

DECISION-MAKER:	CABINET COUNCIL		
SUBJECT:	CHANGES TO EXISTING REVENUE AND CAPITAL BUDGETS		
DATE OF DECISION:	20 OCTOBER 2015 18 NOVEMBER 2015		
REPORT OF:	CABINET MEMBER FOR FINANCE		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY			
None			

BRIEF SUMMARY:

The purpose of this report is to set out further savings in advance of the budget setting for 2016/17 and to outline the main issues to be addressed in considering the Cabinet's recommendations to Council on 18 November 2015.

This follows the report to Cabinet on 18 August 2015 opening consultation on a further £10.3M of savings proposals in 2015/16 and £9.4M savings proposals for 2016/17. The report recommends approval of these savings following the consultation period.

RECOMMENDATIONS:

Cabinet Recommends Full Council to:

- (i) To note the current 2015/16 General Fund revenue position as detailed in paragraph 11.
- (ii) To note the Medium Term Financial Forecast will be further updated for the November budget report to Cabinet.
- (iii) To approve the savings proposals, as set out in Appendix 1 to this report and paragraph 16 to 23.
- (iv) To approve the use of reserves in 2015/16 to manage any potential shortfall in capital receipts resulting from timing delays of actual receipt as a result of complex land disposals as detailed in paragraph 22.
- (v) To note the remaining budget shortfall for 2016/17 to 2019/20 as set out in paragraphs 24 to 26.
- (vi) Delegate authority to the Chief Financial Officer to action all budget changes arising from the approved efficiencies, income and service reductions and incorporate any other approved amendments into the

General Fund Estimates.

- (vii) Delegate authority to the Chief Financial Officer (CFO) following consultation with the Cabinet Member for Finance to do anything necessary to give effect to the recommendations in this report.

COUNCIL

It is recommended that Council:

- (i) To note the current 2015/16 General Fund revenue position as detailed in paragraph 11.
- (ii) To note the Medium Term Financial Forecast will be further updated for the November budget report to Cabinet.
- (iii) Approve the savings proposals, as set out in Appendix 1 to this report and paragraph 16 to 23.
- (iv) Approve the use of reserves in 2015/16 to manage any potential shortfall in capital receipts resulting from timing delays of actual receipt as a result of complex land disposals as detailed in paragraph 22.
- (v) Note the remaining budget shortfall for 2016/17 to 2019/20 as set out in paragraphs 24 to 26.
- (vi) Delegate authority to the Chief Financial Officer to action all budget changes arising from the approved efficiencies, income and service reductions and incorporate any other approved amendments into the General Fund Estimates.
- (vii) Delegate authority to the Chief Financial Officer (CFO) following consultation with the Cabinet Member for Finance to do anything necessary to give effect to the recommendations in this report.

REASONS FOR REPORT RECOMMENDATIONS:

1. The recommendations have been put forward to ensure that savings proposals are advanced and policy changes are implemented as early as possible as part of the budget process for 2016/17.
2. The current medium term financial forecast highlights the challenges facing the Authority. This combined with potential impact of reductions in future spending levels for Local Government make it imperative that proposals for 2016/17 onwards are developed and savings achieved as early as possible.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED:

3. The Executive could choose to only progress savings as part of the annual budget process through the November budget report leading to the setting of the Council Tax in February 2016. However, recognising the importance of seeking to effect change at the earliest opportunity, and to deliver savings in a timely fashion, the Executive put forward a range of savings proposals for early consultation in August 2015.

The intention being to allow some of the proposals to be implemented in the current financial year and thus deliver in year savings which can contribute to the overall forecast adverse position for 2015/16, and the budget gap for 2016/17 onwards, allowing time to fully consult on other

proposals which the Executive wish to implement from April 2016 onwards. Alternative options may be presented to Cabinet at the meeting in November at which a decision on a number of the proposals will be taken after the end of the consultation process.

DETAIL (Including consultation carried out):

CONSULTATION

4. The proposals put forward were subject to consultation with the Council's Management Team and relevant Cabinet Members.
5. Consultation has been undertaken with trades unions and staff affected by the proposals in line with the agreed HR policies.
6. Full consultation was undertaken with any people or organisations affected by the proposals to ensure all options have been considered.

EQUALITY IMPACT ASSESSMENT

7. 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.
8. 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.
9. Individual EIAs have been completed by Directors and Senior Managers for those proposals contained in Appendix 1 that they identified require such an assessment, as they could have an adverse impact on a particular group or individuals. The individual EIAs will be published on the Council's website. For proposals that relate to contractual or commissioning arrangements, further work will be undertaken to assess the impact.

HR POLICY CHANGES

10. Details of proposed HR Policy Changes were included in the August Cabinet report, setting out the proposed consultation on changes to the Organisational Change Policy and the Redeployment Policy. The changes intend to align the redeployment period to the contractual notice period, with the maximum redeployment period therefore being 3 months (depending on grade and length of service). Consultation has not yet been concluded and the results will be reported to Cabinet in due course

2015/16 SPENDING PRESSURES

11. The Corporate Revenue Financial Monitoring for the Period to the end of 30 June 2015 gave details of the 2015/16 forecast outturn position. The report detailed an overspend position for the year of £9.43M. The latest position at the end of August 2015 now shows a reduced forecast overspend position for the year of £3.77M, a reduction of £5.66M. This reduction is primarily due to release of the risk fund provision of £4.94M; one off income of £0.56M from the successful legal settlement of a contractual dispute; and a review of investment and borrowing activity releasing a further sum of £0.5M. A full update of the position to the end of September 2015 will be presented to Cabinet in November 2015.

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

12. The Medium Term Financial Strategy agreed at Council on the 11 February 2015 set out a £90M savings target for the period 2016/17 to 2019/20. The profile of the target is set out in the following table:

13. **TABLE 1 NET SAVINGS REQUIREMENT**

	2016/17	2017/18	2019/20	2020/21
	£M	£M	£M	£M
Expenditure	198.9	210.2	220.9	231.7
Funding Available	(159.8)	(149.6)	(143.2)	(141.6)
Net Saving Requirement	39.1	60.7	77.7	90.1
Annual Saving Requirement	39.1	21.6	17.0	12.4

14. The report to Cabinet on the 18 August 2015 detailed the items set out in the Budget Speech on 8 July 2015 by the Chancellor that may affect the MTFS model going forward. It highlighted the challenges facing the Authority and identified an updated roll forward gap for 2016/17 to 2018/19 before taking into account any further revenue developments, pressures or savings.

Medium Term Financial Strategy Model Update

15. A full update of the MTFS Model will be included in the November report.

OPTIONS FOR SAVINGS

16. The scale of both the in-year and future financial challenge facing the Council combined with the potential impact of an ongoing difficult economic position make it imperative that proposals for 2016/17 onwards are developed and savings achieved as early as possible.
17. The report to Cabinet 18 August 2015 set out draft proposals for consultation. Appendix 1 sets out the Executive’s recommendations for efficiencies, income and service reductions in detail.
18. Where possible these will be implemented as soon as practicable in the current financial year. The proposals include savings of £10.3M in 2015/16. It was expected that this sum would not be used to address the 2016/17 gap due to the adverse variance being reported in the monitoring report for the period ending June 2015, as detailed in paragraph 11. This position will be reviewed as part of the November budget report and the review of the MTFS

Model.

19. The proposed 2016/17 saving is £9.4M, £3.9M of which is a recurrent saving, leaving £5.5M as non-recurrent savings, which by their nature will add to the budget gap in 2017/18.
20. Where possible the intention is to take steps during 2015/16 to implement the savings so that they become fully delivered from 1 April 2016.
21. Approval is now sought to implement all of the savings detailed in Appendix 1.
22. It should be noted that one of the proposals, to utilise capital receipts to repay debt enabling a Minimum Revenue Provision (MRP) holiday, 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.
23. The current MRP Policy was approved at Council on 15 July 2015 as part of the report entitled Review of Prudential Limits and Treasury Management Outturn 2014/15. This policy delegates authority to the Chief Financial Officer to determine the use of capital receipts as well as the most prudent amount of MRP set aside. Following on from this how any shortfall in receipts will be dealt with will form part of this remit and will be reported within the quarterly budget monitoring reports as we progress towards the close of the financial year, with the final position reported in the Councils Revenue Outturn Report

REMAINING BUDGET GAP

24. Table 2 sets the remaining gap should the savings contained within Appendix 1 be recommended to proceed.

TABLE 2 REMAINING BUDGET GAP

	2016/17	2017/18	2018/19	2019/20
	£M	£M	£M	£M
Net Savings Requirement	39.1	60.7	77.7	90.1
Savings as per Appendix 2	(9.4)	(3.9)	(5.9)	(5.9)
Remaining Budget Gap	29.7	56.8	71.8	84.2
Annual Remaining Budget Gap	29.7	27.1	15.0	12.4

26. Further work is ongoing to identify additional savings to close the remaining budget shortfall for 2016/17, and these will be brought forward to Cabinet in November for consideration and agreement to proceed to consultation, with final approval being sought by Cabinet and Council in February 2016. Included within the November report will be an update on the overall financial position and the identification of any remaining budget gap for 2016/17.
27. In addition, an exercise is being undertaken to review all council services against a priorities and outcomes matrix (Outcomes Based Budgeting) to identify those services where further efficiencies and reductions may achieve further savings to address the remaining budget gap

STAFFING IMPLICATIONS

28. It is inevitable that when the Council is faced with such a significant funding shortfall, that the savings proposals put forward by the Council will have an impact on staff cost and staff numbers.
29. Aware of this fact, the Council has continued to have in place a carefully planned approach to recruitment, ensuring that vacant posts have only been recruited to where absolutely necessary.
30. At this stage, based on the savings proposals contained in this report, 4.33 FTE posts are potentially affected of which 1.33 are currently vacant and 3.00 are in post and would be at risk of redundancy.
31. It is anticipated that further proposals that will have an impact on staffing will be brought forward in the November budget report.
32. Through the consultation process the Executive are keen to explore all avenues with the Trade Unions and staff to minimise the level of the proposed potential staffing redundancies. The City Council has an excellent past record of using its redeployment policies to minimise any compulsory redundancies arising out of the budget proposals.

Property/Other:

33. None.

LEGAL IMPLICATIONS:

Statutory power to undertake proposals in the report:

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

Capital/Revenue:

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

Other Legal Implications:

36. Not applicable.

POLICY FRAMEWORK IMPLICATIONS:

37. This report proposes variations to the budget that was approved by Council on 11 February 2015.

KEY DECISION? Yes/No

WARDS/COMMUNITIES AFFECTED:

SUPPORTING DOCUMENTATION

1	Summary of Savings Proposals
2	Summary of Efficiencies, Additional Income and Service Reductions

Documents In Members' Rooms: None

Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact	Yes
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Assessment (IIA) to be carried out.	
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Other Background Documents

Integrated Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)

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