

Public Document Pack

COUNCIL

Wednesday, 16th February,
2011

at 2.00 pm

PLEASE NOTE TIME

Council Chamber, Civic Centre

Members of the Council

The Mayor – Chair

The Sheriff – Vice-chair

Leader of the Council

Members of the Council (See overleaf)

Contacts

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The agenda and papers are available via the Council's Website

WARD	COUNCILLOR	WARD	COUNCILLOR
Bargate	Bogle Mrs Damani Willacy	Millbrook	Furnell Norris Wells
Bassett	Hannides Harris Samuels	Peartree	Drake Jones Slade
Bevois	Barnes-Andrews Burke Rayment	Portswood	Capozzoli Sollitt Vinson
Bitterne	Fuller Letts Stevens	Redbridge	Holmes Marsh-Jenks McEwing
Bitterne Park	Baillie P Williams White	Shirley	Matthews Dean Mead
Coxford	Morrell Thomas Walker	Sholing	Dick Fitzgerald Kolker
Freemantle	Ball Moulton Parnell	Swaythling	Odgers Osmond Turner
Harefield	Daunt Fitzhenry Smith	Woolston	Cunio Payne Dr R Williams

PUBLIC INFORMATION

Role of the Council

The Council comprises all 48 Councillors. The Council normally meets six times a year including the annual meeting, at which the Mayor and the Council Leader are elected and committees and sub-committees are appointed, and the budget meeting, at which the Council Tax is set for the following year.

The Council approves the policy framework, which is a series of plans and strategies recommended by the Executive, which set out the key policies and programmes for the main services provided by the Council.

It receives a summary report of decisions made by the Executive, and reports on specific issues raised by the Overview and Scrutiny Management Committee.

The Council also considers questions and motions submitted by Council Members on matters for which the Council has a responsibility or which affect the City.

Public Involvement

Representations

At the discretion of the Mayor, members of the public may address the Council on any report included on the agenda in which they have a relevant interest.

Petitions

At a meeting of the Council any Member or member of the public may present a petition which is submitted in accordance with the Council's scheme for handling petitions.

Petitions containing more than 1,500 signatures (qualifying) will be debated at a Council meeting. Petitions with less than 1,500 signatories (non-qualifying) shall be presented to the Council meeting and be received without discussion.

Deputations

A deputation of up to three people can apply to address the Council. A deputation may include the presentation of a petition.

Questions

People who live or work in the City may ask questions of the Mayor, Chairs of Committees and Members of the Executive.

Southampton City Council's Six Priorities

- Providing good value, high quality services
- Getting the City working
- Investing in education and training
- Keeping people safe
- Keeping the City clean and green
- Looking after people

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

Mobile Telephones – Please turn off your mobile telephone whilst in the meeting.

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

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

Dates of Meetings

2010	2011
12 May	16 February
14 July	16 March
15 September (SPECIAL)	18 May
15 September	
17 November	

CONDUCT OF MEETING

FUNCTIONS OF THE COUNCIL

The functions of the Council are set out in Article 4 of Part 2 of the Constitution

RULES OF PROCEDURE

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

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 16.

DISCLOSURE OF INTERESTS

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

PERSONAL INTERESTS

A Member must regard himself or herself as having a personal interest in any matter:

- (i) if the matter relates to an interest in the Member's register of interests; or
- (ii) if a decision upon a matter might reasonably be regarded as affecting to a greater extent than other Council Tax payers, ratepayers and inhabitants of the District, the wellbeing or financial position of himself or herself, a relative or a friend or:-
 - (a) any employment or business carried on by such person;
 - (b) any person who employs or has appointed such a person, any firm in which such a person is a partner, or any company of which such a person is a director;
 - (c) any corporate body in which such a person has a beneficial interest in a class of securities exceeding the nominal value of £5,000; or
 - (d) any body listed in Article 14(a) to (e) in which such a person holds a position of general control or management.

A Member must disclose a personal interest.

/continued.....

PREJUDICIAL INTERESTS

Having identified a personal interest, a Member must consider whether a member of the public with knowledge of the relevant facts would reasonably think that the interest was so significant and particular that it could prejudice that Member's judgement of the public interest. If that is the case, the interest must be regarded as "prejudicial" and the Member must disclose the interest and withdraw from the meeting room during discussion on the item.

It should be noted that a prejudicial interest may apply to part or the whole of an item.

Where there are a series of inter-related financial or resource matters, with a limited resource available, under consideration a prejudicial interest in one matter relating to that resource may lead to a member being excluded from considering the other matters relating to that same limited resource.

There are some limited exceptions.

Note: Members are encouraged to seek advice from the Monitoring Officer or his staff in Democratic Services if they have any problems or concerns in relation to the above.

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
- 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.

SOLICITOR TO THE COUNCIL
M R HEATH
Civic Centre, Southampton, SO14 7LY

Tuesday, 8 February 2011

TO: ALL MEMBERS OF THE SOUTHAMPTON CITY COUNCIL

You are hereby summoned to attend a meeting of the COUNCIL to be held on WEDNESDAY, 16TH FEBRUARY, 2011 in the COUNCIL CHAMBER, CIVIC CENTRE at 2.00 pm when the following business is proposed to be transacted:-

1 APOLOGIES

To receive any apologies.

2 ANNOUNCEMENTS FROM THE MAYOR AND LEADER

Matters especially brought forward by the Mayor and the Leader.

3 DEPUTATIONS, PETITIONS AND PUBLIC QUESTIONS

To receive any requests for Deputations, Presentation of Petitions or Public Questions.

4 COUNCIL TAX SETTING AND RELATED MATTERS

a General Fund Capital Programme 2010/11 to 2013/14

Report of the Cabinet Member for Resources and Workforce Planning seeking approval of the updated Capital Programme for 2010/11 to 2013/14, attached.

b General Fund Revenue Budget 2011/12 to 2013/14

Report of the Cabinet Member for Resources and Workforce Planning seeking to set out the latest estimated overall financial position on the General Fund Revenue Budget for 2011/12 to 2013/14 and to outline the main issues that need to be addressed in considering the Cabinet's budget proposals, attached.

5 HOUSING REVENUE ACCOUNT BUDGET REPORT

Report of the Cabinet Member for Housing seeking approval of the Housing Revenue Account budget proposals including:-

(a) the proposed 2011/12 Housing Revenue Account (HRA) revenue estimates for all of the day to day services provided to Council tenants in the City, together with the proposed rent and service charge increases for council tenants from April 2011; and

(b) the HRA capital programme for the period to 2013/14, which will update the programme approved by Council on 15th September 2010.

6 ANNUAL TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL LIMITS 2010/11 TO 2013/14

Report of the Executive Director for Resources (Acting), seeking approval of the Annual Treasury Management Strategy and Prudential Indicators for 2010/11 to 2013/14, as required under the provisions of the Local Government Act 2003, attached.

NOTE: There will be prayers by the Mayor's Chaplain, Monsignor Vincent Harvey, accompanied by Ravi Parmar, from the Hindu faith, in the Mayor's Reception Room at 1.45 pm for Members of the Council and Officers who wish to attend.



M R HEATH
SOLICITOR TO THE COUNCIL

DECISION-MAKER:	CABINET COUNCIL
SUBJECT:	THE GENERAL FUND CAPITAL PROGRAMME 2010/11 TO 2013/14
DATE OF DECISION:	7 FEBRUARY 2011 16 FEBRUARY 2011
REPORT OF:	CABINET MEMBER FOR RESOURCES AND WORKFORCE PLANNING PORTFOLIO
STATEMENT OF CONFIDENTIALITY	
N/A	

BRIEF SUMMARY

The purpose of this report is to inform Council of any major changes in the overall General Fund Capital Programme since it was last reported on 15th September 2010. This report also outlines the way in which the revised programme has been funded, reflecting the changes in availability and usage of capital resources.

The net result of the changes in this report is that the current overall programme has increased by £13.1M.

RECOMMENDATIONS:

CABINET

Recommends that Full Council:

- (i) Approve the revised General Fund Capital Programme (which totals £219.5M as detailed in paragraph 4) and use of resources.
- (ii) Approve the over programming of £9.2M as detailed in paragraph 11 which is within the previously approved tolerances.
- (iii) Add £1.4M to the Leader's capital programme in 2011/12 for the following schemes to be funded by revenue:
 - Major Site Development Posts - £150,000
 - Watermark West Quay - £346,000
 - West Quay Site B Phase 2 - £37,000
 - Royal Pier - £445,000
 - Town Depot - £381,000
 - Former Tyrrell & Green Site - £60,000
 - Fruit & Vegetable Market - £25,000
- (iv) Add £3.8M to the Environment & Transport capital programme in 2011/12 for the following works to be funded by government grants (LTP Settlement):
 - Roads & Other Highways - £1,923,000
 - Integrated Transport - £1,900,000

- (v) Add £2,649,000 to the Environment & Transport capital programme in 2011/12 for roads to be funded by revenue.
- (vi) Add £2,054,000 to the Environment & Transport capital programme in 2011/12 for Roads to be funded by Council Resources (Highways Borrowing).
- (vii) Add £1.0M to the Environment & Transport capital programme for the Itchen Bridge Toll Automation - £150,000 in 2010/11 and £850,000 in 2011/12, to be funded by council resources (unsupported borrowing) £510,000 and contributions £490,000.
- (viii) Add £920,000 to the Environment & Transport capital programme for the following schemes to be funded by revenue:
 - Congestion Relief - £100,000 in 2011/12
 - Pavement Works - £200,000 in 2010/11 and £550,000 in 2011/12
 - St Denys Footway & Lighting - £70,000 in 2010/11
- (ix) Add £800,000 to the Environment & Transport capital programme in 2011/12 for the following schemes to be funded by contributions:
 - Civic Centre Place - £625,000
 - Legible Cities - £175,000
- (x) Add £310,000 to the Adult Social Care & Health capital programme in 2011/12 for the following schemes to be funded by revenue:
 - Care Standards and Health & Safety £260,000
 - Essential Appliances and Equipment £50,000
- (xi) Add an additional £50,000 to the Local Services & Community Safety capital programme for the Daisy Dip scheme to be funded by council resources (Aster House capital receipt).
- (xii) Note that the revised General Fund Capital Programme takes into account the Comprehensive Spending Review (CSR) for 2011/12 and future years.

COUNCIL

It is recommended that Council

- (i) Approve the revised General Fund Capital Programme (which totals £219.5M as detailed in paragraph 4) and use of resources.
- (ii) Approve the over programming of £9.2M as detailed in paragraph 11 which is within the previously approved tolerances.

- (iii) Add £1.4M to the Leader's capital programme in 2011/12 for the following schemes to be funded by revenue:
- Major Site Development Posts - £150,000
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 - Essential Appliances and Equipment £50,000
- (xi) Add an additional £50,000 to the Local Services & Community Safety capital programme for the Daisy Dip scheme to be funded by Council Resources (Aster House capital receipt).

- (xii) Note that the revised General Fund Capital Programme takes into account the Comprehensive Spending Review (CSR) for 2011/12 and future years.

REASONS FOR REPORT RECOMMENDATIONS

1. The update of the Capital Programme is undertaken twice a year in accordance with Council Policy and 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.

DETAIL (Including consultation carried out)

CONSULTATION

3. The General Fund Capital Programme update summarises additions to the capital programme since September 2010. Each addition to the capital programme has been subject to the relevant consultation process which now reflects the key role played by Capital Boards and the developing use of the Councils project management system Sharepoint. The content of this report has been subject to consultation with Finance Officers from each portfolio.

THE FORWARD CAPITAL PROGRAMME

4. The following table shows a comparison of the total planned expenditure for each year with the sums previously approved. The Latest Programme figures include additions to the programme which are subject to approval of the specific recommendations.

	2010/11	2011/12	2012/13	2013/14	Later Years	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Latest Programme	99,174	82,330	17,157	4,950	15,853	219,464
Sep 2010 Programme	118,956	53,682	21,530	0	12,173	206,341
Variance	(19,782)	28,648	(4,373)	4,950	3,680	13,123

5. The above table shows that the General Fund Capital Programme has increased by £13.1M. With the exception of changes requiring approval detailed in this report's recommendations, all of the increase has been previously approved by Council, Cabinet or under delegated authority. Details of each portfolio's programme are shown in Appendix 1.

The change in individual portfolios' capital programmes is shown in the following table and a summary of the major variations, together with the source of funding and the priorities to which they contribute, is detailed in Appendix 2:

	Latest Programme £000's	Previous Programme £000's	Total Change £000's
Children's Services & Learning	57,538	56,329	1,209
Leader's (Economic Development.)	11,391	10,367	1,024
Environment & Transport	42,770	31,148	11,622
Adult Social Care & Health	4,161	3,773	388
Housing	10,241	11,284	(1,043)
Local Services & Community Safety	2,345	2,271	74
Leisure, Culture & Heritage	40,596	40,747	(151)
Resources & Workforce Planning	50,422	50,422	0
Total GF Capital Programme	219,464	206,341	13,123

CAPITAL RESOURCES

6. The resources which can be used to fund the capital programme are as follows:
- Supported Borrowing
 - Unsupported Borrowing
 - Capital Receipts from the sale of HRA assets
 - Capital Receipts from the sale of General Fund assets
 - Contributions from third parties
 - Central Government Grants
 - Grants from other bodies
 - Direct Revenue Financing (DRF) raised from Council Tax payers or balances
7. Capital Receipts from the sale of Right to Buy (RTB) properties are passed to the General Fund capital programme to support the Housing Association schemes within the Housing Portfolio.

CHANGES IN AVAILABLE RESOURCES

8. The additional spending within the Capital programme must be met from additional sources of finance. The following table shows the resource changes that have taken place since September 2010:

	£000's
Supported Borrowing	(6)
Unsupported Borrowing	2,133
Capital Receipts	1,512
Contributions	165
Capital Grants	4,986
Car Parking Surplus	0
DRF from Balances	777
Contribution from Revenue	2,354
Direct Revenue Financing from Portfolios	1,984
Total Change in Available Resources	13,905

9. The main reasons for the resource changes are detailed in Appendix 3. It should be noted that the programme takes into account the outcome of the Comprehensive Spending Review for 2011/12 and future years. This affects areas such as the roads programme within the Environment & Transport capital programme which is heavily reliant on grant funding from government each year.

OVERALL USE OF RESOURCES

10. The following table shows capital expenditure by portfolio and the use of resources to finance the General Fund Capital Programme:

	2010/11	2011/12	2012/13	2013/14	Later Years	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Children's Services & Learning	23,394	29,224	4,316	430	174	57,538
Leader's	6,933	3,473	0	0	985	11,391
Environment & Transport	21,430	19,612	1,516	212	0	42,770
Adult Social Care & Health	1,148	2,363	650	0	0	4,161
Housing	4,691	3,675	1,563	22	290	10,241
Local Services & Community Safety	1,462	722	161	0	0	2,345
Leisure, Culture & Heritage	7,946	13,037	1,688	3,521	14,404	40,596
Resources & Workforce Planning	32,170	10,224	7,263	765	0	50,422
Total GF Capital Programme	99,174	82,330	17,157	4,950	15,853	219,464

	2010/11	2011/12	2012/13	2013/14	Later Years	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Supported Borrowing	6,840	0	0	0	0	6,840
Unsupported Borrowing	40,988	9,454	4,196	1,058	1,058	56,753
Capital Receipts	6,272	10,876	5,004	5,719	15,430	43,301
Contributions	5,842	6,452	766	470	1,920	15,450
Capital Grants	26,513	36,998	4,481	2,010	5,674	75,676
Car Parking Surplus	85	200	0	0	0	285
Contributions from Rev	2,354	0	0	0	0	2,354
DRF from Balances	1,264	1,194	0	0	0	2,458
DRF from Portfolios	2,763	4,252	133	0	0	7,148
Total Financing	92,921	69,426	14,580	9,257	24,082	210,265
Surplus / (Deficit)	(6,253)	(12,904)	(2,577)	4,307	8,229	(9,199)

11. The table above shows that following the latest update of the capital programme there is deficit of £9.2M due largely to the loss of capital receipts. This is compared to the £10.5M deficit reported in September 2010. The deficit has reduced largely due to additional future capital receipts. At this stage rather than make large scale changes to the existing programme, it is recommended that the Council continue to “over-programme’ on the basis that in future years the position should improve. The deficit represents 4.2% of the overall capital programme which is within the limit of 5% set in the Medium Term Financial Strategy and approved on the 13th May 2009.
12. The table also shows that there is deficit funding in the early years of the programme and the biggest individual deficit is £12.9M in 2011/12. However, analysis of previous programmes has shown that there has been on average a minimum level of slippage of £15M per annum and therefore based on the current profile of the programme it is anticipated that the over programming can be contained.
13. It is therefore proposed at this stage to manage the deficit in individual years through slippage in the programme, which will be monitored carefully throughout the year, although delegated powers do exist to prudentially borrow in the event of a deficit in any particular year. The overall deficit of £9.2M in the programme will be met from new resources that will become available in future years or by the use of prudential borrowing, the costs of which will have to be built into future budget forecasts.
14. Given the deficit in the programme and the lack of available capital resources over the past three years, additions to the programme are only considered in very exceptional circumstances. The proposed capital programme in this report contains nine items for approval which are detailed below.
15. A large element relates to major site development in the City which represents the continuation of schemes which have already begun, but are only being funded on a year by year basis subject to available resources and the status of the sites themselves. The progression of these sites is seen as one of the key priorities of the Council since each one will bring new investment, new development and new jobs to the City.
16. The addition of the works to the Environment & Transport programme totalling £920,000 are partly to replace monies lost as part of the LTP settlement but also to take the opportunity to use new technologies to undertake significant footpath improvement works across the City which will bring environmental and health benefits to many areas that desperately need it. The other additions totalling just over £10.3M reflect the addition of the financial year 2011/12 to the programme, largely as a result of the LTP settlement.
17. The additions in Adult Social Care and Health reflect the annual ongoing programme of improvements to Council owned care facilities and the replacement of equipment, both of which are essential if the facilities are to remain open in an acceptable condition.
18. The £50,000 for Daisy Dip represents a commitment made by the Council following the successful bid as part of the people’s millions. More details of the additions are shown below.

19. Add £1.4M to the Leader's capital programme in 2011/12 for the following schemes to be funded by revenue:

- Major Site Development Posts - £150,000
- Watermark West Quay - £346,000
- West Quay Site B Phase 2 - £37,000
- Royal Pier - £445,000
- Town Depot - £381,000
- Former Tyrrell & Green Site - £60,000
- Fruit & Vegetable Market - £25,000

Add £3.8M to the Environment & Transport capital programme in 2011/12 for the following works to be funded by Government Grants (LTP Settlement).

- Roads - £1,923,000
- Integrated Transport - £1,900,000

Add £2,649,000 to the Environment & Transport capital programme in 2011/12 for Roads to be funded by revenue.

Add £2,054,000 to the Environment & Transport capital programme in 2011/12 for Roads to be funded by Council Resources (Highways Borrowing).

Add £1.0M to the Environment & Transport capital programme for the Itchen Bridge Toll Automation - £150,000 in 2010/11 and £850,000 in 2011/12, to be funded by Council Resources (unsupported borrowing) £510,000 and contributions £490,000.

Add £920,000 to the Environment & Transport capital programme for the following schemes to be funded by revenue:

- Congestion Relief - £100,000 in 2011/12
- Pavement Works - £200,000 in 2010/11 and £550,000 in 2011/12
- St Denys Footway & Lighting - £70,000 in 2010/11

Add £800,000 to the Environment & Transport capital programme in 2011/12 for the following schemes to be funded by contributions:

- Civic Centre Place - £625,000
- Legible Cities - £175,000

Add £310,000 to the Adult Social Care & Health capital programme in 2011/12 for the following schemes to be funded by revenue:

- Care Standards and Health & Safety £260,000
- Essential Appliances and Equipment £50,000

Add £50,000 to the Local Services & Community Safety capital programme for the Daisy Dip scheme to be funded by Council Resources (Aster House capital receipt).

CHANGES TO THE PROGRAMME

21. A number of changes to the overall programme have been approved at Capital Boards and via separate reports.
22. A recommendation to approve the addition of £310,000 to the Adult Social Care & Health portfolio is included within this report. This additional expenditure is for further essential health and safety work and equipment replacement at care homes and is funded from revenue balances. There is an ongoing need to provide equipment and undertake essential works to the City's care homes now that Government borrowing approvals have ceased to ensure minimum standards are maintained.
23. A recommendation to approve the addition of £920,000 to the Environment & Transport Portfolio for congestion relief works and pavement works is included within this report. The updating of traffic signal control and communication equipment is to optimise junction efficiency on key corridors, incorporating public transport journey benefits. Additional investment in footways across the City is in response to public demand, to improve their condition, assist less mobile pedestrians and improve safety.
24. A series of recommendations to approve the addition of £10.3M to the Environment & Transport portfolio to reflect the addition of the financial year 2011/12 to the capital programme for Highways, Integrated Transport and Itchen Bridge Toll Automation works are also included. The Council is continuing to invest £6M each year in highways infrastructure to help offset the deterioration of the City's roads. In 2011/12 this will be funded by £1.3M from the Local Transport Plan settlement (government grants), £2.6M from DRF and £2.1M from unsupported borrowing. In addition, there will be a one-off investment of £750,000 in pavement works funded from revenue.
25. A recommendation to approve the addition of £1.4M to the Leader's portfolio for a number of schemes is included within this report. This additional expenditure is for programme management and scheme progression for major projects is funded by revenue. This is a continuation of previous funding that has been allocated to progress these key sites in the City but due to restrictions on capital funding provision is only being made one forward year at a time.
26. A recommendation to approve the addition of a further £50,000 to the Local Services & Community Safety portfolio for the Daisy dip scheme is included within this report. This represents match funding of the People's Millions 50,000 award for a multi-use games area at Daisy Dip.

NEW SPENDING PRIORITIES PUT FORWARD BY CABINET

27. Due to the current over-programming and lack of additional funding, no new initiatives, other than those outlined above as consistent with previous policy decisions are being proposed.

RESOURCE IMPLICATIONS

Capital

28. As set out in the report details.

Revenue

29. This report principally deals with capital. However, the revenue implications arising from borrowing to support the capital programme are considered as part of the annual revenue budget setting meetings. In addition any revenue consequences arising from new capital schemes are considered as part of the approval process for each individual scheme.

Property

30. 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

31. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

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

Other Legal Implications:

33. None directly, but in preparing this report, the Council has had regard to the Human Rights Act 1998, and the Race Relations (Amendment) Act 2001 and other associated legislation.

POLICY FRAMEWORK IMPLICATIONS

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

AUTHOR:	Name:	Andrew Lowe	Tel:	023 8083 2049
	E-mail:	Andrew Lowe @southampton.gov.uk		

KEY DECISION? Yes/No YES

WARDS/COMMUNITIES AFFECTED:	ALL
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SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	General Fund Capital Programme – Scheme Details
2.	Major Variations since September 2010 Capital Update
3.	Major Reasons for Changes in Capital Resources

Documents In Members' Rooms

1.	None
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Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	Yes/No
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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)
1. The General Fund Capital Programme 2009/10 to 2012/13 as approved by Council on the 15 th September 2010.	

ADULT SOCIAL CARE & HEALTH CAPITAL

Scheme No.	Description	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Total	Project Manager
		2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	Later Yrs £000	£000	£000	
Approved Schemes									
R9215	Modernisation Southampton Day Services - Phase 2	243	100	0	0	0	0	343	Harris, Susan
R9265	SDS Modernisation Woolston Comm Centre	100	350	650	0	0	0	1,100	Harris, Susan
R9310	Mental Health Scheme (R9310)	276	0	0	0	0	0	276	Binns, Carole
R9330	National Care Standards and H&S Work	100	424	0	0	0	0	524	Chan, Linda
R9340	Replacement of Appliances and Equipment	77	120	0	0	0	0	197	Chan, Linda
R9360	Blue Badge - Southampton Centre for Excellence	18	0	0	0	0	0	18	Yasin, Saqib
R9500	IT Infrastructure Grant	9	63	0	0	0	0	72	Chubb, Andrea
R9700	Common Assessment Framework	170	1,306	0	0	0	0	1,476	Yasin, Saqib
		993	2,363	650	0	0	0	4,006	
Unapproved Schemes									
R9710	SCRG Capital - Transforming Adult Social Care	155	0	0	0	0	0	155	Chubb, Andrea
		155	0	0	0	0	0	155	
Total Programme		1,148	2,363	650	0	0	0	4,161	

CHILDREN'S SERVICES & LEARNING CAPITAL

Scheme No.	Description	Estimate	Estimate	Estimate	Estimate	Estimate	Total
		2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	Later Yrs £000	
Approved Schemes							
E0ACA	Academies.	5,499	11,423	361	0	0	17,283
E0BPS	Bitterne Park 6th Form Parent	1,768	3,117	74	0	0	4,959
E0CC3	Children's Centres Phase 3	4,030	71	0	0	0	4,101
E0CCC	Childrens Centre Capital Projects	313	42	0	0	0	355
E0CSL	CS & L General Other	285	0	0	0	0	285
E0DIP	14-19 Diplomas, SEN and Disability	0	5,147	0	0	0	5,147
E0ICT	ICT	528	268	0	0	0	796
E0KIT	School Kitchens	424	0	0	0	0	424
E0NDS	New Deals for Schools	1,670	238	0	0	0	1,908
E0OLD	Completed Schemes	-61	0	0	0	0	-61
E0PLA	Play Areas.	481	419	0	0	0	900
E0PR2	Primary Review Phase 2.	690	0	0	0	0	690
E0PRH	Primary Rebuild - Harefield	2,000	1,060	149	0	0	3,209
E0PRI	Primary School Rebuild Projects	378	20	0	0	0	398
E0PRN	Primary Rebuild - Newlands	475	3,725	2,700	343	0	7,243
E0PRR	Primary Rebuild - Redbridge	474	0	0	0	0	474
E0PRW	Primary Review.	1,871	2,992	888	87	174	6,012
E0SAF	Safeguarding	298	132	0	0	0	430
E0SCA	Schools Access Initiative (E0SCA)	160	0	0	0	0	160
E0SCN	Secondary Schools Review	372	100	144	0	0	616
E0SEN	Special Education Needs Review	1,594	60	0	0	0	1,654
E0YPS	Young People & Skills	75	1	0	0	0	76
		23,324	28,815	4,316	430	174	57,059
Unapproved Schemes							
E0YPS	Young People & Skills	70	409	0	0	0	479
		70	409	0	0	0	479
	Total Programme	23,394	29,224	4,316	430	174	57,538

ENVIRONMENT & TRANSPORT CAPITAL

Scheme No.	Description	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Total	Project Manager
		2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2013/14 £000	Later Yrs £000	£000	
Approved Schemes									
<u>Accessibility</u>									
C7171	Accessibility	420	325	0	0	0	0	745	Balfour Beatty
<u>Active Travel</u>									
C7121	Walking	259	230	0	0	0	0	489	Balfour Beatty
C712W	Walking - Bedford Place	502	0	0	0	0	0	502	Balfour Beatty
C7131	Cycling	852	191	0	0	0	0	1,043	Bostock, Dale
<u>Bridges</u>									
C6120	Chantry Road Footbridge	491	0	0	0	0	0	491	Harvey, John
C7900	Itchen Bridge C7900	1,061	139	0	0	0	0	1,200	Harvey, John
C7911	Bridges	356	448	0	0	0	0	804	Harvey, John
<u>Environment & Sustainability</u>									
C2050	Carbon Emissions Inventory	34	4	0	0	0	0	38	Krzanowski, Helen
C2400	PDG Capital	204	65	0	0	0	0	269	Nichols, Paul
C2410	Mobile Working	15	35	0	0	0	0	50	Ferris, Neil
C2520	Salix Energy Efficiency Measures	213	0	0	0	0	0	213	Taylor, Jason
<u>General Environment</u>									
C2540	Gantry Development - Energy Infrastructure	393	0	0	0	0	0	393	Sidle, Christopher
C2600	Mansel and Green Park Improvements	1	0	0	0	0	0	1	Friedman, Danielle
C2680	Essential Works to Kennels	55	0	0	0	0	0	55	Wilson, Norman
C2690	Relocation of Town Depot	6,189	4,543	118	0	0	0	10,850	Cooper, Malcolm
C2740	Crematorium Major Works	129	1,050	1,398	212	0	0	2,789	Wells, Philip
	Vehicle Purchase	738	0	0	0	0	0	738	
<u>Highways/Other</u>									
C3910	Traffic Signals Upgrade	200	200	0	0	0	0	400	Wylie, Martin
C7191	LTP - Other Highways	20	50	0	0	0	0	70	Balfour Beatty
C719C	City Centre Studies	1	0	0	0	0	0	1	Balfour Beatty
C7241	DNU Monitoring	109	0	0	0	0	0	109	Walker, Paul
C7971	UKPMS	102	0	0	0	0	0	102	Balfour Beatty
C8200	Highways Drainage (C8200)	58	40	0	0	0	0	98	Balfour Beatty

ENVIRONMENT & TRANSPORT CAPITAL

Scheme No.	Description	Estimate 2010/11 £000	Estimate 2011/12 £000	Estimate 2012/13 £000	Estimate 2013/14 £000	Estimate Later Yrs £000	Total £000	Project Manager
<u>Improved Safety</u>								
C7151	Improved Safety	253	263	0	0	0	516	Balfour Beatty
<u>Network Management</u>								
C7181	ITS	100	0	0	0	0	100	Burns, Nicholas
<u>Parking</u>								
C9471	MSCP 10 Year Maint. Programme	639	322	0	0	0	961	Sahota, Jaswinder
<u>Public Realm</u>								
C7360	Local and District Centres Improvements	187	90	0	0	0	277	Balfour Beatty
C8900	City Centre Improvements	200	725	0	0	0	925	Balfour Beatty
<u>Public Transport</u>								
C6190	Smartcards (Migration to ITSO Standards)	3	0	0	0	0	3	Bell, Simon
C7141	Public Transport	1,102	735	0	0	0	1,837	Baxter, Francis
<u>Roads</u>								
C6124	Dockgate 20	4	0	0	0	0	4	Balfour Beatty
C7921	Various Principal	916	218	0	0	0	1,134	Balfour Beatty
C792J	Structural Repairs C792J	381	0	0	0	0	381	Balfour Beatty
C795E	Portsmouth Rd	229	0	0	0	0	229	Armstrong, David
C8000	Classified Roads	843	121	0	0	0	964	Balfour Beatty
C8100	Unclassified Roads	898	141	0	0	0	1,039	Balfour Beatty
C9000	Advance Design fees	35	0	0	0	0	35	Balfour Beatty
C9120	Highways Improvements (Developer)	911	0	0	0	0	911	Balfour Beatty
C9131	Surface Treatments C9131	1,054	0	0	0	0	1,054	Balfour Beatty
<u>Street Furniture</u>								
C8800	St Furniture	161	165	0	0	0	326	Balfour Beatty
<u>Travel Planning</u>								
C7161	Travel to School	201	161	0	0	0	362	Bagshaw, Carol
		20,519	10,261	1,516	212	0	32,508	

ENVIRONMENT & TRANSPORT CAPITAL

Scheme No.	Description	Estimate 2010/11 £000	Estimate 2011/12 £000	Estimate 2012/13 £000	Estimate 2013/14 £000	Estimate Later Yrs £000	Total £000	Project Manager
Unapproved Schemes								
<u>Active Travel</u>								
C7131	Cycling	0	75	0	0	0	75	Bostock, Dale
<u>Environment & Sustainability</u>								
C2560	Carbon Reduction Measures	0	75	0	0	0	75	Taylor, Jason
<u>General Environment</u>								
C2730	Itchen Bridge Toll Automation Project	150	850	0	0	0	1,000	Johnson, Nicholas
<u>Highways Other</u>								
C8200	Highways Drainage (C8200)	100	46	0	0	0	146	Balfour Beatty
<u>Network Management</u>								
C7181	ITS	0	547	0	0	0	547	Burns, Nicholas
<u>Public Realm</u>								
C8900	City Centre Improvements	0	800	0	0	0	800	Balfour Beatty
<u>Public Transport</u>								
C7141	Public Transport	0	100	0	0	0	100	Baxter, Francis
<u>Roads</u>								
C7921	Various Principal	0	2,400	0	0	0	2,400	Balfour Beatty
C8000	Classified Roads	95	1,320	0	0	0	1,415	Balfour Beatty
C8100	Unclassified Roads	347	2,830	0	0	0	3,177	Balfour Beatty
C9200	Highways Maintenance Risk Fund C9200	204	208	0	0	0	412	Armstrong, David
<u>Street Furniture</u>								
C8800	St Furniture	15	0	0	0	0	15	Balfour Beatty
<u>Travel Planning</u>								
C7161	Travel to School	0	100	0	0	0	100	Bagshaw, Carol
		911	9,351	0	0	0	10,262	
Total Programme		21,430	19,612	1,516	212	0	42,770	

HOUSING GENERAL FUND CAPITAL

Scheme No.	Description	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Total	Project Manager
		2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	Later Yrs £000	£000		
Approved Schemes									
G0400	Places of Change	29	0	0	0	0	0	29	Stanley, Sherree
G4070	Disabled Facilities Grant Approved in 2009/10	403	0	0	0	0	0	403	Juan, Paul
G4080	Disabled Facilities Grants Computer Systems	11	0	0	0	0	0	11	Juan, Paul
G4090	Disabled Facilities Grants Approved in 2010/11	1,178	634	0	0	0	0	1,812	Juan, Paul
G4100	Warm Home Grants Approved in 2010/11	40	0	0	0	0	0	40	Juan, Paul
G4110	Home Improvement Loans Approved in 2010/11	1,464	349	0	0	0	0	1,813	Juan, Paul
G4120	Technical Salaries 2010/11	329	50	0	0	0	0	379	Juan, Paul
G4130	Home Improvement Agency 2010/11	75	0	0	0	0	0	75	Juan, Paul
G4140	Disabled Facilities Grant Support Costs 2010/11 (G4140)	163	0	0	0	0	0	163	Juan, Paul
G4200	Accessible Homes Loans Approved in 2010/11	93	40	0	0	0	0	133	Juan, Paul
G4250	PUSH Marketing - PSRG - 2010/11	40	0	0	0	0	0	40	Juan, Paul
G4270	Insulation for private Sector Landlords	167	0	0	0	0	0	167	Juan, Paul
G4490	Insulation Grants Approved in 2009/10	50	0	0	0	0	0	50	Juan, Paul
G6500	Enabling Salaries 2010/11	49	0	0	0	0	0	49	Stanley, Sherree
G6530	Family Housing Exemplar Scheme	600	0	0	0	0	0	600	Stanley, Sherree
		4,691	1,073	0	0	0	0	5,764	
Unapproved Schemes									
G4310	Private Sector Housing: Future Years Funding	0	500	0	0	0	0	500	Juan, Paul
G4330	Home Improvement Agency 2011/12	0	22	22	22	0	0	66	Juan, Paul
G4410	Disabled Facilities Grants – Future Years	0	1,186	182	0	0	0	1,368	Juan, Paul
G4420	Technical Salaries - 2011/12	0	130	0	0	0	0	130	Juan, Paul
G4430	Computer Systems - 2011/12	0	37	0	0	0	0	37	Juan, Paul
G4590	Disabled Facilities 2012/13	0	0	1,192	0	290	0	1,482	Juan, Paul
G4600	Technical Salaries 2012/13	0	0	130	0	0	0	130	Juan, Paul
G4610	Disabled Facilities Grants Support Costs – Future Years	0	0	37	0	0	0	37	Juan, Paul
G6430	Estate Regeneration	0	676	0	0	0	0	676	Stanley, Sherree
G6520	Enabling Salaries 2011/12	0	51	0	0	0	0	51	Stanley, Sherree
		0	2,602	1,563	22	290	0	4,477	
Total Programme		4,691	3,675	1,563	22	290	0	10,241	

LEADER'S PORTFOLIO CAPITAL

Scheme No.	Description	Estimate	Estimate	Estimate	Estimate	Estimate	Total	Project Manager
		2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	Later Yrs £000	£000	
Approved Schemes								
C2150	Mayflower Park.	26	0	0	0	0	26	Richardson, Adrian
C6200	QE2 Mile Programme	1,069	90	0	0	985	2,144	Evans, Mark
J7740	Eastpoint Surrender	2,624	124	0	0	0	2,748	Carr, Robert
J7890	Regeneration Areas CPO Fund	0	19	0	0	0	19	Jones, Susan
J7895	District Shopping Centre	0	10	0	0	0	10	Connelly, John
M9310	Strategic Purchase of Sites	10	1,013	0	0	0	1,023	Kitson, David
M9370	Town Depot	53	530	0	0	0	583	Meredith, Emma
M9390	Royal Pier	134	576	0	0	0	710	Meredith, Emma
M9420	West Quay Phase 3 WWQ	36	551	0	0	0	587	Couch, Wendy
M9430	Northern Above Bar Fees - T&G Marketing Fees	60	60	0	0	0	120	Sheeran, Gillian
M9460	Gantry Site	6	5	0	0	0	11	Evans, Mark
M9470	College Street	10	41	0	0	0	51	Dobson, Alastair
M9500	Northern Above Bar - Guildhall Square	2,152	150	0	0	0	2,302	Evans, Mark
M9820	Major Site Development Staff Posts	153	150	0	0	0	303	Couch, Wendy
M9830	Feasibility - Major Site Devlpmnt	28	129	0	0	0	157	Couch, Wendy
M9840	Northern Above Bar - RBC Disposal/DA Fees	33	0	0	0	0	33	Sheeran, Gillian
M9850	Lower High Street	34	0	0	0	0	34	Meredith, Emma
M9870	Northern Above Bar - Tyrrell & Green Building Demolition	505	0	0	0	0	505	Sheeran, Gillian
		6,933	3,448	0	0	985	11,366	
Unapproved Schemes								
M9480	Fruit & Veg (Disposal)	0	25	0	0	0	25	Dobson, Alastair
		0	25	0	0	0	25	
Total Programme		6,933	3,473	0	0	985	11,391	

LEISURE, CULTURE & HERITAGE CAPITAL

Scheme No.	Description	Estimate	Estimate	Estimate	Estimate	Estimate	Total	Project Manager
		2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	Later Yrs £000	£000	
Approved Schemes								
L1440	Tudor House Museum Phase 1	0	13	0	0	0	0	13 Matthews, Daniel
L1480	Conduit Head Monument	5	0	0	0	0	0	5 Russel, Andrew
L674B	Riverside Football Pitch Drainage/Tennis Courts	2	0	0	0	0	0	2 Ludden, Jayne
L674C	Sports Centre - Cyclo Cross	2	0	0	0	0	0	2 Ludden, Jayne
L674E	Sports Centre Athletics Track	174	0	0	0	0	0	174 Ludden, Jayne
L674F	Sports Centre Synthetic Pitches	32	0	0	0	0	0	32 Ludden, Jayne
L8100	Art in Public Places – Halation Decommission	8	0	0	0	0	0	8 Smith, Elizabeth
L8200	Southampton New Arts Centre (SNAC)	533	467	1,088	3,423	14,404	19,915	Low, Jill
L8260	Tudor House Museum Phase 2 Implementation	3,240	1,243	0	0	0	4,483	Lowe, Jason
L8280	Sea City Museum (I8280)	3,808	10,766	600	98	0	15,272	Dyer-Slade, Tina
L8300	Quays Leisure Centre Gym Extension	-5	0	0	0	0	-5	Ludden, Jayne
L8310	Libraries RFID	28	0	0	0	0	28	Whale, Elizabeth
L8320	Gods House Tower Reception	14	0	0	0	0	14	Shepherd, Lisa
L8330	Swimming Pool Improvements	65	0	0	0	0	65	Ludden, Jayne
		7,906	12,489	1,688	3,521	14,404	40,008	
Unapproved Schemes								
L1530	Solent Sky Repairs	3	316	0	0	0	0	319 Shepherd, Lisa
L810U	Art in Public Places – Millbrook and Weston	9	65	0	0	0	0	74 Smith, Elizabeth
L8130	Centoph Memorial Wall	20	117	0	0	0	0	137 Smith, Elizabeth
L8230	Potential TIC Relocation	0	50	0	0	0	0	50 Harris, Michael
L8270	Old Town Heritage	8	0	0	0	0	0	8 Shepherd, Lisa
		40	548	0	0	0	0	588
Total Programme		7,946	13,037	1,688	3,521	14,404	40,596	

LOCAL SERVICES & COMMUNITY SAFETY CAPITAL

Scheme No.	Description	Estimate					Total £000	Project Manager
		2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	Estimate Later Yrs £000		
Approved Schemes								
J4240	Queens Park	5	60	0	0	0	65	Yeats, Nicholas
J4250	Rollsbrook Improvements Yrs 2009-11	9	0	0	0	0	9	Brown, Clifford
J426H	Peartree Green	4	0	0	0	0	4	Yeats, Nicholas
J426K	Shoreburs Honeypt Improvements Yr 2009-10	7	0	0	0	0	7	Yeats, Nicholas
J426L	Southampton Common	14	0	0	0	0	14	Yeats, Nicholas
J427E	Monks Brook Access Improvements Yrs 2008-11	3	0	0	0	0	3	Brown, Clifford
J427F	Central Parks Interpretation Signage Yr 2009-10	8	0	0	0	0	8	Yeats, Nicholas
J427H	Freemantle Lake Park Improvements Yr 2009-11	5	12	0	0	0	17	Yeats, Nicholas
J4280	Weston Shore Green Flag Improvements Yr 2009 - 13	3	0	0	0	0	3	Yeats, Nicholas
J4290	Donkey Common Biodiversity Improvements	4	0	0	0	0	4	Brown, Clifford
J4310	Deep Dene Improvements	12	0	0	0	0	12	Yeats, Nicholas
J4320	Portwood Rec Improvements - Phase 3	33	0	0	0	0	33	Brown, Clifford
J4330	Weston Shore Green Flag Improvements Yr 2010/11	2	0	0	0	0	2	Brown, Clifford
J4340	Hinkler Green Green Flag Improvements Yr 2010/11	4	0	0	0	0	4	Brown, Clifford
J4350	Mansel Park Green Flag Improvements Yr 2010/11	2	0	0	0	0	2	Brown, Clifford
J4360	Central Parks Green Flag Improvements Yr 2010/11	14	30	0	0	0	44	Brown, Clifford
J4370	Park Code for Green Space (Dog Control)	30	0	0	0	0	30	Yeats, Nicholas
J7580	Mosque Trust	30	0	0	0	0	30	Shahani, Vanessa
J7830	Community Safety Projects.	10	0	0	0	0	10	Pothecary, George
J7980	CCTV Digitalisation	31	0	0	0	0	31	Pothecary, George
J8100	Mobile Working for P & C Frontline	0	30	0	0	0	30	Horton, John
J8120	Improvements to Lordshill Community Facilities	5	0	0	0	0	5	Jones, Dawn
J814B	St James Park - Implementation	925	375	61	0	0	1,361	Saward, Helen
J815B	Infrastructure Improvements	1	0	0	0	0	1	Saward, Helen
J816A	Design & Consultancy	67	0	0	0	0	67	Howard, Paul
J816B	External Works	88	0	0	0	0	88	Howard, Paul
J816C	Consultation & Publicity	6	0	0	0	0	6	Howard, Paul
J816E	Project Management (J816E)	15	0	0	0	0	15	Howard, Paul
J8180	Preventing Illegal Access to Green Space (J8180)	22	0	0	0	0	22	Yeats, Nicholas
J8190	Daisy Dip Improvements	18	110	0	0	0	128	Yeats, Nicholas
J8200	Redbridge Wharf	0	10	0	0	0	10	Horton, John
J8220	Frogs Copse	9	0	0	0	0	9	Yeats, Nicholas
J8230	Freemantle Common Minor Improvements Yr 2009-11	7	0	0	0	0	7	Yeats, Nicholas
J8240	Parks Safety Improvements Yrs 2009-11	14	0	0	0	0	14	Horton, John
J8250	Bitterne Manor/Clausentum Wood Improvements Yrs 2010-13	30	20	0	0	0	50	Yeats, Nicholas

LOCAL SERVICES & COMMUNITY SAFETY CAPITAL

Scheme No.	Description	Estimate	Estimate	Estimate	Estimate	Estimate	Total	Project Manager
		2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	Later Yrs £000	£000	
		1,437	647	61	0	0	2,145	
Unapproved Schemes								
J8260	Neighbourhood Development - Open Spaces	25	75	100	0	0	200	Yeats, Nicholas
		25	75	100	0	0	200	
Total Programme		1,462	722	161	0	0	2,345	

RESOURCES & WORKFORCE PLANNING CAPITAL

Scheme No.	Description	Estimate	Estimate	Estimate	Estimate	Estimate	Total	Project Manager
		2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	Later Yrs £000	£000	
Approved / Unapproved Schemes								
P6850	R & M backlog New Capital 2 million	573	0	1,633	0	0	2,206	Hodge, Richard
		573	0	1,633	0	0	2,206	
Approved Schemes								
M9640	Connection to Utilicom District Cooling System	13	0	0	0	0	13	Hodge, Richard
M9710	Accommodation Strategy Action Programme (ASAP)	5,058	6,685	5,630	765	0	18,138	Edmondson, Claire
P5020	Art Gallery - Roof Repairs and AHU Replacement	225	1,711	0	0	0	1,936	Hodge, Richard
P5040	Purchase of the Regional Business Centre	26,021	0	0	0	0	26,021	Fox, Annabel
P6230	Installation of New Cooling System (Computer Suite)	278	0	0	0	0	278	Allan, Mark
P6830	Property Review	0	12	0	0	0	12	Fox, Annabel
P8000	183 High Street (Bargate Property Swops)	0	1,768	0	0	0	1,768	Maddox-Hinton, Dee
		31,595	10,176	5,630	765	0	48,166	
Unapproved Schemes								
P5030	Marlands House - Floor 7, Cooling Replacement	2	48	0	0	0	50	Hodge, Richard
		2	48	0	0	0	50	
		32,170	10,224	7,263	765	0	50,422	

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MAJOR VARIATIONS SINCE THE SEPTEMBER 2010 CAPITAL UPDATE

PORTFOLIO	SCHEME	£000's	SOURCE of FUNDING	COUNCIL PRIORITY
	Increases to the Programme			
E&T	City Centre Improvements	1,525	Contr/GG	Getting the City Working
E&T	Classified Roads	1,320	CR/GG/Rev	Getting the City Working
E&T	Unclassified Roads	3,154	CR/Contr/GG/Rev	Getting the City Working
E&T	Principal Roads	2,400	CR/GG/Rev	Getting the City Working
E&T	Itchen Bridge Toll Automation	1,000	CR/Contr	Providing Good Value, High Quality Services
E&T	Purchase of Vehicles (instead of leasing)	738	CR	Providing Good Value, High Quality Services
LEAD	Various Additions (see report recommendations)	1,444	Various	Getting the City Working
CSL	Primary Review Phase 2	691	GG	Investing in Education and Training
Various	Various Other Adjustments	1,894	Various	Various
		14,166		
	Decreases to the Programme			
HOU	Various Other Schemes (Housing)	(1,043)	Contr	Various
		(1,043)		
	Total	13,123		
KEY:				
Portfolio				
CSL	Children's Services & Learning			
E&T	Environment & Transport			
LEAD	Leader's (formerly Economic Development)			
HOU	Housing General Fund			
Funding Source				
CR	Corporate Resources			
GG	Government Grants			
Contr	Contributions			
Rev	Revenue			

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MAJOR CHANGES IN CAPITAL RESOURCES SINCE SEPTEMBER 2010 UPDATE

The main reasons for the resource changes are:

- **Unsupported Borrowing - £2.1M increase**
 - £2.1M Highways
 - £0.7M Vehicles (purchase rather than lease)
 - £0.5M Itchen Bridge Toll Automation
 - (£1.2M) borrowing review reduction

- **Capital Receipts - £1.5M increase**
 - £1.7M additional non-Housing capital receipts
 - (£0.4M) net adjustment to b/f balance
 - £0.2M increased Housing capital receipts

- **Contributions - £0.2M increase**
 - (£1.0M) Various Other Schemes (Housing)
 - £0.5M Itchen Bridge Toll Automation
 - £0.6M East West Spine (Civic Centre Place)
 - £0.1M Other net increased Contributions

- **Capital Grants - £5.0M increase**
 - £0.7M Primary Review Phase 2
 - £0.9M City Centre Improvements
 - £1.2M Principal/Classified/Unclassified Roads
 - £0.4M ITS (E&T)
 - £0.4M Mayfield Academy
 - £1.4M Other net increased grants

- **Revenue - £5.1M increase**
 - £0.3M Health & Safety Equipment/Essential Appliances
 - £1.4M Various additions to the Leader's programme (see recommendations)
 - £3.4M Roads Programmes

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DECISION-MAKER:	CABINET COUNCIL
SUBJECT:	GENERAL FUND REVENUE BUDGET 2011/12 TO 2013/14
DATE OF DECISION:	7 FEBRUARY 2011 16 FEBRUARY 2011
REPORT OF:	CABINET MEMBER FOR RESOURCES AND WORKFORCE PLANNING
STATEMENT OF CONFIDENTIALITY	
N/A	

BRIEF SUMMARY

Since the Council set its 2010/11 budget in February 2010, the economic outlook for the economy has remained pessimistic. The level of public debt is a major issue and prior to the General Election in May, it was recognised that any incoming Government would be required to review public spending in order to reduce the debt burden in future years.

Soon after the election, an interim budget was announced by the Government, which outlined major cuts in public spending. At that time £6.2 billion of in year cuts in Government grant were announced of which more than £1.1 billion were targeted at Local Government. The impact of these cuts on the City Council was the withdrawal in round terms of over £4.6M of grants that represented a significant in year cut to funding. At that time the medium term financial outlook for the City Council estimated that a budget reduction of around £40M would be required over the next three years. However it was recognised that the full extent of the cuts in grant and the impact on the City's financial position would not be known until the Comprehensive Spending Review (CSR) and then ultimately the resulting provisional grant settlement was announced in December. Given this financial position and the risks associated with the forecast, it was estimated that savings options of at least £50M would be required over the next three years in order to balance the budget.

The Council has been improving its medium term budgeting approach over a number of years and has been re-prioritising expenditure towards stated Council priorities and driving out significant efficiency savings year on year. Under normal circumstances this improving strategic approach would have continued on an incremental basis. However, against the current backdrop, the Council has been required to take an extremely robust approach to medium term planning and is challenging every aspect of service delivery in order to ensure that the services provided and the performance levels achieved are at an appropriate level commensurate with the stated Priorities of:

1. Providing good value, high quality services
2. Getting the city working
3. Investing in education and training
4. Keeping people safe
5. Keeping the city clean and green
6. Looking after people

Given the likely impact of the recession and the level of national debt on local government finances, work on the 2011/12 budget was started last January and Officers and the Administration have been working on developing proposals in response to the forecast gap over the next three years. A consolidation exercise was undertaken during October in readiness for the CSR.

At this time, the Administration started a detailed consultation exercise with a wide range of stakeholders using new methods not previously tried before. Proposals affecting staff were provided to the trade unions and consultation undertaken with staff included open door sessions and a staff suggestion scheme. The public were also consulted under the banner of 'Your City Your Say' and the use of the "You Choose" online budget calculator.

On announcement of the CSR in October it was clear that reductions in grant would be at the upper end of the Council forecasts and work was intensified to ensure that the Council had in place savings that would close the anticipated £20M gap which included proposals for changes to staff terms and conditions. The provisional Local Government Settlement was released on 13th December and as a result of the damping mechanism the 2011/12 position worsened by a further £5M bringing the total gap to £25M, making it essential that the proposed changes to terms and conditions were realised.

The budget details were further refined after the settlement in conjunction with the Executive and the broad budget and council tax proposals of the Executive were shared with the Unions and Opposition Groups in December on a confidential basis to enable them to start developing their own alternative budgets.

Work has been ongoing to refine the overall budget proposals and the purpose of this report is to:

- Update this information and set out the latest estimated overall financial position on the General Fund Revenue Budget for 2011/12 and
- Outline the main issues that need to be addressed in considering the Cabinets recommendations to Council on 16th February 2011.

RECOMMENDATIONS:

CABINET

It is recommended that Cabinet:

- (a) Note the position on the estimated outturn and revised budget for 2010/11 as set out in paragraphs 5 to 11
- (b) Approve that the Executive Director for Health & Adult Social Care enter into an agreement with NHS Southampton City (NHSSC) under section 256 of the National Health Act 2006 for a period of two years and three months. Under the agreement NHSSC will transfer budget to the Council to spend on services that benefit health as directed within the Local Government Finance Settlement announced on 13th December 2010 and notification from Department of Health on 4th January in respect of 2010/11.

The sums to be transferred by NHSSC and for inclusion within the Council's budget are £776,200, £3.1M and £3.0M in 2010/11, 2011/12 and 2012/13 respectively.

- (c) Note the position on the forecast roll forward budget for 2011/12 as set out in paragraphs 13 to 23.
- (d) Note and approve the arrangements made by the Leader, in accordance with the Local Government Act 2000, for the Cabinet Member for Resources and Workforce Planning to have responsibility for financial management and budgetary policies and strategies, and that the Cabinet Member for Resources and Workforce Planning will, in accordance with the Budget & Policy Framework Rules as set out in the Council's Constitution, be authorised accordingly to finalise the Executive's proposals in respect of the Budget for 2011/12, in consultation with the Leader, for submission to Full Council on 16th February 2011.
- (e) Recommends that Full Council
 - i) Notes the Consultation process that was followed as outlined in Appendix 1.
 - ii) Approves the revised estimate for 2010/11 as set out in Appendix 2.
 - iii) Approves the use of £0.5M of in year under spends to increase the Organisational Development Reserve in 2010/11 to ensure that adequate provision is made for the costs associated with the implementation of staff related savings.
 - iv) Notes the position on the forecast roll forward budget for 2011/12 as set out in paragraphs 13 to 23.
 - v) Approves an additional draw from General Fund Balances of up to £0.5M in 2011/12 if required during the year.
 - vi) Approves the Invest to Save Bids set out in Appendix 3.
 - vii) Approves the revenue pressures and revenue developments as set out in Appendices 4 and 5.
 - viii) Approves the efficiencies, income and service reductions as set out in Appendix 6.
 - ix) Approves the changes to staff terms and conditions set out in Appendix 7.
 - x) Approves the dismissal and re-engagement of staff in order to implement the changes to terms and conditions in the event that a collective agreement cannot be reached with the Unions.
 - xi) Delegates authority to the Chief Executive as Head of Paid Service in consultation with the Chief Financial Officer (CFO) and the Solicitor to the Council to take any steps in connection with amendments to the Terms and Conditions changes, the negotiation of any potential changes with the Unions and any process associated with the implementation of these changes.
 - xii) Delegates authority to the CFO in consultation with the Solicitor to the Council to make changes to the budget for 2011/12 to reflect negotiated changes to the proposals or if a collective agreement cannot be reached with the Unions

- xiii) Notes that the Independent Remuneration Panel are currently being convened so that they may review and make recommendations on Members' Allowances to Standards and Governance Committee and thereafter Full Council before September 2011 as required by the law.
- xiv) Approves the General Fund Revenue Budget as set out in Appendix 8, which assumes a council tax freeze.
- xv) Delegates authority to the CFO to action all budget changes arising from the approved pressures, bids, efficiencies, income and service reductions and incorporate any other approved amendments into the General Fund estimates.
- xvi) Notes that after taking these items into account, there is an estimated General Fund balance of £5.1M at the end of 2013/14 as detailed in paragraph 54.
- xvii) Delegates authority to the CFO, in consultation with the Solicitor to the Council, to do anything necessary to give effect to the recommendations in this report.
- xviii) Sets the Budget Requirement for 2011/12 at £190,688,500.
- xix) Notes the estimates of precepts on the Council Tax collection fund for 2011/12 as set out in Appendix 10
- xx) Notes the Medium Term Forecast as set out in Appendix 11.
- xxi) Authorises the Chief Executive and Chief Officers to pursue the development of the options for efficiencies, income and service reductions as set out in Appendix 6 for the financial years 2012/13 and 2013/14 and continue to develop options to close the remaining projected gaps in those years.

COUNCIL

It is recommended that Council:

- i) Notes the Consultation process that was followed as outlined in Appendix 1.
- ii) Approves the revised estimate for 2010/11 as set out in Appendix 2.
- iii) Approves the use of £0.5M of in year under spends to increase the Organisational Development Reserve in 2010/11 to ensure that adequate provision is made for the costs associated with the implementation of staff related savings.
- iv) Notes the position on the forecast roll forward budget for 2011/12 as set out in paragraphs 13 to 23.
- v) Approves an additional draw from General Fund Balances of up to £0.5M in 2011/12 if required during the year.
- vi) Approves the Invest to Save Bids set out in Appendix 3.
- vii) Approves the revenue pressures and revenue developments as set out in Appendices 4 and 5.

- viii) Approves the efficiencies, income and service reductions as set out in Appendix 6.
- ix) Approves the changes to staff terms and conditions set out in Appendix 7.
- x) Approves the dismissal and re-engagement of staff in order to implement the changes to terms and conditions in the event that a collective agreement cannot be reached with the Unions.
- xi) Delegates authority to the Chief Executive as Head of Paid Service in consultation with the Chief Financial Officer (CFO) and the Solicitor to the Council to take any steps in connection with amendments to the Terms and Conditions changes, the negotiation of any potential changes with the Unions and any process associated with the implementation of these changes.
- xii) Delegates authority to the CFO in consultation with the Solicitor to the Council to make changes to the budget for 2011/12 to reflect negotiated changes to the proposals or if a collective agreement cannot be reached with the Unions
- xiii) Notes that the Independent Remuneration Panel are currently being convened so that they may review and make recommendations on Members' Allowances to Standards and Governance Committee and thereafter Full Council before September 2011 as required by the law.
- xiv) Approves the General Fund Revenue Budget as set out in Appendix 8, which assumes a council tax freeze.
- xv) Delegates authority to the CFO to action all budget changes arising from the approved pressures, bids, efficiencies, income and service reductions and incorporate any other approved amendments into the General Fund estimates.
- xvi) Notes that after taking these items into account, there is an estimated General Fund balance of £5.1M at the end of 2013/14 as detailed in paragraph 54.
- xvii) Delegates authority to the CFO, in consultation with the Solicitor to the Council, to do anything necessary to give effect to the recommendations in this report.
- xviii) Sets the Budget Requirement for 2011/12 at £190,688,500.
- xix) Notes the estimates of precepts on the Council Tax collection fund for 2011/12 as set out in Appendix 10
- xx) Notes the Medium Term Forecast as set out in Appendix 11.
- xxi) Authorises the Chief Executive and Chief Officers to pursue the development of the options for efficiencies, income and service reductions as set out in Appendix 6 for the financial years 2012/13 and 2013/14 and continue to develop options to close the remaining projected gaps in those years.

REASONS FOR REPORT RECOMMENDATIONS

1. The Constitution requires the Executive to recommend to Council on the 16th February 2011 its budget proposals for the forthcoming year. 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 16th February 2011. Alternative options may be drawn up by opposition groups and presented to the same meeting.

DETAIL (Including consultation carried out)

CONSULTATION

3. Between September 2010 and January 2011, the Council undertook to engage local residents and council staff in the process of defining priorities and developing the budgets for the coming year, via a range of consultation activities. This consultation was in accordance with the duty to consult under Section 65 Local Government Finance Act 1992, and included opportunities to get involved in a number of ways, namely:

- Online via the 'You Choose' budget calculator and online staff feedback forms.
- Face to face via three consultation road shows held on market day in central shopping locations, a residents' forum at the Civic Centre, and for staff, via open door sessions with the Leader of the Council.
- By telephone via phone in slots on community radio stations.
- In writing, via feedback forms and consultation postcards.

Further insight regarding local priorities was also gathered from residents via the 2010 City Survey, which was undertaken during October and November.

A breakfast briefing was held with the business community in October setting out the Council's budget priorities and assessing the impact of the Comprehensive Spending Review on the 2011/12 budget.

More detail is provided in Appendix 1 on the methods used to consult with staff and residents and the feedback received, which has been taken into account when developing the budget proposals.

4. The Council is also required to produce Equality Impact Assessments (EIA's) where appropriate where it is felt that proposed savings could have an adverse impact on a particular group or individuals. EIA's have been produced where appropriate for the savings proposals contained in Appendix 6 and these have been made available in Group rooms. An EIA in respect of the final proposals for Terms and Conditions changes is being prepared and will be made available to Members prior to Cabinet on 7th February.

ESTIMATED OUTFURN AND REVISED BUDGET 2010/11

5. This report is concerned mainly with the revenue estimates for 2011/12.

However, there are elements of the 2010/11 estimated outturn that will have an impact on the overall financial position. The planned draws from balances in the year have been reflected in the balances position shown in this report and take into account the overall financial position highlighted in the Corporate Monitoring report for the nine months ending December 2010.

6. The original revenue estimates for 2010/11 assumed a general draw from balances of just under £3.5M. After reflecting the revised forecast position from Month 9, this draw reduces by £1.1M to just under £2.4M as show in Appendix 2. The table below summarises the main changes:

	£M
Increase in cost of Coroner's Service	(0.060)
Net Decrease in Interest Paid	1.200
Contributions to Capital DRF Funding	(2.354)
Exceptional Expenditure & Income	2.354
Other Expenditure & Income	(0.085)
Reduction in Draw From Balances	1.055

7. Additional charges have been incurred from Hampshire County Council for the provision of the Coroner's Service and it is estimated that the full year impact of this be an over spend of £59,500. The Council bear a proportion of the cost of this service based on caseload statistics and this has increased above the estimated levels for 2010/11.
8. Net interest payable is forecast to be below that originally estimated by £1.2M as a result of lower than anticipated borrowing costs. This has been as a consequence of lower borrowing levels due to slippage in the Capital Programme and capital expenditure and also the fact that we have borrowed at lower rates than originally estimated. Lower rates have been achieved through a conscious decision to switch to short term debt which is currently available at lower rates than long term debt due to the depressed market.
9. As a result of two separate issues a favourable variance has arisen which it is anticipated will be used to fund additions to the capital programme. The items are:
- One off Receipt in Consideration of Purchase of One Guildhall Square (OGS) – As part of the contractual agreement to purchase OGS the Council has received a payment of which £0.9M is not required to fund any revenue implications of the purchase.
 - Reduced Street Lighting PFI Payments – During the early stages of the PFI contract the Council is to receive 'service deductions' in view of the fact that the contractor will need time to undertake work to install new columns. These deductions are estimated to be £1.45M in 2010/11. These do not represent a failure on behalf of the contractor to deliver the investment programme they are technical accounting adjustments as a result of the way the contract was structured.

Additions to the capital programme to the value of £2.35M are included in the

in the Capital Programme Update report which is to be approved by Council on 16th February 2011 to be funded from the above revenue source.

10. Having managed the impact of the in year cuts announced by Government to ensure that the operating budget for 2010/11 remains in balance, portfolios continue to take remedial action to manage a number of the corporate and key issues highlighted in this report. In addition, it has been corporately agreed to put in place a spend moratorium on non essential expenditure for the final quarter of the financial year. This has been agreed in order to ensure that the support which can be given to the challenging financial position the Council faces for 2011/12 can be maximised.
11. It is recommended that £0.5M is added to the Organisational Development Reserve in 2010/11 to ensure that adequate provision is made for the costs associated with the implementation of staff related savings. This will serve to reduce the forecast addition to balances from £1.1M to £600,000 and this amount is reflected in the balances position shown in paragraph 54.

TRANSFER OF FUNDING

12. As part of the Local Government finance settlement in December it was announced that an additional £648M in 2011/12 and £622M in 2012/13 had been made available nationally to Primary Care Trusts (PCT) for spending on social care services that also benefit the NHS. Subsequently on 4th January it was announced by the Department of Health that a national allocation of a further £162M had been made available to PCT's for 2010/11. This funding must be transferred to Local Authorities under section 256 of the National Health Service Act 2006 to be spent on services to improve the overall health gain. NHS Southampton City, (NHSSC) have been allocated the sum of £776,200 for 2010/11, £3.1M for 2011/12 and just under £3.0M for 2012/13. As required a spending plan totalling £776,200 has been agreed with colleagues within NHSSC and the Executive Director for Health and Adult Social Care and is already being enacted upon to maximise the benefit to Southampton clients in 2010/11. A spending plan for the future year's allocations is currently under way between colleagues within NHSSC and Southampton City Council. The contractual arrangements to support the transfer are also in progress.

FORECAST ROLL FORWARD BUDGET 2011/12

13. The report to Council in July identified a roll forward gap of £12.7M before any further revenue developments, pressures or savings were taken into account. At that time savings proposals which would impact on the 2011/12 budget by more than £4.2M were approved as part of the budget development. However, the revised gap has now been amended to reflect changes in the overall position since this date, including the outcome of the provisional Local Government Finance Settlement and changes highlighted in the Consultation Report.
14. The provisional Local Government Finance Settlement for 2011/12 was received on 13th December 2010. The provisional settlement position after also allowing for the impact of grants transferring into formula grant was lower than anticipated in July but within the parameters used for planning purposes.

15. The Comprehensive Spending Review (CSR) announcement in October 2010 and then the provisional Local Government Finance Settlement in December have confirmed that spending reductions on the scale planned are necessary to meet the actual reductions in Government grant that have now been announced. The grant settlement covers the two year period 2011/12 and 2012/13 and the Council's loss of formula grant is 10.1% and 6.6% in the two years respectively. Though the majority of the former specific and area based grants have been transferred into formula grant, the reduction in the remaining grants is in excess of 20% in 2011/12.
16. Though the CSR covers the four year period to 2014/15, the Government proposes to carry out a review of grant distribution arrangements prior to 2013/14; therefore the Government grant payable to the Council in 2013/14 and 2014/15 is uncertain. For the purposes of maintaining a three year planning horizon, a medium term financial plan covering the period beyond 2013/14 is being developed based on a further year on year reduction in funding of 7% per annum.
17. 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 in a revised budget proposal for the Council meeting on 16th February. In addition announcements in relation to a number of grant funding streams are also still awaited and Officers will continue to review the impact of any grant cuts with a view to passing on the reduction where the grant supports other organisations spending or reducing expenditure where the funding is used to provide City Council services.
18. However, it is also prudent at this stage to assume that a draw on balances may be required to manage the overall position. This report therefore requests approval to draw up to £0.5M from balances in 2011/12 if deemed necessary by the CFO. This reduction in balances would need to be made good in future years if it took the Council below the minimum recommended level of £4.5M.
19. The council tax base for 2011/12 has been set at 66,644, using delegated powers granted by Council on 17th January 2007, which has increased the tax base and leads to additional income of £598,400 over and above that previously assumed in the Summer.
20. The estimated Collection Fund surplus at the end of 2010/11 was set at zero for the purposes of the original forecast for 2011/12. Collection rates during the year have improved, the bad debt provision has been reduced and a one off prior year adjustment due to historic discrepancies which were noted during a final review of the 2009/10 accounts and which are now fully resolved has been made. As a consequence of these factors, the latest estimate of the surplus has increased to £3.2M. This funding was deliberately not counted in to previous forecasts due to the uncertainties around the CSR and grant settlement and is available now to offset some of the impacts of the grant reductions.
21. The position published in July included allowances for a number of items such as revenue pressures and bids, which have been rigorously reviewed during the Summer, and as a result, a reduction of £1.1M has been achieved

in the budget provision required.

22. The forecast position currently allows for a contribution to be made to balances of just over £1.25M which will be used in future years. The table below shows these net changes in the overall forecast position:

	£000's
Forecast Deficit in July Mini Budget Council Papers	11,667.1
Mini Budget Savings Proposals	(4,229.0)
Net Impact of Provisional Local Government Finance Settlement	11,205.6
Improved Council Tax Base	(598.4)
Collection Fund Surplus	(3,244.7)
Net Reduction in Requirement for Risk Fund, Bids, Pressures & Revenue Development Funding Built into July Forecast	(654.0)
Addition to Balances	<u>1,268.1</u>
Revised Forecast Deficit	<u>15,414.7</u>

23. This position shown in the table above represents the 'base' position from which all three political groups may develop their own budgets taking into account the proposals for new spending and savings options put forward by Officers. The specific proposals in this report as set out in the appendices and outlined in the following paragraphs represent the Executive's budget proposals for 2011/12.

INVEST TO SAVE

24. During this year's budget process, services have been asked to put forward efficiency savings, which assume that there will be a reduction in cost, without there being an overall impact on service provision and the Council's performance. For some of these proposals there is up front expenditure that needs to be incurred before the savings can be realised and these are being put forward as Invest to Save Bids.
25. The Invest to Save Bids, listed in Appendix 3, total £25,000 in 2011/12.

REVENUE PRESSURES

26. 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. Examples of these would be volume changes, which have a direct impact on costs (e.g. increase in waste levels), legislative changes such as new functions and standards, or areas where the current budget simply does not reflect the level of activity within the service.
27. Pressures totalling £217,000 are being recommended for 2011/12 and are detailed in Appendix 4.

REVENUE DEVELOPMENTS AND REVENUE BIDS

28. Each political group also has the opportunity to put forward new proposals for spending as part of the budget process which reflect their priorities for service provision. Spending to fund revenue developments is detailed in

Appendix 5 and totals just under £2.25M in 2011/12. Most of these developments reflect ongoing commitments that were approved as part of the budget in previous years.

29. The majority of the revenue developments are complex and strategic projects around which there are uncertainties in relation to timing and speed of progress. Consequently, the funding for revenue developments is placed into a Revenue Development Fund to enable the Council to retain flexibility in funding. Approval to release this funding, making adjustments between schemes and in the timing as required, is delegated to the Executive Director of Resources following consultation with the Cabinet Member for Resources and Workforce Planning.
30. Services are normally invited to put forward a series of bids in order to fund new spending initiatives but given the financial position this year no bids have been progressed for 2011/12.

EFFICIENCIES, INCOME AND SERVICE REDUCTIONS

31. The 14th July 2010 Council report set out a forecast budget gap of just under £11.7M and at that point, proposals for efficiencies, income generation and service reductions were required to bridge a revised budget gap of just under £15.0M after further revenue developments, pressures or savings were taken into account. The following actions are now reflected in the base position:
 - Mini budget savings proposals of £4.2M.
 - Impact of the Provisional Local Government Settlement £11.2M.
 - Increase in Council Tax Base which delivers additional revenue of £0.6M.
 - Reduction in allowance required for pressures, revenue developments and bids of £1.6M.
 - £3.2M Collection Fund surplus primarily from a one off adjustment reported in the 2009/10 accounts but also from the continued high levels of collection of the council tax over recent years.

Taking the above factors into account, savings of £16.6M are therefore required to balance the draft budget for 2011/12 at an assumed council tax increase of zero. This also allows for the receipt of central government grant funding to 'reimburse' the Council for the loss of 2.5% of additional council tax income forgone through freezing council tax.

32. The Executives recommendations for efficiencies, income generation and service reductions now total over £17.9M, including £5.0M from Terms & Conditions changes and £0.8M from a reduction in management posts, and are set out in detail in Appendix 6. This also allows an addition to balances of just under £1.3M which can be used in future years.
33. The savings proposals inevitably have an impact on staffing within the City Council with 205.08 FTE posts affected of which 29.30 are currently vacant and 175.78 are in post. A further reduction of 35 to 40 posts was also identified as part of a proposed 20% reduction in management posts

following the Chief Executive's announcement in January on changes to the Directorate Structure of the Council. Some of these posts will however overlap with the detailed proposals contained in Appendix 6.

34. Those proposals in Appendix 6 approved when the Full Council sets its budget on 16th February will fall into the classification of 'urgent, unplanned' reductions in employee numbers. Therefore, employees will be notified that they are being placed on the 'Redeployment Register' following Full Council decision on 16^h February for a period of three-months. This has resulted in some of the financial savings being reduced in order to take account of the part year costs of redeployment, and any extension to that period would undermine the Councils financial planning process as the balanced budget is based upon this redeployment approach. The restructure process and timing for the management restructure has yet to be announced.

TERMS AND CONDITIONS CHANGES

35. 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. One of these options is to reduce the terms and conditions of staff to produce recurring savings. A commitment has been given by this Executive that no further changes to terms and conditions will be sought for the purposes of budget savings.
36. While it is recognised that the individual impact of such changes on staff would be difficult, this must be set against the alternative option which would have been to look at further cuts in services with the consequential loss of further jobs. Given the impact of this alternative on those individuals who may have been made redundant and on the customers who rely on the services, it is felt that changing terms and conditions should feature as a proposal for the 2011/12 budget and beyond.
37. A series of negotiation meetings were held with the Unions and various communications with staff were sent out to update them on changes to proposals and the Council / Union positions. The Council also faced an added complication in respect of school support staff in Community and Voluntary Controlled Schools and sought legal advice on this matter, together with meetings with Head Teachers and Chairs of Governors. It was therefore not until after Christmas that it was confirmed that school support staff would be included in the proposed changes to terms and conditions.
38. However, in strict legal terms, although staff in these types of schools are employed by the City Council, it is the Governing Bodies that set their terms and conditions and the Council does not therefore have the power to impose these changes on school support staff. Chairs of Governors were therefore asked to hold extraordinary meetings of their Governing Bodies to agree to implement any changes to terms and conditions approved by Full Council as part of the Budget in order to avoid any potential equal pay issues.
39. At the time of writing this report only a few Governing Bodies had met and those that had were not agreeing to implement these changes. However, this does not alter the Council's requirement to implement any changes to pay on a consistent basis across its workforce and therefore the recommendations in this report will still apply to schools support staff albeit

that the Council does not have the power to enforce this. It will however continue to urge Governing Bodies to agree to implement the changes.

40. A final offer in respect of the changes to terms and conditions was made to the Unions on 26th January which reflected feedback given to the Council by staff throughout the negotiation process. The offer is detailed in Appendix 7.
41. The Unions are currently balloting their Members on the revised offer and at the time of writing this report the Council does not know if the recommendation of the Unions to their members is to accept or reject the proposals and the outcome of the ballot will not be known until after Full Council meets to set the budget and Council Tax.
42. This report and financial appendices have been prepared on the basis that a collective agreement is reached with the Unions on the current proposals. This is not an attempt to pre-empt the decision, it is simply that the papers must be prepared on some basis and this was the one that was chosen.
43. The recommendations in this report delegate authority to the Chief Executive as Head of Paid Service in consultation with the CFO and the Solicitor to the Council to take any steps in connection with amendments to the Terms and Conditions changes, the negotiation of any potential changes with the Unions and any process associated with the implementation of these changes. If a collective agreement cannot be reached then the Council will need to dismiss and re-engage staff in order to enforce the changes to terms and conditions. None of these changes including dismissal and re-engagement can be applied to school based staff without the agreement of the Governing Bodies.
44. In the event that changes are made to the proposals, this will have an impact on the budget position presented in this report as will the process of dismissing and re-engaging staff since a period of 90 days notice will be given. The recommendations in this report therefore also delegate authority to the CFO in consultation with the Solicitor to the Council to make changes to the budget to take account of these implications. In reality any loss of savings arising from either of these issues will be made up through a draw from balances on a one-off basis and the on going impact will then need to be addressed as part of setting the budget for 2012/13.

MANAGEMENT RESTRUCTURE

45. The new Chief Executive started with the Council in November 2010 and since his appointment he has been considering the structure of the Council both in light of the financial position of the authority but also in response to the changing environment in which the Council must operate taking into account the changes in the NHS and school sector in particular.
46. His original intention was to take stock of the organisation and seek views on future direction and structure and to put forward restructure proposal before the beginning of the new financial year. However, the severe pressures on the budget together with the pace of change in Government Policy and the public sector generally have accelerated the need for organisational change. Therefore, a letter was sent out to all staff on 19th January setting out proposals for a new Directorate structure and the intention to reduce management posts by 20% across the organisation (which includes some

proposals already submitted for middle management posts and detailed in Appendix 6).

47. Detailed proposals in respect of these reductions are still being drawn up and formal consultation will commence with staff in February. At the moment therefore the savings in respect of these changes can only be forecast and provisional sums of £0.8M in 2011/12 and £1.5M in 2012/13 have been included in these budget proposals. Any changes to these amounts will be reported separately once the final reductions are known.

PROPOSED BUDGET PACKAGE

48. 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 and shows the changes from the base position outlined in paragraphs 13 to 23. The proposals are based on a Council Tax freeze and include a contribution to balances of just over £1.25M.

	£M
Total roll forward spending (after addition to balances)	206,103.2
Invest to Save Bids (Appendix 3)	25.0
Pressures (Appendix 4)	217.0
Revenue Developments (Appendices 5)	2,248.3
Efficiencies, Income and Service Reductions (Appendix 6)	(12,058.0)
Corporate Savings – Terms & Conditions	(5,047.0)
Corporate Savings – Management Restructure	(800.0)
Budget requirement	190,688.5

COUNCIL TAX

49. The Budget Requirement shown in Appendix 8 is used to calculate the level of council tax for 2011/12. After taking into account Government Grants and an assumed surplus on the collection fund at the end of 2010/11 of just over £3.2M, the total amount to be met by council tax payers is £82,585.6M. This is then divided by the council tax base set by the Executive Director for Resources following consultation with the Cabinet Member for Resources and Workforce Planning to give the basic amount of council tax for the year of £1,239.21, which is a zero increase. The full calculation is set out in Appendix 9.
50. The estimates of the payments from the Collection Fund in the form of precepts for 2011/12 are set out in Appendix 10. This includes preliminary figures for the Police and Fire authorities, for whom proposed council tax increases of zero have been assumed. The Appendix therefore shows that when these items are added to Southampton's council tax, the overall increase remains at zero. These figures will not be confirmed until the budget setting day.

GENERAL FUND BALANCES

51. It is important for Cabinet and Council to consider the position on balances. Balances are used either to:

- support revenue spending,
- support the capital programme, or
- provide a 'working' balance at a minimum level suggested by the Chief Financial Officer (CFO) with any projected excess being available to fund any one-off expenditure pressures or to reduce the council tax on a one-off basis.

The latter option is not recommended by the CFO.

52. 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

53. This calculation is updated periodically to reflect current levels of expenditure and income and treasury management operations and also new considerations such as partnership arrangements. Based on this calculation, the minimum level of balances was increased from £4.0M to £4.5M in line with the good practice guidance several years ago. This level was reviewed last year and despite new risks around government grant and interest rate exposure, other changes (such as risks around the Capita contract now that we are over three years in) have meant that the minimum level of balances remain at £4.5M. It is also important to set this figure against the fact that since becoming a unitary authority in 1997 the Council has never had to use its minimum balances to address a financial problem.

54. The table below shows the position for balances after taking into account the outturn for 2009/10, the estimated outturn for 2010/11, the budget proposals set out in this report and the current update of the capital programme.

	2010/11	2011/12	2012/13	2013/14
	£000's	£000's	£000's	£000's
Estimated Opening Balance	19,849.5	13,315.9	11,111.4	7,301.2
Net Draw from / (to) Revenue	1,318.8	1,168.1	(1,340.0)	
Draw to Support Capital	(2,787.0)	(57.0)		
Draw for Strategic Schemes	(5,065.4)	(3,315.6)	(2,470.2)	(2,159.7)
Closing Balance	13,315.9	11,111.4	7,301.2	5,141.5

55. The above projection includes an addition to the to the Organisational Development Reserve of £0.5M in each of the years from 2011/12 to 2013/14 in order to ensure that adequate ongoing provision is made for the costs associated with the implementation of staff related savings.
56. Whilst the level of balances by 2013/14 remains above the minimum required amount of £4.5M, at this stage it is not intended to use this to support the revenue budget in 2012/13 because this forecast does not reflect the possible draw of up to £0.5M which may be needed in 2011/12 as outlined in paragraph 18 due to uncertainties in the budget.

MEDIUM TERM FORECAST

57. A roll forward forecast has been estimated for 2012/13 and 2013/14 taking into account the future years effects of the proposed pressures and savings as set out in this report. The forecast is included as Appendix 10. The funding gap will be reviewed and addressed as part of the ongoing development of longer term financial planning and Members are being asked to authorise the Chief Officers Management Team to pursue the development of future years options highlighted in Appendix 6.
58. The CSR announced in October was for a four year period but the provisional Local Government Settlement released in December was only for two years. As no figures are available beyond 2012/13 it is difficult to move any further towards a more robust rolling three year financial plan. This is exacerbated by the economic climate, uncertainty about Government spending plans in future years and possible changes to local authority funding. The intention remains, however, to produce a high level plan containing longer term objectives that can be pursued outside of the annual budget process and the current forecasts assume a further reduction of 7.0% per annum in Government funding for 2013/14 and also 2014/15.
59. Further work will be undertaken in the next few months to ensure that the assumptions built into the forecast for 2012/13 are robust and reflect the latest predications in relation to key variables such as inflation and interest rates. The intention is that an updated forecast will be presented to Council in the Summer if appropriate.
60. Appendix 11 also includes an increasing sum for future options for efficiencies, income and service reductions in later years that the Chief

Officers Management Team need authorisation to develop and progress.

61. Future savings have also been included in the medium term forecast of £5.7M in 2012/13 rising to £10.4M in 2013/14. These items are work in progress and will be further developed in the coming year.

RESOURCE IMPLICATIONS

Capital

62. The revenue implications of funding the capital programme through supported and unsupported borrowing are reflected in the 2011/12 estimates presented in Appendix 8.

Revenue

63. As set out in the report

Property/Other

64. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

65. The Executive has a legal responsibility to recommend a budget to the Council.

Other Legal Implications:

66. Appendix 12 sets out a detailed synopsis of the legal issues associated with budget setting within Local Government and Appendix 13 fulfils the Chief Financial Officers statutory duty under the LGA 2003 for reporting on the robustness of the budget proposals and the adequacy of reserves.

POLICY FRAMEWORK IMPLICATIONS

67. This report sets out the Executive's proposed budget to Council which is being developed in line with the constitution and forms an integral part of budget and policy framework.

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KEY DECISION? YES

WARDS/COMMUNITIES AFFECTED:	ALL
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SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	Report on Budget Consultation Process and Outcomes
2.	Revised General Fund Revenue Budget 2010/11
3.	Summary of Invest to Save Bids
4.	Summary of Revenue Pressures
5.	Summary of Revenue Developments
6.	Summary of Efficiencies, Additional Income and Service Reductions
7.	Terms & Conditions Proposals
8.	2011/12 General Fund Revenue Account
9.	2011/12 Council Tax Calculation
10.	2011/12 Collection Fund Estimates
11.	Medium Term Financial Forecast
12.	Statutory Power To Undertake Proposals In The Report
13.	Chief Financial Officers View On The Budget

Documents In Members' Rooms

1.	Equality Impact Assessments
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Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	Yes/No
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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)
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1.	CHANGES TO EXISTING REVENUE AND CAPITAL BUDGETS – Cabinet 5 th July 2010 and Council 14 th July 2010
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'YOUR CITY, YOUR SAY' BUDGET CONSULTATION REPORT

PURPOSE OF THE REPORT

The 'Your City, Your Say' Budget Consultation aimed to engage local residents in the process of developing council budgets and priorities and to help identify potential cost and efficiency savings that may enable the Council to offset reductions in government spending and grant funding. Alongside this work, the Council also ran a 'Your Council, Your Say' consultation with its staff – giving them the opportunity to use their insight to identify solutions that may generate revenue or reduce inefficiency within the organisation. This report summarises the main findings of both consultations, which were undertaken between October 2010 and January 2011.

1. THE CONSULTATIONS

- Over 500 people used the online 'You Choose' budget calculator, of whom 334 could be identified as living within Southampton.
- 120 consultation postcards were completed by visitors to the market day consultation road shows in Bitterne, Shirley and the Town Centre. In addition, the Leader and Deputy Leader of the Council spent 12 hours speaking with local residents and shoppers who dropped by.
- 13 'harder to involve' residents visited the civic centre for a 'Your City, Your Say' forum - which included a brief tour, presentation and discussion with the Leader and Deputy Leader of the Council.
- 11 people submitted 'Your City, Your Say' feedback forms, available via the Council's website, or as hard copy on request.
- Local residents also shared their ideas with Councillors via one hour 'phone in' slots on Unity One and AWAAZ community radio stations.

246 council staff submitted consultation forms, with a further 26 staff attending Open Door sessions with the Leader of the Council, and 6 staff submitting suggestions by email.

In addition, this report considers aspects of the 'Your City, Your Say' survey, completed by 1,171 residents in Autumn 2010, which included questions on City priorities.

2. KEY FINDINGS - RESIDENTS

- No-one wants to see services lost or facilities closed. Participants would much rather see services reduced than stopped altogether.
- The Council should concentrate its provision on 'must have's', rather than perceived 'nice to have's'.
- In particular, participants valued services for vulnerable and older people, services that would encourage children and young people's development and services that keep people safe. They would also prioritise maintenance of roads and pavements, increasing employment, and locally accessible community services.
- Many of the participants felt that local communities could be encouraged and enabled to take responsibility for aspects of their area.

- Participants would broadly support opportunities to maximise the Council’s income, and felt that further efficiency savings could still be applied in a number of areas.

3. KEY FINDINGS – STAFF

In the light of the funding cuts and potential for reduced services over the next three years, staff responding to the consultation felt that the top priorities for the City Council should be to:

1. Maintain and refocus on core, and essential front line, services.
2. Support vulnerable people.
3. Reduce staff turnover.
4. Reduce crime and anti-social behaviour.
5. Support children, young people and families.
6. Encourage economic growth and job creation.
7. Increase educational achievement, and training for young people.

Respondents were keen that the Council should provide value for money services that met residents’ needs. The consultation also generated almost 800 ideas and suggestions as to how the Council could work more efficiently – the majority of which can broadly be grouped into nine areas:

Joint working	Human Resources	Terms and Conditions
Outsourcing and Procurement	Energy Saving	Administrative Resources
Revenue generation	ICT	Service Specific

N.B. A full list of suggestions can be reviewed internally, following the link on the front page of the Intranet.

4. RESIDENTS’ VIEWS - SERVICE PRIORITIES

Residents who visited the ‘Your City, Your Say’ Roadshows recognised and used a wide range of services provided by the Council. They placed particular value on:

- Community services: such as local libraries, community safety, SureStart centres and local contact points (e.g. housing offices, walk-in centres)
- Services that support elderly and vulnerable residents.
- Leisure facilities: including swimming pools, leisure centres, youth clubs and parks.
- Waste and recycling.
- Cultural facilities: such as museums, the art gallery and city events.
- Maintenance of roads and pavements.

Residents who attended the Civic Centre Forum discussed a wide range of Council services. They prioritised:

- Quality of education
- Maintenance of roads, pavements and cycle routes
- Human contact - being able to approach the Council and receive support to resolve issues.
- Support for vulnerable people.
- Assisting communities in taking responsibility for their local area.

The service areas where Southampton residents using the 'You Choose' budget calculator applied the lowest budget cuts (below 7%) were as follows:

- Services for Adults With Mental Health Needs
- Support for Children & Young People in Schools
- Services for Children & Young People
- Support for Children With Special Educational Needs
- Services for Adults With Physical or Sensory Disabilities
- Homelessness, Advice & Enforcement
- Services for Adults With a Learning Disability
- Children's Social Care Services
- Services for Older People (Age 65+)

The following challenges were identified by City Survey respondents as the most important priorities for Southampton, and also those most in need of improvement.

Most Important	Most Needs Improving
1. Increasing job growth and employment	1. Increasing job growth and employment
2. Reducing crime and antisocial behaviour	2. Reducing crime and antisocial behaviour
3. Keeping children safe	3. Improving roads, pavements and street lighting
4. Improving roads, pavements and street lighting	4. Keeping children safe
5. Supporting vulnerable people	5. Supporting vulnerable people

1,171 respondents. Priorities chosen from a list of 18 challenges, plus an option to suggest their own.

5. RESIDENTS' SUGGESTIONS FOR CHANGE – ROADSHOWS, FEEDBACK FORMS AND FORUM.

a) In General

There was a broad recognition and acceptance amongst participants that the majority of savings would impact on universal services, as opposed to those used by fewer, but more vulnerable residents. Road show participants also tended to

comment on the services they used directly. Therefore, very few of the savings suggestions encompassed services provided by the Children's Services and Learning, or Health and Adult Social Care directorates.

The one key message that was clear across the consultation, was that no-one wanted to see services lost or facilities closed. Participants would much rather see services reduced than stopped altogether. They reasoned that people would adapt to (e.g.) shorter contact hours or slightly longer journeys, but feared that once a service had stopped, it would be very difficult for it to return.

The Forum participants, in possession of more detailed information, were particularly keen that the required 2011/12 savings of 7%¹ should be applied equally across the board. They felt strongly that a small reduction in all services was preferable, and suggested that even statutory services could look to operate more efficiently.

Generally, participants were also keen to preserve the opportunity for direct local contact with the Council. Those who had used Gateway or community facilities such as housing offices found it reassuring to be able to speak directly with council staff when problems arose. However, if value could be added or savings made through shared provision of non front facing services with other councils then they were happy for this to be considered.

b) Service Reductions

When deciding where the reduction should apply, participants asked that the Council concentrate its provision on 'must have's', rather than perceived 'nice to have's'.

For example, they would much rather that existing roads and pavements were properly maintained and repaired, than money spent on new traffic light junctions or gyratory systems. Similarly, flower pots, community artwork and new museums were seen as desirable, but not essential in the current climate.

Given the extent of the cuts required, most of the residents consulted were not adverse to alternate weekly collection of household waste. However, they felt that should this be adopted, alternative provision should be made for families and residents in larger households – for example by providing them with larger bins. Participants also felt that the green waste collection service should be suspended during the winter months, arguing that the amount they generated dropped markedly at this time. Some suggested that staff could be transferred to seasonal jobs of higher priority, such as road and pavement gritting.

Street lighting was another key area where participants felt that savings could be made. They were broadly in favour of street lights being dimmed or switched off at night – provided crime levels were taken into consideration and monitored.

Libraries were an often mentioned area. Although not always regular users, participants recognised the value of a local service, and would rather see opening hours reduced by one day a week than branches close. To maintain the service, they also suggested that the libraries could be better utilised – incorporating more community groups or book clubs; or that some services – for example reading groups or even internet usage - could attract a fee. If branches were to close, some proposed using a mobile library to maintain the service.

Council tenants who took part in the consultation suggested that the Council should use good quality fittings that will last longer when fitting out council properties, rather

¹ This was the extent of the known savings requirements at the time.

than making false economies. They noted that more could also be done to encourage tenants to look after their properties.

Whilst participants understood the value of City View Magazine, some did question whether savings could still be made – perhaps via less regular publication, by investigating online publication options, or through increased advertising revenue.

c) Community Involvement

Many of the participants felt that local communities could also be encouraged and enabled to take responsibility for aspects of their area. Where services had to be cut, rather than losing them altogether they would prefer that the Council provide support to help local residents and volunteers maintain provision. With the consultation being undertaken during the winter months, gritting was often used as an example – wherein residents noted they would be happy to undertake the spreading on local roads and pavements, if only grit bins were made available to them. Others suggested maintenance of local play parks and outdoor space, litter picking and organising local activities could be undertaken by the local community.

Some people also suggested that means testing should be applied more widely to council services, so that people who could afford to contribute would do so.

d) Staffing

Participants sympathised with staff facing wage cuts, but accepted that this was required. However, there was some feeling that the highest paid senior managers should face larger reductions.

Some also perceived that the Council was overstaffed and could become a leaner organisation. However, whilst a small number mentioned staff cuts, more felt that the amount of Councillors could be reduced. They queried why, if the Council could become more efficient, its political representatives could not do likewise. A reduction to two Councillors per ward was regularly suggested, and participants were in favour of the currently proposed reduction in expenses.

6. RESIDENTS' VIEWS - THE 'YOU CHOOSE' BUDGET CALCULATOR

334 Southampton residents completed the 'You Choose' online budget calculator. Respondents were asked to set a budget from a range of service, income and savings options in order to limit the local Council Tax increase to less than 3%. The table below shows the average reductions in service budgets applied, and the proportion of residents who applied a decrease, rather than an increase, to each service area budget.

Service Area	Average reduction £	Reduction %	Current Service Budget	New Budget if Reduction Applied	Respondents Applying a Decrease %
Art Gallery & Museums	286,971	15.0	1,916,354	1,629,383	94
Legal and Democratic Services	623,371	14.6	4,276,300	3,652,929	98
Sports & Recreation	460,077	14.4	3,195,554	2,735,477	94
Customer Services, Communication and Public Information	419,152	13.5	3,099,400	2,680,248	98
Libraries	393,010	13.5	2,911,592	2,518,582	93
Parks & Open Spaces	481,992	12.8	3,759,300	3,277,308	92
Economic & Community Development and Support to Voluntary Groups	487,378	11.5	4,250,200	3,762,822	90
Land and Buildings	875,506	11.4	7,702,500	6,826,994	94
Support Services	2,563,175	10.9	23,468,900	20,905,725	97
Highways and Parking	549,671	10.3	5,331,200	4,781,529	88
Payments and Benefits	222,831	10.1	2,212,900	1,990,069	94
Community Safety	162,151	9.9	1,636,600	1,474,449	88
Planning and Building Control	695,267	9.5	7,344,400	6,649,133	88
Protecting the Environment	66,005	9.3	709,200	643,195	89
Environmental Health and Consumer Protection	218,137	9.3	2,355,500	2,137,363	86
Refuse and Recycling	1,040,084	8.6	12,057,700	11,017,616	88
New Affordable Homes	47,485	8.3	568,900	521,415	84
Street Cleansing and Enforcement	98,350	7.8	1,260,700	1,162,350	88
Services for Adults With Mental Health Needs	345,756	6.4	5,400,750	5,054,994	87
Support for Children & Young People in Schools	315,835	6.2	5,074,601	4,758,766	84
Services for Children & Young People	57,245	6.1	937,801	880,556	83
Support for Children With Special Educational Needs	75,381	5.8	1,292,048	1,216,667	82
Services for Adults With Physical or Sensory Disabilities	321,250	5.7	5,602,110	5,280,860	86
Homelessness, Advice & Enforcement	66,968	5.7	1,174,300	1,107,332	84
Services for Adults With a Learning Disability	777,839	5.5	14,065,250	13,287,411	88
Children's Social Care Services	838,007	3.8	21,958,050	21,120,043	81
Services for Older People (Age 65+)	147,970	0.5	27,665,790	27,517,820	87
Total Budget Reduction	12,636,864				

7. 'YOU CHOOSE' INCOME OPTIONS

The table below shows the proportion of respondents who felt that the Council should be maximising the proposed income options in the 'You Choose' budget calculator.

Income Option (Base: 334 Southampton Respondents)	%
Maximise Income from Property Portfolio	68
Refuse Collection Charges and Fines	52
Increase Fees & Charges	52
Increase Adult Social Care Client Income	38

8. 'YOU CHOOSE' SAVINGS OPTIONS

The table below shows the proportion of respondents who felt that the Council should apply each of the proposed savings options in the 'You Choose' budget calculator.

Savings Option (Base: 334 Southampton Respondents)	%
Reduction in Councillors' Allowances	86
Improve Property and Asset Management	81
Better Purchasing & Outsourcing	76
Increased Electronic Service Delivery	74
Reduction in the Staff Car Mileage Allowance and Restructure of Essential User Car Allowance	69
No Progression Along Pay Scale for All Staff and Senior Managers for Two Years	52
Changes to Staff Terms and Conditions Including a Reduction in the Working Week by Two Hours	32

Overall, 41% of Southampton residents that completed 'You Choose' set a budget that would see Council Tax increase by 1%-3%, a quarter set a budget that would have no impact on Council Tax, and a third set a budget that would see a decrease in Council tax with the shortfall made up through additional expenditure cuts.

9. STAFF SUGGESTIONS FOR EFFICIENCY SAVINGS AND REVENUE GENERATION

Joint Working (112 comments): Both internal and external joint working were encompassed in the wide range of comments received. Respondents felt that the Council should consider integrating specialist services with neighbouring local authorities, as well as closer working with partner agencies. Externally, the concept of shared services was felt to be particularly relevant with regards to procurement, public health, recruitment, communications, housing support, sustainable transport and also venue space. Responding staff were also keen to work more closely with third sector organisations and voluntary groups – in order to enhance service provision where council resources were limited - and to encourage community responsibility.

Internally, respondents feel that the Council should adopt a more 'interdepartmental' approach to maximise resource, and avoid duplication and inefficiencies caused by silo working.

Human Resources (156 comments): Respondents felt strongly that the Council's staffing structure had developed too many layers. They favoured streamlining, so that the number of managers was proportionate to the amount of staff delivering services, in order to help reduce bureaucracy and enable more time to be spent on front line service provision.

Many also argued that non-managerial staff should be better empowered to share their experiences and ideas to improve service delivery. They noted that those working directly with service users could provide a different perspective on how efficiencies should be made – a resource currently felt to be underused, or worse, overlooked at the cost of hiring expensive consultants.

Some respondents questioned whether the number of Councillors in each ward could be cut from three to two, rationalising that efficiency savings should be made across the board.

Terms and Conditions (123 comments): Respondents were particularly anxious to avoid redundancies. Instead they suggested a range of alternative options that would spread the impact, including universal reductions in contracted hours or salaries, a review of overtime, sickness, travel and expense policies, pay rise suspension, increments subject to strict appraisal, and reductions in executive pay. Concerns were also raised regarding the impact of pay cuts on the lowest paid staff.

Outsourcing and Procurement (83 comments): A notable number of respondents felt frustrated by the current outsourcing and procurement arrangements that the Council had negotiated, and were unclear on how these were able to save the Council money. In the light of changed economic climate, they advocated a review of external suppliers and contracts, to ensure that these are efficient, offer the best possible value for money, meet local needs, and can be monitored effectively and held to account for under achievement.

Energy Saving (41 comments): Initiatives to save energy were felt to be a common sense and simple way to save money. Respondents gave a number of examples of wasteful lighting and heating of council buildings, as well as equipment being left on when not in use. Provision of bottled water was also seen as a luxury, rather than a necessity.

Administrative Resources (51 comments): Suggestions here encompassed a range of simple measures that, implemented across the Council, could generate a larger cost saving. These included restricting use of first class post and colour printing, encouraging reuse of internal post envelopes and recycling of equipment across divisions. Respondents also felt that savings could be made through the use of corporate credit cards, and by ending internal recharges, and the associated paperwork and administration.

Opportunities for revenue generation (33 comments): The comments in this section can broadly be grouped into four areas. Firstly, greater commercial exploitation of council services; secondly, realising the value of council assets (*in particular the underused art collection*); thirdly, proactively pursuing external funding and income; and finally enabling generated income to be used across the Council, rather than being ring fenced in certain areas.

ICT (42 comments): Respondents felt that many aspects of the Council's ICT system prevented them working efficiently. Strong concerns were raised about the significant amount of time wasted and stress caused due to unreliability, and it was suggested that

staff using new systems should be consulted prior to purchase to ensure service needs were met. Some respondents wondered replacing computers less regularly would save the Council money, whilst others felt the Council should be more open to embracing mobile technologies and online, open source, software.

10. SERVICE SPECIFIC SUGGESTIONS (160 COMMENTS)

Communications: Respondents felt that the distribution of City View Magazine to staff was wasteful. It was suggested that the magazine should instead be available via the intranet, as could the In-View staff publication. In terms of more general resource, there was concern about money being wasted on ineffective and duplicate internal and external communication.

Environment: Although recognised as not being politically popular, respondents still felt strongly that alternate weekly bin collections should be trialled in Southampton. Charges for garden waste collection, bin delivery and bulk collection were also suggested. In terms of transport, respondents suggested reviewing the quality and efficiency of road repairs and fleet transport.

H&ASC: The key saving here was to reduce over assessment of clients and repetition of referrals. Respondents also felt that a number of key processes in the directorate, such as safeguarding, Putting People First, RAS system, and processing of invoices, could be streamlined, making them more efficient.

Children's Services: Respondents recognised the importance of services in this area, so to make savings, were keen that initiatives should concentrate on core provision, at the expense of aspects like provision of laptops for school children, events, taxis for transport to/from school and even new capital programmes.

Neighbourhoods: Many comments in this area related to developing volunteering, encouraging community empowerment and improving cross directorate working as specified in earlier sections. Other comments encompassed scaling back large scale events, better use of unoccupied land for council housing, transferring management of council housing stock to an external provider, development of joint community facilities (e.g. libraries and housing offices), and reducing expenditure on the Sea City Museum.


11. ABOUT THE YOUR CITY, YOUR SAY BUDGET CONSULTATION

The 'Your City, Your Say' Budget Consultation was undertaken between October 2010 and January 2011. In accordance with the Council's statutory duty, its primary aim was to consult local residents about local priorities, prior to the finalisation of the 2011/12 budget.

The consultation was qualitative in nature – its objective being to provide people with the opportunity to express their views, to explore concepts and to generate ideas, rather than collate statistics. That said, it was important that as many residents as possible were given the opportunity to participate, should they choose to do so.

A series of wide ranging communications and media channels were therefore used, to extend the invitation. These included:

- Local and Community Radio Stations – a one hour 'phone in' slot on Unity 101 and AWAZZ stations, and news bulletins on Radio Solent.
- Written Press - articles in the Southern Daily Echo and press releases made available to all local media.

- 
- Lead article on the Southampton City Council website homepage throughout the duration of the consultation period. Further information on the website's consultation pages.
 - Consultation Roadshows in Bitterne, Shirley and Town Centre high streets on market day.

Further direct promotion of the consultation was also made via the following channels:

- 1,800 groups and organisations were contacted directly via the Communities database, and asked to encourage their members / contacts to take part in the consultation.
- 300 'harder to involve²' residents were directly invited by phone / post to attend the forum.
- Messages were 'tweeted' regularly to 1,637 Twitter followers and 'posted' on Facebook (111 friends).
- Council staff were notified of the consultation via the Weekly Bulletin, and asked to spread the word.

In addition, 3,600 residents were randomly selected from the LLPG to receive the City Survey, which asked respondents to prioritise the city's key challenges.

Residents were able to submit their ideas and suggestions in hard copy, online or by phone.

12. ABOUT THE 'YOUR COUNCIL, YOUR SAY' STAFF BUDGET CONSULTATION

The consultation employed an exploratory approach that enabled all staff to use their considerable professional insight and expertise, to highlight novel solutions. An online feedback form was emailed to staff, and sent in hard copy to those without online access, asking for written responses to a short set of 'open' questions, which were framed to meet the objectives and scope of the campaign. Forms were accompanied by a covering letter from the Leader of the Council, and time was also made available for staff to meet directly with the Leader at two 'open door' sessions. The consultation was undertaken during October and November 2010.

For further information, please contact Communications Research Manager, Communications Division, by telephone on 02380 834893, or email yourcity.yoursay@southampton.gov.uk

² Identified via analysis of the 2008 Place Survey – residents who are least likely to feel informed about decision making or how their council tax is spent, that they can influence decision making, or that the council provides value for money.

GENERAL FUND 2010/11 - REVISED BUDGET

	Working Budget £000's	Revised Budget £000's	Variance £000's
Portfolios (Net Controllable Spend)	169,724	169,724	0
Non-Controllable Portfolio Costs	21,639	21,639	0
Portfolio Total	191,363	191,363	0
Levies & Contributions			
Southern Seas Fisheries Levy	44	44	0
Flood Defence Levy	44	44	0
Coroners Service	441	500	60 A
	529	588	60 A
Capital Asset Management			
Capital Financing Charges	11,800	10,600	1,200 F
Capital Asset Management Account	(23,652)	(23,652)	0
	(11,852)	(13,052)	1,200 F
Other Expenditure & Income			
Direct Revenue Financing of Capital	443	443	0
Net Housing Benefit Payments	(882)	(1,000)	118 F
Revenue Development Fund	4,575	4,125	450 F
Contributions to Capital DRF Funding	0	2,354	2,354 A
Exceptional Expenditure & Income	0	(2,354)	2,354 F
Open Spaces and HRA	536	536	0
Risk Fund	3,283	3,936	653 A
Contingencies	211	211	0
(Surplus) / Deficit on Trading Areas	20	20	0
	8,186	8,271	85 A
NET GF SPENDING	188,225	187,170	1,055 F
Draw from Balances:			
To fund the Capital Programme	(443)	(443)	0
Draw from Strategic Reserve (Pensions/Reds)	(1,082)	(1,082)	0
Draw from Balances (General)	(3,431)	(2,375)	1,055 F
	(4,956)	(3,900)	1,055 F
BUDGET REQUIREMENT	183,270	183,270	0

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SUMMARY OF INVEST TO SAVE BIDS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	Recurring or One Off (R or O)	2011/12	2012/13	2013/14	Head of Service
					£000's	£000's	£000's	
<u>Local Services & Community Safety Portfolio</u>								
LSCS 1	Trees, Allotments & Parks Improvements	Develop the Allotments Service to be entirely self-funding by 2013/14. Remove subsidy on direct expenditure to break even	Conversion of existing sites in Weston, Southwells Farm, Oakley road south and Athelstan Road into more allotments with provision of water supply etc. Necessary to deliver savings that total £77K by 2013/14 to make allotments self funding. Separate supporting paper available.	O	25			Jon Dyer-Slade
LSCS 2	Trees, Allotments & Parks Improvements	Develop the Allotments Service to be entirely self-funding by 2013/14. Remove subsidy on direct expenditure to break even	To provide equipment to allotment sites to enable allotment holders to carry out maintenance work, facilitating a reduction in expenditure incurred by the Council. Necessary to deliver savings that total £77K by 2013/14 to make allotments self funding. Separate supporting paper available.	O		32		Jon Dyer-Slade
Local Services & Community Safety Portfolio Total					25	32	0	
GRAND TOTAL					25	32	0	

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SUMMARY OF REVENUE PRESSURES

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	Recurring or One Off (R or O)	2011/12 £000's	2012/13 £000's	2013/14 £000's
<u>Children's Services & Learning Portfolio</u>							
CSL 1	Tier 3 and 4	Implementation of Tier 3 and 4 Strategy	To recruit three additional senior practitioners to help support teams providing social care to children and young people	R	137	137	137
Children's Services Portfolio Total					137	137	137

Environment & Transport Portfolio

E&T 1	Sustainability	Drainage Expert	The Flood and Water Management Act gained Royal Assent in April 2010 and the Flood Risk Regulations came into force in December 2009. This legislation determines new roles and responsibilities for all local authorities and introduces significant liabilities with respect to the understanding and management of local flood risk. Local flood risk issues are cross-cutting and cross-boundary in nature. As a result it will require authorities to manage their capacity and processes across a number of existing activities including spatial planning, emergency planning, drainage engineering and adaptation to climate change. In areas where there is significant risk it will be critical to develop a working understanding of the local hazards and consequences.	R	80	80	80
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Environment & Transport Portfolio Total

GRAND TOTAL

80	80	80
217	217	217

APPENDIX 4

**Head of
Service**

Felicity
Budgen

Paul
Nichols

SUMMARY OF REVENUE DEVELOPMENTS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2011/12 £000's	2012/13 £000's	2013/14 £000's	Head of Service
<u>Children's Services & Learning Portfolio</u>							
CSL 1	Infrastructure and Capital	Primary Review Phase 2	Funding to enable borrowing to implement Primary Review Phase 2 and add an additional 3,000 places in Primary schools over the next 8 years. This will enable to Council to meet its statutory obligation to provide sufficient school places throughout the city	950	950	950	Karl Limbert
CSL 2	Children in Care	Safeguarding Children	A review of the safeguarding arrangements within the City has highlighted the need for additional funding to support the costs of employing more experienced social workers and temporary agency staff to cover vacant posts	228	228	228	Felicity Budgen
Children's Services Portfolio Total				228	1,178	1,178	
<u>Environment & Transport Portfolio</u>							
E&T 1	Highways	Additional Highways funding	Additional funding to increase year on year the highways improvement programme.	800	1,600	2,400	Mick Bishop
E&T 2	Highways	Highways Partnership Procurement	Funding to pursue an external partnership	150			Mick Bishop
E&T 3	Directorate & Portfolio Management	Town Depot Project Management	This funding is to add a Town Depot project manager to the Environment establishment.	70			Frances Martin
Environment & Transport Portfolio Total				1,020	1,600	2,400	
<u>Corporate</u>							
CORP 1	Council Tax Discount	Local Council Tax Discount	Provision for the local council tax discounts for households containing persons over 65 years of age (10%) and for special constables (100%)	1,000	1,000	1,000	
Corporate Total				1,000	1,000	1,000	
GRAND TOTAL				2,248	3,778	4,578	

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SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE

Portfolio	2011/12			Total
	Efficiencies	Income	Service Reductions	
	£000's	£000's	£000's	£000's
Adult Social Care & Health	(1,879)	(145)	(1,187)	(3,211)
Childrens Services & Learning	(380)	(175)	(2,154)	(2,709)
Environment & Transport	(799)	(170)	(682)	(1,651)
Housing	(40)	(25)	(173)	(238)
Leader's Portfolio	(482)	0	(220)	(702)
Leisure Culture & Heritage	(624)	(30)	(63)	(717)
Local Services & Community Safety	(294)	(20)	(778)	(1,092)
Resources & Workforce Planning	(1,010)	(150)	(578)	(1,738)
Total	(5,508)	(715)	(5,835)	(12,058)
Corporate Savings (See Overleaf)				(5,847)
Grand Total				(17,905)

IMPACT OF PROPOSALS ON STAFFING

Portfolio	FTE In Post	FTE Vacant	FTE Total
Adult Social Care & Health	6.60	4.00	10.60
Childrens Services & Learning	87.38	3.00	90.38
Environment & Transport	28.00	3.50	31.50
Housing	6.00	0.50	6.50
Leader's Portfolio	2.00	4.00	6.00
Leisure Culture & Heritage	10.00	0.00	10.00
Local Services & Community Safety	10.50	6.30	16.80
Resources & Workforce Planning	25.30	8.00	33.30
Total	175.78	29.30	205.08

CORPORATE SAVINGS

	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's
<u>Terms & Conditions</u>				
Car Allowances	(500)	(500)	(500)	(500)
No increments	(1,500)	(3,000)	(3,000)	(3,000)
Pay Reduction Package All Grades	(3,000)	(3,000)	(3,000)	(3,000)
Leased Cars		(70)	(70)	(70)
Market Supplements	(47)	(47)	(47)	(47)
Subtotal	(5,047)	(6,617)	(6,617)	(6,617)
Management Posts	(800)	(1,500)	(1,500)	(1,500)
Subtotal	(800)	(1,500)	(1,500)	(1,500)
Total	(5,847)	(8,117)	(8,117)	(8,117)

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2011/12 £000's	2012/13 £000's	2013/14 £000's	FTE In Post	FTE Vacant	Head of Service
<u>Adult Social Care & Health - Efficiencies</u>									
ASCH 1	Across Portfolio	Contract Efficiencies	<p>Saving to be made through building in an efficiency target within the 11/12 inflation increase to all providers of both care and advice services. Dependant on the care type the level of saving could be between 1% and 2.5%. This also includes savings from the LD Framework contract for Residential care increased from the 2010/11 target.</p>	(565)	(565)	(565)			Stephanie Ramsey
ASCH 2	Adult Disability Care Services	Set up a comprehensive health and social care provision, (Virtual Ward) to provide crisis support to people who would otherwise require hospitalisation.	It is anticipated that there will be a spectrum from cost neutral to as much as 2% after a 3 year cycle of client turnover if it is found that such an approach reduces the need for long term care. Any saving is dependent on NHS partner organisations and the best position is that we will share savings that result.	(100)	(150)	(200)			Jane Brentor
ASCH 3	City Care	Change In House domiciliary provision to create short term enabling and crisis support	Transfer a proportion of current in house provision to the independent sector at less cost, plus further reductions in clients long term care needs from providing initial enabling support. This reflects the increase from a saving agreed in a previous budget setting process.	(114)	(229)	(229)			Jane Brentor
ASCH 4	Directorate & Portfolio Management	Review of business support for Directorate corporate support functions	In conjunction with a review of Corporate Policy management functions and outcomes of SCC/SCPCT reconfiguration, seek efficiencies in management of corporate support functions.	(50)	(50)	(50)		2.00	Penny Furness-Smith
ASCH 5	Units	Residential review	Full year saving of previously agreed home closures. This reflects the increase from a saving agreed in a previous budget setting process.	(100)	(100)	(100)			Jane Brentor
ASCH 6	Commissioning & Standards Voluntary Contracts	Review of contracted Day Care services	A review of quantity of Day Care contracted to reflect Fair Access to Care activity and increasing take up of Self Directed Support.	(400)	(400)	(400)			Stephanie Ramsey
ASCH 7	Business Policy Staffing	Reduction in Policy & Performance team.	Cut management information and performance function to Adults whilst maintaining shared information system.	(50)	(50)	(50)		2.00	Penny Furness-Smith

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2011/12 £000's	2012/13 £000's	2013/14 £000's	FTE In Post	FTE Vacant	Head of Service	
ASCH 8	Adult Social Care Learning and Development	Remove the historical under spend from the Adult Social Care training budget.	A review of the training budget is to be conducted during 11/12. Whilst this review is ongoing it is anticipated that the saving achieved in 10/11 will recur. Upon completion of the review the level of future savings will be scoped.	(100)					Penny Furness-Smith	
ASCH 9	Preserved Rights	SCC may get a large proportion of the national total of grant for Preserved Rights	A consultation document outlining two methods of calculation for distributing the grant both propose an increase of £400,000 for SCC. Nothing has been confirmed re actual amounts.	(400)	(400)	(400)			Penny Furness-Smith	
Sub-total				(1,879)	(1,944)	(1,994)	0.00	4.00		
Adult Social Care & Health - Income										
ASCH 10	Meals on Wheels	Review of Meals on Wheels service.	Review options for the provision of meals service including making the services self funding and/or transfer to City Catering. There will be an increase in the charge per meal. There are currently 600 service users this will affect.	(45)	(45)	(45)			Jane Brentor	
ASCH 11	Client Income	Increase in income from clients due to increase in benefits.	This is not an increase in charges. This income is based on an assumed increase in benefits of 1%. This proportionate increase in income is achieved through the natural increase in benefits which occurs annually and does not represent a shift in the application of charging criteria. Please note mobility element of DLA which has just been withdrawn for residential clients has never been a chargeable benefit and so does not represent a loss of income.	(100)	(100)	(100)			Penny Furness-Smith	
Sub-total				(145)	(145)	(145)	0.00	0.00		

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2011/12 £000's	2012/13 £000's	2013/14 £000's	FTE In Post	FTE Vacant	Head of Service
<u>Adult Social Care & Health - Service Reductions</u>									
ASCH 12	Across Portfolio	Review the level of funding for voluntary organisations where service is non statutory.	All voluntary sector contracts which are identified as providing non statutory preventative services are included and will be ended. The loss of these services will impact on later costs where early intervention would have reduced service need. Such cuts may result in some organisations becoming unviable which will impact on their use by other areas of the Council and partner organisations.	(776)	(776)	(776)			Stephanie Ramsey
ASCH 13	Strategic Development	Cease provision of Later Years Service and support to Later Years Partnership	There is no statutory requirement for this work. This saving will impact 100% on the Councils Later Years team and the financial support provided to the Third Age Centre including the Suhana Project.	(239)	(239)	(239)	5.00		Penny Furness-Smith
ASCH 14	Health & Well-Being	50% reduction in the Healthy Communities Team	This team currently provides community based health improvement programmes. Currently there is no statutory requirement for this work. This will lead to redundancies. The remaining part of the service will be reviewed in light of the Public Health review and the White Paper.	(110)	(110)	(110)	1.60		Penny Furness-Smith
ASCH 15	Across Portfolio	8% Reduction in activity for areas previously funded by grant, including Carers grant, Learning Disability Development Fund and Mental Capacity Act.	In part this level of saving is commensurate with the under spend forecast for 10/11, and in part the activity reduction to achieve this saving in 11/12 has already been planned.	(62)	(62)	(62)			Penny Furness-Smith
Sub-total				(1,187)	(1,187)	(1,187)	6.60	0.00	
Adult Social Care & Health Portfolio Total				(3,211)	(3,276)	(3,326)	6.60	4.00	

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2011/12 £000's	2012/13 £000's	2013/14 £000's	FTE In Post	FTE Vacant	Head of Service
<u>Children Services & Learning - Efficiencies</u>									
CSL 1	Business Support	Business Support across the Children's Services & Learning Directorate	Reducing level of Business Support in line with service reductions. There should be no impact on service delivery	(75)	(150)	(150)	6.00		Alison Alexander
CSL 2	Planning & Performance	Data and ICT teams	Restructure and merger of the roles and responsibilities within the teams which currently undertake data analysis and performance and ICT support to align with the national withdrawal of performance reporting requirements. There should be no impact on service	(50)	(100)	(100)	3.00		Alison Alexander
CSL 3	Transport	Staff transport costs	Savings through stricter application of the corporate staff transport policy and through reductions in staff across the Directorate leading to fewer claims being made	(35)	(35)	(35)			Alison Alexander
CSL 4	Directorate	Directorate supplies and services budgets	Savings through a rationalisation in supplies & services budgets	(35)	(35)	(55)			Alison Alexander
CSL 5	Children's Services Estate	Restructure of Infrastructure Division	Amalgamation of four teams within the Infrastructure Division to create a new structure to best support the development of the Children's Services estate, in the light of the cancellation of BSF and the school expansion required due to the increase in school aged children forecast over the next ten years	(150)	(150)	(150)	2.20	1.00	Karl Limbert
CSL 6	Safeguarding & Commissioning	Efficiencies in service management in line with move to two from three localities	Reduction to two locality teams instead of three with corresponding reductions in management and overheads.	(35)	(35)	(35)	1.00		Alison Alexander
Sub-total				(380)	(505)	(525)	12.20	1.00	
<u>Children Services & Learning - Income</u>									
CSL 7	Behaviour Support	School purchasing behaviour support services	School Behaviour Support Team to be funded from charges for work done with children on schools' behalf. Schools will have a choice about whether to buy the service. Low take up would result in redundancies in the team.	(175)	(350)	(350)	11.19		Alison Alexander
Sub-total				(175)	(350)	(350)	11.19	0.00	

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2011/12 £000's	2012/13 £000's	2013/14 £000's	FTE In Post	FTE Vacant	Head of Service
<u>Children Services & Learning - Service Reductions</u>									
CSL 8	Workforce Development	Workforce Development team and staff training	Reductions in conferences and professional training in line with agreed priorities and in proportion to reduction in headcount.	(40)	(80)	(80)			Alison Alexander
CSL 9	Youth Support Service	Youth Support	Data and performance-led targeting of youth resource to allow a reduction of 25% in the numbers of Personal Advisors and Youth Support Workers currently providing informal youth work, information, advice and guidance, and reduction of service where underused or unused.	(530)	(530)	(530)	17.00		Alison Alexander
CSL 10	Prevention & Inclusion	Reorganisation of services to children, young people and families from across the Directorate	Reduction and realignment in the number of locality teams from three to two plus other services. This will minimise management, overheads and admin as a result of moving from three to two localities and merging other functions such as training with the broader Directorate budget. A reduction in practitioner posts including Youth Support Workers, Family Support Workers, Personal Advisors and Specialist Support workers.	(703)	(1,785)	(2,135)	34.40	1.00	Alison Alexander
CSL 11	Contracts	Prevention services provided by the third and private sector	Realign service provision into two multi-disciplinary locality teams as opposed to three, minimising management, services and supplies, administration and workforce development. In addition there will be a minimal reduction in practitioner posts including Youth Support Workers, Family Support Workers, Specialist Support workers and Inclusion workers.	(600)	(1,200)	(1,200)			Alison Alexander
CSL 12	Music Service	Revision of funding arrangements for city orchestras, choirs and bands currently run by the Music Service	Reduction in staffing and in services and supplies. The establishment of a Southampton Music Trust led by an external partner is also being explored in detail.	(160)	(282)	(282)	4.34	1.00	Paul Nugent
CSL 13	Standards	Services for schools from Standards Division	Withdrawal of free services to schools for specialist, single issue staff. Discussions will take place with Schools Forum on possible purchase arrangements should schools wish these services to continue	(65)	(130)	(130)	4.65		Paul Nugent

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2011/12 £000's	2012/13 £000's	2013/14 £000's	FTE In Post	FTE Vacant	Head of Service
CSL 14	Commissioning	Reduction in Commissioning team	Reduction in Commissioning team in line with streamlining of business need	(56)	(112)	(112)	3.60		Alison Alexander
		Sub-total		(2,154)	(4,119)	(4,469)	63.99	2.00	
		Children's Services & Learning Portfolio Total		(2,709)	(4,974)	(5,344)	87.38	3.00	

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2011/12 £000's	2012/13 £000's	2013/14 £000's	FTE In Post	FTE Vacant	Head of Service
<u>Environment & Transport - Efficiencies</u>									
E&T 1	Bereavement Services	More efficient use of gas in the crematorium through changes in the operating regime and new equipment in future years	Changing work practices will deliver savings.	(30)	(30)	(30)			Liz Marsh
E&T 2	E&T Directorate & Portfolio Management	Reduce directorate central costs by increasing staff time spent on projects.	Moving towards staff self funding arrangements by selling services across the directorate and reducing spending on external consultants/support. Less resource available to deal with corporate matters.	(20)	(40)	(60)			Frances Martin
E&T 3	E&T Directorate & Portfolio Management	Reduction in the corporate use of natural resources (energy/waste /transport)	Introduction of new polices and technology to reduce energy usage and contribute towards the council's carbon reduction target. Smarter use of water and materials, increased recycling with lower quantities of waste sent for disposal. More efficient use of transport plus improved management of fuel.	(140)	(350)	(350)			Frances Martin
E&T 4	E&T Directorate & Portfolio Management	Staff opting for reduced working hours with corresponding reductions in costs.		(40)	(75)	(75)			Frances Martin
E&T 5	E&T Directorate & Portfolio Management	Reduction in the directorate supplies and services expenditure.	Reduced learning and development opportunities for staff and the employment of consultants	(130)	(130)	(110)			Frances Martin
E&T 6	Fleet Transport	Development of a fleet partnership	Reduce operating costs, increase income and flexibility	(10)	(10)	(10)			Andrew Trayer
E&T 7	Itchen Bridge	Automation of toll collection arrangements to reduce operating costs.	Requires the completion of a study, selection of technology, and securing the capital funding for the automatic toll collections.	(70)	(238)	(238)	12.00		Mick Bishop
E&T 8	Off Street Car Parking	Efficiencies derived from the modernisation of Parking Services	Completion of the service review and implementation of service improvements, generation of additional income and realising efficiencies through the introduction of new technology.	(140)	(370)	(370)	8.00		Mick Bishop

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2011/12 £000's	2012/13 £000's	2013/14 £000's	FTE In Post	FTE Vacant	Head of Service
E&T 9	Transport Strategy & Road Safety	Reduction in the budget to align with level of filled crossing patrol posts	This service has a high vacancy rate and high turnover which can be more accurately reflected in the future budget allocation, without significant impact on service delivery.	(25)	(25)	(25)			Paul Nichols
E&T 10	Waste Collection	Reduction in non contractual overtime expenditure	Changes to working practices across a number of refuse services	(15)	(15)	(15)			Andrew Trayer
E&T 11	Waste Collection	Reduced refurbishment of refuse collection containers	Lower maintenance regime requiring an acceptance of the continued use of slightly damaged bulk bins	(10)	(10)	(10)			Andrew Trayer
E&T 12	Waste Collection	Reduction in the amount of fuel used by refuse collection vehicles	Increased use of modern fuel saving technologies and operating practices, reduced carbon footprint.	(12)	(25)	(25)			Andrew Trayer
E&T 13	Waste Collection	Reductions in sickness absence	Requirement to further improve monitoring arrangements and return to work interviews	(15)	(15)	(15)			Andrew Trayer
E&T 14	Waste Disposal	Reduce waste to landfill from the Civic Amenity Site through better separation into reuse and recycling streams. Joint working with Housing Services to reduce the tonnage in waste collected by the Housing Waste Removals Team from council properties for disposal	Requires the introduction of new recycling and reuse initiatives along with seeking cheaper disposal options for materials which can't be separated for recycling or reuse.	(100)	(100)	(100)			Andrew Trayer
E&T 15	Waste Disposal	Reductions in the Waste Disposal Contract Costs	Requires engagement and the provision of information for residents	(15)	(15)	(15)			Andrew Trayer
E&T 16	Waste Disposal	None	None	(27)	(107)	(107)			Andrew Trayer
Sub-total				(799)	(1,555)	(1,555)	20.00	0.00	

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2011/12 £000's	2012/13 £000's	2013/14 £000's	FTE In Post	FTE Vacant	Head of Service
<u>Environment & Transport - Income</u>									
E&T 17	Bereavement Services	Increased burial fees	Increase of 6.6% in burial fees will increase the cost above the average.	(45)	(45)	(45)			Liz Marsh
E&T 18	Bereavement Services	Selling a greater range of memorials	Dependent upon timely infrastructure improvements and marketing services	(50)	(75)	(100)			Liz Marsh
E&T 19	Environmental Health	Port Health - additional income flowing from new duties incorporated into existing import control systems		(10)	(10)	(10)			Liz Marsh
E&T 20	Environmental Health	Out of Hours Service - arrangements with Winchester City Council to carry out shared out of hours stray dog service.		(10)	(10)	(10)			Liz Marsh
E&T 21	Fleet Transport	Increase range of third party work,		(10)	(20)	(20)			Andrew Trayer
E&T 22	Waste Disposal	Increased commercial waste rebate		(45)	(45)	(45)			Andrew Trayer
Sub-total				(170)	(205)	(230)	0.00	0.00	

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2011/12 £000's	2012/13 £000's	2013/14 £000's	FTE In Post	FTE Vacant	Head of Service
<u>Environment & Transport - Service Reductions</u>									
E&T 23	Bereavement Services	Deletion of cemetery gatekeeper post	The loss of the gatekeeper could lead to complaint from cemetery users if there is inconsiderate parking.	(15)	(15)	(15)	1.00		Liz Marsh
E&T 24	E&T Directorate & Portfolio Management	Reduction in the amount of overtime worked	Delays to the delivery of services and the level of service provision outside normal working hours	(40)	(40)	(40)			Frances Martin
E&T 25	Travel and Transport	Reduction in bus subsidies affecting the 8/8A service, dial-a-ride, night bus marshals, the no 5 Sunday service, some city night buses and the no 7A service	Some services could be withdrawn by the bus operators if they will not operate the services without a subsidy. The capacity of dial-a-ride is reduced, following recent declines in patronage.	(90)	(120)	(170)			Paul Nichols
E&T 26	Travel and Transport	Withdraw the subsidy to the no 14 bus service	The no 14 service carries 37,000 passengers pa. Alternative services are often available, which may be less direct.	(60)	(60)	(60)			Paul Nichols
E&T 27	Planning and Sustainability	Offer specialist consultancy services to other local authorities	Enables the authority to retain their skills in house, whilst establishing an order book with other local authorities to contribute to staff costs.	(20)	(55)	(75)			Paul Nichols
E&T 28	Environmental Health	Reduction in work on the Air Quality Strategy	Delete post (currently vacant). Reduces the Council's ability to support statutory air quality work, including work relating to Air Quality Management Areas.	(10)	(10)	(10)		0.50	Liz Marsh
E&T 29	Environmental Health	Food Safety and Health and Safety staff reduction.	Reduces the health & safety and food safety enforcement work below the level outlined in the agreed Food and Health & Safety Service Plan.	(30)	(30)	(30)		1.00	Liz Marsh
E&T 30	Itchen Bridge	Removal of concessions for disabled drivers using the Itchen Bridge	Introduces a one toll for all approach	(25)	(25)	(25)			Mick Bishop

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2011/12 £000's	2012/13 £000's	2013/14 £000's	FTE In Post	FTE Vacant	Head of Service
E&T 31	Off Street Car Parking	Reduce the City Patrol service	Reduced work on envirocrime and fly tipping	(25)	(25)	(25)		1.00	Mick Bishop
E&T 32	Planning and Sustainability	Restructure Sustainability team.	Corresponding reduction in work relating to sustainability matters.	(40)	(40)	(40)	1.00		Paul Nichols
E&T 33	Waste Collection	Reduction in customer engagement, education and awareness work, including support for residents, schools and behaviour changes initiatives.	Reduced provision of information to residents on contamination of recycling bins, support for increasing participation in recycling and contributions to community events or national campaigns.	(67)	(67)	(67)	2.00		Andrew Trayer
E&T 34	Waste Collection	Charging for green waste collection service	Probable adverse customer reaction to charges with reductions in the use of the new service. Recycling rate could decrease and green waste could end up in residual waste stream.	(30)	(220)	(220)			Andrew Trayer
E&T 35	Waste Disposal	Reduction in the amount of DIY waste that is allowed to be disposed off at the Civic Amenity site.	Caop on the amount of DIY waste that can be disposed of at the Civic Amenity site. Residents with large amounts of DIY waste for disposal will be helped with information on alternative methods of disposal. Possible adverse publicity and increases in fly tipping	(10)	(10)	(10)			Andrew Trayer
E&T 36	Across Portfolio	Management Posts	Reduction in management posts	(220)	(220)	(220)	4.00	1.00	Frances Martin
Sub-total				(682)	(937)	(1,007)	8.00	3.50	
Environment & Transport Portfolio Total				(1,651)	(2,697)	(2,792)	28.00	3.50	

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2011/12 £000's	2012/13 £000's	2013/14 £000's	FTE In Post	FTE Vacant	Head of Service
<u>Housing - Efficiencies</u>									
HOU 1	Directorate & Portfolio Mgmt	Reduce central support / recharges from Directors Office	Reduction in support capacity. Implement revised staffing structure from April 2011 with part year saving in 2011/12	(15)	(20)	(20)	1.00		Jon Wallace
HOU 2	Homelessness	Review scope and delivery of Homelessness Service based on statutory responsibilities	DCLG homelessness grant included in ABG from 2010/11 Gvt stated in CSR support provided to fund services to prevent homelessness e.g. outreach and street homelessness services. Review and achieve better value for money from these services.	(25)	(25)	(25)			Barbara Compton
Sub-total				(40)	(45)	(45)	1.00	0.00	
<u>Housing - Income</u>									
HOU 3	Allocations	Introduction of charges to Housing Associations for Housing Register / nominations	Aim to fully recover costs from Housing Associations. Proposal also to be discussed on a PUSH wide basis	(25)	(50)	(50)			Barbara Compton
Sub-total				(25)	(50)	(50)	0.00	0.00	
<u>Housing - Service Reductions</u>									
HOU 4	Housing Strategy	Reduce Housing Policy work and rationalise / reduce business support activity	This service covers housing strategy work, policy development and business support activities. Specific post dedicated to Policy development work to cease (1.0 FTE) with 0.5 FTE reduction in business support capacity.	(44)	(67)	(67)	1.00	0.50	Barbara Compton
HOU 5	Private Sector Housing - Housing Improvement Teams	Review scope and delivery of Private Sector Housing Service based on statutory responsibilities	Removing all non statutory functions.	(54)	(69)	(69)	2.00		Barbara Compton
HOU 6	Directorate & Portfolio Mgmt	Management Posts	Reduction in management posts	(30)	(30)	(30)	1.00		Jon Wallace
HOU 7	Housing General Fund	Management Posts	Reduction in management posts	(45)	(45)	(45)	1.00		Barbara Compton
Sub-total				(173)	(211)	(211)	5.00	0.50	
Housing Portfolio Total				(238)	(306)	(306)	6.00	0.50	

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2011/12 £000's	2012/13 £000's	2013/14 £000's	FTE In Post	FTE Vacant	Head of Service
<u>Leaders - Efficiencies</u>									
LEAD 1	Corporate Policy & Performance	Restructure of support to strategic planning and corporate management of the Council	Discussions are taking place to ensure the new Directorate and Corporate arrangements are fit for purpose and can drive new ways of working, efficiencies and shared services.	(382)	(382)	(382)	TBC	TBC	Dawn Baxendale
LEAD 2	Democratic Representation & Management	Restructure of Democratic Services to merge Members' Services, Democratic services and the Mayor's Office	Removal of admin posts and senior democratic support officer. Impact on Education appeals, Web publishing and Members Services. Tasks will need to be shared across all areas and also some loss of support to Members and the Mayor with reduced capacity to undertake additional functions/events.	(80)	(80)	(80)	1.00	2.00	Mark Heath
LEAD 3	Registration of Electors	Continue with arrangements implemented in 2010	No impact as review is complete	(20)	(20)	(20)			Mark Heath
Sub-total				(482)	(482)	(482)	1.00	2.00	
<u>Leaders - Service Reductions</u>									
LEAD 4	Democratic Representation & Management	Cut in Members' Allowances	Dependent on Independent Remuneration Panel. Initial indications of savings provided which will need to be reviewed	(20)	(20)	(20)			Mark Heath
LEAD 5	Legal Services	Removal of posts from Legal Services	A reduction in staff will require Legal Services to strictly prioritise work in accordance with the Administration's corporate priorities.	(100)	(100)	(100)	1.00	2.00	Mark Heath
LEAD 6	Subs to EXT bodies & Portfolio Management	Review of subscriptions	Subscriptions paid to third parties from other Portfolio budgets to be reviewed and potential assessed.	(100)	(100)	(100)			Suki Sitaram
Sub-total				(220)	(220)	(220)	1.00	2.00	
Leaders Portfolio Total				(702)	(702)	(702)	2.00	4.00	

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2011/12 £000's	2012/13 £000's	2013/14 £000's	FTE In Post	FTE Vacant	Head of Service
<u>Leisure, Culture & Heritage - Efficiencies</u>									
LCH 1	Directorate & Portfolio Management	Reduce central support / recharges from Directors Office	Reduction in support capacity - partly arising from less support needed to former S&R service. Implement revised staffing structure from April 2011 with part year saving in 2011/12	(15)	(20)	(20)	1.00		Jon Wallace
LCH 2	Directorate & Portfolio Management	Senior Management Restructure	As result of the service reductions / project completion and new partnership arrangements / growing enabling role it is proposed to review / revise the Divisional Senior Management structure	(42)	(50)	(50)	1.00		Mike Harris
LCH 3	Libraries	Implementation of 3 year library strategy.	Range of efficiency proposals to reduce time spent on non customer facing work. Changes in methods of working will be deployed.	(246)	(246)	(246)	7.00		Mike Harris
LCH 4	Sport & Recreation	Efficiencies from Sports & Recreation Partnership alternative management arrangements	Additional savings through realisation of a full year allocation of efficiency. Staff transferred under TUPE so no FTE implications.	(296)	(463)	(523)			Mike Harris
LCH 5	Externalised Services & Contracts	Reduction in the budget for legal costs associated with the renewal of the Guildhall contract and centralisation of the externalised services contingency funds		(25)	(25)	(25)			Mike Harris
Sub-total				(624)	(804)	(864)	9.00	0.00	

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2011/12 £000's	2012/13 £000's	2013/14 £000's	FTE In Post	FTE Vacant	Head of Service
<u>Leisure, Culture & Heritage - Income</u>									
LCH 6	Corporate Communications	Additional Corporate Sponsorship Income	Additional income to be generated	(30)	(30)	(30)			Ben White
Sub-total				(30)	(30)	(30)	0.00	0.00	
<u>Leisure, Culture & Heritage - Service Reductions</u>									
LCH 7	Corporate Communications	Reduce publication of City View to once a quarter	This will enable the Council to maintain effective communication and the potential to supplement this alternative communication channels will be investigated.	(18)	(18)	(18)			Ben White
LCH 8	Across Portfolio	Management Posts	Reduction in management posts	(45)	(45)	(45)	1.00		Mike Harris
Sub-total				(63)	(63)	(63)	1.00	0.00	
Leisure, Culture & Heritage Portfolio Total				(717)	(897)	(957)	10.00	0.00	

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2011/12 £000's	2012/13 £000's	2013/14 £000's	FTE In Post	FTE Vacant	Head of Service
Local Services & Community Safety - Efficiencies									
LSCS 1	Natural Environment, Common & Hawthorns (Replaces previous two saving rows)	Review, rationalise and re-organise activities provided by the Natural Environment service and explore establishing an external partnership / trust arrangement	Cost / benefit analysis required of the range of activities currently undertaken by the in-house natural environment service, evaluating scope for internal savings, efficiencies and additional income against potential cost reductions / income generation opportunities achievable through or external partnering arrangements.	(10)	(45)	(90)			Jon Dyer-Slade
LSCS 2	Parks & Street Cleansing	Review and re-organise the parks & street cleansing management, technical & support activities and undertake an options appraisal for the future delivery of the service.	The parks & street cleansing management, technical & support team functions would see a reduction in staff costs of at least 25%. The proposal also encompasses working with Bereavement Services to integrate the management and delivery of the Cemeteries Service to achieve shared savings for both the Neighbourhood Services and Environment Divisions, however it is anticipated that this saving is in addition to the Environment saving. The full staffing impact of the complete review is not known at this time and the staffing numbers quoted relate to 2011/12 only.	(72)	(115)	(211)	1.00	1.00	Jon Dyer-Slade
LSCS 3	Parks & Street Cleansing	Review and re-structure parks & street cleansing 'out of hours' service delivery arrangements and undertake an options appraisal for the future delivery of the service.	Reduction in levels of staff overtime working with carefully targeted schedules and resource allocations to focus on maintaining current levels of care and cleanliness in high-demand areas such as the city centre and central parks, and district centres and district parks.	(50)	(50)	(50)			Jon Dyer-Slade
LSCS 4	Parks & Street Cleansing	Re-organise the parks & street cleansing District & Citywide Teams and undertake an options appraisal for the future delivery of the service.	Reductions have been pitched at a level (5% reduction in existing front-line capacity) that would not require a substantial re-shaping of current 'Service Promises' or impact significantly on levels of customer satisfaction or key PI's under normal conditions. The full staffing impact of the complete review is not known at this time and the staffing numbers quoted relate to 2011/12 only.	(126)	(213)	(213)	3.00	3.00	Jon Dyer-Slade
LSCS 5	CCTV	Undertake a major cross council review of CCTV to deliver efficiencies and reduce costs	Undertake a major service review to develop options for appraisal in terms of the current CCTV operation and related services. The full staffing impact of the complete review is not known at this time and the staffing numbers quoted relate to 2011/12 only.	(36)	(175)	(175)		1.00	Jon Dyer-Slade
Sub-total				(294)	(598)	(739)	4.00	5.00	

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2011/12 £000's	2012/13 £000's	2013/14 £000's	FTE In Post	FTE Vacant	Head of Service
<u>Local Services & Community Safety - Income</u>									
LSCS 6	Parks & Street Cleansing	Identify sponsorship for all seasonal barrier basket / hanging basket provision in areas where currently entirely funded by city council or cease provision.	Floral displays are sponsored by local traders / organisations already in some areas (Bitterne, Old Northam) but provided by the city council within the city centre. The development of further external funding / sponsorship may mitigate impact to some degree but the current market for further support from commercial sponsorship is likely to result in reduced displays.	(20)	(20)	(20)			Mike Harris
Sub-total				(20)	(20)	(20)	0.00	0.00	
<u>Local Services & Community Safety - Service Reductions</u>									
LSCS 7	Parks & Street Cleansing	Work with the community to manage Weston Shore Pitch & Putt course.	Explore the potential to work with local community group or private sector partners to manage Weston Shore Pitch & Putt	(20)	(20)	(20)			Jon Dyer-Slade
LSCS 8	Public Toilets	Close the Bargate, Kingsland and Woolston public toilets. Secure additional sponsorship to provide a new automatic public toilet to replace provision in Bitterne & Portswood	There are a number of alternative public toilet providers in the city centre. Communication of alternatives and closure notices will be required, and work will be undertaken with private sector partners to develop a new cost efficient alternative provision within the District Centres	(60)	(85)	(85)			Jon Dyer-Slade
LSCS 9	Trees, Allotments & Parks Improvements	Develop the Allotments Service to be entirely self-funding by 2013/14. Remove subsidy on direct expenditure to break even. Requires £57K one-off investment to deliver.	Extensive discussions will be required with allotment site representatives and tenants to establish the most effective way of operating the service into the future, however it is anticipated that this will include elements of increased self management, reduced costs and significant fee increases to create a nil cost service that has a ring fenced future development budget built into the fee charges.	(10)	(37)	(77)			Jon Dyer-Slade

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2011/12 £000's	2012/13 £000's	2013/14 £000's	FTE In Post	FTE Vacant	Head of Service
LSCS 10	Community Safety	Undertake a comprehensive review of current community safety activity and related budgets.	Undertake a major service review to develop options for appraisal in terms of future Safer Communities operational arrangements including potential further joint working with key partners including the Police, Hampshire Probation, other SCC teams and the Fire and Rescue Service.	(100)	(100)	(100)	2.00		Jon Dyer-Slade
LSCS 11	Communities Team	Review of the remaining communities service and consolidation with other neighbourhood services combined with a significant scaling back of service.	Redirection / reduction in the resources and support available to voluntary sector groups, management of community centres, community cohesion / equalities work and reduced support for resident associations and local community groups.	(98)	(118)	(118)	3.50	1.30	Jon Dyer-Slade
LSCS 12	Grants to voluntary organisations	Reduction in the amount of grant provision available.	Reductions targeted at the New Projects element of the grants and where funding reductions are proposed to previously funded organisations appropriate consultation and where appropriate notice periods will be required.	(450)	(450)	(450)			Jon Dyer-Slade
LSCS 13	Across Portfolio	Management Posts	Reduction in management posts	(40)	(40)	(40)	1.00		Jon Dyer-Slade
Sub-total				(778)	(850)	(890)	6.50	1.30	
Local Services & Community Safety Portfolio Total				(1,092)	(1,468)	(1,649)	10.50	6.30	

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2011/12 £000's	2012/13 £000's	2013/14 £000's	FTE In Post	FTE Vacant	Head of Service
Resources & Workforce Planning - Efficiencies									
RES 1	Admin Buildings	Restructure Civic Buildings Services Management	Management restructure	(21)	(21)	(21)	1.00		John Spiers
RES 2	Admin Buildings	Review of Town Sergeants	Review of Town Sergeants building security coverage, review of night security and delivery of confidential waste collection savings.	(28)	(28)	(28)	3.00	1.00	John Spiers
RES 3	Audit & Risk Management	Reduction in Audit fees	Once end of CAA and impact on fees confirmed this can be saved due to reduced inspection regime	(50)	(50)	(50)			Neil Pitman
RES 4	Audit & Risk Management	Shared Head of Internal Audit Resource with HCC	Efficiency generated for both Authorities through shared resource.	(45)	(45)	(45)			Neil Pitman
RES 5	Building Cleaning	Rationalisation of cleaning function	Decentralisation of responsibility for non-admin buildings cleaning to relevant building managers and change of cleaning hours to office hours only.	(16)	(33)	(33)	2.00		John Spiers
RES 6	Capita Partnership Costs	Reduced interest payments	Part of contract structure	(100)	(100)	(200)			Paul Medland
RES 7	Finance Service	Further efficiencies in Finance Service through standardisation and automation and stopping non added value work	Implement second phase of recent restructure and look at other opportunities from implementation in September 2011/12	(125)	(250)	(250)	3.00	4.00	Andy Lowe
RES 8	HR Client	Update process of EFQM implementation	Reduce bureaucratic elements of the process but maintain the application of the principles in the business planning process.	(25)	(25)	(25)			Sarah Dennis
RES 9	Investment Property	Reduce bad debt contribution	Maintain performance with regard to debt collection	(100)	(100)	(100)			John Spiers
RES 10	Insurances	Further reductions	Actuarial review and possible increase in self assurance	(250)	(250)	(250)			Neil Pitman
RES 11	Pensions & Redundancies	Reduced costs due to revised policies	Saving in recurring budget due to changes implemented to policies in previous years and effective role of EAP	(250)	(250)	(250)			Rob Carr
Sub-total							9.00	5.00	
				(1,010)	(1,152)	(1,252)	9.00	5.00	

SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS

Portfolio Ref	Service Activity	Description of Item	Impact / Issues	2011/12 £000's	2012/13 £000's	2013/14 £000's	FTE In Post	FTE Vacant	Head of Service
<u>Resources & Workforce Planning - Income</u>									
RES 12	Investment Property	Increase income	Effectively manage Portfolio as part of "business as usual"	(150)	(150)	(150)			John Spiers
Sub-total				(150)	(150)	(150)	0.00	0.00	
<u>Resources & Workforce Planning - Service Reductions</u>									
RES 13	HR Client	Reduction of training budgets across all Directorates	Review of training to be delivered with available budget required. Reduced Management Academy programme will enable more Directorate led training to be completed.	(50)	(50)	(50)			Sarah Dennis
RES 14	Admin Buildings	Review of Town Sergeants	Phased removal of TS reception duties from Frobisher and Southbrook.	(21)	(31)	(31)	1.00	1.00	John Spiers
RES 15	Building Cleaning	Reduction in Cleaning Specification	Reduction in minimum cleaning specification for offices from weekly to fortnightly cleaning, together with reduction in frequency of cleaning for outside areas and other staff areas.	(80)	(80)	(80)	3.30	2.00	John Spiers
RES 16	Central Client Management	Client Team / Retained Service Restructure	Rationalisation of the client function and reduction in the role that is currently undertaken to focus on contract management and core retained functions including strategy and policy development. Savings to be delivered through a single restructure in September 2011.	(40)	(130)	(130)	TBC	TBC	Rob Carr
RES 17	Finance Service	Service Reductions in Finance around reduced monitoring, less input to projects, less visits to managers	Would need to agree priorities for service provision with Directors and standards required by CFO. Centralisation of the Finance function, reduction in Finance Managers and minimal service provision to CFO standards in 2013/14	(237)	(400)	(650)	10.00		Andy Lowe
RES 18	Property Client	Restructure	Restructure of the client function. The priorities for the team will need to be clearly mapped to the available resources and the lack of capacity to drive strategy will need to be recognised.	(50)	(80)	(80)	2.00		John Spiers
RES 19	Property Management	Reduce Capita variable work	Review work programme	(100)	(100)	(100)			John Spiers
Sub-total				(578)	(871)	(1,121)	16.30	3.00	
Resources & Workforce Planning Portfolio Total				(1,738)	(2,173)	(2,523)	25.30	8.00	
GRAND TOTAL				(12,058)	(16,493)	(17,599)	175.78	29.30	

Terms and Conditions – Final Offer 26th January 2011

This final offer applies to all Council staff (including support staff employed in schools) with the exception of those subject to provisions of the Education Acts, the School Teachers' Pay and Conditions Acts and the regulations made by the Secretary of State for Education and Employment.

1. Proposals to reduce pay :

The reductions to pay will be based on salary as at the 31st March 2011; the new salary payable will be the salary at 31st March minus the pay reduction outlined below:

- No pay reduction for employees earning less than a full time equivalent basic salary of £17,500 at 31st March 2011
- A 2% pay reduction for employees earning a full time equivalent basic salary between £17,501 and £22,000 at 31st March 2011
- A 4.50% pay reduction for employees earning a full time equivalent basic salary between £22,001 and £35,000 at 31st March 2011
- A 5% pay reduction for employees earning a full time equivalent basic salary between £35,001 and £65,000 as at 31st March 2011
- A 5.5% pay reduction for employees earning a full time equivalent basic salary in excess of £65,000 as at 31st March 2011

2. The Council will pay the £250 pay increase recommended by the government to all employees earning less than £21,000 with effect from 1st April 2011 regardless of whether it is agreed within the national pay settlement.

Current assumption is no cost of living pay award for all other employees for two years.

3. No pay increments for all employees for two years (2011/12 and 2012/13);

4. An additional 5 days leave entitlement (or pro-rata for part time workers) for anyone on a full time equivalent basic salary in excess of £22,000 (to compensate for part of the higher percentage pay reduction which employees earning in excess of £22,000 will receive). We plan to introduce office closures where appropriate over the Christmas period

5. Revise the policy for managing absence at work and work with the Unions to reduce sickness absence. Will review the position after one year.

6. Restructure essential and contractual car user entitlements;

The Council is proposing to remove all essential and contractual user lump sums from 1st April 2011 and replace with the Southampton Car Allowance (SCA) of £20 per month.

A re-assessment will be carried out to determine who is eligible for the SCA based on whether or not it is considered they need their car to do the job asked of them.

Future increases in the rate to be agreed by negotiation.

7. Reduce mileage rates to HMRC approved rate of 40p per mile;

This rate will apply to all mileage claimed from 1st April 2011. Future increases will be tied in to the HMRC approved Mileage Allowance Payment rate.

8. Removal of all market supplements;

Market analysis has already been carried out for those posts that currently receive market supplements and shows that there is no evidence that a market supplement is necessary. All supplements will be removed from 1st April 2011 irrespective of current notice period.

9. Removal of the leased car scheme.

Leased cars will be withdrawn from a specified date (to be agreed) to allow time for cars to be purchased where required and to allow the maximum number of leases to expire. The current compensation arrangements will be applied in terms of lump sum payment. A car loan would be available in accordance with the existing car loan policy.

In making this final offer, the Administration has also agreed as part of a complete package to:-

- Not implement any further terms and conditions changes as part of budget savings during this Administration (this does not include changes to terms and conditions arising from non-budgetary matters, e.g. to reflect legislative requirements)
- Withdraw the proposal for a reduction in the working week
- Withdraw the proposals to cut sick pay of any sort
- Withdraw the proposal for all staff to move back one pay point
- Withdraw the proposal for staff to take 5 days unpaid leave
- Guarantee no further compulsory redundancies below Chief Officer grades in respect of 2011/12 budget savings over and above those staff savings already notified (this does not include changes to terms and conditions arising from non-budgetary matters, e.g. to reflect legislative requirements)
- Offer an enhanced rate of voluntary redundancy that applies a two times multiplier rather than the current 1.6 multiplier for any voluntary redundancies agreed for the 2011/12 financial year as part of the current budget process

It should be noted that the above offer is made as part of a complete package which it is hoped will be agreed by staff through the collective negotiation process. However if the proposals are rejected then there is no guarantee that any of the concessions that have been made will remain on the table.

In addition to, and not conditional upon the above package, the Administration will implement the following as part of its approach to implementing its 2011/12 savings:

- Commit to keep compulsory redundancies to an absolute minimum
- Offer a voluntary 'bumped' redundancy scheme, whereby a person is allowed to go on voluntary redundancy if there is a person that can be redeployed into their post who would otherwise be made compulsorily redundant.
- Pay any redundancies (voluntary or compulsory) where notice is given between 1st April 2011 and 31st March 2012 based on the salary that was payable on 31st March 2011 (i.e. before any salary reductions due to the terms and conditions savings).
- Not pursue any extension in the length of the Capita contract at the current time

Agenda Item 4b

APPENDIX 8
Appendix 8

2011/12 GENERAL FUND REVENUE ACCOUNT

Portfolios	2011/12 Forecast £000's	Invest to Save Bids £000's	Revenue Pressures £000's	Revenue Bids £000's	Savings & Income £000's	2011/12 Budget £000's
Adult Social Care & Health	77,238.2	0.0	0.0	0.0	(3,219.2)	74,019.0
Childrens Services	68,285.5	0.0	137.0	0.0	(2,725.5)	65,697.0
Environment & Transport	35,840.3	0.0	80.0	0.0	(1,635.7)	34,284.6
Housing	3,447.9	0.0	0.0	0.0	(239.9)	3,208.0
Leader's Portfolio	8,517.3	0.0	0.0	0.0	(690.2)	7,827.1
Leisure Culture & Heritage	13,345.0	0.0	0.0	0.0	(734.3)	12,610.7
Local Services & Community Safety	10,232.2	25.0	0.0	0.0	(1,092.8)	9,164.4
Resources & Workforce Planning	13,300.8	0.0	0.0	0.0	(1,700.4)	11,600.4
Sub-total for Portfolios	230,207.2	25.0	217.0	0.0	(12,038.0)	218,411.2
Levies & Contributions						
Southern Seas Fisheries Levy	48.5					48.5
Flood Defence Levy	44.5					44.5
Coroners Service	500.0					500.0
	593.0	0.0	0.0	0.0	0.0	593.0
Capital Asset Management						
Capital Financing Charges	12,826.6					12,826.6
Capital Asset Management Account	(24,041.1)					(24,041.1)
	(11,214.5)	0.0	0.0	0.0	0.0	(11,214.5)
Other Expenditure & Income						
Direct Revenue Financing of Capital	57.0					57.0
Trading Areas (Surplus) / Deficit	0.0				(20.0)	(20.0)
Net Housing Benefit Payments	(881.9)					(881.9)
Revenue Development Fund	0.0			2,248.3		2,248.3
Corporate Savings	0.0				(5,847.0)	(5,847.0)
Non-Specific Government Grants	(18,688.7)					(18,688.7)
Open Spaces and HRA	535.7					535.7
Risk Fund	6,100.0					6,100.0
Contingencies	250.0					250.0
Council Tax Freeze Grant	(2,065.7)					(2,065.7)
	(14,693.6)	0.0	0.0	2,248.3	(5,867.0)	(18,312.3)
NET GF SPENDING	204,892.1	25.0	217.0	2,248.3	(17,905.0)	189,477.4
Draw from Balances:						
Addition to Balances (General)	1,268.1					1,268.1
To Fund the Capital Programme	(57.0)					(57.0)
	1,211.1	0.0	0.0	0.0	0.0	1,211.1
Net Gap in Budget	15,414.7	25.0	217.0	2,248.3	(17,905.0)	0.0
BUDGET REQUIREMENT	190,688.5	0.0	0.0	0.0	0.0	190,688.5

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APPENDIX 9
Appendix 9

COUNCIL TAX CALCULATION - 2011/12

	2010/11 £000's	2011/12 £000's	Change £000's	Change %
Budget Requirement (a)	183,269.6	190,688.5	7,418.9	4.05%
Less NDR	(87,436.7)	(80,130.6)		
Less RSG	(12,696.6)	(24,727.6)		
Aggregate External Finance	(100,133.3)	(104,858.2)	(4,724.9)	4.72%
Deficit / (Surplus) on collection fund	(1,141.8)	(3,244.7)	(2,102.9)	184.17%
Net Grant Income (b)	(101,275.1)	(108,102.9)	(6,827.8)	6.74%
Amount to be met from Council Tax (a - b)	81,994.5	82,585.6	591.1	0.72%
Tax base	66,167.0	66,644.0	477.0	0.72%
Basic amount of Council Tax (Band D)	1,239.21	1,239.21	0.00	0.00%
Last years Council Tax		1,239.21		
Increase (Cash)		0.00		
Increase (Cash per Week)		0.00		
Increase (%)		0.00%		

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~~APPENDIX 10~~
~~Appendix 10~~

COLLECTION FUND ESTIMATES 2011/12

	2010/11 £000's	2011/12 £000's	Change £000's	Change %
Southampton City Council Precept	81,994.5	82,585.6	591.1	0.72%
Hampshire Police Precept	9,676.9	9,746.7	69.8	0.72%
Fire and Rescue Services Precept	4,061.3	4,090.6	29.3	0.72%
Income due from Council Tax Payers	<u>95,732.8</u>	<u>96,422.9</u>	<u>690.1</u>	<u>0.72%</u>
Tax Base for Area	66,167.0	66,644.0	477.0	0.72%
Basic Amount of Tax for Band D Property	<u>1,446.84</u>	<u>1,446.84</u>	<u>0.00</u>	<u>0.00%</u>

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MEDIUM TERM FINANCIAL FORECAST

Portfolios	2011/12 Forecast £000's	Base Changes £000's	2012/13 Forecast £000's	Base Changes £000's	2013/14 Forecast £000's
Adult Social Care & Health	74,019.0		74,019.0		74,019.0
Childrens Services	65,697.0		65,697.0		65,697.0
Environment & Transport	34,284.6		34,284.6		34,284.6
Housing	3,208.0		3,208.0		3,208.0
Leader's Portfolio	7,827.1		7,827.1		7,827.1
Leisure Culture & Heritage	12,610.7		12,610.7		12,610.7
Local Services & Community Safety	9,164.4		9,164.4		9,164.4
Resources & Workforce Planning	11,600.4		11,600.4		11,600.4
Base Changes & Inflation		5,814.0	5,814.0	8,255.0	14,069.0
Sub-total for Portfolios	218,411.2	5,814.0	224,225.2	8,255.0	232,480.2
Levies & Contributions					
Southern Seas Fisheries Levy	48.5		48.5		48.5
Flood Defence Levy	44.5		44.5		44.5
Coroners Service	500.0		500.0		500.0
	593.0	0.0	593.0	0.0	593.0
Capital Asset Management					
Capital Financing Charges	12,826.6	700.0	13,526.6	700.0	14,226.6
Capital Asset Management Account	(24,041.1)		(24,041.1)		(24,041.1)
	(11,214.5)	700.0	(10,514.5)	700.0	(9,814.5)
Other Expenditure & Income					
Direct Revenue Financing of Capital	57.0	(57.0)	0.0		0.0
Trading Areas (Surplus)/Deficit	(20.0)		(20.0)		(20.0)
Net Housing Benefit Payments	(881.9)		(881.9)		(881.9)
Revenue Development Fund	2,248.3	1,530.0	3,778.3	800.0	4,578.3
Corporate Savings	(5,847.0)	(2,270.0)	(8,117.0)	0.0	(8,117.0)
Non-Specific Government Grants	(18,688.7)		(18,688.7)		(18,688.7)
Open Spaces and HRA	535.7		535.7		535.7
Risk Fund	6,100.0	600.0	6,700.0	(700.0)	6,000.0
Contingencies	250.0		250.0		250.0
Council Tax Freeze Grant	(2,065.7)		(2,065.7)		(2,065.7)
	(18,312.3)	(197.0)	(18,509.3)	100.0	(18,409.3)
NET GF SPENDING	189,477.4	6,317.0	195,794.4	9,055.0	204,849.4
Draw from Balances:					
Addition to / Draw From Balances (General)	1,268.1	(2,608.1)	(1,340.0)	1,340.0	0.0
To fund the Capital Programme	(57.0)	57.0	0.0		0.0
NET GAP IN BUDGET	1,211.1	(2,551.1)	(1,340.0)	1,340.0	0.0
Budget requirement	190,688.5	3,765.9	194,454.4	10,395.0	204,849.4
Capping Limit	190,688.5	(8,295.1)	182,393.4	(4,694.5)	177,698.9
Roll Forward Gap	0.0	12,061.0	12,061.0	15,089.5	27,150.5
Add Pressures - Future Years (Known)		0.0	0.0	0.0	0.0
Add Pressures - Future Years (Unknown)		1,000.0	1,000.0	1,000.0	2,000.0
Add Invest to Save Bids - Future Years (Known)		7.0	7.0	(32.0)	(25.0)
Less Savings - Future Years (Known)		(4,435.0)	(4,435.0)	(1,106.0)	(5,541.0)
Less Savings - Future Years (Work In Progress)		(5,674.0)	(5,674.0)	(4,677.0)	(10,351.0)
Revised Gap	0.0	2,959.0	2,959.0	10,274.5	13,233.5

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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 derives from the Council's duty under the Local Government Finance Act 1992 (the 1992 Act) to set a balanced budget. This is achieved by calculating the aggregate of:
 - 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 11th 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 11th 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. As part of the review process by Chief Officers Management Team, the proposals contained in this report have been checked from a legal viewpoint and a number in minor issues are being followed up with Officers.

STATEMENT ON GENERAL FUND BUDGET STRATEGY
BY THE CHIEF FINANCIAL OFFICER
UNDER S.25 LOCAL GOVERNMENT ACT 2003

Section 25 of the Local Government Act 2003 imposes a duty on the Chief Financial Officer to report on the following matters:-

- a) The robustness of the estimates made for the purpose of the calculations (to set the Council Tax), and
- b) The adequacy of the proposed financial reserves.

These specific matters are dealt with below but it is important to set the whole of the 2011/12 budget process in the context of the exceptional financial circumstances that Local Government finds itself in.

Past budget processes have been difficult but the £25M gap forecast for 2011/12 is at least double the largest gap ever faced by the Council since it became a unitary authority.

Whilst early work was started on the budget in preparation for this likely scenario, the scale of the reductions was still beyond what was expected necessitating the need to look at radical solutions to closing the budget gap, including changes to staff terms and conditions.

Whilst therefore the basic methodology for putting the budget together at the Council has not changed, 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 2011/12.

Against this, the Council does have 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.

The Council maintains a healthy £4.5M minimum balance which is after significant sums have been put aside to deal with organisational development issues. If necessary, future year's allocations of these could be utilised in an emergency on the basis that they were re-instated at a later date.

Overall therefore whilst it is recognised that this budget has elements of risk not experienced before, it is felt that sufficient mitigating actions are already in place to accept and to manage those risks.

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.

During the Spring and Summer of 2010 the Executive (supported by the Chief Officers Management Team) developed a series of detailed budget proposals which were subsequently presented to all political groups in December. Whilst some figures were changed and new proposals have been put forward, these have also been validated by COMT prior to their inclusion in the final proposed budget. There is therefore a high degree of validation inherent within the final budget proposals.

Key elements within the budget are provisions for inflation on pay and prices, projected levels of income and achievability of savings, including those relating to changes to Terms & Conditions. Details of these items are included in the reports and have already been through the validation process as set out above, however, there are six points to draw out:

- i) Assumptions made in all of the forecasts are basically sound. The pay increases have yet to be negotiated, however, a zero pay award has been incorporated into the budget for 2011/12 and 2012/13, with an increase of £250 per annum for those on less than £21,000.
- ii) Corporate savings relating to revised Terms & Conditions to the value of £5.0M and Management posts to the value of £0.8M are included within the current recommendation.

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. One of these options is to reduce the terms and conditions of staff to produce ongoing revenue savings. There is however a commitment that this will be the only time that such a change will be made to terms and conditions for budgetary purposes. The budget has been prepared on the basis that a collective agreement is reached with the Unions on the current proposals. This is because the budget had to be prepared on one basis or another, but it is recognised that the collective agreement is subject to a union ballot.

In the event that changes are made to the proposals, this will have an impact on the budget position presented in this report as will the process of dismissing and re-engaging staff since a period of 90 days notice must be given. The recommendations in this report therefore also delegate authority to the CFO in consultation with the Solicitor to the Council to make changes to the budget to take account of these implications. In reality any loss of savings arising from either of these issues will be made up through a draw from balances on a one-off basis and the on going impact will then need to be addressed as part of setting the budget for 2012/13.

- iii) Individual savings items have been approved by relevant Chief Officers and have been subject to scrutiny by the Chief Officers Management Team. Responsibility for actioning any changes in the budgets will fall to me as Chief Financial Officer (CFO), and all savings approved will be monitored throughout the year although responsibility for the delivery of these savings rests with the relevant Executive Director.
- iv) The current recommendation by the Cabinet retains a general contingency of £250,000 together with a risk based contingency sum of £6.1M which should cover any estimation issues or activity changes that arise during the year. There is also a small additional balance over the minimum figure of £4.5M that could be used if necessary.
- v) The current recommendation by Cabinet includes the continued use of a fund to manage the cost of revenue developments totalling just under £2.25M. This will enable any adjustments between schemes and in the timing of projects to be managed during the year.
- vi) The current economic climate and national issues surrounding continuing care and the safeguarding of children have impacted on the budget. Adequate 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.

b) Adequacy of Proposed Financial Reserves

- i) The Council holds a number of specific reserves for issues like debt write off that are assessed on an ongoing basis against the specific debts to which they relate. Review of these provisions forms part of the budget preparations covered above.
- ii) The general reserves are used to support revenue, capital and strategic pressures and to provide a working balance.

Details of the use of general reserves are included in the report. The level of reserves and the projected use is forecast for three years. The minimum level of balances is recommended by the CFO taking into account issues like the proposed draw from reserves, the level of risk contained within the budget and previous experience on potential levels of net overspend.

Best practice guidance issued by CIPFA is followed in determining a level of reserves based on assessed risks, which are periodically reviewed and which currently produces a recommended minimum working balance of £4.5M despite increased risks in some areas such as future government funding. There is no legal definition or Audit Commission recommendation on the absolute level of reserves that any authority should hold but the risk based approach does provide a consistent, transparent methodology that can be updated periodically.

The Executives recommendations for efficiencies, income generation and service reductions now total over £17.9M, including £5.0M from Terms & Conditions changes and £0.8M from a reduction in management posts, and this allows an addition to balances of just under £1.3M which can be used in future years, although it is important to point out that there is still a significant gap in funding in future years that will require further recurring savings.

- iii) Attention is drawn to the level and use of capital resources in the General Fund Capital Programme report. This identifies that there is currently a deficit in the funding of the overall capital programme based on a revised estimate of capital receipts which have been adversely affected by the current economic climate.

Slippage in capital receipts could also require a further temporary draw from balances unless accompanied by equivalent slippage in spend. Non-receipt of any planned income will require a permanent draw from balances or savings in the 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 sites which it is currently holding until market conditions improve and this provides a further source of contingency to reduce the risks outlined in the above paragraphs.

Agenda Item 5

DECISION-MAKER:	CABINET COUNCIL
SUBJECT:	HOUSING REVENUE ACCOUNT BUDGET REPORT
DATE OF DECISION:	7 FEBRUARY 2011 16 FEBRUARY 2011
REPORT OF:	CABINET MEMBER FOR HOUSING

STATEMENT OF CONFIDENTIALITY

None

BRIEF SUMMARY

This is the Housing Revenue Account (HRA) budget report covering the HRA revenue budget for 2010/11 and 2011/12 and capital budget for the period 2010/11 to 2012/13.

For the revenue budget this report sets out the revised budgets for the current financial year and the budgets for the new financial year for all the day to day housing services that are provided to Council tenants. This report also sets out the proposed increases in rents, service charge and other charges to council tenants from April 2011. Key revenue issues are:

- The self-financing arrangements for the HRA will not be in place for 2011/12. The new arrangements are included in the Localism Bill. It is anticipated that the new system will start in 2012/13.
- The Council is in “negative subsidy”. The underlying payment to CLG is increasing from £6.2M in 2010/11 to £7.6M in 2011/12. However, the actual payment for 2010/11 is £2.4M higher at £8.6M because £2.4M of the Major Repairs Allowance was taken into account in assessing the subsidy payment for 2009/10.
- In the subsidy determinations the CLG are proposing to amend the target completion date for rent restructuring to 2015/16 from 2012/13.
- Following the CLGs new rent restructuring rules would give an average rent increase of 6.99%.
- It is recommended that charges for garages and parking spaces are increased in line with the average rent increase.
- No increases are proposed on service charges.

This report also updates the HRA Capital Programme that was approved by Council in September 2010. The capital programme has spending plans of approximately £90M over the period 2010/11 to 2012/13. The focus of spending is:

- Continuing the investment in estate regeneration, with the launch of the first estate wide programme;
- Maintaining the decent homes standard;
- Completing the council new build programme;
- Improvements to housing for older people;
- Lift refurbishments;

- Heating upgrades;
- Window replacement;
- Energy efficiency measures; and
- Decent Neighbourhoods Programme.

The report also provides an update on the Reform of Council Housing Finance.

RECOMMENDATIONS:

CABINET

- (i) To consider the report and agree that the following recommendations be made to Council at the meeting on 16 February 2011.

COUNCIL

- (i) To thank Tenant Association Representatives for their input to the capital and revenue budget setting process and to note their views as set out in this report.
- (ii) To agree that, with effect from the 4th April 2011, the current average weekly dwelling rent figure of £65.15 should increase by 6.99%, which equates to an average increase of £4.55 per week, and to approve the following to calculate this increase:
 - That the percentage increase applied to all dwelling rents should be 5.1%, equivalent to an increase of £3.32 per week; and
 - That the revised phased introduction of the Government's Rent Restructuring regime should be followed, giving an increase in average rent levels of 1.89% (£1.23 per week) and to note that:
 - The total percentage increase in individual rents will vary according to the restructured rent of their property in 2015/16.
- (iii) To agree that the charges for garages and parking spaces for 2011/12 should be increased by 6.99% in line with the increase in average rents.
- (iv) To approve the Housing Revenue Account Revenue Estimates as set out in the attached Appendix 1.
- (v) To approve the revised Housing Revenue Account Capital Programme set out in Appendix 2 which includes total spending of £55.028M on work that meets the definition of "affordable housing".
- (vi) To approve the use of resources to fund the HRA Capital Programme as shown in Appendix 3, including the following use of unsupported (prudential) borrowing:
 - £2.150M to support the overall programme (unchanged from the report in September 2010);
 - £3.356M to fund the new build programme that is not funded

- from HCA grant,
 - £2.230M to fund the digital TV proposals,
 - £0.870M to fund the estate regeneration programme pending the receipt of capital receipts from sale of the sites and
 - £3.100M of short term borrowing to sustain the programme in 2010/11, which can be repaid by the end of 2012/13.
- (vii) To amend that parking charges at Wyndham Court as set out in appendix 5.
- (viii) To adopt the rent setting policy for new build, acquired and converted dwellings set out in Appendix 6.
- (ix) To note that rental income and service charge payments will be paid by tenants over a 48 week period.
- (x) To note that the overall shortfall in resources of £3.079M to fund the capital programme is within the tolerances set by the Executive Director for Resources in the approved Medium Term Financial Strategy and that plans are in place to close this gap as set out in paragraph 35.

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.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. The alternative option of not setting next year's rent increase in accordance with the new rent restructuring guidance as well as changes to the HRA Capital Programme and HRA Revenue Estimates have been discussed with the tenant representatives. These options were not supported.

DETAIL (Including consultation carried out)

3. The consultation formed part of the "Having Your Say" approach to tenants and resident involvement, with the budget consultation being part of the "winter conference". This was a well attended meeting with 100 tenants and residents in attendance. The key budget issues set out in this report were discussed at this meeting. The budget position has also been the subject of discussion with representatives from the Tenants Federation.
4. There was concern expressed about the increasing "subsidy" payment to the CLG and the impact of the Government's rent restructuring policy on rent levels. It was noted that the HRA self-financing proposals in the Localism Bill would bring the HRA subsidy system to an end and it is hoped that this new system would start from April 2012.
5. The size and content of the HRA capital programme was also discussed and it was noted that the capital spending proposals are in line with the outcome of stock options appraisal and tenants' aspirations.

6. It is recommended that Members formally recognise the support and commitment of tenants and tenant representatives who have participated in this years capital and revenue budget setting exercise.

Background

7. The HRA budget comprises a set of revenue estimates and a capital programme. The revenue budget covers 2010/11 and 2011/12. The proposed increase in rents and other charges is an integral part of the revenue estimates for 2011/12. The capital programme covers the period 2010/11 to 2012/13.
8. 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 over 18,000 Southampton tenants and leaseholders and their families. This includes housing management, repairs and improvements, welfare advice, sheltered housing services, neighbourhood wardens, and contributes to capital spending on Council properties.
9. The HRA Capital Programme deals with all capital expenditure on Council Housing and related environmental works. The revised Capital Programme is shown at Appendix 2. This has been updated in consultation with tenant representatives as part of the budget setting process.
10. The main focus of the HRA capital programme is estate regeneration, maintaining the decent homes standard and delivering the decent neighbourhoods agenda.

Reform of Council Housing Finance

11. In last years budget report it was reported that there was a possibility of a voluntary self-financing agreement being available that could enable the council to exit the subsidy system by April 2010. This possibility did not materialise.
12. The current position is that the new self-financing system will be enforced through provision in the current Localism Bill. It is anticipated that the new system will start from April 2012, but this is subject to the Localism Bill progressing through Parliament as planned.
13. At the time of writing the council has not been provided with the level of detail necessary to assess the impact of the new system on the HRA. The CLG anticipate making detailed information available at the end of January 2011 but this will be too late to include in this report. The budget in this report has therefore been prepared on the basis that the subsidy system continues for 2011/12. In assessing the capital resources for 2012/13 it has also been assumed that the subsidy system will continue for that year. However, it is clear that the new system will be operating for 2013/14 but it is not possible to make any assessment of the impact on the HRA.
14. Given this uncertainty over the detail and timing of the new system it is expected that it may be necessary to make a special report on the implications of the new system during the summer and to further update capital spending plans for 2012/13 and subsequent years at that time.

Revenue Budget

15. The main issues that need to be considered in setting the revenue budget are set out below. It should be noted that the revenue budget figures used in the paragraphs below and in appendix 1 do not make any allowance for the savings that will arise from the proposed corporate changes to the terms and conditions of council staff. The budgets will be amended once these are agreed and the additional revenue resources will be available to help bridge the funding gap in the HRA capital programme. Based on the current proposals as set out in the General Fund budget report to Full Council, it is anticipated that the revenue savings to the HRA over 2011/12 and 2012/13 would be in the order of £1.2M.

Responsive repairs

16. The budget for 2010/11 has been increased for that year only by £250,000 which has been transferred from the capital programme as the expenditure is more appropriately charged to revenue.
17. The proposed budget for 2011/12 is £10.547M. This budget will fund 52,700 responsive repair orders and works to 1,400 voids. The budget is £183,000 less than allowed in the budget forecast.

Programme repairs

18. The budget for 2010/11 includes the one-off increase to complete decoration work originally funded in 2009/10 (£249,000), together with efficiency savings on smoke detector testing (£84,000) and fewer than expected properties needing electrical testing (£160,000).
19. The proposed budget for 2011/12 is £5.227M, which is £95,000 less than allowed in the budget forecast.

Supervision and Management

20. The proposed budget for 2011/12 is £17.566M. This is £160,000 less than allowed in the budget forecast which is attributable to the lower than budgeted pay award in 2010.

HRA Subsidy

21. The Council is still in “negative subsidy”. The underlying payment to CLG is increasing from £6.2M in 2010/11 to £7.6M in 2011/12. However, the actual payment for 2010/11 is £2.4M higher at £8.6M because £2.4M of the Major Repairs Allowance was taken into account in assessing the subsidy payment for 2009/10. In overall terms, the Government is increasing the rent income it is taking from the council by 6.9% but only increasing allowances by 3.4%. At a national level the surplus the government receives from this system is increasing and this further emphasises the need to move to a self-financing system.
22. The main features of the draft determinations are set out below:
- The Management and Maintenance allowances are the Governments assessment of how much the Council should spend on Supervision and Management and the Repairs service. The Council will receive £35.6M in 2011/12, approximately £380,000 more than expected from

these allowances.

- The Major Repairs allowance is paid to help finance the HRA capital programme and is supposed to represent the costs of maintaining the stock at its current standard. At £13.1M for 2011/12 this is slightly higher than expected (£78,000).
- The Government pays a Capital Financing allowance based on what it assumes the level of HRA debt to be. The assumed debt level for Southampton is approximately £122M, compared to a real debt level of approximately £106M. In 2011/12 the subsidy payment is estimated to be £3.5M, compared to the estimated real interest charges of around £3.0M.
- Last year CLG announced that the convergence date for Rent Restructuring would be brought forward to 2012/13. It is now proposed that rent convergence is changed to 2015/16. When this new date is incorporated into the rent calculation it means that there is an overall increase in rent income paid to CLG of 6.9%. The issues arising from this are examined in more detail below.

Dwelling Rent Income

23. This income is determined by the CLG rent restructuring guidelines. Rent restructuring is the government's policy that rents for all council owned dwellings will gradually increase to match the current social rent levels currently charged by Housing Associations. The council is not required to increase rents to the proposed new affordable rent levels which can be set at up to 80% of market rents.
24. Under this formula, the inflationary increase is determined by the Retail Price Index for September 2010, which was 4.6%. The formula requires the addition of a further 0.5% plus an element for converging with Housing Association rent levels. Last year the date for this convergence was set for 2012/13. This has now been extended to 2015/16. This has the effect of increasing average rent levels by 2.1%, giving an overall increase in average rent levels of 7.2%%, or £4.67 per week.
25. However, within the rent restructuring rules, there is also a requirement that the rent convergence component of the increase for each dwelling should not exceed £2.00 per week. Applying this rule means that the increase for the rent convergence element of the calculation is 1.89% and not 2.1%. This gives an overall rent increase of 6.99% or £4.55 per week.
26. This also means that CLG are taking away approximately £100,000 more than the council is able to increase its charges to tenants.
27. Whilst the rent restructuring process gives the basis for calculating rent increases every year it does not establish what rent level should initially be charged for new properties or when properties are newly acquired or converted. In order to provide clarity on this issue a policy has been prepared and this is set out in Appendix 6. In summary, it is proposed that the initial rents for newly built or acquired dwellings would be set at the full formula rent from initial let (or as otherwise required by any grant giving body) and that initial rents for converted properties would be set by reference

to similar properties in the area.

Tenants Service / Support Charges

28. The current service charges for 2010/11 are shown in the table below (based on 48 rent weeks):

Description	Weekly charge
Tower block wardens	£5.53
Sheltered housing management charge:	
• Scheme based accommodation	£5.31
• All other sheltered accommodation	£1.33
Concierge monitoring charge	£1.20
Sheltered support charge	£2.85
Community Alarm monitoring charge	£1.35
Digital TV	£0.45

29. It is not proposed to increase these charges for 2011/12. However, work will be undertaken during 2011/12 to compare the income generated with the costs of the services. The aim would be to ensure that the service charges are linked to costs and would vary in line with cost changes each year. Changes to service charges resulting from this work would be discussed as part of the budget preparation for 2012/13.

Other Charges

30. It is proposed to increase the charges for garages or parking spaces for 2011/12 in line with rents ie 6.99%.
31. It is also proposed to harmonise charges at Wyndham Court so that council tenants and leaseholders are charged the same. This would be a fairer and more equitable system. Leaseholders currently pay £1.63 per week more than tenants. Details of this proposal can be found in appendix 5.

Level of HRA Revenue Balances and Contingency Provision

32. The revenue budget at appendix 1 shows that the contingency provision for 2010/11 has been deleted as it is no longer required. It is however recommended that this is retained at £100,000 for 2011/12.
33. For 2011/12, it is recommended that the level of HRA balances should be unchanged at £1,200,000.

Capital Budget

Overall Position

34. When the capital programme was last considered by Council in September it was noted that there was a balanced programme, with forecast income matching expenditure. In overall terms for the period 2010/11 to 2012/13, spending has increased by £10.941M and resources have increased by £7.862M. This means that the latest programme has sufficient resources to meet expenditure up to the end of 2011/12 but there is a forecast resource

shortfall of £3.079M by the end of 2012/13.

35. This shortfall in resources is within the tolerances set by the Executive Director for Resources in the approved Medium Term Financial Strategy so it is not proposed to make any reductions to spending plans at this time. There are the following options for increasing resources to close this gap before considering spending reductions:
- Benefits from reductions in staff terms and conditions which, as set out in paragraph 15, could yield £1.2M over 2011/12 and 2012/13,
 - Benefits from self-financing and
 - Capital receipts from asset sales.
36. It is proposed that firm plans to produce a fully funded programme for 2012/13 will be developed as part of the work on assessing the implications of the new self-financing proposals over the next few months.
37. In the capital update report to Council in September 2010 it was noted that Estate Regeneration was the main priority for the administration and that there would be a full review of all unapproved spend in 2011/12 and 2012/13. The outcome of the review for 2011/12 is included in the new capital programme at appendix 2. Any changes for 2012/13 will be considered as part of the proposed work to develop the detailed work for that year as explained above.

Resources

38. The resources that are available to fund the HRA capital programme comprise:
- HRA supported borrowing;
 - Unsupported (prudential) borrowing;
 - Usable Capital Receipts;
 - Grants and Contributions from third parties;
 - Direct Revenue Financing (DRF); and
 - The Major Repairs Allowance (MRA).
39. Appendix 3 contains an explanation of these terms and an annual forecast of the resources available.
40. Reasons for the changes in resources are set out below:
- Borrowing – There is no change in the level of supported or prudential borrowing.
 - The level of contributions has increased by £2.7M because the forecasts now include the contribution from leaseholders to digital TV work, a further contribution from the HCA to the phase 2 estate regeneration scheme in lieu of a capital receipt from the developer and the use of S106 receipts to fund the council led redevelopment of Cumbrian Way.
 - The level of capital receipts has increased by £1M because of the inclusion of £2.7M of capital receipts from the council led

redevelopment of Cumbrian Way. This is offset by a reduction of £1.4M in receipts from phase 2 estate regeneration as this money is now expected from the HCA and there is a further £0.3M not now expected to be received until 2013/14.

- The level of DRF has increased by £4.1M. This is due to the various revenue budget variations referred to earlier in this report and the effect of these in 2012/13.
- Major Repairs Allowance – This has increased by £0.1M due to the increase in allowances in 2011/12.

Capital Spending Plans

41. The programme presented to Council in September 2010 has been revised taking into account the latest cost and phasing of schemes. The detailed programme is shown at appendix 2 and the change to the annual spending levels is shown below:

	2010/11	2011/12	2012/13	Total
	£M	£M	£M	£M
New Proposed Programme	38.057	26.142	26.471	90.670
September Programme	40.720	21.062	17.947	79.729
Total	(2.663)	5.080	8.524	10.941

A number of changes have been approved through the new council project management system and the effect of these, along with other cabinet approvals and the latest proposed changes to the programme are set out in Appendix 4.

42. The capital spending plans represent a significant investment in the stock and the surrounding neighbourhood. The main focus for spending is explained below:
- Accelerating the investment in estate regeneration, with the launch of the first estate wide programme, the selection of a further regeneration site and the sale of a number of small vacant sites;
 - Maintaining the decent homes standard;
 - Completing the council new build programme which in total will see the completion of 53 new council dwellings;
 - Improvements to housing for older people with works undertaken at Graylings, Rozel Court, Sarnia Court, Milner Court, Neptune Court and James Street;
 - Lift refurbishments at Milner Court, Neptune Court and then Itchen estate;
 - Heating upgrades will enable the council to fuel swap a number of tenants houses which currently have electric heating to be replaced with gas central heating and allow replacement of gas central heating systems which are problematic to service and maintain;
 - The budget associated with window replacement will allow the council to complete its programme of replacing all homes which have single

glazed windows with new UPVC double glazed windows which will make these homes more thermally efficient;

- Energy efficiency measures include increasing loft insulation to our homes and installing cavity wall insulation as well as installing new gas condensing boilers to our homes; and
- Continuation of the Decent Neighbourhoods Programme with major works at Shirely, Millbrook, Northam and Holyrood.

RESOURCE IMPLICATIONS

Capital/Revenue

43. These are in the body of the report.

Property/Other

44. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

45. 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.
46. The provision, maintenance and improvement of social housing by local authorities is authorised by various Housing Acts and other legislation.

Other Legal Implications:

47. None.

POLICY FRAMEWORK IMPLICATIONS

48. The HRA estimates form part of the Council's budget and are therefore key elements of the council's overall budget and policy framework. The proposed estimates also reflect the priorities set out in the approved stock options report and HRA Business Plan.

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KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	All
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SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	HRA Revenue Estimates 2010/11 and 2011/12.
2.	Detailed HRA capital programme 2010/11 to 2012/13.
3.	Forecast of HRA capital resources and explanation of terms
4.	Proposed changes to the capital programme.
5.	Revised parking charges for Wyndham Court
6.	Rent setting Policy for new build, acquired or converted properties

Documents In Members' Rooms

1.	None
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Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	Yes/No
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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)
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1.	None	
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Agenda Item 5

Appendix 1

HOUSING REVENUE ACCOUNT BUDGET REPORT

REVENUE BUDGET

Original Estimate 2010/11 £'000	Revised Estimate 2010/11 £'000	Estimate 2011/12 £'000
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SUMMARY

EXPENDITURE

10,548.9	10,776.2	Responsive Repairs	10,546.5
5,193.3	5,171.7	Programmed Repairs	5,226.7
<u>15,742.2</u>	<u>15,947.9</u>	Total Repairs	<u>15,773.2</u>
95.3	52.6	Rents Payable	52.9
46.8	46.8	Debt Management	52.4
17,130.9	17,175.5	Supervision & Management	17,566.1
2,364.1	2,286.9	Debt Charges	2,916.0
10,394.5	10,394.5	Major Repairs Allowance	13,095.6
5,843.8	6,076.4	Direct Revenue Financing of Capital	6,812.6
8,519.9	8,575.7	Housing Subsidy paid to DCLG	7,553.3
100.0	0.0	Contingency	100.0
<u>60,237.5</u>	<u>60,556.3</u>	TOTAL EXPENDITURE	<u>63,922.1</u>

INCOME

57,268.9	57,118.3	Dwelling Rents	60,650.4
1,280.7	1,262.2	Other Rents	1,259.4
<u>58,549.6</u>	<u>58,380.5</u>	Total Rental Income	<u>61,909.8</u>
1,034.8	1,099.9	Service Charge Income	1,314.6
602.1	659.7	Leaseholder Service Charges	677.0
51.0	27.4	Interest Received	20.7
<u>60,237.5</u>	<u>60,167.5</u>	TOTAL INCOME	<u>63,922.1</u>
<u>0.0</u>	<u>-388.8</u>	SURPLUS/(DEFICIT) FOR YEAR	<u>0.0</u>

BALANCES

1,200.0	1,588.8	Working Balance B/Fwd	1,200.0
0.0	-388.8	Surplus/(deficit) for year	0.0
<u>1,200.0</u>	<u>1,200.0</u>	WORKING BALANCE C/FWD	<u>1,200.0</u>

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HRA Capital Programme February 2011

Housing Revenue Account (HCAP)

Share Point Ref.	Project Description	Project Status	Manager	Prior Years Actual £'000's	Budget 10/11 £'000's	Budget 11/12 £'000's	Budget 12/13 £'000's	Budget later years £'000's	Overall Budget £'000's
HRA02 - Decent Homes Plus Managed by Bryn Shorey									
1197	NDC Communal - Thornhill	Approved	Richards, Julie	2,432	347				2,779
1198	TPY Thornhill Communal Imps. - Deep Clean	Approved	Ransley, Stephen	21	39				60
1209	Door Entry - Central Estates	Approved	Richards, Julie	141	330				471
1210	Door Entry - Townhill Park	Approved	Ingram, Claire	34	27	356			417
1211	Digital TV	Approved	Meredith, Keith	43	2,000	187			2,230
1215	Electronic Concierge	Approved	Richards, Julie	4,037	111				4,148
1221	Lift Refurbishment - Millbank & Kinloss	Approved	Richards, Julie	579	354				933
1222	Lift Refurbishment - Milner and Neptune Court	Approved	Ingram, Claire	37	80	1,590			1,707
1223	Lift Refurbishment - Ichen View Estate	Approved	Ingram, Claire	3	100	927			1,030
1224	Castle House Balconies	Approved	Richards, Julie	347	36				383
1229	Supported Accommodation Studio Upgrade	Approved	Ingram, Claire	214	186				400
1232	Supported Communal Improvements - Challis	Approved	Richards, Julie	11	280				291
1234	Supported Communal Improvements - Kinloss	Approved	Richards, Julie	807	40				847
1235	Supported Communal Improvements - Weston	Approved	Richards, Julie	29	38				67
1236	Supported Communal Improvements - Manston Court	Approved	Richards, Julie	95	919				1,014
1237	Hard & Soft Supported Landscaping	Approved	Howard, Paul	163	146				309
1408	Door Entry - Millbrook & Maybush	Approved	Ingram, Claire	34	495				529
1414	Heating Systems Upgrade 10/11	Approved	Meredith, Keith	0	588				588
1416	Window Replacement - 10/11	Approved	Meredith, Keith	0	900	968			1,868
1417	Energy Saving Programme 10/11	Approved	Meredith, Keith	0	379				379
1475	Bellamy Court Bedsit Conversions	Approved	Ingram, Claire	0	100				100
1506	Supported Comm Impr. - Bassett Green Walkway	Approved	Richards, Julie	3	40	147			190
1507	Supported Communal Improvements - Milner Court	Approved	Richards, Julie	0	243				243
1508	Supported Communal Improvements - Minor Works	Approved	Ingram, Claire	13	44				57
1509	Supported Communal Improvements - Neptune Court	Approved	Richards, Julie	0	240				240
1510	Supported Communal Improvements - Pleasant View	Approved	Richards, Julie	0	70				70
1518	Programme Management Fees 10/11	Approved	Miller, Geoffrey	0	400				400
TBA	Supported Communal Improvements - Rozel court	Approved	Richards, Julie	0	0	240			240
TBA	Supported Communal Improvements - Samia Court	Approved	Richards, Julie	0	0	120			120
TBA	Supported Communal Improvements - James Street	Approved	Richards, Julie	0	0	120			120
TBA	Supported Communal Improvements - Milner Court	Approved	Richards, Julie	0	0	120			120
TBA	Supported Communal Improvements - Neptune Court	Approved	Richards, Julie	0	0	120			120
1226	Mobile Working Programme	Unapproved	Wallace, Jonathan	0	200				200
1233	Supported Communal Improvements - Graylings	Unapproved	Richards, Julie	11	20	559			590
TBA	Cheriton Avenue Land Drain	Unapproved	Miller, Geoffrey	0	0	100			100
1231	Sheltered Communal Improvement 11/12	Unapproved	Richards, Julie	0	0	292			292
1471	Heating systems upgrade 11/12	Unapproved	Meredith, Keith	0	0	350			350
1470	Energy Saving Programme 11/12	Unapproved	Meredith, Keith	0	0	200			200
1476	Sheltered self contained conversions 11/12	Unapproved	Ingram, Claire	0	0	100			100
1474	Programme management fees 1/12	Unapproved	Miller, Geoffrey	0	0	420			420
TBA	Window Replacement	Unapproved	Miller, Geoffrey	0	0		988		988
TBA	Decent Homes Plus future years	Unapproved	Miller, Geoffrey	12	0		4,783		4,795
Total for Decent Homes Plus Managed by Bryn Shorey				9,066	8,752	6,916	5,771	0	30,505

Share Point Ref.	Project Description	Project Status	Manager	Prior Years Actual £'000's	Budget 10/11 £'000's	Budget 11/12 £'000's	Budget 12/13 £'000's	Budget later years £'000's	Overall Budget £'000's
HRA03 - Decent Homes Managed by Bryn Shorey									
1185	Decent Homes - Central	Approved	Ransley, Stephen	606	3,932				4,538
1186	Decent Homes - Harefield	Approved	Ransley, Stephen	216	2,072				2,288
1187	Decent Homes - Peartree/Sholing Ph2	Approved	Ransley, Stephen	0	366				366
1188	Decent Homes - Shirley	Approved	Ransley, Stephen	4,189	1,537				5,726
1190	Decent Homes - Townhill Park	Approved	Ransley, Stephen	4,298	5				4,303
1191	Decent Homes - Maybush	Approved	Ransley, Stephen	1,508	115				1,623
1192	Decent Homes - Millbrook	Approved	Ransley, Stephen	13,792	34				13,826
1194	Decent Homes - Voids	Approved	Miller, Geoffrey	731	133				864
1196	Electrical Risers 2009/10	Approved	Meredith, Keith	260	116				376
1199	Roof Replacement - Townhill Park	Approved	Ransley, Stephen	14	161	5			180
1200	Roof Replacement Green Lane	Approved	Ransley, Stephen	131	5				136
1201	Decent Homes - Supported Housing	Approved	Ransley, Stephen	2,930	2,473				5,403
1204	Water Tank & Pump replacement Holyrood	Approved	Meredith, Keith	0	50				50
1207	Adaptations for Disabled People 09/10	Approved	Ransley, Stephen	1,345	126				1,471
1297	Decent Homes - Lordshill	Approved	Ransley, Stephen	5	615				620
1413	Structural Works 2010/11	Approved	Meredith, Keith	0	391				391
1415	Adaptions for Disabled People 10/11 & 11/12	Approved	Ransley, Stephen	0	2,700				2,700
1479	Decent Homes Weston	Approved	Ransley, Stephen	0	118				118
1480	Decent Homes - Thornhill NDC 10/11	Approved	Ransley, Stephen	0	131				131
1481	Decent Homes - Thornhill 10/11	Approved	Ransley, Stephen	0	9				9
1482	Decent Homes Swaythling Ph2	Approved	Ransley, Stephen	0	1,141				1,141
1477	Decent Homes - Contingency	Unapproved	Miller, Geoffrey	0	50				50
1522	Water Tanks and Pump Replacement 10/11	Unapproved	Meredith, Keith	0	40				40
1464	Electrical risers 11/12	Unapproved	Meredith, Keith	0	0	300			300
1465	Roof replacement 11/12	Unapproved	Ransley, Stephen	0	0	300			300
1466	Structural works 11/12	Unapproved	Meredith, Keith	0	0	400			400
1478	Decent homes 11/12	Unapproved	Ransley, Stephen	0	0	5,408			5,408
1467	Disabled adaptations 11/12	Unapproved	Ransley, Stephen	0	0	675			675
TBA	Decent Homes Future years	Unapproved	Miller, Geoffrey	0	0	0	10,181		10,181
Total for Decent Homes Managed by Bryn Shorey				30,025	16,320	7,088	10,181	0	63,614

Share Point Ref.	Project Description	Project Status	Manager	Prior Years Actual £'000's	Budget 10/11 £'000's	Budget 11/12 £'000's	Budget 12/13 £'000's	Budget later years £'000's	Overall Budget £'000's
HRA04 - Other Programmes									
1263	IT Development	Approved	Wallace, Jon	61	15				76
1264	IT Development 08/09	Unapproved	Wallace, Jonathan	0	50	100	100		250
Total for Other Programmes				61	65	100	100	0	326
HRA05 - Decent Neighbourhoods									
1239	Kingsland	Approved	Cooper, Aidan	2	130	0	0		132
1242	DN: Vanguard and Wavell Road Improvements	Approved	Cooper, Aidan	84	236	161	28		510
1243	DN: Tankerville Improvements	Approved	Cooper, Aidan	64	162	59	6		291
1244	DN: International Way Improvements	Approved	Cooper, Aidan	79	721	21	0		821
1246	DN: EIP 09/10 - Northam	Approved	Cooper, Aidan	33	24	0	0		57
1249	DN: Central - Improvements to Walk-up Blocks	Approved	Cooper, Aidan	1,319	1	0	0		1,320
1251	DN: EIP 09/10 - South	Approved	Cooper, Aidan	6	34	0	0		40
1252	DN: EIP 09/10 - West	Approved	Cooper, Aidan	36	14	0	0		50
1255	Thornhill Environmental Works	Approved	Howard, Paul	3,224	251	0	0		3,475
1256	DN: Millbrook Towers Improvements	Approved	Cooper, Aidan	25	59	307	11		401
1271	DN: Holyrood Improvements	Approved	Cooper, Aidan	80	61	768	22		931
1288	DN: Millbrook - Adizone	Approved	Cooper, Aidan	170	20	0	0		190
1296	Refurbishment of Maybush LHO	Approved	Carey, Mike	17	133	0	0		150
1298	DN: Millbrook Verge Parking Improvements	Approved	Cooper, Aidan	90	288	225	0		603
1402	Thornhill Cycleways	Approved	Howard, Paul	96	63				159
1494	DN: Northam Improvements	Approved	Cooper, Aidan	0	220	275	0		495
1496	DN: Millbrook Block Improvements	Approved	Cooper, Aidan	0	170	288	160	12	630
1497	DN: Thornhill Improvements	Approved	Cooper, Aidan	0	100	0	0		100
1498	DN: Estate Improvement Programme - 10/11 - East	Approved	Cooper, Aidan	0	66	0	0		66
1499	DN: Estate Improvement Programme - 10/11 - West	Approved	Cooper, Aidan	0	66	0	0		66
1500	DN: Estate Improvement Programme - 10/11 - Central	Approved	Cooper, Aidan	0	68	0	0		68
TBA	Pathway improvements	Unapproved	Cooper, Aidan	0	0	250			250
TBA	Pleasant View Car Park	Unapproved	Cooper, Aidan	0	50	0	0		50
TBA	DN: E.I.P 11/12	Unapproved	Cooper, Aidan	0	0	200			200
TBA	Shirley 11/12	Unapproved	Cooper, Aidan	0	0	500	475	25	1,000
TBA	No Share Point Reference	Unapproved	Cooper, Aidan	0	0		1,185		1,185
Total for Decent Neighbourhoods				5,325	2,936	3,054	1,887	37	13,240

Share Point Ref.	Project Description	Project Status	Manager	Prior Years Actual £'000's	Budget 10/11 £'000's	Budget 11/12 £'000's	Budget 12/13 £'000's	Budget later years £'000's	Overall Budget £'000's
HRA06 - Estate Regeneration									
1257	Cumbrian Way	Approved	Fall, Jane	105	997	125	42	0	1,269
1258	Exford Parade	Approved	Fall, Jane	699	1,931	877	84	0	3,591
1259	Laxton Close	Approved	Fall, Jane	289	527	98	43	0	957
1260	Meggesson Avenue	Approved	Fall, Jane	87	365	97	78	0	627
1262	Hinkler Parade	Approved	Friedman, Danielle	1,669	700	563	10	0	2,942
1512	Acquisition of Property at Northam	Approved	Friedman, Danielle	0	335				335
TBA	Small site disposals	Unapproved	Douglass, Amanda	0	50	100	0	0	150
TBA	Other Disposals	Unapproved	Douglass, Amanda	0	10	35			45
TBA	Major Estate regeneration	Unapproved	Douglass, Amanda	0	70	1,400	5,000	13,530	20,000
TBA	Further shopping parade regeneration	Unapproved	Douglass, Amanda	0	5	975	975	0	1,955
TBA	Other site assembly costs	Unapproved	Douglass, Amanda	0	0	560	0	0	560
TBA	Cumbrian Way - Council Led redevelopment	Unapproved	Douglass, Amanda	0	100	2,400	2,300	0	4,800
Total for Estate Regeneration				2,849	5,090	7,229	8,532	13,530	37,230
HRA07 - New Build									
1265	LA New Build - Borrowdale Road	Approved	Gunner, Keith	17	613	73			703
1266	LA New Build - Flamborough Close	Approved	Gunner, Keith	9	466	13			488
1267	LA New Build - Chiltern Green	Approved	Gunner, Keith	8	359	44			411
1268	LA New Build - Grately Close	Approved	Gunner, Keith	80	942	105			1,127
1269	LA New Build - Orpen Road	Approved	Gunner, Keith	8	684	95			787
1270	LA New Build - Keynsham Close	Approved	Gunner, Keith	11	717	95			823
1403	L.A. New Build - Leaside Way	Approved	Gunner, Keith	1	338	194			533
1404	L.A. New Build - Cumbrian Way	Approved	Gunner, Keith	1	775	1,135			1,911
Total for New Build				135	4,894	1,754	0	0	6,783
GRAND TOTAL				47,461	38,057	26,142	26,471	13,567	151,698

HOUSING REVENUE ACCOUNT BUDGET REPORT

FORECAST OF HRA CAPITAL RESOURCES AND EXPLANATION OF TERMS

Resource	2010/11	2011/12	2012/13	Total
	£M	£M	£M	£M
Supported Borrowing	1.496	0	0	1.496
Unsupported Borrowing	9.692	1.144	870	11.706
Useable capital receipts	0.412	0.800	2.993	4.205
Grants and contributions from third parties	8.399	0.919	1.153	10.471
Direct Revenue Financing	7.664	9.933	5.380	22.977
Major Repairs Allowance	10.394	13.096	13.247	36.737
Total	38.057	25.892	23.643	87.592

Supported Borrowing

Supported borrowing is where the Government funds the cost of borrowing through the Housing Revenue Account Subsidy Settlement.

Unsupported Borrowing (prudential borrowing)

Unsupported borrowing is where the Housing Revenue Account meets the full capital financing costs with no support from Government.

There is therefore no specific cash limit on borrowing but the key focus is on the ability to meet the capital financing costs from revenue budgets in the long term.

Useable Capital Receipts

Authorities are only able to use 25% of the proceeds from the sale of Council Houses and 50% from the sale of other Housing Revenue Account assets to finance capital expenditure in either the Housing Revenue Account or the General Fund Capital Programmes. However, it is possible to fully utilise the receipts from the sale of certain HRA assets (the principal exclusions being receipts from Right-to-Buy sales and Large Scale Voluntary Transfers) provided the receipts are used for “the provision of affordable housing”. The definition of “affordable housing” includes support to Registered Social Landlords and works to the Councils own stock to bring the dwellings up to

decent homes standard (or higher standard). To utilise this facility it is necessary for a resolution to be passed that sets the Council's expected spend on "affordable housing" for a given period before any sales take place. Such a resolution is included in the HRA budget report.

It should be noted that General Fund receipts can be used to finance the HRA Capital Programme and vice versa without any compensating adjustments being made to either the General Fund or the Housing Revenue Account. However, the interest receipted on the usable proportion of all capital receipts must be paid to the General Fund. Therefore, if Housing Revenue Account expenditure on capital schemes is financed from usable capital receipts, there is a cost to the General Fund because it will not receive interest on those capital receipts.

Grants and contributions from third parties

Contributions are received from third parties in respect of capital expenditure incurred by the Council e.g. payments from leaseholders of sold Council flats in respect of any major works that have been carried out to their homes. In addition significant contributions are expected from the NDC and a CHP developer.

Direct Revenue Financing

This is the contribution from the HRA revenue account to fund the capital programme.

Major Repairs Allowance

The MRA is intended to represent the cost of maintaining the stock in its current condition and is an annual allowance set by DCLG as part of the annual HRA subsidy settlement.

Agenda Item 5

Appendix 4

Section	Project Description	Variances 2010/11 £000	Variances 2011/12 £000	Variances 2012/13 £000	Total £000
Decent Homes plus	Decent Homes plus - future schemes	0	-3101	0	-3101
Decent Homes plus	Sheltered Communal Improvement 11/12	0	292	0	292
Decent Homes plus	Cheriton Avenue Land Drain	0	100	0	100
Decent Homes plus	Heating systems upgrade 11/12	0	350	0	350
Decent Homes plus	Energy Saving Programme 11/12	0	200	0	200
Decent Homes plus	Sheltered self contained conversions 11/12	0	100	0	100
Decent Homes plus	Programme management fees 11/12	0	420	0	420
Decent Homes plus	Mobile Working Programme	-250	0	0	-250
Decent Homes plus	Supported Communal Improvements - Graylings	0	559	0	559
	Sub-total Decent Homes plus	-250	-1080	0	-1330
Decent Homes	Electrical renewal 11/12	0	300	0	300
Decent Homes	Roof replacement 11/12	0	300	0	300
Decent Homes	Structural works 11/12	0	400	0	400
Decent Homes	Decent homes 11/12	0	5408	0	5408
Decent Homes	Disabled adaptations 11/12	0	675	0	675
Decent Homes	No Share Point Reference	0	-7789	52	-7737
	Sub-Total Decent Homes	0	-706	52	-654
Decent Neighbourhoods	Pathway improvements	0	250	0	250
Decent Neighbourhoods	Pleasant View Car Parking	50	0	0	50
Decent Neighbourhoods	DN: E.I.P. 11/12	0	200	0	200
Decent Neighbourhoods	Shirley 11/12	0	500	475	975
Decent Neighbourhoods	Decent Homes - future schemes	-80	-1805	-505	-2390
	Sub-Total Decent Neighbourhoods	-30	-855	-30	-915
Estate Regeneration	Estate Regeneration Future Schemes	0	-165	0	-165
Estate Regeneration	Site disposals	60	135	0	195
Estate Regeneration	Major Estate regeneration	70	1400	5000	6470
Estate Regeneration	Further shopping parade regeneration	5	975	975	1955
Estate Regeneration	Other site assembly costs	0	560	0	560
Estate Regeneration	Cumbrian Way - Council Led redevelopment	100	2400	2300	4800
	Sub-Total Estate Regeneration	235	5305	8275	13815
	Other approved changes	-2618	2416	227	25
	Total	-2663	5080	8524	10941

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Wyndham Court Car Parking Charges

Current Situation:

The current situation at Wyndham Court is that we charge different rates to council tenants and leaseholders for renting a car parking space. The charges are:

£3.28 per week for Council Tenants

£4.91 per week for Leaseholders / Private tenants

As at 9/11/10 we currently rent 76 spaces to Council Tenants and 29 to Leaseholders / Private tenants, giving a total of 105 spaces rented.

Aim:

The aim is to harmonise rents so that council tenants and leaseholders are charged the same, this would be a more fairer and equitable system.

Proposal:

Currently through renting the spaces to Council Tenants and Leaseholders a weekly income of £391.67 is received to the HRA.

This is worked out as follows:

76 x 3.28 per week = £249.28

29 x 4.91 per week = £142.39

Total = £391.67

In order to make sure that we receive the same amount of income to the HRA you could simply divide this by 105 (the total number of residents renting car parking spaces).

This would mean that the weekly charge would be £3.73 per week, resulting in a 13.7% increase for Council Tenants and a decrease of 24% for Leaseholders.

The general increase in charges of 6.99% would be levied on top of this new charge, bringing the charge up to £3.99 per week.

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RENT SETTING PROCEDURE

The following rent setting procedure is to be adopted in the setting of rents for new build, acquired and converted council properties.

1. New Build

New build rents are to be set at full formula rents from initial let or as otherwise required by any grant giving body.

2. Acquired Properties

The numbers of acquired properties are strictly limited in number and the rent should be set at full formula rent from initial let or as otherwise required by any grant giving body.

3. Converted Properties

The principal aim is to ensure the council treats its tenants in a just and equitable manner and that rental charges on similar size and type of properties is broadly the same in a particular block, scheme, street or neighbourhood, to ensure parity between neighbouring tenants.

In determining the rent for converted council properties (bed-sit to 1 bed, etc.) the following applies.

- a) Reference must be made to properties of a similar type and size within the same block or scheme.
- b) If a property of the same type and size exists, the rent must be set at the same level and incorporated within the rent restructuring plan.
- c) If there are no properties of the same type and size within the block or scheme, similar properties within the same street or geographic area must be used as a comparator to set the appropriate rent level. Again, this will be incorporated within the rent restructuring plan.

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Agenda Item 6

DECISION-MAKER:	AUDIT COMMITTEE COUNCIL
SUBJECT:	ANNUAL TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL LIMITS 2011/12 TO 2013/14
DATE OF DECISION:	3 FEBRUARY 2011 16 FEBRUARY 2011
REPORT OF:	INTERIM EXECUTIVE DIRECTOR OF RESOURCES
STATEMENT OF CONFIDENTIALITY	
NOT APPLICABLE	

BRIEF SUMMARY

Treasury Management is a complex subject and the majority of this report is set out in accordance with statutory requirements and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The information provided is therefore mainly technical, but in essence this information forms the basis of the Treasury Management Strategy and Objectives that are being followed, even if these are not spelt out in simple terms. The purpose of this summary therefore is to interpret this information in such a way that provides Members with key messages on the approach to Treasury Management within the Council.

The core elements of the strategy for 2011/12 are :

- To continue the use of variable rate debt to take advantage of the current market conditions.
- 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 maximise investment returns in line with the Annual Investment Strategy and to constantly monitor global markets to protect the security of our investments.
- To approve borrowing limits that provide for debt restructuring opportunities and to pursue debt restructuring where appropriate and within the Council's risk boundaries.

In essence treasury management can always been seen in the context of the classic 'risk and reward' scenario and following this strategy will contribute to the Council's wider Treasury Management objective which is to minimise net borrowing cost in the short term without exposing the Council to undue risk either now or in the longer term.

The minimisation of net borrowing costs contributes to the Council's priority for providing efficient value for money services and active treasury management can help in lessening the impact of both economic conditions and reductions in government funding on the City Council. This has been demonstrated through the use of variable rate loans, the interest on which is currently significantly less than longer term fixed rate loans, which has offset the reduction in investment portfolio income due to lower rates.

This also demonstrates that the Council takes a rounded view to Treasury Management, considering jointly the debt and investment portfolio together rather than one being the consequence of activity in the other.

The Council can also demonstrate integrated thinking through work that it has been doing on balance sheet analysis and forecasting and working with our advisors on potential changes to Housing Revenue Account (HRA) subsidy and debt arrangements. The Council is also very cognisant of the requirements of accounting conventions and changes relating to International Financial Reporting Standards (IFRS). However, these do not drive treasury management decisions and this has been demonstrated by past decisions to undertake major restructuring which then caused huge complexities in representing this in the accounts in line with accounting conventions.

There are a huge number of variables and risks associated with Treasury Management but the key risks and the Council's approach to them are detailed below:

- **Interest Rate Risk** – The Council has exposed itself to interest rate risk by taking out variable debt during 2009 and 2010. This was and continues to be very financially favourable in current markets but does mean that the Council must monitor markets to ensure it is not caught out. During 2011/12 the Council will almost certainly start to take action to lessen this risk through a balanced combination of :-
 - longer term fixed maturity loans,
 - medium term Equal Instalment of Principle (EIP) loans which are currently cheaper than longer term fixed,
 - longer term Public Works Loan Board (PWLB) variable loans which have the option to be fixed at very short notice for a small fee and
 - variable rate investments to take advantage of increasing interest rates, mainly through the use of money market funds (MMF).
- **Investment Risk** – The risks to capital investment are more known now than they have ever been and the Council has a good track record in respect of appropriate risk exposure during the global economic crisis of recent years. Current investment limits and instruments have been set in the context of current conditions and will continue to be monitored and amended as appropriate.
- **Changes in Market Conditions** – The Council must be able to react quickly to changes in market conditions either good or bad and all Treasury Management decisions are taken by the Chief Financial Officer (CFO) in line with the strategy. In addition, decision sheets are signed off by the CFO containing 'trigger points' for market changes which can then be automatically actioned at short notice without the need to get formal sign off on the day. Furthermore, in response to the continued financial uncertainty, this report recommends that the CFO continues to be given delegated authority to make any changes to this strategy that will aid good treasury management. Any decisions made under this power will be reported in full at a later date.

Furthermore, in order to mitigate these risks further, the Council took the opportunity in 2009 to use the savings created by a debt restructure (around £1.5M) to create an Interest Equalisation Reserve which is available to smooth any significant fluctuations in market conditions in future years, so that there is no adverse impact on budgets or

council tax in any single year.

In this report, Council is requested to approve the Prudential Indicators and the Treasury Management Strategy and to note the main activities undertaken during 2010/11 to date which are summarised below:

- (i) Investment returns are expected to decrease from £1M in 2009/10 to an estimated £0.8M in current year as a result of the continued low interest rates and the fact that income earned in 2009/10 included deals arranged before the decline in the markets which have since matured . The average rate achieved to date (0.99%) is inline with the performance indicator of the average 7 day LIBID rate (0.41%), mainly due to the rolling programme of yearly deals which was restarted in October 2010 following advice from our Treasury Advisors.
- (ii) In order to continue to balance the impact of ongoing lower interest rates on investment income we have continued to use short term debt which is currently available at lower rates than long term debt. As a result the average rate for repayment of debt, (the Consolidated Interest Rate – CRI), at 2.97% is lower than that budgeted for but slightly higher than last year (2.82%) which is in line with reported strategy. It should be noted that the forecast for longer term debt is a steady increase over the next few years and so new long term borrowing will be taken out above this rate therefore, leading to an anticipated increase in the CRI (reaching 4.95% by 2013/14).

The estimates for interest payable and the Prudential Indicators contained within this report assume that the recommendations in the Capital and Revenue budget reports, elsewhere on the agenda, are approved. If there are any changes to the capital programme or the level of borrowing the Prudential Indicators will need to be revised.

RECOMMENDATIONS:

Audit Committee is recommended to

- (i) Endorse the Treasury Management Strategy for 2011/12 as outlined in the report.
- (ii) Note that the indicators as reported have been set on the assumption that the recommendations in the Capital Update report will be approved. Should the recommendations change, the Prudential Indicators may have to be recalculated.
- (iii) Note that due to the early timing of this report, changes may still be required following the finalisation of capital and revenue budgets and therefore any significant changes to this report will be highlighted in the final version that is presented to Full Council.

Council is recommended to

- (i) Approve the Council's Prudential Indicators as detailed within the report.
- (ii) Approve the 2011 MRP Statement.

- (iii) Approve the Treasury Management Strategy for 2011/12 as outlined in the report.
- (iv) Note that the indicators as reported have been set on the assumption that the recommendations in the Capital Update report will be approved. Should the recommendations change, the Prudential Indicators may have to be recalculated.
- (v) Continue to delegate authority to the Chief Financial Officer, following consultation with the Cabinet Member for Resources and Workforce Planning, to approve any changes to the Prudential Indicators or borrowing limits that will aid good treasury management. For example increase the percentage for variable rate borrowing to take advantage of the depressed market for short term rates. Any amendments will be reported as part of quarterly financial and performance monitoring and in revisions to this strategy.

REASONS FOR REPORT RECOMMENDATIONS

1. In order to comply with Part 1 of the Local Government Act 2003, and the established treasury management procedures that have been adopted by the Authority, each year the Council must set certain borrowing limits and approve a treasury management strategy which includes:
 - Treasury Management Strategy for 2011/12 (Borrowing; paragraphs 20-37, Debt Rescheduling; paragraphs 43-48, Investments; paragraphs 49-62).
 - Prudential Indicators (NB - The Authorised Limit is a statutory limit).
 - MRP Statement – Paragraphs 64-68.
 - Use of Specified and Non-Specified Investments – Appendix 2.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. Alternative options for borrowing would depend on decisions taken on the setting of the capital programme, which are being taken at Full Council on 16th February 2011.

DETAIL (Including consultation carried out)

Consultation

3. The proposed capital and revenue budgets on which this report is based have been subject to their own consultation processes outlined in the relevant reports elsewhere on the Council agenda.

Background

4. The Local Government Act 2003 introduced a system for borrowing based largely on self-regulation by local authorities themselves. The basic principle of the new system is that local authorities will be free to borrow as long as their capital spending plans are affordable, prudent and sustainable.
5. The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury

Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under the DCLG's Investment guidance.

6. CIPFA has defined Treasury Management as:

“the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk is the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council. The main risks to the Council's treasury activities are:

- Liquidity Risk (Inadequate cash resources)
- Market or Interest Rate Risk (Fluctuations in interest rate levels and thereby in the value of investments).
- Inflation Risks (Exposure to inflation)
- Credit and Counterparty Risk (Security of Investments)
- Refinancing Risks (Impact of debt maturing in future years).
- Legal & Regulatory Risk (i.e. non-compliance with statutory and regulatory requirements, risk of fraud).

7. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

To aid the Council in carrying out its Treasury Management function, it has appointed Treasury Management Advisors (Arlingclose) who advise the Council on strategy and provide market information to aid decision making. However it should be noted that the decisions are taken independently by the CFO taking into account this advice and other internal and external factors.

8. The Council's proposed strategy for 2011/12 - 2013/14 also takes into account the outlook for interest rates (see Appendix 3) and the Council's current treasury position, projected treasury management and capital financing activities and approved Prudential Indicators.

9. The purpose of this TMSS is to approve:

- Treasury Management Strategy for 2011-12 (Borrowing; paragraphs 20-37, Debt Rescheduling; paragraphs 43-48, Investments; paragraphs 49-62).
- Prudential Indicators (NB - The Authorised Limit is a statutory limit) .
- MRP Statement – Paragraphs 64-68.
- Use of Specified and Non-Specified Investments – Appendix 2.

10. The Council approved the adoption of the CIPFA TM code at its Council meeting on 19th February 2003 and has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.
11. All treasury activity will comply with relevant statute, guidance and accounting standards.

Reform to the Council Housing Subsidy System

12. The DCLG published a summary of responses to the consultation held between March and July 2010 on proposals for the reform of the current system of council housing finance which would see the removal of the subsidy system by offering a one-off reallocation of debt. There was widespread agreement with the general methodology proposed in the Prospectus. Many of the reservations related to assumptions about costs and the affordability of allocated debt. There was broader acceptance that a level of housing debt redistribution was an acceptable or necessary price to pay for the freedoms and benefits that the reforms would bring and there was strong support for retaining and clarifying the operation of the HRA ring fence. The Housing Minister confirmed that the new system of HRA self-financing will be most likely implemented in 2012. Full details of the Government's policy on reforming council housing finance will be published in early 2011.

In the Consultation the PwC self-financing model provides an indicative sustainable level of opening housing debt. As the Council's debt level generated by the model is higher than the Subsidy Capital Financing Requirement (SCFR), the Council will be required to pay the DCLG the difference between the two, which is approximately £60M. This will require the Council to fund this amount in the medium term through internal resources and/or external borrowing. The Council has the option of borrowing from the PWLB or the market.

The type of loans taken will be decided on following discussions with the Housing department and the Councils' Treasury Advisors.

All the figures within this report are on based on the position prior to the inclusion of the HRA debt, due to the uncertainty about timing and amounts. It should be noted that this will have a significant impact on the indicators as this will represent an increase of actual debt of approx 25% in 2012 at rates of potentially 6-7% which are significantly higher than our projected portfolio of 4.23%. Any changes will be reported as required.

Balance Sheet and Treasury Position

13. The underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) together with Balances and Reserves are the core drivers of Treasury Management Activity. The estimates, based on the current Revenue budget and Capital Programmes, are set out below:

	31/03/2011 Estimate £M	31/03/2012 Estimate £M	31/03/2013 Estimate £M	31/03/2014 Estimate £M
Capital Financing Requirement	360	360	356	346
Less: Existing Profile of Borrowing and Other Long Term Liabilities	302	323	316	310
Cumulative Maximum External Borrowing Requirement	58	37	40	36
Balances & Reserves	25	15	15	15
Cumulative Net Borrowing Requirement / (Investments)	33	22	25	21

14. As the CFR represents the level of borrowing for capital purposes and revenue expenditure cannot be financed from borrowing, net physical external borrowing should not exceed the CFR other than for short term cash flow requirements. It is permissible under the Prudential Code to borrow in advance of need up to the level of the estimated CFR over the term of the Prudential Indicators. Where this takes place the cash will form part of its invested sums until the related capital expenditure is incurred. This being the case net borrowing should not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years other than in the short term due to cash flow requirements.

The year-on-year change in the CFR is due to the following:

Capital Financing Requirement	2009/10 Actual £M	2010/11 Estimate £M	2011/12 Estimate £M	2012/13 Estimate £M	2013/14 Estimate £M
Balance B/F	275	310	360	361	356
Capital expenditure financed from borrowing	37	59	11	5	0
Revenue provision for debt Redemption.	(5)	(6)	(8)	(8)	(8)
Movement in Other Long Term Liabilities	3	(3)	(2)	(2)	(1)
Cumulative Maximum External Borrowing	310	360	361	356	347

Capital Financing Requirement	2009/10 Actual £M	2010/11 Estimate £M	2011/12 Estimate £M	2012/13 Estimate £M	2013/14 Estimate £M
General Fund	217	256	255	250	241
HRA	93	104	106	106	106
Total CFR	310	360	361	356	347

Estimates of Capital Expenditure

15. It is a requirement of the Prudential Code to ensure that capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.

Capital Expenditure	2010/11 Approved £000's	2010/11 Revised £000's	2011/12 Estimate £000's	2012/13 Estimate £000's	2013/14 Estimate £000's
General Fund	107,673	92,921	69,426	14,580	9,257
HRA	40,720	38,057	25,892	24,512	0
Total	148,393	130,978	95,318	39,092	9,257

Capital expenditure is expected to be financed as follows:

Capital Financing	2010/11 Approved £000's	2010/11 Revised £000's	2011/12 Estimate £000's	2012/13 Estimate £000's	2013/14 Estimate £000's
Capital receipts	5,803	6,684	11,676	7,997	5,719
Government Grants	34,925	26,513	36,998	4,481	2,010
Revenue contributions	13,898	14,241	7,371	1,919	470
Major Repairs Allowance	10,394	10,394	13,096	13,247	0
Revenue	17,137	14,130	15,579	6,382	0
Total Financing	82,157	71,962	84,720	34,026	8,199
Supported borrowing	8,336	8,336	0	0	0
Unsupported borrowing	57,900	50,680	10,598	5,066	1,058
Total Funding	66,236	59,016	10,598	5,066	1,058
Total Financing & Funding	148,393	130,978	95,318	39,092	9,257

Incremental Impact of Capital Investment Decisions

16. This indicator is intended to estimate the impact of capital investment decisions on the Council Tax and rent levels in future years. It compares what the capital financing costs are expected to be with the current approved capital programmes (i.e. the programmes approved in September 2010) with what the capital financing costs are estimated to be if the capital reports proposed elsewhere on the agenda are approved. It is intended to show how the decision to approve the new programme will impact in future years i.e. what the effect of any new borrowing will be on Council Tax and housing rents. (Much of the increase over the 3 years is as a result of adding the 2010/11 schemes to the capital programme and additional unsupported borrowing).
17. For the HRA, the reality is that the rent levels are set under the Government's rent restructuring formula, which is independent of the level of capital investment and borrowing. The calculation of the indicator ignores this factor.
- For the General Fund, the incremental impact will not necessarily be passed on to the Tax payers either as other decisions such as cutting back other expenditure may be made to compensate for this increase in future years

budget setting.

The incremental impact of capital investments decisions are estimated to be:

Incremental Impact of Capital Investment Decisions	2010/11 Estimate £	2011/12 Estimate £	2012/13 Estimate £	2013/14 Estimate £
Increase in Band D Council Tax	3.39	6.76	1.56	2.96
Increase in Average Weekly Housing	10.07	17.03	4.18	7.71

Ratio of Financing Costs to Net Revenue Stream

18. The estimate for interest payments in 2011/12 is £8.5M and for interest receipts is £0.6M. The ratio of financing costs to the Council's net revenue stream is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.

Ratio of Financing Costs to Net Revenue Stream	2010/11 Approved %	2010/11 Revised %	2011/12 Estimate %	2012/13 Estimate %	2013/14 Estimate %
General Fund	4.99%	6.14%	7.49%	8.43%	9.09%
HRA	5.14%	4.66%	5.75%	7.50%	8.69%
Total	5.55%	5.48%	7.09%	8.25%	8.46%

The upper limit for this ratio is currently set at 10% to allow for known borrowing decision in the next two years and to allow for additional borrowing affecting major schemes. The table above shows the likely position based on the proposed capital programme. The ratio is based on costs net of investment income.

Outlook for Interest Rates

19. The economic interest rate outlook provided by the Council's treasury advisor, Arlingclose Ltd, is attached at Appendix 3. The Council will reappraise its strategy from time to time and, if needs be, realign it with evolving market conditions and expectations for future interest rates.

Borrowing, Rescheduling and Strategy

20. The Council's underlying need to borrow for capital purposes is measured by reference to its CFR as detailed in paragraph 15 above. The CFR represents the cumulative capital expenditure of the local authority that has not been financed. To ensure that this expenditure will ultimately be financed, local authorities are required to make a Minimum Revenue Provision for Debt Redemption (MRP) from within the Revenue budget each year.
21. Capital expenditure not financed from internal resources (i.e. Capital Receipts, Capital Grants and Contributions, Revenue or Reserves) will produce an

increase in the CFR, (the underlying need to borrow), and in turn produce an increased requirement to charge MRP in the Revenue Account.

22. Physical external borrowing may be greater or less than the CFR, but in accordance with the Prudential Code, the Council will ensure that net external borrowing does not, except in the short term, exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years.
23. The cumulative estimate of the maximum long-term borrowing requirement is estimated by comparing the projected CFR with the profile of the current portfolio of external debt and long term liabilities over the same financial horizon and is shown in Appendix 1. This is measured in a manner consistent for comparison with the Authorised Limit and the Operational Boundary.
24. The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) and is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

Authorised Limit for External Debt	2010/11 Approved £000's	2010/11 Revised £000's	2011/12 Estimate £000's	2012/13 Estimate £000's	2013/14 Estimate £000's
Borrowing	361	443	486	536	538
Other Long-term Liabilities	22	81	77	73	71
Total	383	524	563	609	609

25. The **Operational Boundary** links directly to the Council's estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely prudent, but not worst case, scenario but without the additional headroom included within the Authorised Limit.

Operational Boundary for External Debt	2010/11 Approved £000's	2010/11 Revised £000's	2011/12 Estimate £000's	2012/13 Estimate £000's	2013/14 Estimate £000's
Borrowing	351	429	471	522	523
Other Long-term Liabilities	21	73	71	68	67
Total	372	502	542	590	590

26. The CFO has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to Council as part of the Outturn report.
27. The Council's strategy is to maintain maximum control over its borrowing activities as well as flexibility on its loans portfolio. Capital expenditure levels, market conditions and interest rate levels will be monitored during the year in order to minimise borrowing costs over the medium to longer term. A prudent and pragmatic approach to borrowing will be maintained to minimise

borrowing costs without compromising the longer-term stability of the portfolio, consistent with the Council's Prudential Indicators.

28. In conjunction with advice from its treasury advisor, Arlingclose Ltd, the Council will keep under review the following borrowing options:

- PWLB loans
- Borrowing from other local authorities
- Borrowing from institutions such as the European Investment Bank and directly from Commercial Banks
- Borrowing from the Money Markets
- Local authority stock issues
- Local authority bills
- Structured finance

29. Even though the cost of new local authority loans has increased to 1% above the cost of the Government's borrowing (following the issuance of Circular 147 on 20th October 2010 as part of the CSR announcement), the PWLB remains an attractive source of borrowing, given the transparency and control that its facilities continue to provide. The types of PWLB borrowing that are considered appropriate for a low interest rate environment are:

- Variable rate borrowing
- Medium-term year Equal Instalments of Principal (EIP) or Annuity Loans
- Long-term Maturity loans, where affordable

Capital expenditure levels, market conditions and interest rate levels will be monitored during the year in order to minimise borrowing costs over the medium to longer term and maintain stability. The differential between debt costs and investment earnings, (the "cost of carry") remains acute, despite long term borrowing rates being at low levels, and this is expected to remain a feature during 2011/12.

The "cost of carry" associated with medium and long-term borrowing compared to temporary investment returns means that new fixed rate borrowing could entail additional short-term costs. The use of internal resources in lieu of borrowing may again, in 2011/12, be the most cost effective means of financing capital expenditure.

30. PWLB variable rates are expected to remain low as the Bank Rate is maintained at historically low levels for an extended period. Exposure to variable interest rates will be kept under regular review. Each time the spread between long-term rates and variable rates narrows by 0.50%, this will trigger a formal review point and options will be considered in conjunction with the Authority's Treasury Advisor and decisions taken on whether to retain the same exposure or change from variable to fixed rate debt.

31. The Council's existing PWLB variable rate loans borrowed prior to 20th October 2010 will be maintained on their initial terms and are not subject to the additional increased margin for new variable rate loans.

32. The Council long term debt includes £9M which are LOBO loans (Lender's Options Borrower's Option) all of which are currently in their option state. In

the event that the lender exercises the option to change the rate or terms of the loan, the Council will consider the terms being provided and also repayment of the loan without penalty. The Council may utilise cash resources for repayment or may consider replacing the loan(s) by borrowing from the PWLB. The default response will however be early repayment without penalty.

33. Actual borrowing undertaken and the timing will depend on capital expenditure levels, interest rate forecasts and market conditions during the year, in order to minimise borrowing costs. The Council will be advised by its financial advisors of the specific timing of borrowing. This may include borrowing in advance of future years' requirements provided that overall borrowing is maintained within the Council's projected CFR and its approved Affordable Borrowing Limit.
34. The maturity term of new borrowing will be consistent with the Council maintaining a prudent loans maturity profile in accordance with its Prudential Indicators.
35. **The Option for Forward Funding:** The Council does not have to rely on borrowing in discrete financial years to fund its capital financing requirement and the strategy provides flexibility to take forward borrowing decisions when rates are favourable and the need to borrow can be demonstrated. Overall borrowing must still be within the Council's Affordable Borrowing Limit.
36. **'Trigger' rates for borrowing:** The Council's treasury advisors, provide economic and interest rate forecasts as well as formulating views on borrowing and lending opportunities. In addition, decision sheets are signed off by the CFO containing 'trigger points' for market changes which can then be automatically actioned at short notice without the need to get formal sign off on the day.
37. The Council will maintain a pragmatic approach to borrowing, bearing in mind the Council's debt maturity profile and the need to minimise borrowing costs without compromising longer-term stability of the portfolio. Total borrowing for the year will be reported to Council in July 2011 as part of the Treasury Management Outturn report.

Value for Money

38. One of the key elements of the TMSS is to ensure the minimisation of borrowing cost and the maximisation of investment income commensurate with the level of risk exposure the Council feels is appropriate. Whilst recent events have underlined the potential pitfalls of exposure to risk for financial gain, this does not mean that Treasury Management activity can ignore value for money principles.
39. The Council has applied its TMSS in making borrowing and investment decisions and has taken a very active stance in past restructuring and changing both its borrowing and investment portfolio in response to changing market conditions.

40. In terms of assessing value for money, the Council monitors three key indicators, the details of which are shown in the table below and indicate that the direction of travel for the Council is very favourable. Furthermore comparing the Council's CRI with other authorities has shown that the council has one of the lowest rates in the country.
41. The table below shows our target and actual rates for the key Indicators set for Treasury Management:

	Target 2009/10	2009/10 Actual	Target 2010/11	2010/11 Actual YTD	Estimate 2011/12	Estimate 2012/13	Estimate 2013/14
	%	%	%	%	%	%	%
Consolidated Rate of Interest		2.82		2.97			
Temporary Borrowing	0.60	0.43	0.60	0.38	1.00	2.50	3.35
Average Long Term Borrowing	5.00	3.20	5.00	3.32	6.00	6.00	6.00
Temporary Investments	0.58	0.86	0.57	0.99	0.90	2.40	3.25

42. The CRI is shown as actual only, to demonstrate the direction of travel, since it is not practical to set a target for this indicator due to complexities of measuring the overall debt portfolio over time.

Debt Rescheduling

43. The Council will continue to maintain a flexible policy for debt rescheduling. Market volatility may provide opportunities for restructuring debt from time to time. The rationale for restructuring would be one or more of the following:
- Savings in interest costs with minimal risk.
 - Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio.
 - Amending the profile of maturing debt to reduce any inherent refinancing risks.
44. The rescheduling of PWLB debt since the introduction of its repayment rates on 1st November 2007 has not ceased, but has become undoubtedly harder and was further exacerbated by the 1% increase in PWLB rates, detailed in paragraph 29, as premature repayment rates did not benefit from the corresponding increase and the PWLB' methodology remained unchanged. Rescheduling now places greater emphasis on the timing and type of new borrowing.
45. The Council's debt portfolio is monitored against equivalent interest rates and available refinancing options on a regular basis. As opportunities arise, they will be identified by the Council's treasury management advisors and discussed with the Council's officers. Any rescheduling activity will be undertaken within the Council's treasury management policy and strategy and will comply with the accounting requirements of the local authority SORP and regulatory requirements of the Capital Finance and Accounting Regulations (SI 2007 No 573).

46. Borrowing and debt rescheduling activity will be reported as part of quarterly monitoring, as part of outturn and in future updates to this strategy.
47. The following Prudential Indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.
- The Council's existing level of fixed interest rate exposure is 77% and variable rate exposure is 23% and the limits are shown below:

	2010/11 Approved %	2010/11 Revised %	2011/12 Estimate %	2012/13 Estimate %	2013/14 Estimate %
Upper Limit for Fixed Interest Rate Exposure	100	100	100	100	100
Upper Limit for Variable Interest Rate Exposure	35	50	50	50	50

48. The Council will also limit and monitor large concentrations of fixed rate debt needing to be replaced. Limits in the following table are intended to control excessive exposures to volatility in interest rates when refinancing maturing debt:

	Lower Limit %	Upper Limit %	Actual Fixed Debt as at 31/12/10 £000's	Average Fixed Rate as at 31/12/10 %	% Fixed Rate as at 31/12/10
under 12 months	0	45	44,549	1.64%	28.83%
12 months and within 24 months	0	45	5,000	3.72%	3.24%
24 months and within 5 years	0	50	16,000	3.11%	10.35%
5 years and within 10 years	0	50	23,986	2.83%	15.52%
10 years and within 20 years	0	50			0.00%
20 years and within 30 years	0	75	10,000	4.68%	6.47%
30 years and within 40 years	0	75	30,000	4.62%	19.41%
40 years and within 50 years	0	75	25,000	3.89%	16.18%
50 years and above	0	100	0		0.00%
			154,534	3.27%	100.00%

Investment Policy and Strategy

Policy

49. Guidance from DCLG on Local Government Investments in England requires that an Annual Investment Strategy (AIS) be set. The Council's investment priorities are:

- security of the invested capital,
 - liquidity of the invested capital and
 - an optimum yield which is commensurate with security and liquidity.
50. Investments are categorised as ‘Specified’ or ‘Non Specified’ investments based on the criteria in the CLG Guidance. Potential instruments for the Council’s use within its investment strategy are contained in Appendix 2.
51. The CFO, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Decisions taken on the core investment portfolio will be reported to Council as part of the Treasury Management Outturn report in July 2011.
52. The credit crisis has refocused attention on the treasury management priority of security of capital monies invested. The Council will continue to maintain a counterparty list based on its criteria and will monitor and update the credit standing of the institutions on a regular basis. This assessment will include credit ratings and other alternative assessments of credit strength as outlined in paragraphs 58-60.

Investment Strategy

53. The global financial market storm in 2008 and the continued uncertainty have forced investors of public money to reappraise the question of risk versus yield. Income from investments is key in supporting the Council’s budget.
54. The UK Bank Rate has been maintained at 0.50% since March 2009. Short-term money market rates are likely to remain at very low levels which will have a significant impact on investment income. The Council’s strategy must however be geared towards this development whilst adhering to the principal objective of security of invested monies. To protect against a lower for longer prolonged period of low interest rates and to provide certainty of income, 2-year deposits and longer-term secure investments will be actively considered within the limits the Council has set for Non-Specified Investments (see Appendix 2). The longer-term investments will be likely to include:
- Term Deposits with counterparties rated at least A+ (or equivalent)
 - Supranational Bonds (bonds issued by multilateral development banks): Even at the lower yields likely to be in force, the return on these bonds will provide certainty of income against an outlook of low official interest rates.
55. The Council’s shorter term cash flow investments are made with reference to the outlook for the UK Bank Rate and money market rates. The Council’s current level of investments is presented at Appendix 1.
56. Changes to the investment strategy for 2011/12 include:
- AAA-rated Variable Net Asset Value (VNAV) Money Market Funds.
 - UK Treasury Bills (T-Bills), which are short-term Government debt instruments issued by the Debt Management Office (DMADF).
 - Local Authority Bills, which are debt instruments issued by other Local Authorities.
 - Term deposits in Sweden.

- Maximum duration for new deposits 2 years.
57. In any period of significant stress in the markets, the default position is for investments to be made with the DMADF or UK Treasury Bills. The rates of interest from the DMADF are below equivalent money market rates, but the returns are an acceptable trade-off for the guarantee that the Council's capital is secure.
58. The Council selects countries and the institutions within them (see Appendix 2), for the counterparty list after analysis and careful monitoring of:
- Credit Ratings (minimum long-term A+ for counterparties; AA+ for countries)
 - Credit Default Swaps (where quoted)
 - GDP; Net Debt as a Percentage of GDP
 - Sovereign Support Mechanisms/potential support from a well- resourced parent institution
 - Share Prices
 - Macro-economic indicators
 - Corporate developments, news and articles, market sentiment.
59. The Council and its Treasury Advisors, Arlingclose, will continue to analyse and monitor these indicators and credit developments on a regular basis and respond as necessary to ensure security of the capital sums invested.
60. We do remain in a heightened state of sensitivity to risk. Vigilance is key and this modest expansion of the counterparty list is an incremental step. In order to meet requirements of the revised CIPFA Treasury Management Code, the Council is focusing on a range of indicators (as stated above), not just credit ratings.
61. Limits for Specified Investments are set out in Appendix 2.
62. The Council has placed an upper limit for principal sums invested for over 364 days, as required by the Prudential Code. This limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 364 days	2010/11 Approved	2010/11 Revised	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate
	£M	£M	£M	£M	£M
	50	50	50	50	50

Balanced Budget Requirement

63. The Council complies with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.

2011/12 MRP Statement

64. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to “have regard” to such Guidance under section 21(1A) of the Local Government Act 2003. The four options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

NB This does not preclude other prudent methods

65. MRP in 2011/12: Options 1 and 2 may be used only for supported expenditure. Methods of making prudent provision for self financed expenditure include Options 3 and 4, (which may also be used for supported expenditure if the Council chooses).
66. The MRP Statement has to be submitted to Council before the start of the 2011/12 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be put to Council at that time.
67. The Council will apply Option 1 in respect of supported capital expenditure and either Option 3 or 4 in respect of unsupported capital expenditure but this does not exclude any other prudent methods that might meet the needs of the Council. The proposed MRP charges for 2011 are detailed below

	31-Mar-11 Estimate £000's	31-Mar-12 Estimate £000's	31-Mar-13 Estimate £000's	31-Mar-14 Estimate £000's
Supported Borrowing	4,119	4,092	3,808	3,525
Unsupported Borrowing	1,541	3,102	3,364	3,496
HCC Transferred Debt	768	737	707	679
PFI and Finance Leases	2,766	2,481	1,934	2,075
Total MRP	9,194	10,412	9,814	9,775

68. MRP in respect of leases brought on Balance Sheet under the IFRS based Code of Practice will match the annual principal repayment for the associated deferred liability.

Monitoring and Reporting on the Annual Treasury Outturn and Prudential Indicators

69. The Chief Financial Officer will report to the Audit Committee on treasury management activity / performance as follows:
- (a) A mid year review against the strategy approved for the year.
 - (b) An outturn report on its treasury activity, no later than 30th September after the financial year end.

70. In addition, a quarterly update will be presented to Cabinet as part of Quarterly Revenue Financial Monitoring.

Member Training

71. CIPFA's revised Code requires the responsible officer to ensure that all Members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. Training was undertaken on the 10th December 2010.

Investment Consultants

72. To aid the Council in carrying out its Treasury Management function, it has appointed Treasury Management Advisors (Arlingclose) who advise the Council on strategy and provide market information to aid decision making. However it should be noted that the decisions are taken independently by the Chief Financial Officer taking into account this advice and other internal and external factors.

RESOURCE IMPLICATIONS

Capital/

73. The Capital implications are considered as part of the General Fund Capital Programme report and HRA Capital Programme report elsewhere on the agenda.

Revenue

74. The Revenue implications are considered as part of the General Fund Revenue Budget report and HRA Revenue Budget report elsewhere on the agenda

Property/Other

75. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

76. Local Authority borrowing is regulated by Part 1, of the Local Government Act 2003, which introduced the new Prudential Capital Finance System.
77. From 1 April 2004, investments are dealt with, not in secondary legislation, but through guidance. Similarly, there is guidance on prudent investment practice, issued by the Secretary of State under Section 15(1)(a) of the 2003 Act. A local authority has the power to invest for "any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs". The reference to the "prudent management of its financial affairs" is included to cover investments, which are not directly linked to identifiable statutory functions but are simply made in the course of treasury management. This also allows the temporary investment of funds borrowed for the purpose of expenditure in the reasonably near future; however, the speculative procedure of borrowing purely in order to invest and make a return remains unlawful.

Other Legal Implications:

78. None

POLICY FRAMEWORK IMPLICATIONS

79. This report has been prepared in accordance with CIPFA's Code of Practice on Treasury Management

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KEY DECISION? No **WARDS/COMMUNITIES AFFECTED:** all

SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	Current and Projected Portfolio Position
2.	Specified and Non Specified Investments for use by the Council.
3.	Economic and Interest Outlook

Documents In Members' Rooms

1.	None
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Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	No
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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)
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1.	None	
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Agenda Item 6

Appendix 1

TREASURY MANAGEMENT STRATEGY STATEMENT & INVESTMENT STRATEGY 2011/12 to 2013/14

EXISTING PORTFOLIO PROJECTED FORWARD

	Current Portfolio		31-Mar-11	31-Mar-12	31-Mar-13	31-Mar-14
	£M		Estimate	Estimate	Estimate	Estimate
	£M		£M	£M	£M	£M
External Borrowing:						
Fixed Rate – PWLB	125		117	142	140	134
Fixed Rate – Market	32		38	38	37	37
Variable Rate – PWLB	35		64	64	64	66
Variable Rate – Market	9		9	9	9	9
Existing long-term liabilities	19		19	18	18	17
IFRS long-term liabilities:						
- PFI	50		50	49	47	46
- Operating Leases	4		3	2	1	1
Total Gross External Debt	274		300	322	316	310
Investments:						
Deposits and monies on call and Money Market Funds	57		40	40	40	40
Supranational bonds	6		6	6	6	6
Total Investments	63		46	46	46	46
Net Borrowing Position	211		254	276	270	264

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Specified Investments identified for use by the Council

Specified Investments will be those that meet the criteria in the CLG Guidance, i.e. the investment:

- is sterling denominated,
- has a maximum maturity of 1 year,
- meets the “high credit quality” as determined by the Council or is made with the UK government or is made with a local authority in England, Wales Scotland or Northern Ireland or a parish or community council and
- the making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

“Specified” Investments identified for the Council’s use are:

- Deposits in the DMO’s Debt Management Account Deposit Facility
- Deposits with UK local authorities
- Deposits with banks and building societies
- *Certificates of deposit with banks and building societies
- *Gilts : (bonds issued by the UK government)
- *Bonds issued by multilateral development banks
- Treasury-Bills (T-Bills)
- AAA-rated Money Market Funds with a Constant Net Asset Value (CNAV)
- AAA-rated Money Market Funds with a Variable Net Asset Value (VNAV)
- Other Money Market Funds and Collective Investment Schemes– i.e. credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

** Investments in these instruments will be on advice from the Council’s treasury advisor.*

For credit rated counterparties, the minimum criteria will be the lowest equivalent short-term and long-term ratings assigned by Fitch, Moody’s and Standard & Poor’s, (where assigned).

- Long-term minimum: A1 (Moody’s); A+ (S&P); A+(Fitch)
- Short-term minimum: P-1 (Moody’s); A-1 (S&P) or F1 (Fitch).

The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties.

New specified investments will be made within the following limits:

Instrument	Country / Domicile	Counterparty	Maximum Counterparty Limits %/£M
Term Deposits	UK	DMADF, DMO	No limit
Term Deposits/Call Accounts	UK	Other UK Local Authorities	No limit
Term Deposits/Call Accounts	UK*	Counterparties rated at least A+ Long Term and F1 Short Term (or equivalent)	15% of Total Investments (currently £5M)
Term Deposits/Call Accounts	Non-UK*	Counterparties rated at least A+ Long Term and F1 Short Term (or equivalent) in select countries with a Sovereign Rating of at least AA+	£1M
Gilts	UK	DMO	No limit
T-Bills	UK	DMO	No limit
Bonds issued by multilateral development banks		(For example, European Investment Bank/Council of Europe, Inter American Development Bank)	25% in aggregate
AAA-rated Money Market Funds	UK/Ireland/Luxembourg domiciled	CNAV MMFs VNAV MMFs (where there is greater than 12 month history of a consistent £1 Net Asset Value)	15% of Total Investments and 5% of Fund Balance (currently £3.5M per fund)
Other MMFs and CIS	UK/Ireland/Luxembourg domiciled	Pooled funds which meet the definition of a Collective Investment Scheme per SI 2004 No 534 and subsequent amendments	£1M

Note that any existing deposits outside of the current criteria will be reinvested with the above criteria on maturity.

NB

Non-UK Banks - These should be restricted to a maximum exposure of 25-30% per country. This means that effectively all your authority's investments can be made with non-UK institutions should you wish, but it limits the risk of over-exposure to any one country.

Group Limits - For institutions within a banking group, a limit of 1.5 times the individual limit of a single bank within that group.

Individual banks and there associated limits are detailed below:

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit %/£M	Maximum Group Limit (if applicable) %/£M
Term Deposits/Call Accounts	UK	Santander UK Plc (Banco Santander Group)	£5M	
Term Deposits/Call Accounts	UK	Bank of Scotland (Lloyds Banking Group)	£5M	£7.5M
Term Deposits/Call Accounts	UK	Lloyds TSB (Lloyds Banking Group)	£5M	£7.5M
Term Deposits/Call Accounts	UK	Barclays Bank Plc	£5M	
Term Deposits/Call Accounts	UK	Clydesdale Bank (National Australia Bank Group)	£5M	
Term Deposits/Call Accounts	UK	HSBC Bank Plc	£5M	
Term Deposits/Call Accounts	UK	Nationwide Building Society	£5M	
Term Deposits/Call Accounts	UK	NatWest (RBS Group)	£5M	£7.5M
Term Deposits/Call Accounts	UK	Royal Bank of Scotland (RBS Group)	£5M	£7.5M
Term Deposits/Call Accounts	UK	Standard Chartered Bank	£5M	
Term Deposits/Call Accounts	Australia	Australia and NZ Banking Group	£1M	
Term Deposits/Call Accounts	Australia	Commonwealth Bank of Australia	£1M	
Term Deposits/Call Accounts	Australia	National Australia Bank Ltd (National Australia Bank Group)	£1M	
Term Deposits/Call Accounts	Australia	Westpac Banking Corp	£1M	
Term Deposits/Call Accounts	Canada	Bank of Montreal	£1M	
Term Deposits/Call Accounts	Canada	Bank of Nova Scotia	£1M	
Term Deposits/Call Accounts	Canada	Canadian Imperial Bank of Commerce	£1M	
Term Deposits/Call Accounts	Canada	Royal Bank of Canada	£1M	
Term Deposits/Call Accounts	Canada	Toronto-Dominion Bank	£1M	
Term Deposits/Call Accounts	Finland	Nordea Bank Finland	£1M	
Term Deposits/Call Accounts	France	BNP Paribas	£1M	

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit %/£M	Maximum Group Limit (if applicable) %/£M
Term Deposits/Call Accounts	France	Credit Agricole CIB (Credit Agricole Group)	£1M	
Term Deposits/Call Accounts	France	Credit Agricole SA (Credit Agricole Group)	£1M	
Term Deposits/Call Accounts	France	Société Générale	£1M	
Term Deposits/Call Accounts	Germany	Deutsche Bank AG	£1M	
Term Deposits/Call Accounts	Netherland s	ING Bank NV	£1M	
Term Deposits/Call Accounts	Netherland s	Rabobank	£1M	
Term Deposits/Call Accounts	Sweden	Svenska Handelsbanken	£1M	
Term Deposits/Call Accounts	Switzerlan d	Credit Suisse	£1M	
Term Deposits/Call Accounts	US	JP Morgan	£1M	

Note that this list could change if, for example, a counterparty/country is upgraded, and meets our other creditworthiness tools. Alternatively if a counterparty is downgraded, this list may be shortened.

Non-Specified Investments determined for use by the Council

Having considered the rationale and risk associated with Non-Specified Investments, the following have been determined for the Council's use

	In-House Use	Maximum Maturity	Max % of Portfolio	Capital Expenditure ?
<ul style="list-style-type: none"> ▪ Deposits with banks and building societies ▪ CDs with banks and building societies 	✓	2 Years	60% in aggregate	No
<ul style="list-style-type: none"> ▪ Gilts ▪ Bonds issued by multilateral development banks ▪ Bonds issued by financial institutions guaranteed by the UK government ▪ Sterling denominated bonds by non-UK sovereign governments 	✓ (on advice from treasury advisor)	25 Years	25% in aggregate	No
Money Market Funds and Collective Investment Schemes, which are not credit rated	✓ (on advice from treasury advisor)	These funds do not have a defined maturity date	10%	No
Government guaranteed bonds and debt instruments issued by corporate bodies	✓	10 Years	£5M	Yes

	In-House Use	Maximum Maturity	Max % of Portfolio	Capital Expenditure ?
Non-guaranteed bonds and debt instruments issued by corporate bodies	✓	10 Years	£5M	Yes
Pooled funds which are not capital expenditure investments as defined by regulations.	✓ (on advice from treasury advisor)		£5M	Yes

1. In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.
2. The use of the above instruments by the Council's fund manager(s) will be by reference to the fund guidelines contained in the agreement between the Council and the individual manager.

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The economic interest rate outlook provided by the Council's treasury advisor, Arlingclose Ltd, for December 2010 is detailed below. The Council will reappraise its strategy from time to time and, if needs be, realign it with evolving market conditions and expectations for future interest rates.

	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
Official Bank Rate											
Upside risk	-	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	0.50	0.50	0.50	0.75	1.00	1.25	1.50	2.00	2.50	2.75	2.75
Downside risk	-	-	-	- 0.25	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50
1-yr LIBID											
Upside risk	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	1.50	1.75	2.00	2.25	2.50	2.75	3.00	3.25	3.50	3.50	3.50
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50
5-yr gilt											
Upside risk	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	2.00	2.25	2.75	3.25	3.50	3.75	4.00	4.00	4.00	4.00	4.00
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25
10-yr gilt											
Upside risk	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50
Central case	3.50	3.75	3.75	4.00	4.25	4.50	4.75	4.75	4.75	4.75	4.75
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25
20-yr gilt											
Upside risk	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50
Central case	4.25	4.50	4.75	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25
50-yr gilt											
Upside risk	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	4.25	4.25	4.50	4.75	4.75	4.75	4.75	4.50	4.50	4.50	4.50
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25

- The recovery in growth is likely to be slow, uneven and more “Square root” than “V” shaped.
- The initial reaction to the CSR is positive but implementation risks remain.
- The path of base rates reflects the fragility of the recovery and the significantly greater fiscal tightening of the emergency budget. With growth and underlying inflation likely to remain subdued, the Bank will stick to its lower for longer stance on policy rates.
- Uncertainty surrounding Eurozone sovereign debt and the risk of contagion will remain a driver of global credit market sentiment.

Underlying assumptions:

- The framework and target announced in the Comprehensive Spending Review to reduce the budget deficit and government debt are the same as announced in June and focuses on how the cuts are to be distributed. The next big fiscal milestone will be the Office of Budget Responsibility's assessment of the CSR's implications for growth, employment and inflation.
- The minutes of the Monetary Policy Committee's meeting suggest a movement away from further Quantitative Easing. Despite Money supply being weak and growth prospects remaining subdued the MPC have

gravitated towards increasing rates in the New Year as global inflation continues to rise along with household inflation.

- Consumer Price Inflation is stubbornly above 3% and will likely spike above 4% in January as VAT, Utilities and Rail Fares are increased.
- Unemployment remains near a 16 year high at just over 2.5 Million and is set to increase as the Public Sector shrinks. Meanwhile employment is growing but this is due to part time work, leaving many with reduced income.
- Recently announced Basel III capital/liquidity rules and extended timescales are positive for banks. The restructuring of UK bank balance sheets is ongoing and expected to take a long time to complete. This will be a pre-condition for normalisation of credit conditions and bank lending.
- Mortgage repayment, a reduction in net consumer credit and weak consumer confidence are consistent with lower consumption and therefore future trend rate of growth despite Q3's fairly strong performance.
- The US Federal Reserve downgraded its outlook for US growth; the Fed is concerned enough to signal further QE through asset purchases might be required. Industrial production and growth in the Chinese economy are showing signs of slowing. Both have implications for the global economy.