guidance both on pre-budget discussions, but also on how officers and Members should interact with specific guidance about budget preparation issues.

## **9. PERSONAL LIABILITY AND SURCHARGE**

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

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

- a. It is appropriate for Members to consider their own position as some Members may have expressed support publicly for policies that are not policies of the Council.

- b. Political documents do not represent a legal commitment on behalf of the Council. To treat any political document as a legal commitment by the Council would be illegal. Where there is a valid choice before Members, then, at that stage and only at that stage, Members may take political documents into account.
- c. All decisions must be taken within the framework of the formal decision making process of the Authority. Members must take into account all relevant matters and disregard all irrelevant ones. Decisions taken at a political meeting, such as a political group meeting, have no status within this process. A Member, who votes in accordance with a group decision which has been reached, having regard to relevant factors and who has addressed their mind independently to those factors and to the decision itself, will be acting within the law.
- d. The Courts have also advised on the balancing exercise to be undertaken by a Council when deciding whether to pursue a particular policy:

*A local authority must exercise its statutory powers in the public interest and for the purpose of which those powers have been conferred. Political views, as to the weight to be attached to the various relevant considerations and as to what is appropriate in the public interest in the light of those considerations may properly influence the exercise of a statutory discretion. A decision will not be unlawful merely because some political advantage, such as electoral popularity, is expected to flow from it, so long as the decision is made for a legitimate purpose or purposes. Because at some stage in the evolution of a policy an improper political purpose has been espoused, does not mean that the policy ultimately adopted is necessarily unlawful. However, a political purpose extraneous to the statutory purpose can taint a decision with impropriety. Where there is more than one purpose:*

- a) *The decision will generally be lawful provided that the permitted purpose is the true and dominant purpose behind the act. This is so even though some secondary or incidental advantage may be gained for some purpose, which is outside the authority's powers.*
- b) *The decision will be invalid if there are two purposes one ultra vires and one intra vires and the ultra vires purpose is a (even if not the) major purpose of the decision. Accordingly a decision substantially influenced by a wish to alter the composition of the electorate would be unlawful.*
- c) *Where there is some evidence justifying enquiry, the Court will consider whether an apparently lawful purpose e.g. home ownership is merely a colourable device to conceal an illegitimate purpose e.g. electoral advantage.*
- d) *Even if those voting for a particular policy at a Council meeting have perfectly proper reasons in mind, the policy can be tainted by the improper motives of others who have taken part in the formulation of that policy although not actually present to vote. As a matter of law it is possible for a corrupt principal to cause a result through an innocent agent.*

## **11. OTHER LEGAL IMPLICATIONS**

The financial forecasts contained in this report have been prepared and are submitted as part of the budget process set out in the Council's Constitution.

**STATEMENT ON GENERAL FUND BUDGET STRATEGY**  
**BY THE CHIEF FINANCIAL OFFICER**  
**UNDER S.25 LOCAL GOVERNMENT ACT 2003**

Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for "the proper administration of their financial affairs' and appoint a CFO to have responsibility for those affairs. The CFO must exercise a professional responsibility to intervene in spending plans in order to maintain the balance of resources so that the authority remains in sound financial health.

Section 25 of the Local Government Act 2003 (LGA 2003) imposes a duty on the Chief Financial Officer (CFO) to report formally to Council on the following matters:-

- The robustness of the estimates made for the purpose of the calculations (to set the Council Tax).
- The adequacy of the proposed financial reserves.

These specific matters are dealt with below but it is important to set the whole of the 2016/17 budget process in the context of the financial circumstances in which local government finds itself.

This year marks the start of a new CSR period, bringing with it the opportunity to receive a 4 year settlement with indicative allocations already provided in the PLGFS. For the 2016/17 financial year the budget shortfall as published in this report was £33.7M. On the assumption that Full Council implements the balanced budget proposals for 2016/17 set out in the budget report, over the three year period of the Medium Term Financial Strategy 2017/18 – 2019/20 the remaining budget gap stands at £42.3M representing a significant and ongoing challenge to the Council.

### **Council Tax**

There were provisions within the Autumn Statement and PLGFS to allow Council's to implement an additional 2% increase in Council Tax specifically to fund Social Care pressures (Social Care 'Precept'). This 2% increase could be in addition to any Council Tax rise planned within the current referendum framework which allows Council Tax to be increased by 1.99%. In total, this new provision would allow Council tax to be increased by up to 3.99% in Social Care Authorities.

My advice to the Executive has been that given the Council's overall financial position, the financial and demographic pressures faced by Social Care, and the fact that the Executive had already indicated that they were minded to increase Council Tax by the 1.99% referendum limit prior to the announcement of the power to take up an additional 2% Social Care precept, that the opportunity to raise additional income from Council Tax should be taken up, and that a rise of 3.99% would therefore be my recommendation.

However, I recognise that it is for the Executive to determine Council Tax policy and the level of Council Tax rise which it would wish to recommend and implement for 2016/17, and that the Executive's recommendation is for a 2% increase in Council Tax in total, specifically to contribute to funding Social Care pressures.

## **Budget Methodology**

Given the continuing fragility of the economic environment and the scale of expenditure reductions required year on year, there will inevitably be significant risks involved in delivering a balanced budget. Whilst considerable pressure exists on the Council's budget because of the severely reduced level of resources available for local authorities in the future, further advanced forward planning to deliver the budget savings required in the medium term is in preparation and is absolutely essential.

Whilst therefore the basic methodology for putting the budget together at the Council has not changed in this financial year, it must be recognised that the scale of the changes and some of the measures being introduced do increase the risk built into the budget for 2016/17 and beyond. As part of the budget setting process for 2017/18 and onwards a fundamental review of the way in which the Council identifies savings is being undertaken with a potential move to outcomes based commissioning and outcomes based budgeting.

## **Use of One Off Funding**

The level of one off funding already included in the 'base position' totals circa £13M to balance the budget position in 2016/17. As set out in previous years' statements the consistent use of large one off sums to balance the budget is clearly not a sustainable position. Assuming a draw of £3.9M from General Fund balances as a contribution to balancing the 2016/17 budget, the remaining General Fund balance of £8.9M will be close to the minimum level recommended by the Section 151 Officer of £5.5M, and given the ever tightening financial position, the increasing pressures on spend (in particular in social care) and the significant savings to be made in future years, it is difficult to foresee that significant sums of one-off funding will be available in future years to support the budget position.

## **Medium Term Position**

There are significant budget shortfalls in future years as set out in the Medium Term Financial Strategy Report and members must not lose sight of the need to ensure that work is ongoing to redesign the Council in order to build a sustainable organisation going forward and a necessary part of this work will be to develop recurrent savings proposals for future years. As part of addressing the medium term budget shortfall, the MTFS sets out the Councils Efficiency Strategy. Members must be mindful of the need to carefully consider the extent to which one off funding is utilised in order to deliver a balanced budget in any one year.

## **Budget Risks**

There are a number of specific major risks that could adversely impact on the Council's financial position. These are detailed in Appendix 12 – Key Financial Risks.

The Council is required to have regard to this report in approving the budget and Council Tax. It is appropriate for this report to go first to Cabinet and then to be made available to the Council in making its final decision.

Notwithstanding the above, as required under Section 25 of the Local Government Act 2003 I would make the following formal comments on the Robustness of the Estimates and the Adequacy of Reserves:

## **A) ROBUSTNESS OF ESTIMATES**

Budget setting is made up of several estimates some involving quite complex forecasting. By the very definition of the word, estimates are not factual and the degree of accuracy will not only vary but also take different periods of time to be proven to be correct or otherwise.

### **Savings Proposals**

Over the course of 2015/16 the Executive, supported by CMT, have developed a series of detailed budget proposals the majority of which were published in November 2015. Whilst some figures have changed and proposals have been amended these have been validated by CMT prior to their inclusion in the final proposed budget. There is therefore a high degree of validation inherent within the final budget proposals for these savings.

Further savings proposals in the sum of £8.5M are put forward for consultation within this budget report, and the setting of a balanced budget is based on an assumption that these savings will be implemented in full following consultation. There is a risk that following consultation the final savings which can be delivered will be less than the £8.5M required. If this was to be the case, the budget report provides a delegation to the Section 151 Officer to draw from General Fund balances to balance the budget position.

Any further draw from General Fund balances would increase the level of one-off funding utilised in setting the budget, decrease General Fund balances further, and increase the recurrent budget shortfall in 2017/18 and the level of recurrent savings required to balance the budget.

The largest single budget saving still subject to consultation and further work is the Phase 2 Operating Model saving in the sum of £2.5M for 2016/17. It will be important that Cabinet and CMT progress this proposal and consultation in a timely fashion to ensure that this saving can be delivered in full in 2016/17, or if it is to change following consultation that the implications are reflected in the budget as soon as is practicable.

### **Budget Assumptions**

Key elements within the budget are provisions for inflation on pay and prices, projected levels of income and achievability of savings. Details of these items are included in the reports and have already been through the validation process as set out above. However, there are a number of points to draw out:

- i) Assumptions made in all of the forecasts are basically sound. The pay award has been incorporated into the budget for 2016/17 onwards at 1%. Employer contributions to the Hampshire Local Government Pension for current service costs will remain at their current level of 13.1% for the period, 2016/17 to 2019/20. These may need to be adjusted following the triennial actuarial review. The contribution for past service will increase by a known amount each year thereby giving certainty about this cost. Contributions from April 2017 will be

reviewed as part of the next actuarial review and the impact will be built into future forecasts.

- ii) The scale of the reductions in local government funding has meant that the Council has been forced to look at radical options for reducing expenditure across services. Proposals which involve significant change to current structures, systems and processes, or which have major implications for service design inherently involve higher levels of risk than those which broadly maintain current arrangements. At the most practical level those risks begin with the possibility of slippage and disruption in the transition from old to new arrangements.

The Executives recommendations for savings proposals now total £29.9M.

Individual savings items have been approved by the relevant Directors and Heads of Service and have been subject to scrutiny by CMT. Responsibility for actioning any changes in the budgets will fall to me as Section 151 officer, and all savings approved will be actively monitored throughout the year although responsibility for the delivery of these savings rests with the relevant Director.

- iii) The Council's external auditor gave an unqualified opinion on the 2014/15 financial statements and an unqualified conclusion on the Council's arrangements for securing value for money.

The Council has maintained a robust system of budget monitoring and control evidenced by the small unplanned variances from budget on final outturn in recent years. Where over spends or under spends have arisen, potential variances have been identified early enough to enable corrective action to have effect.

The Section 151 Officer considers that the financial control arrangements remain sufficiently robust to maintain adequate and effective control of the budget in 2016/17.

- iv) The current economic climate and national issues surrounding adult social care (aging population) and the safeguarding of children have impacted on the budget. Additional provision to cover all of these issues has been included within the final budget proposals and will be the subject of detailed monitoring throughout the year. Rising demand in both adults and children's social care together with reduced funding remains one of the most significant risks to the sustainability of the Council and its financial position. The Executive is recommending implementing the 2% Council Tax increase which the Government has made available to provide specific additional funding to support Social Care pressures.
- v) A prudent but realistic view of interest rates has been taken in constructing estimates for interest charges in 2016/17 budget. Whilst these estimates are considered to be adequate at this point in time the considerable turbulence within the financial markets may lead to further consideration. Interest rate trends and capital financing operations will be monitored closely throughout the year to facilitate timely action designed to optimise the Authority's position.



## **B) ADEQUACY OF PROPOSED FINANCIAL RESERVES**

**Risk Mitigation** – Mindful of the overall risks within the budget, some of which are specifically highlighted above, (of which some are not quantified nor have any specific offsetting financial provision within the budget), the Section 151 officer has reviewed the minimum level of the Council's General Fund reserves/balances.

The current recommended minimum General Fund (GF) Balance is £5.5M, as recommended and approved last year.

In reviewing the minimum level of General Fund Balance for 2016/17 the CFO has been cognisant of the risks and provisions together with the continuing reduction in Local Government funding and the consequent significant budget shortfalls the Council still faces in the medium term. Whilst given the financial risks the Council faces in the next few years there would be a sound argument for increasing the minimum GF balance level even further, conversely the ability to do so is constrained by the fact that the Council faces a significant budget shortfall which limits the Council's ability to set aside further sums to increase the minimum level of balances.

However, in light of the increased level of risk around the Medium Term Financial Strategy and the increased probability of resources being required to support the delivery of the MTFs, the Earmarked Medium Term Financial Risk Reserve has been maintained and strengthened with additional funding set aside to be added to this reserve. As this has the impact of increasing the overall level of balances and reserves, the Section 151 Officer is not recommending a further increase in the minimum level of GF Balance at this stage, but would recommend increasing the minimum level of this balance further in the future should the financial position allow.

The Medium Term Financial Strategy Report also includes a Reserves Policy going forward. This gives the Section 151 Officer and CMT the authority to set aside available funds into a prioritised list of earmarked reserves.

It is worth highlighting that the Council has an excellent track record of remaining within budget once it has been set, and has never been in the position of reporting an overall overspend on the General Fund despite some very difficult recent years in respect of reducing income and escalating social care costs in both children and adult services. It is noted however that the forecast outturn position for 2015/16 is relatively small overspend, and that this is indicative of the tightening financial position. It will be important to retain tight expenditure controls in 2016/17, and deliver the proposed savings, to ensure that the Council doesn't overspend in 2016/17 and aims to deliver a budget underspend to support the overall financial position for 2017/18 onwards.

Issues which it is appropriate to draw specifically to the attention of Cabinet and Council are detailed below:

- i) The Council holds a number of specific provisions for issues like debt write off that are assessed on an ongoing basis against the specific issues to which they relate. Review of these provisions forms part of the budget preparations covered above.

- ii) The General Fund balance is used to support revenue, capital and strategic pressures and to provide a working balance.

Details of the use of the General Fund Balance is included in the report. The level of GF Balance and the projected use is forecast for four years. The minimum level of GF Balance is recommended by the Section 151 Officer taking into account issues like the proposed draw, the level of risk contained within the budget, the strengthening of the Medium Term Financial Risk Reserve, and previous experience on potential levels of net overspend, but also takes account of the practicalities of being able to increase the minimum GF balance at a time when the Council is faced with having to find significant savings, far greater than at any other time, simply to balance the budget position.

Best practice guidance issued by CIPFA is followed in determining a level of GF Balance based on assessed risks, which are reviewed annually. Based on the current assessment of the overall financial position, the Section 151 officer has recommended that the minimum level of GF Balance should be maintained at £5.5M, albeit that should the Authority find itself in a position where it could realistically identify additional resources to fund an increase in the minimum level of GF Balance as well as the increase in earmarked reserves, then the Section 151 officer's advice is that it would be prudent to do so. There is no legal definition or Audit Commission recommendation on the absolute level of balances and reserves that any authority should hold but the risk based approach does provide a consistent, transparent methodology that can be updated periodically.

- iii) Attention is drawn to the level and use of capital resources in the General Fund Capital Programme report. Whilst this identifies the overall Capital Programme is fully funded this is based on a revised estimate of capital receipts. The level of capital receipts is volatile and therefore while the funding deficit is now closed from the level reported previously this remains an area to monitor as the deficit is based on estimated forecast receipts rather than receipts received.

Slippage in capital receipts could change the forecast of temporary borrowing that is required unless accompanied by equivalent slippage in spend. Non-receipt of any planned income will require a permanent draw from balances, additional borrowing or for savings to be found in the capital programme. In drawing up the capital programme these risk factors are obviously taken into account but as a backstop position these potential shortfalls will continue to be reviewed over the longer term and where possible, be reduced by re-phasing schemes or bringing forward the use of prudential borrowing.

The Council also has key strategic property and land sites which it has been holding until market conditions improve. These have been reviewed to ensure that those held are truly strategic and as a result sites have been identified for sale which has in part served to reduce the forecast capital deficit. The categorisation and potential for sale of sites will continue to be actively monitored and sites held by the Council which are not operational provide a further source of contingency to reduce the risks outlined in the above paragraphs.

- iv) Levels of borrowing and debt and associated treasury risks are fully covered in the Treasury Management Strategy and Prudential Indicators report which

appears on the Council agenda. In recognition of the risk associated with the current strategy the Council is maintaining a Treasury Risk Reserve, and as part of setting the 2016/17 budget the S151 officer has recommended that the level of this reserve should be maintained at £2.1M, which the CFO considers to be the prudent minimum at this time based on the current borrowing strategy. The Reserve has been and will continue to be subject to ongoing review, not least of which will be to review the new risks which are now in the system as a result of the new banking regulations. This means that UK banks are less likely to receive government support in future should they find themselves in financial difficulties, and instead will have to resort to 'Bail In', whereby individual investors (be they individuals or institutions) would be expected to fund any shortfall via a 'hair cut' i.e. a reduction to the sums they hold on deposit for which there will be no protection for institutions. The Treasury Management Strategy has been developed with the Bail In risk in mind and a more diversified portfolio of investment has been developed and as a consequence the CFO was able to release £1M of the Reserve as part of setting the 2015/16 budget, to support the MTFs Reserve.

### **Future Budget Uncertainty**

Section 25 of the LGA 2003 concentrates primarily on the uncertainty within the budget year rather than the greater uncertainties in future years. However future uncertainties also inform the need for reserves and balances in the medium term. The current financial position involving significant savings targets increases the risk of over spending, together with demand led spending pressures during a recession and potentially higher inflation than assumed. Funding beyond 2016/17 is more certain with the start of the new CSR period and the publication of indicative figures for the next four years. However these figures need do still need to be caveated as they are dependent on a number of assumptions including economic growth and interest rates, in order for the Chancellor to achieve the ambition of a surplus by 2019/20.

### **SUMMARY**

This formal report is part of a continuum of professional advice and is the culmination of a budget process in which lots of detailed work has already taken place with Directors, Senior Managers and their teams and Members.

Whilst as set out in this report the budget does contain a number of underlying risks, the S151 officer considers that the budget proposals recommended by the Cabinet for 2016/17 are robust and deliverable for the one year planning horizon, but are underpinned by the significant use of one off resources, which is not sustainable in the medium term, and are dependent on £8.9M of savings which are still subject to consultation and which must be delivered in full to achieve a balanced budget and avoid a further draw from balances or reserves.

It is also recognised that there are significant demographic pressures in both Adult and Children's social care which need to be managed. There are also risks associated with the achievement of efficiencies and service reductions and robust monitoring arrangements must continue to ensure savings are delivered within the required timescale. Overall whilst it is recognised that this budget has elements of risk, it is felt that sufficient mitigating actions are already in place to accept and to manage those risks in 2016/17.

However, the S151 officer remains concerned about the Authority's medium term position, with circa £42M of savings still to be found by 2019/20. This concern is heightened as general fund balances are close to the recommended minimum level, and a risk analysis of the position has recognised that earmarked reserves are low, meaning that short term options to shore up the budget through a draw on balances/reserves (even though not ideal), to buy time to put in place sustainable transformation and deliver sustainable savings alongside reduced service provision, are limited. In addition, the Council has used significant one off funding in balancing both the 2015/16 and the 2016/17 budgets, and the level of one off funding utilised are unlikely to be available in future. This will mean that there will be more pressure to deliver significant and sustainable budget savings to balance the budget for 2017/18 onwards.

Therefore, both Members and the Council's Management Team must not lose sight of the need to ensure that work is ongoing to develop sustainable savings proposals for future years (a key element moving forward will therefore be driving forward and implementing the Council's new Operating Model and Efficiency Strategy), mindful of the fact that available reserves to support the financial position are limited. That said, there is a balance to be struck, as Members must also be mindful of the need to carefully consider the extent to which one off funding is utilised in order to deliver a balanced budget in any one year, albeit that it may be prudent to do so if it buys time to bring sustainable savings and spending and service reductions on stream.

## KEY FINANCIAL RISKS

The following table identifies the key financial risks to the council's financial position over the short to medium term together with a summary of the mitigating actions in place and planned. These financial risks are reflected in the assessment of the adequacy of estimates and reserves.

The assessment of risk is based on the following risk scoring criteria:

IMPACT (Consequence)	
<b>1 - Extreme</b>	Loss or loss of income > £20m
<b>2 - Major</b>	Loss or loss of income £10m < £20m
<b>3 - Significant</b>	Loss or loss of income £5m < £10m
<b>4 - Moderate</b>	Loss or loss of income £500k < £5m
<b>5 - Minor</b>	Loss or loss of income £10k < £500k

LIKELIHOOD (Probability)	
<b>A - Almost Certain &gt; 95%</b>	Highly likely to occur
<b>B - Likely</b>	Will probably occur
<b>C - Possible 50%</b>	Might occur
<b>D - Unlikely</b>	Could occur but unlikely
<b>E - Very Unlikely &lt; 5%</b>	May only occur in exceptional circumstances

- Robustness of estimates**

	Key Financial Risk	INHERENT RISK		Comments/Mitigating Actions in place	RESIDUAL RISK	
		Likelihood	Impact		Likelihood	Impact
FE1.	<b>Pay Inflation</b> - underestimated in the original estimates.	Possible	Moderate	<ul style="list-style-type: none"> <li>The previous MTFs model was based on a pay award of 2% pa, however this assumption has been amended to 1% over the medium term following the July 2015 budget and the announcement to cap public sector pay awards at 1%</li> </ul>	Unlikely	Moderate
FE2.	<b>Interest rates</b> are underestimated.	Possible	Moderate	<ul style="list-style-type: none"> <li>Reliance placed on market intelligence provided by Treasury Management advisors.</li> <li>Interest Equalisation Reserve which would provide transitional funding if it were deemed appropriate to convert from variable to fixed rate debt.</li> <li>Treasury Management Strategy is aligned with CIPFA Code and the CLG Guidance re investing funds prudently and having regard to the security and liquidity of its investments before seeking the highest rate of return.</li> </ul>	Unlikely	Moderate
FE3.	<b>Projected levels of income</b>	Possible	Moderate	<ul style="list-style-type: none"> <li>The identification and assessment of income generating</li> </ul>	Possible	Moderate

## KEY FINANCIAL RISKS

	within the period are not achieved and/or maintained.			<p>activities forms part of one of the Transformation Programme workstreams.</p> <ul style="list-style-type: none"> <li>The Service Cost Recovery programme is tasked with ensuring that charges and fees are set at the appropriate level and all charges and fees from income generating services are collected.</li> </ul>		
FE4.	<b>Delivery of all of the agreed savings</b> is not achieved.	Possible	Major	<ul style="list-style-type: none"> <li>Progress and delivery of the overall Programme and individual projects is in the first instance monitored at Transformation Director and Portfolio Lead level, and thereafter by CMT and a Transformation Improvement Board led by Cabinet Members.</li> <li>CMT and TIB review the validity and achievability of projects and provide approval (or not) to projects.</li> <li>A Benefits &amp; Commercial Governance Group led by the Transformation Director and CFO review the validity of potential project savings before being presented to CMT and TIB.</li> </ul>	Unlikely	Moderate
FE5.	<b>Increase in demand led spending pressures</b> (including impact of Welfare Reform, social care, safeguarding) over and above the current budget provision.	Possible	Significant	<ul style="list-style-type: none"> <li>Annual budget setting process developed in consultation with service managers</li> <li>Monitoring of capital (quarterly) and revenue (monthly) budgets, reported to CMT and Cabinet (Quarterly).</li> <li>Action plans to address any significant in year budget variances are agreed with CMT with the status of the agreed actions reported to CMT on a monthly basis</li> </ul>		Moderate
FE6.	Third party provider costs will increase as a result of the introduction of the <b>National Living Wage</b>	Almost certain	Moderate	<ul style="list-style-type: none"> <li>As each contract is procured any impact of this will need to be assessed and addressed to ensure services are provided within budget.</li> </ul>		

## KEY FINANCIAL RISKS

- Adequacy of proposed financial reserves

	Key Financial Risk	INHERENT RISK		Comments/Mitigating Actions	RESIDUAL RISK	
		Likelihood	Impact		Likelihood	Impact
FR1.	<b>Business Rate Retention</b> – the council fails to collect, retain and grow business rate income recognising the move to 100% retention of receipts	Possible	Significant	<ul style="list-style-type: none"> <li>• <i>The assumption built into the MTFs is a 1% increase per annum reflecting the uplift set by government. At this stage, no assumptions have been made about growth.</i></li> <li>• <i>As the council's evidence base builds on business rates, it is anticipated that modelling in terms of growth against downside reductions will become more sophisticated over time.</i></li> </ul>	Possible	Significant
FR2.	<b>Volatility of Business Rates funding</b> given the uncertainty around impact of successful appeals (SCC retains almost half the risk from the volatile nature of the receipts).	Likely	Significant	<ul style="list-style-type: none"> <li>• <i>The Valuations Office is undertaking a reset of rateable values from 2017/18. This means the level of volatility of business rates in 2017 is at the moment higher until the outcome of the reset exercise is known.</i></li> <li>• <i>Appeals can be backdated and as a consequence of this the Council has set aside a provision to deal with this element of the financial impact.</i></li> <li>• <i>In December 2014 the Government announced it was closing the appeals window and that appeals received on or after 1 April 2015 will only be backdated until this date.</i></li> </ul>	Possible	Significant
FR3.	The Government could impose a lower <b>Council Tax</b> referendum threshold (currently 1.99%) and/or reduce or remove the <b>Adult Social Care Levy</b> (2%)	Possible	Moderate	<ul style="list-style-type: none"> <li>• <i>Assumption is that Council Tax rises will be set at just below the 2% referendum limit in future years, at 1.99%.</i></li> <li>• <i>The Adult Social Care Levy was only introduced as part of the Autumn 2015 Spending Review and allows local authorities with social care responsibilities to increase Council Tax by a further 2%.</i></li> <li>• <i>The MTFs assumes this levy will be taken in all years as the calculated increase in funding for adult social care far outweighs the income gained from this levy.</i></li> </ul>	Possible	Moderate
FR4.	<b>Slippage in capital receipts</b> (not accompanied by a	Possible	Moderate	<ul style="list-style-type: none"> <li>• <i>Non-receipt of any planned income will require a permanent draw from balances, additional borrowing or for savings to be</i></li> </ul>	Possible	Moderate

## KEY FINANCIAL RISKS

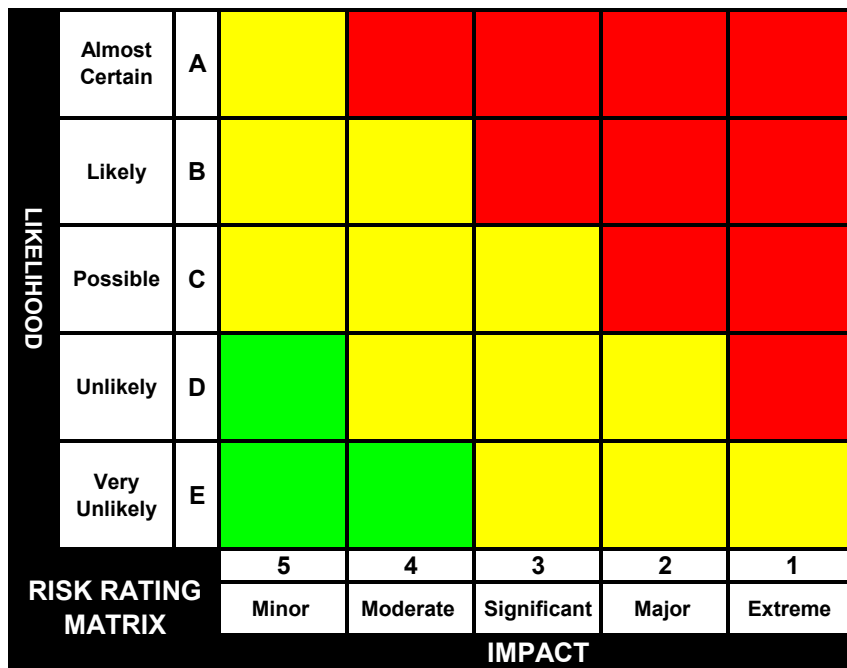
	slippage in spend).			<i>found in the capital programme.</i>		
FR5.	If building inflation was to exceed general inflation over a prolonged period, this would have a significant adverse impact on <b>HRA balances</b> .	Possible	Significant	<ul style="list-style-type: none"> <li>• <i>Surpluses are liable to change annually, either favourably or not, and this will be reflected the annual review of stock investment needs and estimated unit rates.</i></li> </ul>	Possible	Moderate
FR6.	As schools transfer to Academy status the council's <b>share of the Education Services Grant</b> will reduce.	Almost certain	Moderate	<ul style="list-style-type: none"> <li>• <i>Costs need to be reduced in line with reductions in funding.</i></li> <li>• <i>Development of a strategy in terms of whether / what services SCC may choose to still offer to Academy Schools</i></li> </ul>	Almost certain	Moderate
FR7.	The level of funds within the <b>internal insurance provisions</b> is inadequate to meet current or future demand	Possible	Moderate	<ul style="list-style-type: none"> <li>• <i>The adequacy of the provision is informed by the output from periodical (at least triennial) external actuarial reviews of the funds.</i></li> <li>• <i>The level of funding is required is reviewed as part of annual budget setting process and the position, in respect of potential liabilities is reviewed on a monthly basis.</i></li> </ul>	Unlikely	Moderate
FR8.	<b>Ad hoc or unforeseen events / emergencies.</b>	Possible	Significant	<ul style="list-style-type: none"> <li>• <i>The council's Reserves may utilised in respect of the financial impact of such an event.</i></li> <li>• <i>Subject to the nature of the event alternative sources of funding might be available e.g. Bellwin Scheme.</i></li> </ul>	Possible	Significant
FR9.	The cost of implementing the <b>Care Act 2014</b> is greater than anticipated.	Unlikely	Moderate	<ul style="list-style-type: none"> <li>• <i>Current assumption is for the cost of this new burden to be met by the funding allocation provided within the Better Care Fund and the new Carers and Care Act Implementation grant</i></li> <li>• <i>This funding has now been included within the Revenue Support Grant and the main implications of the Care Act have been deferred until 2019/20.</i></li> </ul>	Unlikely	Moderate
FR10.	The council is unable to quantify the financial impact on both vulnerable individuals and key council	Possible	Moderate	<ul style="list-style-type: none"> <li>• <i>Future changes to welfare have been announced in the Summer Budget 2015 and Autumn statement that will impact on across a range of residents, including those on in work benefits. It is difficult to predict the full consequences of</i></li> </ul>	Possible	Moderate



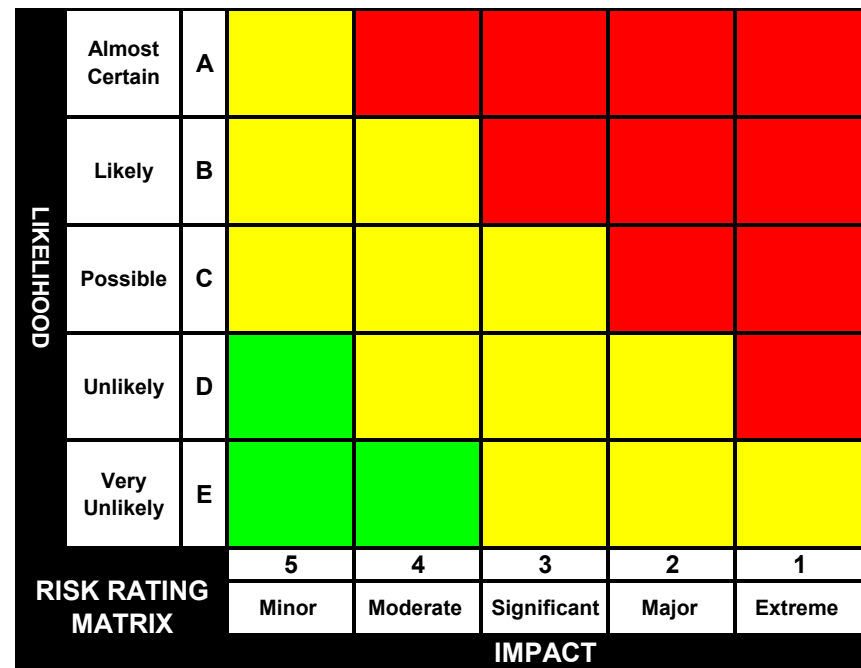
# KEY FINANCIAL RISKS

	services arising from implementation of <b>welfare reforms</b>			<i>implementation of key policy changes in Welfare Reform, Council Tax and Universal Credit (UC).</i> <ul style="list-style-type: none"> <li><i>The Welfare Reforms Monitoring Group is updating its action plan and communication plan to residents. No budget has been identified for this work for 2016/17.</i></li> </ul>		
FR11.	<b>Inflation increases</b> at a higher rate than anticipated	Possible	Moderate	<ul style="list-style-type: none"> <li><i>Assumptions have been made in the forecast about the likely level of general inflation that will apply from April 2015. Current indications are that in the short term an increase is unlikely.</i></li> <li><i>An amount has however been included in the Risk Fund to cover key elements of inflation, for example in relation to fuel and energy costs, which can be volatile.</i></li> <li><i>Beyond this provision, it would be managed as an 'in year' issue and services would be expected to absorb the difference.</i></li> </ul>	Possible	Moderate

# INHERENT RISK RATING



RESIDUAL RISK RATING



## KEY FINANCIAL RISKS

# Agenda Item 12

<b>DECISION-MAKER:</b>	CABINET COUNCIL		
<b>SUBJECT:</b>	HOUSING REVENUE ACCOUNT BUDGET REPORT AND BUSINESS PLAN		
<b>DATE OF DECISION:</b>	9 FEBRUARY 2016 (CABINET) 10 FEBRUARY 2016 (COUNCIL)		
<b>REPORT OF:</b>	CABINET MEMBER FOR HOUSING AND SUSTAINABILITY		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHORS:</b>	<b>Name:</b>	Alan Denford Nick Cross	<b>Tel:</b> 023 8083 3159 023 8083 2241
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<b>CFO</b>	<b>Name:</b>	Andrew Lowe	<b>Tel:</b> 023 8083 2049
	<b>E-mail:</b>	<a href="mailto:Andrew.Lowe@southampton.gov.uk">Andrew.Lowe@southampton.gov.uk</a>	

<b>STATEMENT OF CONFIDENTIALITY</b>		
None		
<b>BRIEF SUMMARY</b>		
<p>The national self-financing regime for the Housing Revenue Account (HRA) was introduced in April 2012. The budgets in this report have been prepared using these arrangements, which include a requirement to prepare and publish a rolling 30 year HRA Business Plan covering both capital and revenue expenditure projections.</p> <p>The report sets out the 2016/17 revenue budget for all of the day to day services provided to Council tenants in the city, the detailed capital budgets for 2015/16 to 2020/21 and the HRA Business Plan for the period 2016/17 to 2045/46. It includes the proposed changes in rents, service charges and other charges to council tenants from 1 April 2016.</p>		
<b>RECOMMENDATIONS:</b>		
CABINET		
	(i)	To consider the report and agree that the recommendations, as set out below, be made to Council at the meeting on 10 February 2016.
COUNCIL		
	(i)	To thank the Tenant Resources Group for their input to the capital and revenue budget setting process and to note their endorsement of the recommendations set out in this report and also the broad support for the proposals received at the Tenants' Winter Conference.
	(ii)	To note that the consultation feedback has been taken into

		consideration by Cabinet and has informed their final budget proposals.
	(iii)	To approve that, from 1 April 2016, a standard decrease should be applied to all dwelling rents of 1.0%, as set out in paragraph 16 of this report, equivalent to an average decrease of £0.87 per week in the current average weekly dwelling rent figure of £86.81.
	(iv)	To approve the Executive's savings proposals, as set out in Appendix 1 to this report, which amount to £4,311,000 in 2016/17 and £4,439,000 in subsequent years.
	(v)	To note the following weekly service charges from 1 April 2016 based on a full cost recovery approach: <ul style="list-style-type: none"> <li>• Digital TV £0.42 (unchanged from 2015/16)</li> <li>• Concierge monitoring £1.20 (unchanged from 2015/16)</li> <li>• Tower Block Warden £4.97 (unchanged from 2015/16)</li> <li>• Cleaning service in walk-up blocks £0.63 (unchanged from 2015/16).</li> </ul>
	(vi)	To note the new service charging model for Community Alarm and private Careline customers set out in paragraphs 37 and 38 of this report.
	(vii)	To note that the charges to Council tenants for garages and parking spaces for 2016/17 will be unchanged and that there will be an increase of garage rents by £1.00 per week for private residents.
	(viii)	To approve the Housing Revenue Account Revenue Estimates as set out in the attached Appendix 2.
	(ix)	To approve the revised Housing Revenue Account 5 Year Capital Programme set out in Appendix 3 and to note the key variances and issues in Appendix 4.
	(x)	To approve the 30 year Business Plans for revenue and capital expenditure set out in Appendices 5 and 6 respectively.
	(xi)	To note the HRA Business Plan - Planning Assumptions, as set out in Appendix 7.
	(xii)	To note that rental income and service charge payments will continue to be paid by tenants over a 48 week period.

### **REASONS FOR REPORT RECOMMENDATIONS**

1.	The Council's Constitution sets out the process to be followed in preparing the Council's budget. This process includes a requirement for the Executive to formally submit their budget proposals for the forthcoming year to Council. The budget proposals in this report cover the HRA revenue budget and capital programme.
2.	In March 2012 the HRA paid a one-off levy to Government of approx. £74,000,000, known as the 'debt settlement', to buy its way out of the subsidy system and stop the need for annual payments. The introduction of the self-financing regime for HRA finances in April 2012 brought with it a requirement for long term business planning. This report also sets out in financial terms the HRA Business Plan for the next 30 years.

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

3.	The proposals in this report follow the key principles established in the HRA self-financing report approved by Council on 16 November 2011 and amended in subsequent budget reports. They are consistent with the views of tenant representatives expressed at various meetings during the preparations for HRA self-financing. More recently, these matters have been discussed at the monthly meetings of the Tenant Resources Group and at the Tenants' Winter Conference. Alternative options are not therefore supported.
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**DETAIL (Including consultation carried out)**

**Background**

4.	The HRA records all the income and expenditure associated with the provision and management of Council owned homes in the City. This account funds a significant range of services to 16,438 homes for Southampton tenants and their families and to 1,843 homes for leaseholders. This includes housing management, repairs and improvements, welfare advice, supported housing services, neighbourhood wardens and capital spending on Council properties.
5.	This report sets out the HRA revenue budgets for 2016/17, the detailed capital programme for the period 2015/6 to 2020/21 and the 30 year HRA business plan covering the period 2016/17 to 2045/46. The proposed changes to rents and other charges are an integral part of the revenue estimates for 2016/17.

**The HRA Business Plan Priorities**

6.	<p>The HRA Business Plan forms a fundamental part of the City Council Strategy 2014-17 – Good Quality and Affordable Housing. Resources are prioritised to the investment in improving the quality of accommodation and provide more affordable housing through the business plan headings as follows:</p> <ul style="list-style-type: none"> <li>• Safe, wind and weather tight;</li> <li>• Warm &amp; Energy Efficient;</li> <li>• Modern facilities within the home;</li> <li>• Well maintained communal facilities;</li> <li>• Estate Regeneration &amp; New Build.</li> </ul> <p>The Council is required to maintain its homes in accordance with the Homes and Communities Agency Regulatory Standard. This includes ensuring that Council owned homes continue to meet the Decent Homes Standard as well as ensuring we meet all our statutory compliance obligations as laid down in various regulations and legislation e.g. gas safety, electrical regulations, fire risk assessments, control of asbestos etc.</p>
7.	<p>In addition to the physical accommodation the Council's Housing Service plays a key role in two other elements of the City Council Strategy:</p> <ul style="list-style-type: none"> <li>• Prevention and Early Intervention; and</li> <li>• Protecting Vulnerable People.</li> </ul> <p>Work to support these elements of the Strategy are prioritised under the following headings.</p>

**Tenancy Sustainment**

8.	The Council recognises that a settled home is a fundamental building block to independence and quality of life. Families and individuals who experience a housing crisis are often suffering wide-ranging issues which require the intervention of
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	<p>wider Council or Health services. Therefore maintaining a settled home by sustaining a tenancy either in the social or private rented sector supports better life chances for the individual and household including better health outcomes, educational attainment and reduced demand for social care services.</p> <p>Housing Services is therefore committed to supporting:</p> <ul style="list-style-type: none"> <li>• Homelessness prevention;</li> <li>• Minimising tenancy failure;</li> <li>• Safeguarding vulnerable adults and children; and</li> <li>• The 'Families Matter' programme.</li> </ul>
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### Housing and well-being

9.	<p>Housing Services supports some of the most vulnerable residents in the City from those who are Street Homeless through to Elderly Vulnerable residents in Extra Care Housing. By working with vulnerable groups through a 'Housing Plus' approach Housing can prevent or delay recourse to expensive social care or health services and help reduce crime and offending.</p> <p>Housing Services is therefore committed to supporting:</p> <ul style="list-style-type: none"> <li>• Outreach and support services helping residents self-manage, avoid crisis to remain healthy for longer;</li> <li>• Adaptations and Telecare Services enabling more people to live independently in their own homes for longer;</li> <li>• Investment in Housing with care accommodation reducing demand for high cost residential and nursing care; and</li> <li>• Community investment through Neighbourhood Wardens, Decent Neighbourhoods projects and Community Engagement to support active and vibrant communities where residents feel safe.</li> </ul>
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### **Business Planning Principles**

10.	<p>A report to Council on 16 November 2011 approved the key principles that were to be adopted in the preparation of the HRA budget and Business Plan. Some additions and amendments were made in subsequent budget reports and the agreed principles are set out below.</p>
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### Borrowing Headroom

11.	<p>The HRA must work within Government borrowing restrictions that have imposed a debt cap of £199,600,000. In November 2011, Council agreed that a proportion of any 'borrowing headroom' will be retained as a contingency for any unforeseen or high risk short term issues that need to be supported. In February 2014, Council approved the principle that the HRA Business Plan should have minimum borrowing headroom of £6,000,000, at the time of its annual approval. This set a capital contingency at a level of approximately 3% of the overall debt cap. This is comparable to the minimum level of HRA revenue balances which, when set, equated to approximately 3% of the annual dwelling rent income. Amendments to the capital programme would then be required to ensure that the minimum headroom is restored for the next annual update of the Business Plan.</p>
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### Dwelling Rents

12.	<p>In October 2013 the Department for Communities and Local Government</p>
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	(DCLG) issued a consultation paper entitled 'Guidance on Rents for Social Housing' setting out in detail the Government's policy on rents from 2015/16 onwards. The principles in the paper were subsequently adopted as the Government's official guidance. The guidance stated that stock owning local authorities should increase rents by no more than the Consumer Price Index (CPI) plus 1.0%.
13.	The Housing Revenue Account Business Plan, as agreed by Council in February 2015, used a rent model which followed the Government's rental formula. The budget included assumptions of the CPI figure through the 30 year business plan and therefore the approved budget and spending commitments were agreed based on the anticipated rental income that the increase would provide for over the next 30 years. These assumptions are updated annually based on long term financial assessments and reported to Cabinet and Council as part of the HRA Business Plan Budget report in February each year.
14.	In their National Budget on 8 July 2015 the Government announced a number of proposals which are now contained within the Welfare Reform and Work Bill 2015/16 aimed at reducing the national welfare bill by £12bn a year. As part of the legislation the Government will impose a 1.0% per annum reduction in the level of Social Rent charged by Local Authorities and Housing Associations to their tenants for a 4 year period from 2016 to 2020.
15.	As a result of the proposals within the Welfare Bill, the new rental figures have been applied to the current business plan model. These new assumptions have the effect of both reducing the actual income within the HRA over the four years of the rental reduction, as well as the income over the duration of the business plan, as the Government Minister has announced the return to the rental formula previously in place. As reported to Cabinet in August and November, the reduction in Social Housing Rents has a significant impact on the HRA Business Plan. Based on the assumptions agreed by Council in February 2015 this has the impact of reducing the actual income within the HRA over the next 4 years by £33M and over the 30 year business plan by £493M. The immediate shortfall is addressed through the range of savings proposals set out in this report.
16.	This report recommends that, from 1 April 2016, a standard decrease should be applied to all dwelling rents of 1.0%, in line with the legislation. This is equivalent to an average decrease of £0.87 per week in the current average weekly dwelling rent figure of £86.81.
<u>Service Charges</u>	
17.	The November 2011 Council report approved the recalculation of all service charges to ensure that they were set to fully recover the costs of the service, but not produce a surplus. Delegated authority was given to the Head of Housing Services, following consultation with the Cabinet Member for Housing, to approve the annual revision to service charges within the policy parameters agreed by Council.
<u>Garages and Parking Spaces</u>	
18.	In February 2015 it was agreed to move to an increase based on the September CPI figure, rather than the Retail Price Index (RPI) figure. As for service charges, delegated authority was given to the Head of Housing Services to approve the revised charge.
<b>HRA Revenue Revised Forecast 2015/16</b>	

19.	The revised forecasts for 2015/16, which are based on month 8 revenue monitoring, are set out in Appendix 1. As the balance for the end of 2014/15 was expected to be £260,600 below the minimum level of £2,000,000 that was set under self-financing, there was a surplus budgeted for 2015/16 to reinstate balances to this minimum level. However, the position in 2014/15 improved and the working balance at the start of 2015/16 was at the required £2,000,000 level. This means that, although there is an adverse forecast variance of £218,600 in 2015/16, the end of year balance is forecast to be £42,000 over the minimum level. The main revenue issues are detailed below.
<u>Responsive Repairs</u>	
20.	During the 2015/16 estimates process there was a move towards transforming and modernising the future structure of the Housing Operations Division, identifying the structure of the teams and the value of work that would be available. As a result, it was not possible to provide a detailed estimate for Responsive Repairs and a figure of £11,000,000 was used which was based largely on the previous year's outturn. Since then more detailed estimates have been available, resulting in an increase in the forecast expenditure by £650,000. It is envisaged that a restructure of the repairs team in 2015/16, and the ongoing implementation of mobile working, will deliver part-year savings and reduce or eliminate the forecast overspend.
<u>Rents Payable</u>	
21.	Following an investigation into council tax payable on empty properties set aside for regeneration, an exemption from council tax was agreed, resulting in a large prior-year credit being received and a reduction in the forecast for current year costs. The total forecast favourable variance is £100,000.
<u>Supervision &amp; Management</u>	
22.	There is a forecast adverse variance of circa £300,000. There are unbudgeted redundancy / pension release costs (£80,000), as well as costs associated with the implementation of the Living Wage for SCC, which is being backdated to April 2013 (£166,000). In addition, there are larger than budgeted exceptional disrepair claims of £55,000.
<u>Interest Repayments</u>	
23.	A re-evaluation of the capital programme has resulted in a reduction in the borrowing requirement and reduced the financing cost charged to revenue by £600,000.
<u>Dwelling Rents</u>	
24.	As part of the estimate process, certain assumptions were made as to the size of the housing stock. A larger number of right-to-buy sales than estimated were made during the last few months of 2014/15, which has led to a reduced income from dwelling rents of £440,000. In addition, dwelling and hostel voids are higher than estimated, which has led to a reduced income of £160,000. The recently recruited Empty Properties Manager will aim to continue to improve the void turnaround time and thus lower the rental income loss from void properties.
<u>Leaseholder Service Charges</u>	
25.	There is a forecast favourable variance of £650,000, as additional weather related repairs to leasehold properties from 2014/15 are being charged to leaseholders as per the conditions of their lease.
<b>HRA Revenue Budget 2016/17</b>	



26. The February 2015 approved HRA Business Plan made certain assumptions about the level of rental income that would be received over 30 years based on Government guidance that provided for an annual rent increase of CPI plus 1.0%. It assumed that on average CPI would be 2.5% per annum over the life of the plan. This was in line with average inflation figures over the past ten years and published forecasts. However, the actual CPI in September 2015, which would have been used to set the rent increase, was minus 0.1%.

27. As described in paragraph 15 of this report, the revised estimate of rental income compared to the approved HRA Business Plan shows a significant reduction over the next 4 years. This is set out in more detail in table 1, which follows this paragraph. The income loss has been split between the element that can be attributed to the CPI being lower than anticipated and that due to the change in Government guidance.

<b>TABLE 1 - HRA Rental Income - Impact of 1% rent reduction for four years</b>				
	<b>Income Loss</b>			
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
<u>Rental Income Reduction</u>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Due to CPI forecast variance	1.88	2.66	2.72	2.84
Due to change in Government guidance	1.38	3.90	7.14	10.61
<b>Total reduction</b>	<b>3.26</b>	<b>6.56</b>	<b>9.86</b>	<b>13.45</b>
Revenue Efficiency Savings	(3.43)	(3.44)	(3.53)	(3.62)
Increased Income	(0.28)	(0.29)	(0.29)	(0.30)
Revenue Service Reduction	(0.60)	(0.81)	(0.83)	(0.85)
<b>Total savings proposals</b>	<b>(4.31)</b>	<b>(4.54)</b>	<b>(4.65)</b>	<b>(4.77)</b>
<b>Budget gap (Nov. 2015)</b>	<b>(1.05)</b>	<b>2.02</b>	<b>5.21</b>	<b>8.68</b>
Further revenue budget & capital financing requirement changes	0.04	(1.02)	(1.63)	(1.25)
<b>Revised Budget Gap</b>	<b>(1.01)</b>	<b>1.00</b>	<b>3.58</b>	<b>7.43</b>
Revenue savings targets	Met	Met	(3.58)	(7.43)
<b>Proposed Budget Position (Feb. 2016)</b>	<b>(1.01)</b>	<b>1.00</b>	<b>0.00</b>	<b>0.00</b>
<b>HRA Balance (Minimum £2M)</b>	<b>3.01</b>	<b>2.01</b>	<b>2.01</b>	<b>2.01</b>

28.	Appendix 1 to this report outlines the full list of HRA budget proposals that were put forward for consultation in November 2015 with a description of each proposal and its impact. Table 1 above shows the extent to which these savings proposals address the income shortfall. Further changes, which have been identified from a detailed analysis of revenue budget and capital financing requirements over the next four years, totalling £3,900,000, are also shown. There has been a re-profiling of the required borrowing to shift capital loan repayments to later years (£2,900,000), as well as a reduction in financing costs due to the re-phasing of the capital programme from 2017/18 (£600,000). Additionally, the void rate for rents has been reduced from 2017/18 to reflect an anticipated reduction in the number of dwellings that are void, principally as a result of action taken by the new voids Manager (£400,000).
29.	It can be seen from Table 1 that the sum of the proposals, including appropriate inflation assumptions, would offset the income reduction in 2016/17 and all but £1,000,000 of the shortfall in 2017/18. However, if the proposals were implemented in line with the suggested profile, there would be an increase in balances in 2016/17 of £1,010,000 that would be sufficient to set a balanced budget in 2017/18. However, it should be noted that savings will be required over the next four years, not just two. Making more savings in the first year than required will ease this process, but significant further savings will have to be found in the new financial climate to make the HRA sustainable and balanced beyond 2017/18. Specifically, the HRA Business Plan includes further revenue savings targets of £3,580,000 in 2018/19, rising to £7,430,000 in 2019/20. It should be noted that the level of savings required to meet the reduction in income from the 1% rent reduction are significant. Such revenue savings cannot be achieved through efficiencies alone and will inevitably result in changes and reductions in the services currently provided to tenants or increases in charges for services.
30.	The original estimates for 2016/17 are set out for approval in Appendix 2. The main issues that need to be considered in setting the revenue budget are detailed below.
<u>Responsive Repairs</u>	
31.	A reduction of £2,790,000 (25.4%), compared to the original estimate for 2015/16, relates to expected revenue savings from the reorganisation of the Housing Operations Team (see savings proposals HOU 6 to HOU 9).
<u>Housing Investment</u>	
32.	The budget for 2016/17 is £750,000 (13.6%) lower than for 2015/16, principally due to a reduction in the decorations budget. A three year programme, commencing in 2013/14, to fund the catch up of a back log of work has now been completed.
<u>Supervision and Management</u>	
33.	The budget for 2016/17 has been reduced by £390,000 (1.8%) in comparison with the original estimate for 2015/16. This reflects the expected level of revenue savings, net of increasing budgets for inflation, staff increments and making provision for a 1% pay award.
<u>Interest &amp; Principal Repayments</u>	
34.	Interest & principal repayments vary due to the level of borrowing required to fund the HRA Capital Programme and the loans maturing during the year.

## Dwelling Rents

35. For 2016/17 rents have been calculated using the basis set out in paragraph 16. The income from dwelling rents is expected to be £1,460,000 lower in 2016/17, compared to the original estimate for 2015/16. This is principally due to the reduction of 1.0% in rents in line with Government proposals (£1,380,000). The balance reflects the lower number of properties due to Right to Buy sales.

## Service Charges

36. The service charges for 2016/17 have been determined in accordance with the principles set out in paragraph 17. Where there has been no net increase in costs for existing services, as increases in staffing costs have been offset by reductions in other costs, the proposed weekly charges remain unchanged. A table of these proposed charges is shown below (based on 52 weeks).

Description	Proposed weekly charge
Tower block warden charge	£4.97
Concierge monitoring charge	£1.20
Digital TV charge	£0.42
Cleaning service in walk-up blocks	£0.63

## Service Charges for Supported Accommodation

37. A review of service charges for supported accommodation was postponed to allow ongoing considerations about the best type of support to be provided in the future to reflect the new developments in the Better Care Fund, locality working and the development of potential future models of Telecare and Telehealth. However, a new service charging model will be introduced for Community Alarm customers, as set out in the Executive's initial savings proposals put forward for consultation in November 2015. The Community Alarm charges have not increased from a flat fee of £1.25 per week since 2009 and, if inflation had been applied, the charge would now be £1.46. Although approximately 70% of service users claim Housing Benefit, the current charge does not attract this benefit. Following a review of the costs of delivering the service, a revised charging model is proposed, as shown below. A maintenance charge has been split out, which will be eligible for Housing Benefit, along with an additional charge for an optional 24 hour home responding service.

Description	Proposed Weekly Charge
Community Alarm	
• Call Monitoring charge	£1.25
• Maintenance charge (eligible for Housing Benefit)	£0.85
• Responding Service charge (optional)	£0.75

38. In addition, there will be an increase in charges to private Careline customers. The Careline Silver and Gold charges have not increased since 2005.

	Following a review undertaken, our charges need to be increased to better reflect service costs whilst remaining in line with market rates. Careline Silver will increase from £2.50 per week to £3.00 per week and Careline Gold will increase from £3.50 per week to £4.25 per week. If inflation had been applied charges would now be £3.39 & £4.74 respectively although not aligned to the market.
<b>Other Charges</b>	
39.	As the September CPI was a very minor reduction of 0.1%, the charges for garages and parking spaces will remain unchanged for 2016/17. As set out in the Executive's initial savings proposals put forward for consultation in November 2015, there will be an increase of garage rents by £1.00 per week for private residents.
<b><u>HRA Capital Budget 2014/15 to 2019/20</u></b>	
40.	The HRA Capital Programme was last updated and approved in November 2015. These spending plans have now been reviewed to take account of the latest estimated costs and phasing of those schemes and the forecast change in resources.
41.	The proposed February programme is shown in detail at Appendix 3. The programme update total is £311,757,000. If prior year spend of £63,656,000 is excluded, the revised total is £248,101,000. This can be compared to the total of £202,492,000 in the programme approved by Council on 18 November 2015, resulting in an increase of £45,609,000, which represents a percentage increase of 22.5%.
42.	The changes in the overall programme are summarised by year in the table in Appendix 4. A large proportion of the increase (£39,084,000) is due to the addition of new schemes following the extension of the programme to 2020/21. The other main changes in total scheme spending, totalling £6,525,000, and the significant changes in spending between years are also set out in Appendix 4.
<b><u>Townhill Park Estate Regeneration</u></b>	
43.	The previously approved site assembly funding for Townhill Park Estate Regeneration remains within the HRA Capital Programme. However, the provision within the HRA Business Plan to buy-back units has been reduced from £50,000,000 to £7,700,000. This is intended to allow the buy-back of 50 phase 1 units in 2018/19, which are part funded from a grant from the Homes and Communities Agency. There is no longer any provision to acquire further units in phases 2 and 3 at the present time, but this will be reviewed pending what Devolution deal is reached with Government on housing investment. Further details on the Estate Regeneration programme are contained in a separate report on the Cabinet agenda.
<b><u>HRA Business Plan 2016/17 to 2045/46</u></b>	
44.	A 30 year HRA Business Plan has been prepared using the planning principles agreed in November 2011 and amended by the proposals in the subsequent budget reports. The summary for the revenue and capital budgets is set out in Appendices 5 and 6. Other key assumptions used in the updated plan are set out in Appendix 7.
45.	The main points to note are: <ul style="list-style-type: none"> <li>• All HRA debt can still be repaid over the 30 year life of the plan.</li> <li>• The capital spending plans still include provision to maintain and improve all existing dwellings and <b>Page 316</b> an increase in the level of planned</li> </ul>

	<p>expenditure in the early years that has been reflected in the updated capital programme. This increase is a reflection of the backlog of improvements to tenants' homes, due to insufficient funding under the former HRA 'subsidy' system, which needed to be addressed under the self-financing regime.</p> <ul style="list-style-type: none"> <li>• This investment can be achieved within the Government's borrowing limit of £199,600,000, also known as the 'debt cap'. Additionally, a reserve of at least £6,000,000 borrowing headroom is retained throughout.</li> <li>• The provision that is set aside for stock replacement, which will support the renewal of any of the existing dwellings that may be required over the next 30 years, remains at approximately £130,000,000. This provision has been phased between year 9 and year 30 of the plan.</li> <li>• In addition, the funding of £10,000,000 for Citywide Estate Regeneration is retained and £7,700,000 is included to buy back properties as part of Townhill Park Estate Regeneration</li> <li>• The revenue budget continues to meet minimum balances of £2,000,000 over the life of the plan.</li> </ul>
46.	<p>The HRA Business Plan has consistently shown revenue balances that increase above minimum levels within the 30 year period. This remains the case, although in the proposed updated plan for 2016/17 onwards the year 30 projected revenue balance will be reduced to £18,800,000 compared to the equivalent figure of £80,600,000 in the previous approved plan, due to the impact of the 1% reduction in rents. The predicted revenue surpluses do not now begin to significantly exceed minimum levels until 2026/27, rather than 2022/23 in the previous plan limiting capacity and flexibility for new schemes or additional expenditure for this period.</p>
47.	<p>As previously reported, the main risk to the long term plan is that, if building inflation was to exceed general inflation over a prolonged period, this would have a significant adverse impact on HRA balances. Therefore the surpluses are liable to change annually, either favourably or not, and will reflect the annual review of stock investment needs and estimated unit rates.</p>
<p><b>Sensitivity Analysis</b></p>	
48.	<p>In order to show the sensitivity of the Business Plan to other changes, two independent sensitivity analyses have been undertaken to show the impact on the year 30 projected revenue balance of £18,800,000.</p> <ul style="list-style-type: none"> <li>• If average CPI over the 30 years is 2.0%, rather than 2.5%, the 30 year revenue position becomes a deficit of £94,300,000;</li> <li>• If the rent increase is limited to CPI in years 5 to 9 of the plan, rather than CPI plus 1.0% as per current guidance, the 30 year revenue position becomes a deficit of £50,500,000.</li> </ul> <p>Therefore, it will be necessary to closely review and monitor the impacts of changes to any assumptions underlying the business plan so that the overall budget position can be maintained to support the investment in services and properties to meet the expectations of tenants and our regulatory requirements.</p>
<p><b>The Housing and Planning Bill and other potential pressures</b></p>	
49.	<p>On 13<sup>th</sup> October 2015 the Government published the Housing and Planning Bill 2015/16. This bill sets out a number of proposed changes to Housing legislation which will impact on the current delivery of services to tenants and the resources required to do so. In summary, the main proposals likely to affect the HRA Business Plan are as follows:</p>

### Extension of the Right to Buy

50. Following a deal struck between the Government and the National Housing Federation, whereby housing associations will extend the right to buy to their tenants on a voluntary basis, the Bill will enable the Government to make payments to associations to compensate them for the cost of the discounts on offer. The Bill will also allow the Government to publish 'the home ownership criteria' (a set of rules for the extension of right to buy) and to direct the Homes and Communities Agency to monitor associations' compliance with the criteria. Although the government intends to 'phase in' the scheme and it does not directly apply to Local Authorities it is predicted that initially around 10% of homes owned by Housing Associations may be sold under the new Right to Buy proposals within the first two years. This may have the impact of reducing the supply of affordable housing within the City by around 600 homes placing further pressure on waiting lists and potentially homelessness in the City.

### Sale of High Value Vacant Council Homes

51. The government has previously announced a plan to require local authorities which have retained ownership of their stock to sell high value homes as they become vacant. It intends to use the receipts from these sales to fund the extension of the right to buy to housing association tenants and to create a Brownfield Development fund. The Bill will enable the government to set out a definition of 'high value' homes and will create a duty on local authorities to consider selling homes that meet this definition when they become vacant. The Bill will also allow the government to estimate the amount of money it would expect each individual authority to receive, in each financial year, from sales of high value homes. Authorities will then be required to pay this amount to the Treasury. Details of both the definition of high value homes and the mechanism by which the government will calculate the amount owed by each stock retaining authority will be published at a later date. Once full details are published we will be able to review the impact on the HRA Business Plan both in the potential number of homes that will be required to be sold and the amount due to be paid to the Government under the annual calculation. At this stage it has not been possible to make any provision for this within the Business Plan. Should this be introduced, as anticipated, from April 2016 this will have to be addressed as a pressure to the Business Plan in 2016/17 whilst formal calculations on the longer term impacts are considered for inclusion in the Business Plan from April 2017.

### High Income Social Tenants; Mandatory Rents (Pay to Stay)

52. The Bill will require council tenants with a higher income to pay a higher rent. Initially a 'higher income' will be defined as a household earning more than £30,000 per year, or £40,000 in London. However the government will set out details of how increased rents will be calculated at a later date. The Bill will require council tenants to declare their income to their landlord and will also allow social landlords to share data with HMRC in order to verify that the information they have been given is correct. The Bill will require local authorities to return any additional rental income generated by the policy (minus some limited allowance for administrative costs) to the Treasury. The Government consulted on these proposals in November and at the time of writing we have yet to receive guidance on how the policy will operate or when it will be implemented. At this time it is difficult to anticipate the impact in Southampton however both the requirement to collect income data from tenants and the

	<p>requirement to collect and then pay to Government higher rents will have an administrative burden on the City Council for which no provision is currently made. Further if the cost to the Council is introduced in the form of a levy which becomes payable regardless of the actual rent collected then any non-payment of higher rents will be a real income loss to the Council. Whilst the guidance suggests Councils will be provided an allowance for administrative costs of the scheme we have no detail to ascertain if the allowance made for administration will cover actual costs of administering the scheme therefore placing potential further revenue pressures on the Business Plan.</p>
<p><u>Lifetime Tenancies</u></p>	
<p>53.</p>	<p>In December the Government introduced an amendment to the Housing Bill proposing a removal of the practice of granting Lifetime tenancies to tenants of affordable housing. The Government is proposing that lifetime tenancies are replaced with 'flexible tenancies' for a period between 2 and 5 years for all new and transferring tenants with very limited exceptions. If this is introduced there will be a requirement on all landlords to review every new tenancy based on the length of the tenancy. The City Council currently lets on average around 1,100 homes each year. This will undoubtedly increase housing turnover. This review requirement will increase the administrative burden on the City Council as well as potentially increasing both the costs of managing empty properties and the lost rent whilst a property is empty. No provision is currently made for these potential costs. Further if certain property types or transferring tenants are not exempted it may have a direct impact on reducing tenants' ability to move to smaller accommodation such as supported housing and the Council's ability to let our Supported Housing or Housing with Care schemes to older residents.</p>
<p><u>Universal Credit</u></p>	
<p>54.</p>	<p>The Government has begun the roll out of Universal Credit to all new applicants in a series of phases. It is anticipated that full roll out in Southampton will be undertaken in 2017. Universal Credit is a combined single transaction incorporating most state paid benefits into one monthly payment to the claimant. This includes a provision for Housing costs currently covered under Housing Benefit. Universal Credit is paid directly to the claimant in arrears and the individual is then required to budget for and make the necessary payments for their household expenses in order to help prepare individuals for work. Presently approximately 50% of the Council's rent income from around 60% of its tenants comes direct through the Housing Benefit system. Once Universal Credit is rolled out the Council will need to collect all its rental income directly from tenants significantly increasing transactional costs. Based on a recent study of Local Authorities who have already introduced Universal Credit 89% of tenants who receive Universal Credit have some level of arrears of rent on their account and around a third have required an Alternative Payment Arrangement (APA). Any loss of rental income will impact on the City Council's ability to fund its proposed expenditure. Whilst some consideration has been given to the bad debt provision within the HRA Business Plan and the resources in the Income Team to support increased customer contacts no provision has yet been made for the additional transaction costs or the reduction of current tenant collection rates.</p>
<p><u>Consultation</u></p>	
<p>55.</p>	<p>The budget and business planning key principles were discussed with tenants</p>

	at various meetings during the preparations for self-financing. More recently, these matters have been discussed at the monthly meetings of the Tenant Resources Group and at the Tenants' Winter Conference.
56.	The Winter Conference was well-attended with 93 tenants and leaseholders from across the city present. There was broad support for the proposals in particular the ongoing higher levels of investment in tenants' and leaseholders' homes.
57.	It is recommended that Members formally recognise and welcome the support and commitment of tenants and tenant representatives who have participated in this year's capital and revenue budget setting exercise which has been a particularly challenging process due to the level of changes currently proposed.
58.	The Executive's initial savings proposals were put forward for consultation in a Cabinet Report approved on 18 November 2015. They were used as the basis for extensive consultation with a range of stakeholders. The consultation process is described in more detail in the General Fund budget report on this agenda.
59.	The results of the consultation were reported to Cabinet Members prior to the agreement of the Executive's final proposals, which are now presented to Cabinet and Council. The final savings proposed, included as Appendix 1, are unchanged from the initial proposals.
60.	There has also been consultation with various officers within the Council and with our partners and this will continue as the capital and revenue initiatives in this report are developed to support the delivery of wider city objectives.
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
61.	These are in the body of the report.
<b><u>Property/Other</u></b>	
62.	None.
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
63.	Housing Act legislation provides the authority to increase rent and other associated or like charges. There are no specific legal implications arising from the overall budget proposals contained in this report.
64.	The provision, maintenance and improvement of social housing by local authorities is authorised by various Housing Acts and other legislation.
65.	The Localism Act 2011 gives the statutory basis for the HRA self-financing arrangements set out in this paper.
<b><u>Other Legal Implications:</u></b>	
66.	None.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
67.	The HRA estimates form part of the Council's budget and are therefore key elements of the council's overall budget and policy framework.



<b>KEY DECISION?</b>	Not applicable (Council decision)
<b>WARDS/COMMUNITIES AFFECTED:</b>	All
<b>SUPPORTING DOCUMENTATION</b>	
<b>Appendices</b>	
1.	HRA – Budget Savings Proposals 2016/17 to 2019/20.
2.	HRA Revenue Estimates.
3.	HRA 5 Year Capital Programme.
4.	Key Variances & Issues – February 2016 programme update.
5.	HRA Business Plan – 30 year revenue account.
6.	HRA Business Plan – 30 year capital spending plan and financing.
7.	HRA Business Plan – Planning Assumptions.
	ESIAs <a href="http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=126&amp;MId=3055&amp;Ver=4">http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=126&amp;MId=3055&amp;Ver=4</a>

#### Documents In Members' Rooms

1.	None.
<b>Equality Impact Assessment</b>	
<b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.</b>	<b>Yes</b>
<b>Privacy Impact Assessment</b>	
<b>Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.</b>	<b>No</b>
<b>Other Background Documents</b>	
<b>Other Background documents available for inspection at:</b>	
<b>Title of Background Paper(s)</b>	<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>
1.	None.

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## Housing Revenue Account - Budget Savings Proposals 2016/17 to 2019/20

## Appendix 1

### Efficiencies, Service Reductions and Additional Income

Ref	Portfolio	Service Activity	Description of Item	Efficiency, Service Reduction or Income?	Impact / Issues	Gross Saving				In Post	Vacant	Head of Service
						2016/17	2017/18	2018/19	2019/20			
						£000's	£000's	£000's	£000's	FTE	FTE	
HOU 1	Housing & Sustainability (HRA)	Housing Investment	Deletion of currently vacant posts	Efficiency	The current post of Trainee Project Manager is currently vacant and has not been refilled this academic year.	24.0	24.0	24.0	24.0	0.00	1.00	Nick Cross
HOU 2	Housing & Sustainability (HRA)	Housing Investment	Capital Allocation of Project salaries	Efficiency	Review of the apportionment of Project resources between the Capital and Revenue Programmes.	100.0	100.0	100.0	100.0	n/a	n/a	Nick Cross
HOU 3	Housing & Sustainability (HRA)	Housing Investment	Programme Repairs	Efficiency	Following a review of the delivery of Programme Repairs, as a result of the introduction of the Keystone database, programme efficiencies in servicing, compliance and Tenant Liaison can be achieved.	200.0	200.0	200.0	200.0	n/a	n/a	Nick Cross
HOU 4	Housing & Sustainability (HRA)	Housing Needs	Deletion of currently vacant posts	Efficiency	Following staff leaving, two part time posts can be deleted from the structure (Senior Housing Needs Officer & Specialist Assessment Officer) and workload will be absorbed into team resources.	8.8	8.8	8.8	8.8	0.00	0.90	Nick Cross
HOU 5	Housing & Sustainability (HRA)	Housing Needs	Incentive Scheme	Efficiency	Review of the Incentive Budget provided for residents to downsize to smaller properties, so that the incentive is best targeted at those residents who need to move for more accessible properties or into Supported Housing. Therefore freeing up family homes, as well as increasing flexibility on tenants moving with rent debt, by setting up payment arrangements as part of transfer conditions.	50.0	50.0	50.0	50.0	n/a	n/a	Nick Cross
HOU 6	Housing & Sustainability (HRA)	Housing Operations	Workforce Establishment	Efficiency	Following the introduction of Mobile Working to Housing Operations and fundamental review of the efficiency and effectiveness of the Trade Workforce, significant improvements have been made in the delivery of day to day repairs, servicing and compliance and project work. As a result of the programme outcomes, more work is being completed in-house rather than through sub-contractors and agency staff and the average number of jobs per day is increasing. It is therefore possible to undertake the work to the same standard with a reduced workforce establishment. Trade establishment to be reduced from 224 to 188. (NB. actual workforce in Jan15 was over establishment at 238)	1,400.0	1,400.0	1,400.0	1,400.0	17.00	19.00	Nick Cross
HOU 7	Housing & Sustainability (HRA)	Housing Operations	Management and Support Restructure	Efficiency	As a result of the improved productivity within the workforce, we need to restructure the management and support of the service to align with the new ways of working. This will see a reduction in the number of managers and an increased ratio of managers to trades to be more in line with commercial practice. Managers and support establishment will reduce from 79.6 to 53.	700.0	700.0	700.0	700.0	8.00	18.60	Nick Cross
HOU 8	Housing & Sustainability (HRA)	Housing Operations	Vehicle costs	Efficiency	Corresponding reduction in the number of vehicles as a result of a reduced establishment.	150.0	150.0	150.0	150.0	n/a	n/a	Nick Cross
HOU 9	Housing & Sustainability (HRA)	Housing Operations	Voids costs	Efficiency	Due to the increased productivity and better programming and cost management, we aim to reduce the average void cost by 20%. This should not have any significant impact on the Void Standard and Promise Certificates are being introduced for new tenants to lay out the work they can expect to their property once they have moved in.	500.0	500.0	500.0	500.0	n/a	n/a	Nick Cross
HOU 10	Housing & Sustainability (HRA)	Housing Services	Review of Customer Contact through the Housing Management Assistants	Efficiency	The current level of service will be maintained with a slightly reduced team.	22.0	22.0	22.0	22.0	0.00	1.00	Nick Cross
HOU 11	Housing & Sustainability (HRA)	Income Services	Various budgets	Efficiency	Savings in various office budgets, inc. postage.	35.0	35.0	35.0	35.0	n/a	n/a	Nick Cross

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Agenda Item 12  
Appendix 1

## Housing Revenue Account - Budget Savings Proposals 2016/17 to 2019/20

## Appendix 1

### Efficiencies, Service Reductions and Additional Income

Ref	Portfolio	Service Activity	Description of Item	Efficiency, Service Reduction or Income?	Impact / Issues	Gross Saving				In Post	Vacant	Head of Service
						2016/17	2017/18	2018/19	2019/20			
						£000's	£000's	£000's	£000's	FTE	FTE	
HOU 12	Housing & Sustainability (HRA)	Income Services	Deferring appointment to vacant posts in Income Team pending introductions of Universal Credit	Efficiency	Due to the delayed implementation of the full roll out of Universal Credit we can defer appointment to posts established within the Income Team who were being added to deal with increased workload. Staff will need to be appointed for April 2017.	75.0	0.0	0.0	0.0	0.00	2.50	Nick Cross
HOU 13	Housing & Sustainability (HRA)	Income Services	Reduction in number of Court Officers	Efficiency	Due to improved processes and continued approach to sustaining tenancies, the amount of Court Work required can be covered with fewer specialist Court Officers.	45.0	45.0	45.0	45.0	0.50	1.00	Nick Cross
HOU 14	Housing & Sustainability (HRA)	Income Services	Improvements to processes in Rent Accounts team	Efficiency	Significant transformation work has been undertaken to revise processes in the service allowing for the current work to be done more efficiently across the Income Services area.	38.0	38.0	38.0	38.0	0.00	1.50	Nick Cross
HOU 15	Housing & Sustainability (HRA)	Income Services	Improvements to processes in Leasehold Team	Efficiency	Current project is underway to review and improve processes in the Leasehold Services Team, allowing for more efficient management of Leasehold Service charges without a reduction in income.	13.0	13.0	13.0	13.0	0.00	0.50	Nick Cross
HOU 16	Housing & Sustainability (HRA)	Supported Services	Deletion of senior on call rota for Community Alarm	Efficiency	Cover duties through other arrangements within the team.	5.4	5.4	5.4	5.4	n/a	n/a	Nick Cross
HOU 17	Housing & Sustainability (HRA)	Supported Services	Various budgets	Efficiency	Reduction of stationery budgets.	3.0	3.0	3.0	3.0	n/a	n/a	Nick Cross
HOU 18	Housing & Sustainability (HRA)	Housing Services	Various budgets	Efficiency	Savings in various office budgets.	65.0	75.0	75.0	75.0	n/a	n/a	Nick Cross
<b>Efficiency Total</b>						<b>3,434.2</b>	<b>3,369.2</b>	<b>3,369.2</b>	<b>3,369.2</b>	<b>25.5</b>	<b>46.0</b>	
HOU 19	Housing & Sustainability (HRA)	Housing Services	Garage Rents	Income	Increase of garage rents by £1 per week for private residents.	17.7	17.7	17.7	17.7	n/a	n/a	Nick Cross
HOU 20	Housing & Sustainability (HRA)	Supported Services	Increase in charges to private Careline Customers	Income	Our Careline Silver and Gold charges have not increased since 2005. Following a review undertaken, our charges need to be increased to better reflect service costs whilst remaining in line with market rates. Careline silver to increase from £2.50pw to £3pw and Careline gold to increase from £3.50pw to £4.25pw. (NB. if inflation had been applied charges would now be £3.39 & £4.74 respectively although not aligned to the market)	61.7	61.7	61.7	61.7	n/a	n/a	Nick Cross
HOU 21	Housing & Sustainability (HRA)	Supported Services	Introduction of new charging model for Community Alarm Customers	Income	Our Community Alarm charges have not increased from a flat fee of £1.25pw since 2009 and the current charge does not attract Housing Benefit. Following a review of costs of delivering the service a revised charging model is proposed as follows: - £1.25 per week monitoring charge; - £0.85 per week maintenance charge (eligible for Housing Benefit); - £0.75 per week Responding Service charge (optional). Full implementation would be subject to consultation. (NB. if inflation had been applied charge would now be £1.46)	200.0	200.0	200.0	200.0	n/a	n/a	Nick Cross
<b>Income Total</b>						<b>279.4</b>	<b>279.4</b>	<b>279.4</b>	<b>279.4</b>	<b>0.0</b>	<b>0.0</b>	

## Housing Revenue Account - Budget Savings Proposals 2016/17 to 2019/20

## Appendix 1

### Efficiencies, Service Reductions and Additional Income

Ref	Portfolio	Service Activity	Description of Item	Efficiency, Service Reduction or Income?	Impact / Issues	Gross Saving				In Post	Vacant	Head of Service
						2016/17	2017/18	2018/19	2019/20			
						£000's	£000's	£000's	£000's	FTE	FTE	
HOU 22	Housing & Sustainability (HRA)	Housing Delivery & Renewal	Reorganisation of City Development, Housing Renewal & Estate Regeneration.	Service Reduction	This is the HRA element of a proposal that will reduce the capacity within this Division. Part of the total saving from the restructure will accrue to the General Fund.	64.0	64.0	64.0	64.0	0.59	0.00	Barbara Compton
HOU 23	Housing & Sustainability (HRA)	Housing Services	Restructure of Neighbourhood Wardens into 3 District Teams	Service Reduction	Remaining four Senior Wardens will manage larger teams across the city. Reduces Senior Wardens from 5 to 4.	39.3	39.3	39.3	39.3	0.00	1.00	Nick Cross
HOU 24	Housing & Sustainability (HRA)	Income Services	Removal of cash collection facility at Woolston Office Local Housing Office	Service Reduction	Transactions volumes at the current Peartree Local Office remain steady but it is anticipated that, as the Council relocates to the new Woolston Library and the Council increases its digital by default approach to service delivery, that transactions will significantly reduce as tenants move more to online, direct debit and payment card options for convenience. Office to close for payments by April 2016.	60.2	60.2	60.2	60.2	3.00	0.00	Nick Cross
HOU 25	Housing & Sustainability (HRA)	Income Services	Fit out costs for Local Housing Office	Service Reduction	Savings in costs to create a payment counter in the Local Housing Office at Woolston due to removal of cash collection facility.	50.0	0.0	0.0	0.0	n/a	n/a	Nick Cross
HOU 26	Housing & Sustainability (HRA)	Income Services	Removal of cash collection facility at Shirley Housing Office	Service Reduction	As a result of the Council increasing its digital by default approach to service delivery, transactions will reduce as tenants move to online, direct debit and payment card options for convenience. Office to close for payments by April 2017.	0.0	120.0	120.0	120.0	5.70	0.00	Nick Cross
HOU 27	Housing & Sustainability (HRA)	Service Improvement & Quality	Business Support and Development	Service Reduction	Deletion of the 50% of the role remaining following the Business Support Review. Will result in a reduction of business management and performance information for the management team.	23.9	23.9	23.9	23.9	0.00	0.50	Nick Cross
HOU 28	Housing & Sustainability (HRA)	Service Improvement & Quality	Housing Apprentices	Service Reduction	Housing currently has posts for 2 Housing Management Apprentices and 2 Business Admin Apprentices but only one role is currently filled due to ongoing difficulties obtaining the training to go alongside the apprenticeship. 3 roles to be deleted in 2016/17 with the final role being deleted after the current Apprentice has qualified and recruited into a permanent role in the service. (NB. not front line roles)	53.0	70.0	70.0	70.0	1.00	3.00	Nick Cross
HOU 29	Housing & Sustainability (HRA)	Service Improvement & Quality	Tenant Involvement	Service Reduction	Deletion of the current vacant post in the Tenant Involvement team and workload absorbed into remaining team.	36.3	36.3	36.3	36.3	0.00	1.00	Nick Cross
HOU 30	Housing & Sustainability (HRA)	Service Improvement & Quality	Housing Plus Project	Service Reduction	Housing currently has 3 posts on the establishment to deliver 'Housing Plus' work within our wider communities, however the posts have not been filled pending a wider project on Housing and Well-being. Due to changes in priorities these posts will not be filled.	82.5	82.5	82.5	82.5	0.00	3.00	Nick Cross
HOU 31	Housing & Sustainability (HRA)	Service Improvement & Quality	Housing Policy & Projects	Service Reduction	Restructure of the Policy & Projects team to absorb staff into other service teams and then deletion of the Manager post. Would reduce capacity to deal with high level policy changes, so proposed change is phased in during 2016/17 after the launch of the new Housing Strategy and the Policy work resulting from the Housing Bill.	23.0	47.4	47.4	47.4	0.76	0.00	Nick Cross
HOU 32	Housing & Sustainability (HRA)	Service Improvement & Quality	Team restructure	Service Reduction	Implement a restructure during 2016/17 to absorb different teams into other parts of the Housing Service and then delete the senior manager position. Reduced support to the Housing Services Management Team.	0.0	63.3	63.3	63.3	1.00	0.00	Nick Cross
HOU 33	Housing & Sustainability (HRA)	Service Improvement & Quality	Housing Professional Subscriptions	Service Reduction	Cease membership of the Chartered Institute of Housing and Housemark. Reduced access to professional support, advice and training, as well as performance and benchmark information.	36.2	55.0	55.0	55.0	n/a	n/a	Nick Cross

## Housing Revenue Account - Budget Savings Proposals 2016/17 to 2019/20

## Appendix 1

### Efficiencies, Service Reductions and Additional Income

Ref	Portfolio	Service Activity	Description of Item	Efficiency, Service Reduction or Income?	Impact / Issues	Gross Saving				In Post	Vacant	Head of Service
						2016/17	2017/18	2018/19	2019/20			
						£000's	£000's	£000's	£000's	FTE	FTE	
HOU 34	Housing & Sustainability (HRA)	Service Improvement & Quality	Tenants Link	Service Reduction	Cease providing a quarterly printed version of Tenants Link to all tenants and replace with an annual summer edition combining our annual report and other highlights. To develop an online magazine for tenants and more regular news bulletins through 'Stay Connected' to ensure information to tenants is more current. Reduction in printing and distribution costs. Limits access to those tenants with access to the internet - work progressing to support tenants getting on-line.	30.0	30.0	30.0	30.0	n/a	n/a	Nick Cross
HOU 35	Housing & Sustainability (HRA)	Housing Needs	Homebid Magazine	Service Reduction	In early 2016 we will introduce an online application process and developments in the Homebid system will allow applicants to access much more detailed information about potential properties on line. We will also be able to provide tailored print outs for applicants with limited access as well as automatic bidding against set criteria. Therefore, the fortnightly printed magazine can be withdrawn.	35.6	35.6	35.6	35.6	n/a	n/a	Nick Cross
HOU 36	Housing & Sustainability (HRA)	Supported Services	Minor restructure of Supported Housing Team following some staff leaving	Service Reduction	Deletion of two vacant team leader/coordinator posts and a support post and work to be absorbed by remaining staff. Likely reduction in management capacity to commit to new projects within the service. (NB. Total support staff = 42)	63.2	63.2	63.2	63.2	0.00	2.70	Nick Cross
<b>Service Reduction Total</b>						<b>597.2</b>	<b>790.7</b>	<b>790.7</b>	<b>790.7</b>	<b>12.1</b>	<b>11.2</b>	
<b>Total</b>						<b>4,310.8</b>	<b>4,439.3</b>	<b>4,439.3</b>	<b>4,439.3</b>	<b>37.6</b>	<b>57.2</b>	

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### HOUSING REVENUE ACCOUNT BUDGET REPORT

#### REVENUE BUDGET

**Original  
Estimate  
2015/16  
£'000**

**Revised  
Forecast  
2015/16  
£'000**

**Original  
Estimate  
2016/17  
£'000**

#### SUMMARY

#### EXPENDITURE

11,000.0	11,677.8	Responsive Repairs	8,208.2
5,531.2	5,531.2	Housing Investment	4,781.3
16,531.2	17,209.0	<b>Total Repairs</b>	<b>12,989.5</b>
200.0	100.0	Rents Payable	100.0
69.8	69.8	Debt Management	69.8
21,011.4	21,307.5	Supervision & Management	20,625.6
6,063.6	5,456.4	Interest Repayments	6,653.3
4,910.7	4,910.7	Principal Repayments	5,423.3
18,976.9	18,976.9	Depreciation	19,892.8
9,366.0	9,366.0	Direct Revenue Financing of Capital	9,384.6
77,129.6	77,396.3	<b>TOTAL EXPENDITURE</b>	<b>75,138.9</b>

#### INCOME

73,984.4	73,384.5	Dwelling Rents	72,520.8
1,203.8	1,203.8	Other Rents	1,185.4
75,188.2	74,588.3	<b>Total Rental Income</b>	<b>73,706.2</b>
1,594.4	1,594.4	Service Charge Income	1,795.4
577.6	1,225.6	Leaseholder Service Charges	613.5
30.0	30.0	Interest Received	30.0
77,390.2	77,438.3	<b>TOTAL INCOME</b>	<b>76,145.1</b>
260.6	42.0	<b>SURPLUS/(DEFICIT) FOR YEAR</b>	<b>1,006.2</b>

#### BALANCES

1,739.4	2,000.0	Working Balance B/Fwd	2,042.0
260.6	42.0	Surplus/(deficit) for year	1,006.2
2,000.0	2,042.0	<b>WORKING BALANCE C/FWD</b>	<b>3,048.2</b>

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Housing Revenue Account 5 Year Capital Programme

APPENDIX 3

Cost Centre	Project Description	Project Status	Prior Years Actual	Current Year Budget 15/16	Budget 16/17	Budget 17/18	Budget 18/19	Budget 19/20	Budget 20/21	Total Budget
			£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>HRA06 - Estate Regeneration &amp; New Build</b>										
H6360	Cumbrian Way	Approved	1,233	3	0	0	0	0	0	1,236
H6370	Exford Parade	Approved	3,166	98	32	7	0	0	0	3,303
H6380	Laxton Close	Approved	889	71	0	0	0	0	0	960
H6390	Meggesson Avenue	Approved	456	5	0	0	0	0	0	461
H6420	LA New Build - Flamborough Close	Approved	464	7	0	0	0	0	0	471
H6490	Estate Regeneration City Wide Framework	Approved	245	50	205	0	0	0	0	500
H6491	Social Housing 1	Approved	0	55	0	0	0	0	0	55
H6492	Social Housing 2	Approved	0	598	0	0	0	0	0	598
H6530	Weston Shopping Parade Redevelopment	Approved	2,336	90	25	0	0	0	0	2,451
H653A	Weston Shopping Parade Housing and Comm Facilities	Approved	737	318	270	0	0	0	0	1,325
H6560	Estate Regeneration Framework Townhill Park	Approved	356	200	0	0	0	0	0	556
H6570	Townhill Park: Site Assembly	Approved	2,418	1,466	0	1,483	1,483	0	0	6,850
H6590	Townhill Park: Design & Contract P1, 2 & 3	Approved	789	883	428	200	400	0	0	2,700
H6700	Erskine Court Rebuild	Approved	2,235	6,414	1,151	0	0	0	0	9,800
H6600	Townhill Park - Future Allocations	Unapproved	0	0	0	0	0	550	1,700	2,250
H6720	Estate Regeneration Woodside / Wimpson (Unapproved)	Unapproved	0	0	6,136	6,136	3,727	0	0	15,999
<b>Total for Estate Regeneration and New Build</b>			<b>15,324</b>	<b>10,258</b>	<b>8,247</b>	<b>7,826</b>	<b>5,610</b>	<b>550</b>	<b>1,700</b>	<b>49,515</b>
<b>HRA08 - Safe Wind &amp; Weather Tight</b>										
H012A	Roofing Lot 1 West	Approved	0	939	590	584	500	0	0	2,613
H012B	Roofing Lot 2 East	Approved	0	939	590	584	500	0	0	2,613
H1123	Chimney	Approved	18	0	41	87	0	0	0	146
H1121	Roof Finish-Pitched/Structure/Gutter/Downpipes etc	Approved	342	387	357	249	0	0	0	1,335
H1122	Wall Structure & Finish	Approved	525	450	601	997	0	0	0	2,573
H1124	Golden Grove Balconies	Approved	24	156	200	0	0	0	0	380
H1125	Structural Works	Approved	1,607	701	750	0	0	0	0	3,058
H1171	Supported Housing 2 Storey Walkway Repairs Current	Approved	1,811	3,000	3,431	0	0	0	0	8,242
TBC	Renew Porch/Canopy	Approved	0	20	196	0	0	0	0	216
H1111	Electrical Riser Upgrades	Approved	1,373	430	0	0	0	0	0	1,803
H1119	Housing Investment Database – Replacement	Approved	141	11	0	0	0	0	0	152
H1116	Windows	Approved	2,536	600	0	0	0	0	0	3,136
H1124	External Doors - Flats	Approved	135	71	0	0	0	0	0	206
H1150	External Doors - Houses	Approved	87	50	0	0	0	0	0	137
H4170	CESP - International Way Energy Savings Initiative	Approved	3,971	29	0	0	0	0	0	4,000
H125A	Garage Maintenance - Approved	Approved	0	5	0	0	0	0	0	5
H6730	Existing Satisfactory Purchase Scheme	Approved	0	1,227	0	0	0	0	0	1,227
H112B	Roof Finish Flat - Future Years	Unapproved	0	0	2,228	3,448	1,947	3,727	1,419	12,769
H123A	Chimneys - Future Years	Unapproved	0	0	2	42	135	96	170	445
H121A	Roof Finish-Pitched/Structure/Gutter/Downpipes - Future Years	Unapproved	0	0	280	162	500	456	514	1,911
TBC	Millbrook Towers Downpipe Replacement	Unapproved	0	0	350	0	0	0	0	350
TBC	Redbridge Towers Downpipe Replacement	Unapproved	0	0	350	0	0	0	0	350
TBC	Rozel Court Downpipe Replacement	Unapproved	0	0	150	0	0	0	0	150
H122A	Wall Structure & Finish - Future Years	Unapproved	0	0	1,486	1,944	2,094	2,645	2,705	10,875
H116A	Windows - Future Years	Unapproved	0	0	0	980	616	1,149	2,139	4,883
H150A	External Doors - Houses & Flats	Unapproved	0	0	0	353	440	483	0	1,276
TBC	External Doors - Houses & Flats - Future Years	Unapproved	0	0	0	224	70	480	994	1,768
TBC	Golden Grove Balconies (Unapproved)	Unapproved	0	0	171	0	0	0	0	171
TBC	DPM Renewals	Unapproved	0	0	478	0	0	0	0	478
TBC	Shop Walkways (Roofing)	Unapproved	0	0	500	0	0	0	0	500
TBC	Studio Flat Conversions	Unapproved	0	0	116	0	0	0	0	116
TBC	Copse Road Block Refurbishment	Unapproved	0	0	464	0	0	0	0	464
TBC	Castle House Walkway/Balcony	Unapproved	0	0	232	0	0	0	0	232
H1250	structural works - future years	Unapproved	0	0	0	900	900	654	654	3,107

Housing Revenue Account 5 Year Capital Programme

APPENDIX 3

Cost Centre	Project Description	Project Status	Prior Years Actual	Current Year Budget 15/16	Budget 16/17	Budget 17/18	Budget 18/19	Budget 19/20	Budget 20/21	Total Budget
			£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
H1260	Refurbish Balconies	Unapproved	0	0	105	134	120	70	439	867
TBC	Renew Porch/Canopy (Unapproved)	Unapproved	0	0	0	231	145	185	516	1,078
H0255	HRA Business Case Resources	Unapproved	63	378	0	0	0	0	0	441
<b>Total for Safe Wind &amp; Weather Tight</b>			<b>12,633</b>	<b>9,392</b>	<b>13,666</b>	<b>10,918</b>	<b>7,966</b>	<b>9,945</b>	<b>9,550</b>	<b>74,070</b>

<b>HRA09 - Modern Facilities</b>										
H1120	Electrical System	Approved	403	2,223	2,000	0	0	0	0	4,626
H1128	Central Heating Distrib System Inc Elec Store Htrs	Approved	562	474	678	125	0	0	0	1,839
H1127	Central Heating Gas Boilers	Approved	4,889	2,172	907	0	0	0	0	7,968
H1180	Housing Refurbishment	Approved	0	0	5,767	0	0	0	0	5,767
H4593	Tenant Alteration Budget	Approved	0	7	100	0	0	0	0	107
H114A	Programme Management Fees Current	Approved	1,498	610	643	0	0	0	0	2,751
H0281	HHSRS - Approved	Approved	0	31	0	0	0	0	0	31
H0540	Disabled Adaptions - General	Approved	2,544	1,230	0	0	0	0	0	3,774
H0545	Disabled Adaptations - Extensions	Approved	0	56	0	0	0	0	0	56
H1129	Supported Schemes Adapted Bathroom Programme	Approved	1,169	400	0	0	0	0	0	1,569
H118A	Housing Refurbishment 12/13 – West – Drew Smith	Approved	4,485	4,523	0	0	0	0	0	9,008
H119A	Housing Refurbishment 12/13 – East – Mitie Property Services	Approved	2,671	2,910	0	0	0	0	0	5,581
H3461	Supported Kitchen - Current	Approved	3,410	1,257	0	0	0	0	0	4,667
H3483	Decent Homes Voids - 2015/16	Approved	0	96	0	0	0	0	0	96
H4591	Studio Conversions	Approved	81	85	0	0	0	0	0	166
H119A	Electrical System - Future Years	Unapproved	0	0	0	2,000	2,000	1,979	2,000	7,979
H119A	Central Heating Distrib System Inc Elec Store Htrs (Unapproved)	Unapproved	0	0	390	0	38	126	7,943	8,496
H119A	Central Heating Gas Boilers (Unapproved)	Unapproved	0	0	0	2,707	1,079	932	1,188	5,906
H119A	Heating Other	Unapproved	0	0	484	2,680	555	944	8,675	13,338
H119A	Housing Refurbishments - Future Years	Unapproved	0	0	0	1,351	1,351	1,351	1,351	5,403
H1195	Disabled Adaptations - Future Years	Unapproved	0	0	1,047	1,087	1,125	1,164	1,035	5,457
H4592	Tenant Alteration Budget - Future Years	Unapproved	0	0	0	100	311	331	331	1,073
H1140	Programme Management Fees - Future Years	Unapproved	0	0	0	665	689	712	737	2,803
<b>Total for Modern Facilities</b>			<b>21,712</b>	<b>16,074</b>	<b>12,016</b>	<b>10,714</b>	<b>7,147</b>	<b>7,539</b>	<b>23,260</b>	<b>98,461</b>

<b>HRA10 - Well Maintained Communal Facilities</b>										
H0331	Rotterdam Towers - Car Parking	Approved	0	150	0	0	0	0	0	150
H0340	DN: Thornhill	Approved	0	100	700	400	0	0	0	1,200
H1110	Communal Areas Works	Approved	738	1,000	0	0	0	0	0	1,738
H1115	Door Entry System Replacement Programme	Approved	757	588	153	14	0	16	0	1,528
H111B	Weston Court Communal Works	Approved	440	1,685	0	0	0	0	0	2,125
H111D	Small Blocks Communal Works	Approved	20	122	0	0	0	0	0	142
H111F	Floor Coverings to Communal Corridors	Approved	236	125	0	0	0	0	0	361
H111M	Bellamy Court SHAP Refurbishment Project	Approved	21	417	0	0	0	0	0	438
H1133	Roads/Paths/Hard Standing	Approved	293	306	0	0	0	0	0	599
H113A	Lift Refurbishment – Canberra Towers	Approved	13	1,035	0	0	0	0	0	1,048
H113C	James Street- New Lift and Lift Shaft	Approved	656	23	0	0	0	0	0	679
H1144	Lift Refurbishment – Manston Court	Approved	24	266	0	0	0	0	0	290
H1146	Lift Refurbishments - Sturminster House	Approved	0	0	0	0	0	1,188	0	1,188
H1147	Lift Refurbishment - South Front	Approved	0	163	0	0	0	0	0	163
H1149	Lift Refurbishment - Sarnia Court	Approved	67	103	0	0	0	0	0	170
H1152	Lift Refurbishment - Graylings, Canute House & St James House	Approved	0	0	700	0	0	0	0	700
H1153	Lift Refurbishment - Albion Towers / Holyrood	Approved	0	0	0	1,450	0	0	0	1,450
H1154	Lift Refurbishment - Shirley Towers	Approved	0	0	0	0	1,150	0	0	1,150
H1155	Rozel Court - New Lift and associated works	Approved	68	976	0	0	0	0	0	1,044
H1290	Sprinkler Project	Approved	0	700	311	0	0	0	0	1,011
H144A	Manston Court - External Lift	Approved	4	20	291	0	0	0	0	315

Housing Revenue Account 5 Year Capital Programme

APPENDIX 3

Cost Centre	Project Description	Project Status	Prior Years Actual	Current Year Budget 15/16	Budget 16/17	Budget 17/18	Budget 18/19	Budget 19/20	Budget 20/21	Total Budget
			£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
H1731	Communal Shed / Store areas	Approved	0	0	50	0	0	0	0	50
H1751	Renew Communal Windows	Approved	0	50	50	0	0	0	0	100
H4540	Lift Refurbishment - Itchen View Estate	Approved	1,612	38	0	0	0	0	0	1,650
H476S	SCI - Milner Court Scooter Store	Approved	156	4	0	0	0	0	0	160
H4803	Sarnia Court Central Core Refurbishment Project	Approved	0	350	0	0	0	0	0	350
H6266	THP Phase 2 MacArthur/Vanguard Q15	Approved	154	133	919	0	0	0	0	1,206
H6271	DN: Northam Improvements	Approved	422	69	0	0	0	0	0	491
H6310	DN: Millbrook Towers Improvements	Approved	492	131	0	0	0	0	0	623
H6314	DN: Millbrook Block Improvements	Approved	606	40	0	0	0	0	0	646
H6315	DN: Shirley	Approved	1,703	123	0	0	0	0	0	1,826
H6319	DN: Estate Improvement Programme	Approved	412	200	200	200	0	0	0	1,012
H6324	DN: Leaside Way Improvements	Approved	499	23	10	0	0	0	0	532
H632B	DN: Holyrood Improvements	Approved	1,609	15	0	0	0	0	0	1,624
H6331	Estate Parking Improvements.	Approved	249	180	0	0	0	0	0	429
H6333	DN: Rozel Court	Approved	0	75	0	0	0	0	0	75
H6334	DN: Cuckmere Lane	Approved	0	110	663	902	0	0	0	1,675
TBC	Renew Lifts (Unapproved)	Unapproved	0	0	30	333	38	0	0	401
H111Z	Communal Area Works - Future Projects	Unapproved	0	0	266	130	206	90	141	832
TBC	Renew Communal Systems	Unapproved	0	0	0	0	21	0	0	21
H1740	Renew Hardwired Alarm System	Unapproved	0	0	0	0	1,071	0	0	1,071
H1720	Communal Heating Systems	Unapproved	0	0	35	35	70	35	35	210
H1790	Communal Shed / Store areas - Future Years	Unapproved	0	0	182	0	0	0	0	182
H1800	Renew Communal Windows - Future Years	Unapproved	0	0	28	67	88	69	282	534
TBC	Replace Roller Shutter Doors	Unapproved	0	0	45	45	45	45	45	224
H1800	Communal doors Q14	Unapproved	0	0	377	78	107	137	196	894
TBC	Door Entry System Replacement Programme (Unapproved)	Unapproved	0	0	0	0	0	0	170	170
H4801	Supported Housing Area Programme	Unapproved	0	0	580	464	441	0	0	1,484
TBC	Renew Communal Kitchen (Unapproved)	Unapproved	0	0	56	20	0	0	6	82
TBC	Dry Riser Replacement	Unapproved	0	0	54	54	54	54	54	272
TBC	Central Ventilation Fan Replacement	Unapproved	0	0	33	33	33	33	33	165
TBC	Water Pump Replacement	Unapproved	0	0	40	40	40	40	40	200
TBC	Roads Paths and Hard Standings (Unapproved)	Unapproved	0	0	197	311	311	311	311	1,439
TBC	DN: Future Decent Neighbourhood Schemes (Unapproved)	Unapproved	0	0	0	163	1,723	1,784	942	4,613
<b>Total for Well Maintained Communal Facilities</b>			<b>11,251</b>	<b>9,320</b>	<b>5,968</b>	<b>4,737</b>	<b>5,397</b>	<b>3,801</b>	<b>2,255</b>	<b>42,730</b>
<b>HRA11 - Warm &amp; Energy Efficient</b>										
H1355	Thornhill District Energy Scheme	Approved	0	8,284	18,006	840	0	0	0	27,130
H139C	Remedial Works Following Compliance Inspections.	Approved	0	70	0	0	0	0	0	70
H1135	External Wall Insulation - Kingsland Estate	Approved	923	134	0	0	0	0	0	1,057
H1138	Utility Supplies (Communal – Electric, Gas and Water)	Approved	1,813	200	0	0	0	0	0	2,013
H139A	Water Quality Remedial Works	Approved	0	300	0	0	0	0	0	300
H139B	LANB Rectification Works	Approved	0	100	0	0	0	0	0	100
H1302	Renewable Energy Source	Approved	0	300	0	0	0	0	0	300
H117A	Loft Insulation and Pipe Lagging - Future Years	Unapproved	0	0	0	0	0	5	0	5
TBC	External Wall Insulation	Unapproved	0	0	0	0	0	4,902	4,006	8,908
H138A	Utility Supplies Communal - Future Years	Unapproved	0	0	76	158	13	13	13	272
H1356	Thornhill District Energy Scheme - Unapproved	Unapproved	0	530	910	177	4,483	0	0	6,100
H1301	Renewable Energy Sources - Future Years	Unapproved	0	0	0	0	356	369	0	725
<b>Total for Warm &amp; Energy Efficient</b>			<b>2,736</b>	<b>9,918</b>	<b>18,992</b>	<b>1,175</b>	<b>4,852</b>	<b>5,289</b>	<b>4,019</b>	<b>46,981</b>
<b>GRAND TOTAL</b>			<b>63,656</b>	<b>54,962</b>	<b>58,889</b>	<b>35,370</b>	<b>30,972</b>	<b>27,124</b>	<b>40,784</b>	<b>311,757</b>

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# Agenda Item 12

## Appendix 4

### APPENDIX 4

#### KEY ISSUES – QTR 3

#### HOUSING REVENUE ACCOUNT

The portfolio programme currently totals **£248.10M**. This can be compared to the previous reported programme position of **£202.49M** resulting in an increase of **£45.61M** on the programme which represents a percentage increase of **22.5%**.

The changes to the programme are shown in the following summarised table:

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>TOTAL</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Programme at last report	71.18	46.50	34.53	28.63	21.65	0	202.49
Approvals since last report	(0.09)	0	0	0	0	0	(0.09)
New Additions for Approval	0	0	0	0	0	39.09	39.09
Other Changes for Approval	0	(3.94)	0.84	2.34	5.47	1.70	6.41
(Under)/Overspends	0.20	0	0	0	0	0	0.20
Slippage/Rephasing	(16.33)	16.33	0	0	0		0
<b>Programme Total</b>	<b>54.96</b>	<b>58.89</b>	<b>35.37</b>	<b>30.97</b>	<b>27.12</b>	<b>40.79</b>	<b>248.10</b>

#### PROGRAMME CHANGES

##### **APPROVALS SINCE LAST REPORT**

##### **HRA 1 – New Build Social Housing (£0.09M Decrease)**

In 2015/16 a grant of £0.35M, financed by HRA Right to Buy income, to a Housing Association to purchase 6 houses was reduced by £0.29M following a decision by the Housing Association to only purchase a single residence. This reduction was partly offset by additional grant funding of £0.20M to another Housing Association to provide affordable housing.

##### **NEW ADDITIONS FOR APPROVAL**

##### **HRA 2 – Additional year added to the Programme (£39.09M Increase)**

Following the extension of the programme to 2020/21, £39.09M of unapproved schemes have been added to the capital programme.

## **OTHER CHANGES FOR APPROVAL**

### **HRA 3 – Estate Regeneration and New Build Programme (£6.40M Decrease)**

Whilst £10.10M of funding for Citywide Estate Regeneration remains in the Business Plan, it is now phased over 3 years starting in 2021/22 and, therefore, falls outside of the period covered by the current capital programme. This movement has been partially offset by £3.70M extra being provided for the Estate Regeneration scheme at Wimpson / Woodside, bringing total funding for that scheme to £16.00M. Additionally it is hoped that negotiations with Government on Hampshire's devolution deal will lead to more funding for regeneration schemes, allowing more money to be added to this budget before 2021/22 and in addition to the £10.10M already protected and set aside.

### **HRA 4 – Safe Wind and Weather Tight (£12.38M Increase)**

#### **Roof Finish Flat - Future Years (£10.20M Increase)**

This has increased for several reasons, including as a result of an internal cost review based on a recent tender exercise. This has identified costings used that did not reflect increased specification requirements in the roofing contract largely as a result of changes to Building Regulations. The information is based on our current understanding and could be refreshed in future capital revisions. Historical poor weather has also identified a number of roofs which require replacement in the short term, therefore increasing the original programme. Furthermore, the budget for Roof Finish-Pitched/Structure/Gutter/Downpipes has been transferred into this budget area (see item below).

#### **Roof Finish-Pitched/Structure/Gutter/Downpipes - Future Years (£2.89M Decrease)**

The cost reduction is a result of pitched roof replacement now forming part of the Roof Finish Flat Future Years budget, partially offset by costs for downpipe replacements at Redbridge and Millbrook Towers.

#### **Wall Structure & Finish - Future Years (£6.16M Increase)**

Improved information from the stock condition database has re-profiled the timing of properties where works to the external elevations is required to maintain water tightness.

#### **Structural works - future years (£0.78M Decrease)**

This is a reduction in projected structural works, as a result of ECO works encapsulating buildings with cladding systems, which results in fewer concrete repairs. In addition repairs undertaken are lasting longer than originally anticipated, therefore the frequency of repair is reducing.

### **HRA 5 – Modern Facilities (£3.69M Decrease)**

#### **Housing Refurbishment & Future Years (£5.47M Decrease)**

An assessment of the level of refused entry numbers has informed an amendment to the budget requirement to reflect what works are likely to be delivered. An allowance has been left to pick up these refusals as they become void or the refusal is retracted.

Updated information from surveys and other capital works (i.e. disabled adaptations) is also reducing the short term requirement as kitchens and bathrooms are having a longer life than anticipated in previous surveys.

Increases to lifecycles for both kitchens and bathrooms have also contributed to a reduction in the budget required (new cycles are 22 years for kitchens and 33 years for bathrooms).

**Central Heating Distribution Systems - (£1.67M Increase)**

The electrical heating systems programme has been updated following a review of requirements and improved information becoming available about the age of the current electrical heating installations (underfloor and storage heating).

**HRA 6 – Well Maintained Communal Facilities (£2.68M Increase)**

**Renew Hardwired Alarm System (£2.00M Decrease)**

This variation relates to change in the estimated cost. This will be reviewed as the specification is determined and the project tendered.

**Roads Paths and Hard Standings (£1.13M Increase)**

An annual provision has been added based on historic expenditure.

**DN: Future Decent Neighbourhood Schemes (£3.67M Increase)**

An annual provision has been added based on historic expenditure.

**HRA 7 – Warm and Energy Efficient (£1.42M Increase)**

**External Wall Insulation (£4.90M Increase)**

Money has been identified for the current requirement for works as part of the current ECO project. As details for ECO post 2017 are not yet available this budget may change when future grant funding details become available.

**Utility Supplies: Communal – Electric, Gas and Water (£0.47M Decrease)**

Most of these works have been included within main specifications of other refurbishment works.

**Landlord Meter Conversions - Future Years (£1.30M Decrease)**

The scope of works has been combined with ECO works as part of the District Heating project.

**Utility Supplies Communal - Future Years (£1.52M Decrease)**

Most of these works have been included within main specifications of other refurbishment works.

**(UNDER)/OVERSPENDS**

**HRA 8 Safe Wind and Weather Tight (£0.23M Increase)**

**Existing Satisfactory Purchase Scheme (£0.23M Increase)**

As part of this scheme, a number of dwellings have been identified to purchase which will complement the Council's existing stock. In looking at options available, two more dwellings have come to light that are excellent opportunities to increase the stock and the purchase of these has meant that this scheme will overspend. However, this scheme contributed to ensuring that Right to Buy receipts generated in Southampton, due for re-investment in the city by September 2015, will not be returned to central Government.

## **SLIPPAGE/REPHASING**

### **HRA 9 – Programme Slippage from 2015/16 to 2016/17 (£16.33M)**

#### **Weston Shopping Parade Redevelopment (Slippage of £0.04M from 15/16 to 16/17)**

Slippage relates to fee payments which have now been rescheduled to next year following delays in finalising lease agreements and delays in the library move.

#### **Weston Shopping Parade Housing and Comm Facilities (Slippage of £0.30M from 15/16 to 16/17)**

Slippage relates to the final grant payment to Bouygues which will not be made before April 2016.

#### **Townhill Park: Site Assembly (Slippage of £1.94M from 15/16 to 16/17)**

Slippage is due to delays in approving the decanting of residents and purchases of property in later phases of the project. This has resulted from the delivery model being reviewed in light of significant Government changes in social housing funding and where grants for new housing will be provided (e.g. starter homes).

#### **Townhill Park: Design & Contract P1, 2 & 3 (Slippage of £0.40M from 15/16 to 16/17)**

Slippage is due to the delivery model being reviewed in light of significant Government changes in social housing funding and where grants for new housing will be provided (e.g. starter homes).

#### **Supported Housing 2 Storey Walkway Repairs Current (Slippage of £0.63M from 15/16 to 16/17)**

Slippage is due to a delay in commencement of the newly appointed contractor for their phase of the project which is now starting in January 2016.

#### **Windows (Slippage of £0.57M from 15/16 to 16/17)**

This scheme was directly affected by the process of agreeing the ECO project scope and therefore funding which held up works on Windows as money was being held back in case it was to be included within the ECO programme. Now that ECO funding has been finalised there is insufficient time to identify and carry out all the window replacement work this year as planned, part of this scheme has had to slip into 2016/17.

#### **External Doors – Houses (Slippage of £0.05M from 15/16 to 16/17)**

This scheme was also directly affected by the process of agreeing the ECO project scope and therefore funding which held up works on External Doors as money was being held back in case it was to be included within the ECO programme. Now that ECO funding has been finalised there is insufficient time to identify and carry out all the door replacement work this year as planned, part of this scheme has had to slip into 2016/17.

#### **Manston Court External Lift (Slippage of £0.52M from 15/16 to 16/17)**

Slippage is due to delays and problems with obtaining planning consent, which has delayed the works being put out to tender. The scheme is now expected to start mid-March / April 2016.

#### **DN: THP Phase 2 MacArthur/Vanguard (Slippage of £0.92M from 15/16 to 16/17)**

Slippage is due to a second planning application being filed as planners have advised the first one also required a stopping-up order in the decision. This meant a restart of the tender process which has delayed the original planned start date to early March 2016.



**DN: Leaside Way Improvements (Slippage of £0.01M from 15/16 to 16/17)**

Forecast slippage of £10k is due to programme delays with suppliers.

**DN: Cuckmere Lane (Slippage of £0.11M from 15/16 to 16/17)**

Slippage results from delays in assigning a Quantity Surveyor to enable the Capita Landscape Architect to provide the “stage 3 report”, thus delaying the project start.

**DN: Future Decent Neighbourhood Schemes (Slippage of £0.12M from 15/16 to 16/17)**

This budget represents the balance of Decent Neighbourhood funding for smaller schemes on Southampton’s estates. A number of schemes are being completed and this unused balance will be slipped into 2016/17 to be allocated to further schemes.

**Thornhill District Energy Scheme (Slippage of £10.58M from 15/16 to 16/17)**

The slippage is due to the withdrawal of the council’s original partner from the project, which meant SCC had to find a new contractor and assess their revised proposals including altering the location of the main boiler house. These new proposals still aim to deliver the majority of the scheme by spring 2017 to satisfy previous timescales.

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HRA Business Plan - 30 year revenue account

APPENDIX 5

		Income				Expenditure										Balances				
Year	Year	Net rent Income £,000	Service charges & other income £,000	Misc. Adjus- tments £,000	RTB Admin £,000	Total Income £,000	Management £,000	Contribution to Depreciation Reserve £,000	Responsive & Cyclical Repairs £,000	Other Revenue spend £,000	Savings Targets £,000	Total expenses £,000	Capital Charges £,000	Repayment of loans £,000	Revenue Contribution to capital spending £,000	Surplus (Deficit) for the Year £,000	Interest £,000	Surplus (Deficit) c/fwd £,000	Provision for debt re- payment £,000	Net Surplus (Deficit) c/fwd £,000
1	2016.17	72,188	3,005	209	130	75,532	(20,019)	(19,893)	(12,989)	(100)	0	(53,001)	(6,723)	(5,423)	(9,384)	1,000	6	3,006		3,006
2	2017.18	71,466	3,143	210	130	74,949	(20,526)	(20,333)	(13,390)	(413)	0	(54,661)	(7,068)	(5,423)	(8,803)	(1,006)	6	2,007		2,007
3	2018.19	70,949	3,221	210	130	74,510	(21,050)	(20,714)	(13,785)	(427)	3,572	(52,404)	(7,024)	(5,423)	(9,665)	(7)	5	2,005		2,005
4	2019.20	71,703	3,302	(21)	98	75,081	(21,588)	(21,290)	(14,164)	(442)	7,431	(50,054)	(7,001)	(16,528)	(1,498)	(0)	5	2,010		2,010
5	2020.21	72,280	3,384	(21)	98	75,740	(22,127)	(21,606)	(14,552)	(393)	7,616	(51,061)	(6,884)	(8,776)	(9,021)	(2)	5	2,013		2,013
6	2021.22	74,457	3,469	(22)	98	78,001	(22,679)	(22,043)	(14,991)	(403)	7,807	(52,309)	(6,957)	(12,220)	(6,521)	(7)	5	2,011		2,011
7	2022.23	76,313	3,555	(23)	98	79,944	(23,244)	(22,489)	(15,362)	(414)	8,002	(53,507)	(6,789)	(13,600)	(6,052)	(5)	5	2,011		2,011
8	2023.24	78,201	3,644	(23)	98	81,920	(23,823)	(22,706)	(15,742)	(424)	8,202	(54,494)	(6,463)	(16,000)	(4,968)	(6)	5	2,010		2,010
9	2024.25	82,098	3,735	(24)	98	85,907	(24,418)	(23,163)	(16,215)	(435)	8,407	(55,824)	(6,212)	(9,989)	(13,881)	0	5	2,015		2,015
10	2025.26	82,255	3,829	(25)	65	86,124	(25,028)	(23,629)	(16,715)	(446)	8,617	(57,200)	(5,940)	(5,530)	(17,294)	159	5	2,179		2,179
11	2026.27	84,058	3,925	(26)	65	88,022	(25,653)	(24,142)	(17,244)	(458)	8,833	(58,664)	(5,759)	(3,350)	(17,449)	2,800	9	4,989		4,989
12	2027.28	85,897	4,023	(26)	65	89,958	(26,294)	(24,666)	(17,789)	(470)	9,053	(60,165)	(5,691)	0	(18,318)	5,784	20	10,792		10,792
13	2028.29	87,772	4,123	(27)	65	91,933	(26,950)	(25,201)	(18,352)	(482)	9,280	(61,705)	(5,691)	0	(19,082)	5,454	34	16,280		16,280
14	2029.30	89,697	4,226	(28)	65	93,960	(27,623)	(25,747)	(18,933)	(494)	9,512	(63,286)	(5,691)	0	(20,022)	4,962	47	21,289		21,289
15	2030.31	93,420	4,332	(29)	65	97,788	(28,313)	(26,305)	(19,531)	(507)	9,750	(64,907)	(5,691)	0	(21,000)	6,189	61	27,539		27,539
16	2031.32	93,659	4,440	(30)	65	98,134	(29,020)	(26,875)	(20,148)	(520)	9,993	(66,571)	(5,691)	0	(26,205)	(333)	68	27,275		27,275
17	2032.33	95,702	4,551	(31)	65	100,288	(29,745)	(27,457)	(20,785)	(533)	10,243	(68,277)	(5,691)	0	(27,399)	(1,079)	67	26,262		26,262
18	2033.34	97,794	4,665	(32)	65	102,493	(30,488)	(28,051)	(21,441)	(547)	10,499	(70,028)	(5,691)	0	(28,640)	(1,867)	63	24,459		24,459
19	2034.35	99,927	4,782	(33)	65	104,741	(31,249)	(28,658)	(22,118)	(561)	10,762	(71,825)	(5,691)	0	(29,931)	(2,706)	58	21,810		21,810
20	2035.36	104,071	4,901	(33)	65	109,004	(32,030)	(29,277)	(22,816)	(576)	11,031	(73,668)	(5,590)	(2,698)	(31,274)	(4,227)	49	17,633		17,633
21	2036.37	104,335	5,024	(34)	65	109,389	(32,830)	(29,910)	(23,536)	(556)	11,306	(75,526)	(5,372)	(9,150)	(6,476)	12,865	60	30,558	9,633	20,926
22	2037.38	106,609	5,046	(36)	65	111,685	(33,650)	(30,556)	(24,278)	(570)	11,589	(77,465)	(5,023)	(10,333)	(7,103)	11,760	91	42,410	19,265	23,144
23	2038.39	108,929	5,173	(37)	65	114,130	(34,490)	(31,215)	(25,043)	(584)	11,879	(79,455)	(4,702)	(2,248)	(7,762)	19,963	131	62,504	28,898	33,606
24	2039.40	111,302	5,302	(38)	65	116,631	(35,352)	(31,889)	(25,833)	(599)	12,176	(81,496)	(4,537)	(5,535)	(8,456)	16,607	177	79,288	38,531	40,757
25	2040.41	113,727	5,434	(39)	65	119,188	(36,235)	(32,576)	(26,646)	(614)	12,480	(83,591)	(4,344)	(4,000)	(9,188)	18,065	221	97,574	48,164	49,410
26	2041.42	118,439	5,570	(40)	65	124,034	(37,140)	(33,278)	(27,485)	(629)	12,792	(85,740)	(4,182)	(4,000)	(24,537)	5,575	251	103,400	57,796	45,603
27	2042.43	118,725	5,710	(41)	65	124,459	(38,067)	(33,995)	(28,350)	(645)	13,112	(87,946)	(3,868)	(12,247)	(25,803)	(5,405)	252	98,247	67,429	30,818
28	2043.44	121,305	5,852	(42)	65	127,179	(39,018)	(34,727)	(29,242)	(661)	13,440	(90,209)	(3,584)	0	(27,114)	6,273	253	104,773	77,062	27,711
29	2044.45	123,941	5,999	(44)	65	129,961	(39,992)	(35,474)	(30,162)	(678)	13,776	(92,530)	(3,584)	0	(28,482)	5,364	269	110,406	86,694	23,711
30	2045.46	126,634	6,149	(45)	65	132,803	(40,991)	(36,237)	(31,110)	(695)	14,120	(94,913)	(3,584)	0	(29,909)	4,397	282	115,084	96,327	18,757

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HRA Business Plan - 30 year capital spending and financing

APPENDIX 6

		Expenditure						Financing					
Year	Year	Safe, Wind & Weathertight £,000	Modern Facilities £,000	Communal Facilities £,000	Warm & Energy Efficient £,000	Estate Regeneration & New Build £,000	Total Expenditure £,000	Borrowing £,000	RTB Receipts £,000	Grants/Contributions £,000	Depreciation Reserve £,000	Contribution from Revenue £,000	Total Financing £,000
1	2016.17	14,247	12,016	5,387	18,992	8,247	58,889	24,530	3,432	1,650	19,893	9,384	58,889
2	2017.18	10,918	10,714	4,737	1,175	7,826	35,370	1,459	3,475	1,300	20,333	8,803	35,370
3	2018.19	7,966	7,147	5,397	4,852	13,310	38,672	5,530	2,764	0	20,714	9,665	38,672
4	2019.20	9,945	7,540	3,802	5,288	550	27,124	3,350	986	0	21,290	1,498	27,124
5	2020.21	9,550	23,260	2,257	4,017	1,700	40,784	9,150	1,008	0	21,606	9,021	40,784
6	2021.22	13,887	16,965	3,136	22	3,669	37,679	8,085	1,030	0	22,043	6,521	37,679
7	2022.23	14,231	17,419	3,214	23	3,479	38,366	8,650	1,174	0	22,489	6,052	38,366
8	2023.24	14,582	17,942	3,293	23	4,606	40,446	11,570	1,201	0	22,706	4,968	40,446
9	2024.25	15,019	18,481	3,392	24	3,321	40,237	1,965	1,228	0	23,163	13,881	40,237
10	2025.26	15,482	19,051	3,496	25	3,489	41,544	0	621	0	23,629	17,294	41,544
11	2026.27	10,613	20,896	7,003	48	3,666	42,224	0	633	0	24,142	17,449	42,224
12	2027.28	10,949	21,557	7,224	49	3,851	43,630	0	646	0	24,666	18,318	43,630
13	2028.29	11,295	22,239	7,452	51	4,046	45,084	0	801	0	25,201	19,082	45,084
14	2029.30	11,652	22,943	7,688	52	4,251	46,587	0	817	0	25,747	20,022	46,587
15	2030.31	12,020	23,669	7,931	54	4,466	48,140	0	835	0	26,305	21,000	48,140
16	2031.32	12,153	29,207	7,627	253	4,693	53,933	0	852	0	26,875	26,205	53,933
17	2032.33	12,537	30,130	7,867	261	4,930	55,726	0	870	0	27,457	27,399	55,726
18	2033.34	12,933	31,082	8,116	269	5,180	57,579	0	888	0	28,051	28,640	57,579
19	2034.35	13,341	32,064	8,372	278	5,442	59,496	0	907	0	28,658	29,931	59,496
20	2035.36	13,762	33,076	8,636	286	5,717	61,477	0	925	0	29,277	31,274	61,477
21	2036.37	9,789	15,475	6,053	6	6,007	37,331	0	945	0	29,910	6,476	37,331
22	2037.38	10,097	15,964	6,244	6	6,311	38,623	0	964	0	30,556	7,103	38,623
23	2038.39	10,416	16,468	6,441	6	6,631	39,962	0	984	0	31,215	7,762	39,962
24	2039.40	10,744	16,988	6,644	6	6,966	41,348	0	1,003	0	31,889	8,456	41,348
25	2040.41	11,082	17,524	6,853	7	7,319	42,784	0	1,020	0	32,576	9,188	42,784
26	2041.42	14,818	30,415	5,914	16	7,689	58,852	0	1,037	0	33,278	24,537	58,852
27	2042.43	15,285	31,373	6,100	17	8,079	60,852	0	1,055	0	33,995	25,803	60,852
28	2043.44	15,765	32,360	6,292	17	8,488	62,922	0	1,081	0	34,727	27,114	62,922
29	2044.45	16,261	33,379	6,489	18	8,917	65,064	0	1,108	0	35,474	28,482	65,064
30	2045.46	16,772	34,429	6,693	18	9,369	67,281	0	1,136	0	36,237	29,909	67,281

30		378,109	661,773	179,750	36,159	172,218	1,428,008	74,289	35,426	2,950	814,104	501,239	1,428,008
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<b>DECISION-MAKER:</b>	CABINET		
<b>SUBJECT:</b>	TOWNHILL PARK REGENERATION PHASE 1: PROCUREMENT, CPO POWERS AND PUBLIC OPEN SPACE DISPOSAL DELEGATION		
<b>DATE OF DECISION:</b>	9 FEBRUARY 2016		
<b>REPORT OF:</b>	CABINET MEMBER FOR HOUSING AND SUSTAINABILITY		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	Sue Jones	<b>Tel:</b> 023 8083 3929
	<b>E-mail:</b>	sue.jones@southampton.gov.uk	
<b>Director</b>	<b>Name:</b>	Mark Heath	<b>Tel:</b> 023 8083 2371
	<b>E-mail:</b>	mark.heath@southampton.gov.uk	

<b>STATEMENT OF CONFIDENTIALITY</b>
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None
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<b>BRIEF SUMMARY</b>
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In response to the impact of changes to Government Housing and Planning Policy on Affordable Housing and the Welfare Bill on Southampton's Housing Revenue Account (HRA), this paper proposes a revised procurement and delivery of Townhill Park Phase 1. In addition delegated powers are sought in order to advance the Compulsory Purchase Order for Phase 1 to acquire land and property to complete site assembly. Townhill Park also contains areas of 'Public Open Space' and the Council is required to advertise its intentions to dispose of land and seek and consider any representation made following the advertisements. The report also seeks approval for demolition of the former Ark Public House.

<b>RECOMMENDATIONS:</b>
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- |       |  |
|-------|--|
| (i)   | To approve the commencement of a procurement process for the redevelopment of Townhill Park Phase 1 to deliver a scheme acceptable in planning terms which should include the provision of Starter Homes and affordable housing;   |
| (ii)  | To delegate to the Chief Operating Officer following consultation with the Cabinet Member for Housing and Sustainability, agreement of the procurement details. The preferred bidder will be referred to Cabinet for approval;   |
| (iii) | To delegate to the Chief Operating Officer the commencement of the Compulsory Purchase Order process necessary to secure the delivery of the scheme in Phase 1 by the carrying out of land referencing, survey and other information gathering activities to establish the detailed type and scope of powers required and the extent of interests likely to be affected; |

(iv)	To note that the Chief Operating Officer will seek Cabinet approval for the making of the Compulsory Purchase Order at the appropriate time;
(v)	To resolve that the use of the Council's compulsory purchase powers under section 226 (1) (a) Town and Country Planning Act 1990 to facilitate the redevelopment of Phase One would be justified in principle;
(vi)	To authorise the Service Director, Legal and Governance : (a) To acquire interests in or rights over the land shown edged red on Appendix 1 either by agreement or compulsorily  (b) To advertise the proposed disposal of part of Townhill Park open space for two consecutive weeks in a local newspaper circulating in the locality.
(vii)	To delegate authority to the Chief Operating Officer following consultation with the Cabinet Member for Housing and Sustainability to determine any objections received from the adverts and to make a final decision as to whether or not to approve the disposal in light of any such objections and to finally take the decision to confirm the disposal;
(viii)	To authorise the Chief Operating Officer, following consultation with the Service Director, Legal and Governance and the Chief Financial Officer, to take all lawful steps to effect the proposals in the report;
(ix)	To approve the demolition of the former Ark Public House;
(x)	To note that the current approved budget for site assembly will be used to cover the costs of activities outlined in this paper;
(xi)	To note that there is £7.7M available in the Housing Revenue Account (HRA) Business Plan for the purchase of affordable properties in Townhill Park Phase 1; and
(xii)	To thank the Townhill Park Forum for working with the Council on the project, their contribution and valuable comments, as the scheme has progressed.

## **REASONS FOR REPORT RECOMMENDATIONS**

1	The Council's Estate Regeneration programme aims to identify the potential within Southampton's council housing estates for the development of new modern homes and to stimulate more mixed tenure communities. Townhill Park regeneration continues the momentum already achieved in delivering improvements to a number of council estates. Recent proposed changes to housing and planning policy have required reappraisal of how Phase 1 of Townhill Park is delivered. This report therefore sets out recommendations enable the redevelopment of Townhill Park Phase 1 and the delivery of the Estate Regeneration objectives.
2	In order for Phase 1 to proceed vacant possession of the whole site is required in order to pass the site over to the developer. There is only one interest yet to be acquired, all the rest of the land in Phase 1 being in the Council's ownership. Whilst negotiations with the owner will continue, if these prove unsuccessful, the Council will need to use its powers of compulsory purchase to acquire the outstanding interest.

3	The redevelopment of Townhill Park involves the redesign of the buildings and open space. The existing layout provides large open space areas between buildings which are of low quality for recreation. The new design improves the relationship between buildings and open spaces and provides for better quality recreational opportunities which it is believed compensate for the actual loss of public open space.
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>	
	<u>Revised procurement and delivery of Phase 1</u>
4	To continue with plans to deliver Phase 1 via a Development Company has been reconsidered due to the impact of recent Government policy changes on housing, along with the Welfare Bill, and the resulting adverse financial impact on the Housing Revenue Account.
5	Working with a Housing Association to develop the site has also been discounted as the ability of Housing Associations to deliver affordable homes has been adversely affected by the impact of recent Government changes. The Council has a strong relationship with local Housing Associations. Following changes made in the summer 2015 budget, meetings took place with Housing Associations working in the City to discuss the possibility of their involvement in citywide regeneration. Feedback so far is that, due to the summer budget changes, there is no immediate appetite amongst Housing Associations to take on this kind of project.
	<u>Compulsory Purchase Order (CPO)</u>
6	To reject the use of CPO powers and to continue to try to acquire the land by agreement only. This is unlikely to deliver vacant possession of the site to enable development to take place.
	<u>Public Open Space Disposal</u>
7	To maintain all of the current low grade open space would not maximise the provision of new housing at Townhill Park. The proposed loss of the open space in Phase 1 will be mitigated by the enhancement of the remaining open space.
<b>DETAIL (Including consultation carried out)</b>	
8	Townhill Park is progressing well, the outline planning application for Townhill Park (detailed element for Phase One with the remainder of the application reserved) was submitted in September 2015 and is due for determination in 2016. The regeneration project is large scale and transformational. It is focused on replacing the existing blocks at Townhill Park over a 10 year period with new apartments and houses. Currently, work is planned in 3 phases: Phase 1 – 269 apartments units and 7 houses Subsequent phases – 264 apartments 135 houses
9	In addition to the new homes, the whole environment will be redesigned with a new feature local park, the Village Green, in the centre of the area with new shopping facilities. Meggeson Avenue, the main transport route through the area, is traffic calmed, by narrowing the carriageway, providing raised crossing points and a 20mph to create a user friendly pedestrian environment. In addition there are improvements to children's play and walking, cycling with links to adjacent open spaces such as Frog's Copse.
10	In total the Phase 1 sites are made up of 136 existing properties in 8 blocks. All

	<p>the 115 council tenancies have been successfully moved to new accommodation and 14 of the 15 leaseholders have accepted a negotiated settlement and moved out. Six properties were void at the beginning of the process and had no occupants to move. Negotiations are continuing with the remaining leaseholder, but it may be necessary to resort to compulsory purchase of the property if settlement cannot be reached.</p>
11	<p>Demolition of 7 of the 8 blocks is likely start at the beginning of February 2016 and continue through to September 2016. Tendering is completed and formalities are currently being concluded with the chosen contractor. Unless the remaining block is vacated imminently, it will require to be demolished in a separate contract. Approval is also sought to demolish the former Ark Public House on Meggeson Avenue as part of the Phase One demolition contract. The Council is in ownership of the building, having purchased the lease interest in 2014. Although the property is scheduled to be redeveloped as part of Phase 2, it is in poor condition and requires to be kept secure which is a cost to the Council. It would be beneficial for demolition to take place as part of the Phase 1 contract.</p>
12	<p>Over recent months the Government has announced a number of proposals which impact on the current aspiration to provide a significant number of homes for affordable rent through the HRA as part of the council's ongoing Estate Regeneration programme and in particular the delivery mechanism for Townhill Park.</p>
13	<p>The Chancellor's summer 2015 Budget contained a number of measures affecting current and future social housing provision:</p> <ul style="list-style-type: none"> <li>• The announcement that rents in the social rented sector will be reduced by one percent per year for the next four years;</li> <li>• The compulsory introduction of "pay to stay" requiring higher income social housing tenants to pay market rents and for councils to handover to the exchequer the additional rents collected;</li> <li>• A review of the use of lifetime tenancies in social housing "to limit their use and ensure households are offered tenancies that match their needs and ensure best use is made of social housing";</li> <li>• The extension of the Right to Buy (RTB) to Housing Associations; and</li> <li>• The compulsory sale of "high value voids" in the Local Authority sector to support, in part, the RTB for Housing Associations.</li> </ul>
14	<p>Further the Housing and Planning Bill also proposes significant changes to the planning system most notably by placing a duty on local authorities to promote starter homes and the ability to direct authorities to disregard policies incompatible with that duty, the corollary of which may result in the removal of section 106 requirements for the provision of affordable housing in favour of starter homes. Home Ownership products are far more attractive to the Developer Sector than providing affordable rent and social rent housing through Housing Associations and we are already seeing shifts in priorities from national developers and a number of large housing associations away from affordable rent in particular. In other words a shift to providing owner occupied homes and in particular for Housing Associations shared ownership and starter home products.</p>
15	<p>The announcement that rents paid in the social rented sector will be expected to fall over the next four years, by page 348</p>

	housing tenants. However, it represented a complete u-turn on the current national social rent policy and one that will seriously impact on rental income forecasts included in the 30 year Housing Business Plans of both Council's and Housing Associations. All social housing providers including the City Council have undertaken a review of both revenue and capital plans for future investment in their housing stock.
16	For Southampton, the impact of the rent cut is a reduction in the HRA business plan of £33m over the next 4 years and £493m over the 30 year business plan. Therefore it is now necessary to plan for a significantly reduced rental income alongside the previously announced plans to sell off vacant "high value" council housing and hand over the capital receipts to central government. This will represent a significant threat to councils' 30 year Business Plans as all stock holding authorities including Southampton balance the requirements of investing in their current stock with their aspirations for providing new homes to meet housing need in their area..
17	From discussions with local Housing Association partners it is clear that they also have carried out fundamental reviews of their business plans and the feedback is that their development programmes will either be reduced or reprioritised in favour of other housing tenures. Therefore there is clearly reduced capacity and viability in the ongoing development of affordable housing in the City by the Housing Association sector.
18	Over the years the Council has established a strong relationship with the Homes and Communities Agency (HCA). The Chancellor's Autumn Statement on 25 <sup>th</sup> November 2015 announced that £2.3B will be available to deliver 200,000 Starter Homes over the next five years. The following day (November 26), the Council's Capital Board met to discuss the Townhill Park project and the impact of the previous day's announcement. The Board gave approval to explore this approach and contact was made with the HCA before the end of November to discuss the initiative.
19	The Government is expected to announce (by April 2016) resources in excess of £1B. The Department of Communities and Local Government (DCLG) are currently working up the scheme which should be in place by April 2026 (subsidy is likely to be in the form of a voucher redeemable on purchase of a home). The HCA are now seeking Local Authority champions for the Starter Home Initiative and in response to the Council's earlier discussions have asked that Townhill Park Phase 1 be put forward as a flagship scheme. Therefore, this report seeks approval for procurement to market Phase 1 for a developer to take the site and develop it for Starter Homes. This change of delivery model for Phase 1 is in response to the impact of the change to government policy particularly around the adverse impact on the HRA, the emphasis on support for the delivery of low cost home ownership products and to take forward the opportunity offered by the HCA to provide a flagship scheme for the government's Starter Home Initiative. Working on this basis advice is being sought on the most suitable type of procurement but this is now likely to be using the HCA framework.
20	Current Phase 1 proposals as part of the planning application include the building of 269 apartments and 7 houses: Plot 1 contains 1 apartment block of 56 units and 7 houses and Plot 2 contains 5 apartment blocks with a total of 213 units

21	In order for the procurement to be successful it is essential that there is a clear brief for the bidders, setting out clearly that the site should be used for Starter Homes, ideally drawing on any external resources available (in addition to using HCA grant of £750k for 50 homes for Affordable Rent which the council could purchase from the developer). There is a provision of £7.7M available in the HRA Business Plan for the purchase of affordable properties in Townhill Park Phase One in 2018/19.
22	The proposed timetable for procurement of a successful developer to build phase 1 can be achieved by the end of December 2016. There then follows the formation of the contract and process of setting up the contract. Assuming that the process is smooth with little change from the existing proposals then a site start could be achieved in August 2017. It should be noted that 2017 is the earliest the Council is likely to have full vacant possession of the site in view of the likely timescales of the possible CPO, until which development cannot progress. Phases 2 and 3 are due to follow on with completion in 2025.
<u>Progressing the Compulsory Purchase Order (CPO)</u>	
23	There is a need to progress the CPO for Phase 1, as soon as possible, in order to avoid delays in achieving vacant possession, so the site can be fully demolished and handed over to the developer for redevelopment. The CPO can take 9 months or longer to conclude. Progressing the CPO will give the developer certainty that the site is available and ability to fix the delivery programme.
24	Cabinet on 12 <sup>th</sup> March 2012 delegated authority to the Senior Manager Property and Procurement to negotiate and acquire by agreement any legal interests or rights held in respect of Phase 1, not held by the Council, using such acquisition powers as the Service Director, Legal and Governance advises. In each case subject to confirmation from Capita, acting as independent Valuers, that the price represents the appropriate Market Value.
25	The process of purchasing leaseholder properties by negotiation has largely been successful and is completed except for one leaseholder property. Negotiations are continuing to purchase the remaining property, which is not held in Council ownership, but these negotiations may not lead to a mutually acceptable deal. Therefore, to ensure the redevelopment of Phase 1 can be guaranteed within the time frames to be set out in the development agreement with the preferred bidder, it appears increasingly likely that the use of the Council's compulsory purchase powers will have to be exercised to authorise the acquisition by the Council of any remaining land and property at Townhill Park Phase 1.
26	A resolution that a compulsory purchase order is justified in principle is sought for approval together with delegated powers to progress the CPO as the procurement develops. In the meantime the Council will continue to try to reach a negotiated settlement with the remaining leaseholder.
27	The Council is able to make a compulsory purchase order to acquire land in third party ownership to bring forward development in its area using powers under s.226 of the Town and Country Planning Act 1990. This power is designed to facilitate development projects and is considered the most appropriate power available to the Council. It must be considered that the development is likely to contribute to the achievement of the promotion or improvement of the economic, social or environmental wellbeing of the area. A CPO should only be made where there is a compelling case in the public

	interest and the purpose for which the compulsory purchase is made justifies the interference with a property owner's human rights.
28	The outline planning application promotes the provision of a high quality living environment with modern homes built to good energy standards set in attractive surroundings with access to open space and local facilities. The 2015 Index of Multiple Deprivation (IMD) shows that the area is currently subject to pockets of deprivation. On the IMD maps produced the south east end of Townhill Park shows a high level of deprivation than the northern area. The 2015 requires further detailed analysis to identify the particular deprivation aspects affecting Townhill Park. However, taking the City analysis the largest deterioration has been seen in the area of the Health deprivation and disability domain, followed by some worsening in the Employment and Living Environment domains. The proposals for Townhill Park aim to raise both the environment and socio economic aspects. Estate Regeneration projects planning consent are accompanied by a Skills and Employment Plan, where local people are offered a series of opportunities to improve their job prospects. This has been very successful in other Estate Regeneration projects.
29	In the circumstances and for the reasons set out above, it is considered that the Council will be able to demonstrate a compelling case that the acquisition of land in the Townhill Park area will be in the public interest.
30	Contracting with a development partner following a suitable selection process will ensure the council is best positioned to oversee the delivery of Phase 1.
	<u>Public Open Space Disposal</u>
31	The open space within the Townhill Park Estate is public open space within the meaning of the Local Government Act 1972. A disposal of public open space (lease greater than 7 years) needs to be advertised for two consecutive weeks in a newspaper in the locality. The loss of open space at Townhill Park, as a consequence of the new design proposals, will require the advertising procedure to be undertaken and any objections being formally considered before any final decision whether or not to approve the disposal is made.
32	The proposals for the whole of Townhill Park regeneration are currently subject to an outline planning application, with Phase 1 in detail, and the procedures have included public consultation which has shown that the project is widely supported by the public. There now needs to be direct consultation relating to the loss of public open space which will include a programme of consultation with the key stakeholders and the Open Spaces Societies and Groups prior to advertisement.
33	It should be noted there has already been consultation relating to the loss of public open space with key stakeholders and the Open Spaces Societies and Groups both prior and during the planning application process.
34	The Southampton Commons and Parks Protection Society (SCAPPS) has responded positively to the regeneration proposals. Modifications have been undertaken in line with their views with an existing open space site at the top of Roundhill Close being withdrawn from redevelopment and greater emphasis placed on the potential recreational provision of the adjacent open space known as Frog's Copse.
35	As with other similar Southampton planning applications, Natural England has objected on the grounds of the need to provide alternative semi natural

	recreational opportunities for local people in lieu of visits to the New Forest, which could damage the protected sites there. Further work is being proposed to enhance Frog's Copse in order to overcome this objection. This will be addressed through the planning application process.
	<u>Consultation</u>
36	Since the early Master Plan work started in late 2011 there has been regular consultation with a range of bodies, including local residents. The latest public consultation was held in June 2015 prior to the submission of the planning application. In September 2015 the statutory public consultation as part of the planning process was also carried out.
37	During the time the proposals have been developing there have been many changes in response to the consultations. These include: <ul style="list-style-type: none"> <li>• Withdrawal of the proposed housing site at Frog's Copse and on the land grassland west of Hidden Pond</li> <li>• No to progressing the idea of a vehicular link from Townhill Park to Cornwall Road or opening a link to Cutbush Lane</li> <li>• No development to be pursued on the existing garage site and the open space at the top of Roundhill Close (Plots 3 and 4)</li> <li>• Postponing a decision on developing the site with the bus turning circle (Plot 14) and withdrawing it from the planning application. Discussions about its future will be held with the Townhill Park Forum.</li> </ul>
38	During the process of developing the proposals for Townhill Park regeneration there has been broad and continuing public support for the regeneration proposals.
39	The Townhill Park Forum receives quarterly updates on the proposals. It is made up of local community groups and interested parties and is facilitated by local group SO18 and provides useful views and comment on the detail of the redevelopment proposals.

## **RESOURCE IMPLICATIONS**

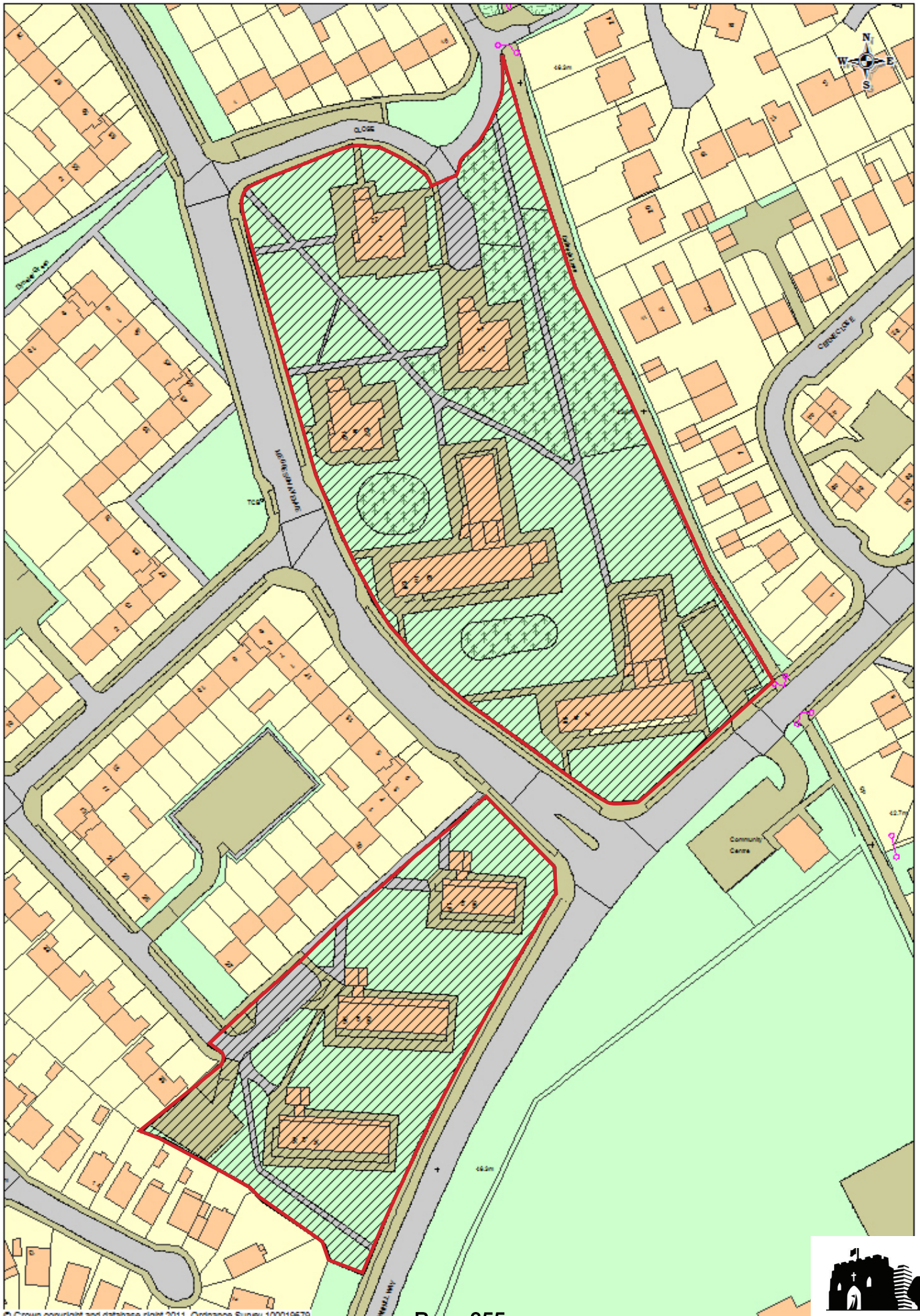
### **Capital/Revenue**

40	The current approved budget for 'Townhill Park: Site Assembly', which totals £6,850,000, will be used to cover the costs of activities outlined in this paper. The Housing Revenue Account Budget Report and Business Plan, which is a separate item on this agenda, shows £3,884,000 of this budget in prior and current years, whilst it is recommended that the remaining £2,966,000 is evenly split between 2017/18 and 2018/19.
41	The cost of procurement is estimated to be in the region of £250,000. This includes an estimate of Capita fees covering the procurement process and legal fees to cover the required Development Agreement. The full cost of the CPO is hard to estimate. However, if it is necessary to attend court then the fees are likely to be around £50,000.
42	The total cost of building Phase 1 will not be known until the winning bid is received. The development costs will then fall on the appointed developer. It should be noted that £7.7M is due to be made available in the Housing Revenue Account Budget Report and Business Plan to purchase 50 Phase 1 units in 2018/19 as council housing. A grant from the HCA of £750,000 has already been secured to help with the financial delivery of these units.



<b><u>Property/Other</u></b>	
43	The land and properties are required for the improvement of the area which will improve the economic, social and health well-being of the residents within the estate regeneration area.
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
44	Section 226 of the Town and Country Planning Act 1990 enables a local authority to exercise its compulsory purchase powers:  a. If it considers that acquiring the land in question will facilitate the carrying out of development, redevelopment, or improvement on, or in relation to, the land being acquired (s.226(1)(a)); and  b. Provided that it considers that the proposed development, redevelopment or improvement is likely to contribute to achieving the promotion or improvement of the economic, social or environmental well-being of its area (s.226(1A)).
45	The Council must therefore be satisfied on both counts when in due course it comes to make a resolution to make an order.
46	Cabinet is asked to consider in principle the use of CPO and associated powers for the purpose of facilitating the redevelopment of Phase 1 which overall will make a positive contribution to the economic, social and environmental well-being of the City of Southampton.
47	The disposal of open space land is authorised by virtue of S123 (2A) Local Government Act 1972, provided the land consisting or forming part of an open space is subject to notice of the Councils intention to do so, specifying the land in question, to be advertised in two consecutive weeks in a newspaper circulating in the area in which the land is situated and consideration of any objections to the proposed disposal which may be to the Council.
<b><u>Other Legal Implications:</u></b>	
48	In recommending the making of CPOs the rights of third parties that may be affected (including the property rights of the current property owners of the sites) must be balanced against the public interest in acquiring the land. The Council must be satisfied that the proposed CPOs are necessary and proportionate having regard to the provisions of the Human Rights Act 1998 and is in the public interest having regard to both the need to provide good quality, energy efficient homes in areas where people wish to reside now and in the future and the need to regenerate these estates.
49	Townhill Park, Phase One must be marketed within the requirements of the range of legislation that defines how the Council must procure includes; EU treaty principles, EU Public Procurement Directives, UK Procurement Regulations, Best Value Statutory Guidance, Equality Act 2010 and Public Services (Social Value) Act 2012.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
50	These proposals will help deliver the new homes including affordable homes required in both the Housing Strategy 2011-15 and as part of the council's partnership with PUSH to deliver more homes. The regeneration of Southampton's council estates will play an important part in delivering a number of corporate policy objectives.

<b>KEY DECISION?</b>	<b>Yes</b>	
<b>WARDS/COMMUNITIES AFFECTED:</b>	Harefield and Bitterne Park	
<u>SUPPORTING DOCUMENTATION</u>		
<b>Appendices</b>		
1.	Map of Phase 1 area bordered in red	
2.	Map of the Ark	
<b>Documents In Members' Rooms</b>		
1.	None	
<b>Equality Impact Assessment</b>		
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.		<b>Yes</b>
<b>Privacy Impact Assessment</b>		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.		<b>Yes/No</b>
<b>Other Background Documents</b>		
<b>Other Background documents available for inspection at:</b>		
<b>Title of Background Paper(s)</b>	<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>	
1.	None	



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